



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS BENEFITS ADMINISTRATION

Contract Medical Exam  
Program Limitations Put  
Veterans at Risk for  
Inaccurate Claims Decisions

REVIEW

REPORT #21-01237-127

JUNE 8, 2022



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## Executive Summary

When veterans file claims for disability benefits, the Veterans Benefits Administration (VBA) may request medical exams of those veterans before making decisions on the claims. Results of medical exams are critical pieces of evidence in supporting veterans' claims for benefits, and the exams represent a significant investment by VBA. The exams help establish service connection and determine the severity of each veteran's disabilities related to military service.<sup>1</sup> The severity translates into a disability rating, which defines the monthly monetary benefit the veteran receives.

Either Veterans Health Administration examiners or those working under contract may complete the medical exams using VA-provided disability benefits questionnaires (exam reports).<sup>2</sup> Completed exam reports are added to the veteran's claims file, which VBA claims processors review before making a final decision on a veteran's claim. VBA's Medical Disability Examination Office (MDEO) manages the contract medical disability exam program and does quality reviews to determine whether vendors complied with contract requirements. VBA currently has 14 contracts with three vendors: Logistics Health Inc. (LHI), QTC Management Inc. (QTC), and Veterans Evaluation Services Inc. (VES).

Given the importance of medical exams to disability claims and the high cost of VA's contracts with exam vendors, the VA Office of Inspector General (OIG) set out to determine whether VBA

- oversaw contract medical disability exams to ensure they met quality standards and contractual requirements in support of disability claims decisions,
- established procedures for correcting errors found during quality reviews, and
- gave feedback to vendors to improve exam quality.

### What the Review Found

The OIG found that VBA governance of and accountability for the contract medical disability exam program need to improve. The deficiencies the OIG team identified stemmed from limitations with VBA's management and oversight of the program at the time of the review. The OIG further concluded that VBA's contract medical disability exam program was deficient because it did not hold vendors accountable for correcting errors and improving exam accuracy.

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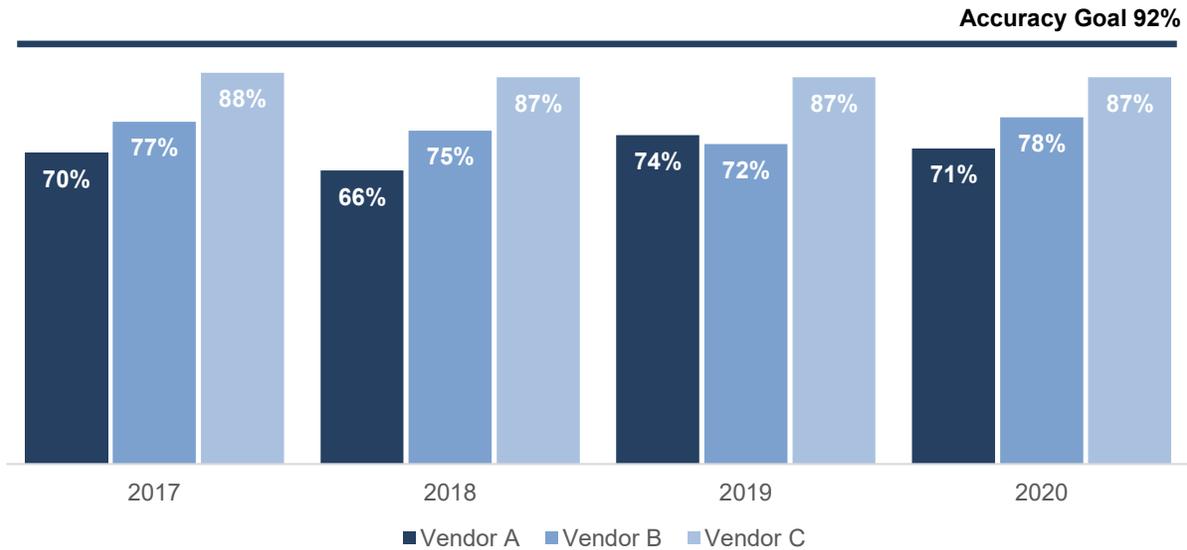
<sup>1</sup> Service-connected disabilities are those proven to be caused by diseases or injuries incurred or aggravated during active military service.

<sup>2</sup> VBA and its vendors also refer to exam reports as disability benefits questionnaires. VBA has specific disability benefits questionnaires to document disabilities for each body system.

As a result, VBA needs to make improvements to the program to help ensure vendors produce accurate exams to support correct decisions for veterans’ claims.

The OIG found that MDEO generally performed quality reviews correctly. The quality reviews evaluated whether exams were accurate, meaning that exams complied with contract requirements, such as whether examiners provided all elements of a medical opinion and a definitive diagnosis when needed.<sup>3</sup> These reviews are used to calculate an accuracy percentage for each vendor. The OIG team examined a statistical sample that consisted of 198 of 12,152 MDEO quality reviews completed from January 1 through December 31, 2020 (review period). The sample was equally divided into two categories, exams with contract compliance errors and exams with no identified errors. The OIG substantiated MDEO’s results, estimating that MDEO reached the correct conclusion on at least 95.1 percent of reviews completed in 2020.<sup>4</sup>

The OIG also found that all three vendors failed to consistently provide VBA with the accurate exams required by the contracts. As shown in summary figure 1, MDEO reported that all three vendors have been below the contract’s 92 percent accuracy requirement since at least 2017.



**Summary figure 1.** Vendor exam quality has consistently been below the 92 percent accuracy requirement.

Source: MDEO-provided data.

Note: This figure reflects aggregate accuracy rates for each vendor’s completed exam reports for calendar years 2017–2020. Numbers in the figure have been rounded.

<sup>3</sup> Appendix A contains contract requirements and the contract medical disability exam checklist.

<sup>4</sup> Appendixes B and C describe the review scope, methodology, and sampling methodology.

Although MDEO identified errors in its quality reviews, the OIG team determined that the errors identified were not shared with claims processors before or after they made their decisions. MDEO completed 12,152 quality reviews on vendor exams during the review period. Based on the results of this review, the OIG estimated the total number of exams with errors to be 2,700.<sup>5</sup> Of these exams, an estimated 2,000 had the potential to affect claims decisions. An estimated 690 of the 2,000 exams with these errors (potential to affect claims decisions) were not corrected before claims processors decided these claims. From these results, the OIG team estimated that errors were not corrected for about 35 percent of potentially insufficient exams before claims processors decided these claims.

Vendor exam accuracy has not improved, and exam errors have not been resolved for the following reasons:

- **Wording in exam contracts limited VBA's ability to hold vendors accountable.**
  - The contractual wording during the OIG's review period, which MDEO developed with the prior VA contracting officer, included specifics on how to apply monetary incentives to encourage continuous improvement by vendors. However, the contract wording was not as specific regarding the application of monetary disincentives. According to the contracts, vendor performance was measured in three categories: quality, timeliness, and veteran satisfaction.<sup>6</sup> The current VA contracting officer stated that vendors had to fail in all three categories before the VA contracting officer could act. Additionally, VBA could not accurately track vendors' timeliness in the system used to process claims, limiting its ability to measure performance. Without complete timeliness data, MDEO could not accurately and consistently demonstrate whether vendors met the criteria for an incentive or a disincentive. As a result, the VA contracting officer suspended the incentives and disincentives indefinitely.
  - The contracts did not require vendors to correct the errors that MDEO identified during quality reviews. MDEO managers stated that vendors do not need to make corrections because MDEO usually reviews exams after VBA has decided the claim. However, the OIG team determined vendors can correct errors at any time in the claims process, even if a decision has already been made, and claims processors can

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<sup>5</sup> A vendor quality error refers to a contractual compliance error.

<sup>6</sup> Exam accuracy is based on a pass-fail model, excluding questions 1 and 13 on the contract medical disability exam checklist. A contractor's quarterly compliance score is the percent of compliant exams. For example, if 250 exams are reviewed for Contractor A and 200 exams are found to have no errors (i.e., to be fully compliant), Contractor A's compliance score is 80 percent (200 compliant/250 total reviewed = 0.80). MDEO calculates timeliness by measuring the number of days from when the exam is requested from the vendor to the date VA receives the completed exam. Veteran satisfaction is measured by feedback provided by veterans in response to their exam experience.

review a decision in light of revisions or new evidence—which could change the previous decision.

- **MDEO has not consistently shared errors or used available information to improve quality.**
  - Although MDEO can notify the Office of Field Operations when an egregious error requires correction, MDEO managers and employees acknowledged that MDEO did not share routine errors with regional office staff. The deputy under secretary for the Office of Field Operations stated that MDEO should share the errors it identifies with regional offices. The MDEO deputy executive director stated that MDEO has plans to start sharing information with the Office of Field Operations.
  - MDEO did not use the findings of VBA’s Systematic Technical Accuracy Review (STAR) errors related to contract medical disability exam deficiencies and exam clarification requests from claims processors, who also identify issues with contract medical disability exams. These data could help MDEO identify recurring trends, areas for improvement, and general oversight. By not analyzing any exam data beyond its own, MDEO may be missing recurring vendor exam issues identified by STAR and the claims processors that it could share with vendors to aid resolution and improve quality.

VA has spent nearly \$6.8 billion on contract exams since the contracts were awarded in fiscal year 2017. Some of the exams produced by vendors have not met contractual accuracy requirements, and all three vendors have consistently been below the 92 percent accuracy requirement. As a result, claims processors may have used inaccurate or insufficient medical evidence to decide veterans’ claims. Therefore, it is vital for VBA to make improvements to the governance of the contract exam program and accountability for it.

## **What the OIG Recommended**

The OIG made four recommendations to the acting under secretary for benefits, including assessing and modifying contracts and any renewals to ensure that vendors can be held accountable for unsatisfactory performance and establishing procedures for vendors to correct errors that MDEO identifies. The OIG also recommended implementing procedures requiring MDEO to communicate vendor exam errors to the Office of Field Operations and the regional offices and demonstrate progress in correcting the identified errors, as well as analyzing all available error data to identify and inform vendors of systemic errors and trends.

## **VA Comments and OIG Response**

The acting under secretary for benefits concurred in principle with recommendations 1 and 2 and provided actions taken to address them. Although VBA asked that recommendations 1 and 2 be

closed, the OIG will continue to assess VBA's monitoring of the actions taken on the contracts and will close the recommendations when satisfied that sufficient progress has been made. The acting under secretary concurred with recommendations 3 and 4 and provided an action plan to address both. VBA also provided general comments and two technical comments on this report. The full text of the general comments from the acting under secretary for benefits, technical comments, actions taken, and action plans appears in appendix D.

The actions taken by VBA on the vendor contracts were responsive to recommendations 1 and 2; however, the recommendations will remain open. The OIG will continue to assess VBA's monitoring of the actions taken on the contracts and progress made on the issues identified. The acting under secretary's planned corrective actions were responsive to recommendations 3 and 4. Regarding the general comments from the acting under secretary for benefits, the OIG provided responses on pages 18 and 19. As to VBA's two technical comments, the OIG addressed them in footnotes to the narrative of this report on pages 9 and 15.



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## Abbreviations

LHI	Logistics Health Inc.
MDE	medical disability examination
MDEO	Medical Disability Examination Office
OIG	Office of Inspector General
QTC	Quality, Timeliness, Customer Service Management Inc.
STAR	Systematic Technical Accuracy Review
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System
VES	Veterans Evaluation Services Inc.



## Introduction

The mission of the Veterans Benefits Administration (VBA) “is to provide benefits and services to veterans, their families and survivors in a responsive, timely, and compassionate manner in recognition of their service to the nation.”<sup>7</sup> To establish service connection and evaluate a veteran’s established service-related injury or illness for possible disability compensation benefits, VBA may require a medical exam.<sup>8</sup> The exam results are critical evidence for determining the severity of the injury or illness, reflected in the disability rating which defines the monthly monetary benefit the veteran receives.

These exams represent a significant investment for VBA. To perform the exams that support VA’s disability claims process, VBA currently has 14 contracts with three vendors: Logistics Health Inc. (LHI), QTC Management Inc. (QTC), and Veterans Evaluation Services Inc. (VES). These vendors schedule, conduct, and document the exams.<sup>9</sup> Each exam can cost between \$116 and \$765, depending on the type required; cost increases if the veteran needs multiple exams.

VBA’s contracts with vendors require them to complete an exam and document the results in the appropriate standardized exam report.<sup>10</sup> Vendors then send the completed exam report to VBA claims processors, who review the exams and determine the veteran’s disability rating. Because the exam report is so essential to the process, the report must be accurate and include enough detail to determine the severity of a diagnosed disability. For example, a report on a knee exam requires range-of-motion measurements. If the claims processor must ask the exam vendor to correct or resolve inconsistencies in the report or provide missing information, that will delay the claim decision and result in inefficient use of the claims processor’s time.

The VA Office of Inspector General (OIG) reviewed VBA’s contract medical disability exam quality process because of its importance to disability claims made by veterans and the significant financial investment VBA has made in vendor contracts. The objective of the review was to determine whether VBA oversaw the contract medical disability exams to ensure they met

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<sup>7</sup> US Department of Veterans Affairs, 2020 Functional Organizational Manual, September 1, 2020.

<sup>8</sup> Service-connected disabilities are those proven to be caused by diseases or injuries incurred or aggravated during active military service.

<sup>9</sup> Contract medical disability exams are divided among four US geographic regions: Region 1 (Northeast), Region 2 (Southeast), Region 3 (Midwest), and Region 4 (Pacific). There are also two districts: District 6 includes military bases in the continental United States, Hawaii, Alaska, and Puerto Rico. District 7 (outside the continental United States) includes American Samoa, Australia, Canada, Costa Rica, Germany, Guam, the Inuit Islands, Italy, Japan, Mexico, Panama, South Korea, Spain, Thailand, and the United Kingdom. LHI has four contracts—one in each of the four regions. QTC has five contracts—one in each of the four regions and District 6. VES has five contracts—one in each of the four regions and District 7.

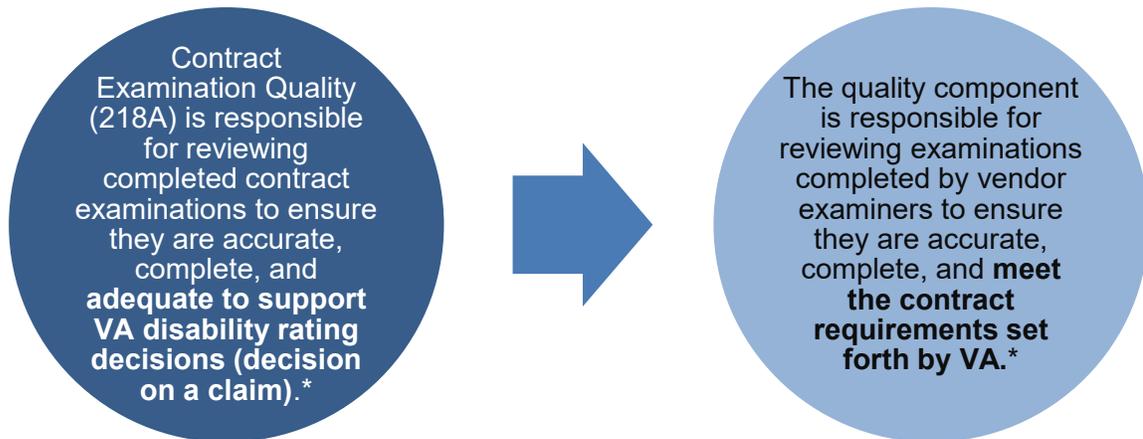
<sup>10</sup> VBA and its vendors also refer to exam reports as disability benefits questionnaires. VBA has specific disability benefits questionnaires to document disabilities for each body system.

quality standards and contractual requirements in support of disability claims decisions, established procedures for correcting errors found during quality reviews, and gave feedback to vendors to improve exam quality.

## Medical Disability Examination Office

The Medical Disability Examination Office (MDEO) administers VBA’s contract medical disability exam program. MDEO’s mission is to ensure that veterans receive prompt, high-quality medical exams. To accomplish this mission, two of the four MDEO components—Acquisitions and Budget, and Medical Disability Examination Quality—are responsible for overseeing vendor performance and contract medical disability exam quality, respectively. The Acquisitions and Budget component enforces the technical terms of the contract (such as coordinating contract modifications and monitoring the mandatory funding of exams). Acquisitions and Budget does not perform routine quality reviews. The Medical Disability Examination Quality component conducts contract medical disability exam quality reviews of vendors’ completed exams to ensure they meet contract requirements.

In March 2021, after the review period, MDEO changed its mission statement for the component responsible for overseeing quality as shown in figure 1.



**Figure 1.** Change in the Medical Disability Exam Quality component’s mission statement.

Source: VA intranet, January 19 and March 10, 2021.

\*Emphasis added in bold type.

## Contract Requirements

The following are key contract requirements during the OIG’s review period that are applicable to this report:

- **Quality requirement.** The expected level of performance by the vendors is to meet 92 percent accuracy based on quality reviews conducted by MDEO.

- **Incentives/disincentives.** The vendor may qualify for monetary incentives/disincentives based on performance in three categories (quality, timeliness, and veteran satisfaction).
- **Corrections.** The vendor is required to correct exams identified as insufficient by VA but not specifically required to correct individual errors that MDEO identifies in its quality reviews.

For additional details on contract requirements, see appendix A.

## Quality Reviews

The MDEO quality component, Medical Disability Examination Quality, conducts medical disability exam quality reviews to determine each vendor’s level of accuracy. During these reviews, quality analysts assess a random sample of the vendor’s exam reports. For each report in the sample, an analyst completes a quality review checklist that includes questions such as, “Was the correct exam worksheet(s) completed for the condition(s) at issue?”<sup>11</sup> Quality analysts also review the exam report for each item on the checklist to ensure the report meets all contractual requirements.<sup>12</sup> For example, a quality analyst needs to confirm that the report provides all required medical history for the condition(s) at issue. If the quality analyst answers “no” to any of the questions on the checklist, the exam report is considered “completed in error.” MDEO provides vendors with monthly and quarterly performance reports explaining the quality accuracy percentage based on the reviews.

According to internal documents, MDEO’s quality component interacts with vendors monthly to share quality review findings, discuss trends, and address concerns and training issues.<sup>13</sup> It also completes special-focused reviews on high-profile or emerging topics, such as a specific exam type or medical provider, to assess and provide additional feedback on vendors’ work.

On October 1, 2020, MDEO, which was formerly part of the Compensation Service, was made into its own business line focused on medical disability examinations. This was due in part to MDEO providing more exams to a wider array of veterans, which increased the volume of contracted exams. The growth of the workload contributed to the need for a stand-alone business line instead of being under Compensation Service.

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<sup>11</sup> “Medical Disability Examination Quality—DBQ Audit Criteria,” accessed September 30, 2021, <https://vbaw.vba.va.gov/bl/21/Exams/docs/Quality%20Audit%20Criteria.docx>. (This is an internal VA website not publicly accessible.)

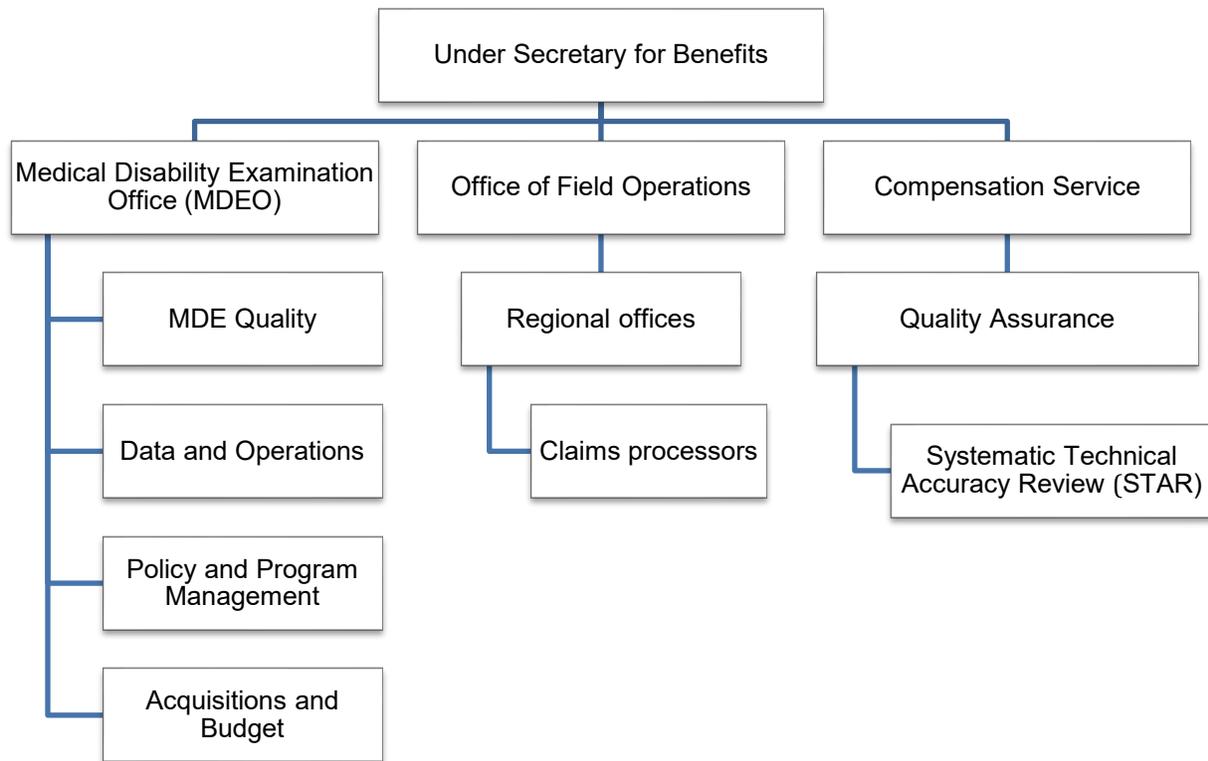
<sup>12</sup> See contract medical disability exam checklist in appendix A.

<sup>13</sup> Vendors are responsible for locating and subcontracting with qualified examiners to conduct exams in response to exam requests received from VA. Vendors “shall also train all examiners, staff support, and subcontractors who have routine contact with veterans.” MDEO Contract Region 4 November 20, 2018.

## Office of Field Operations and Compensation Service

Two other VBA offices also support the exam process (figure 2). The Office of Field Operations monitors and tracks VBA regional offices’ delivery of benefits and services to veterans. As part of this mission, it oversees the claims processors located at VBA regional offices who input the requests for exams, determine exam sufficiency, and prepare the decisions on claims.

The Compensation Service is responsible for developing and implementing policies and procedures related to the administration of VA disability compensation programs. It also trains and issues directives to VBA claims processors to ensure timely and accurate decisions on disability claims. Additionally, the Compensation Service’s Systematic Technical Accuracy Review (STAR) program measures the accuracy of compensation claims for all regional offices nationwide. STAR’s quality review uses a random sample from claims completed the previous month.



**Figure 2.** VBA offices involved with the exam process during the review period.

Source: VA OIG analysis of documents related to VBA’s organizational chart.

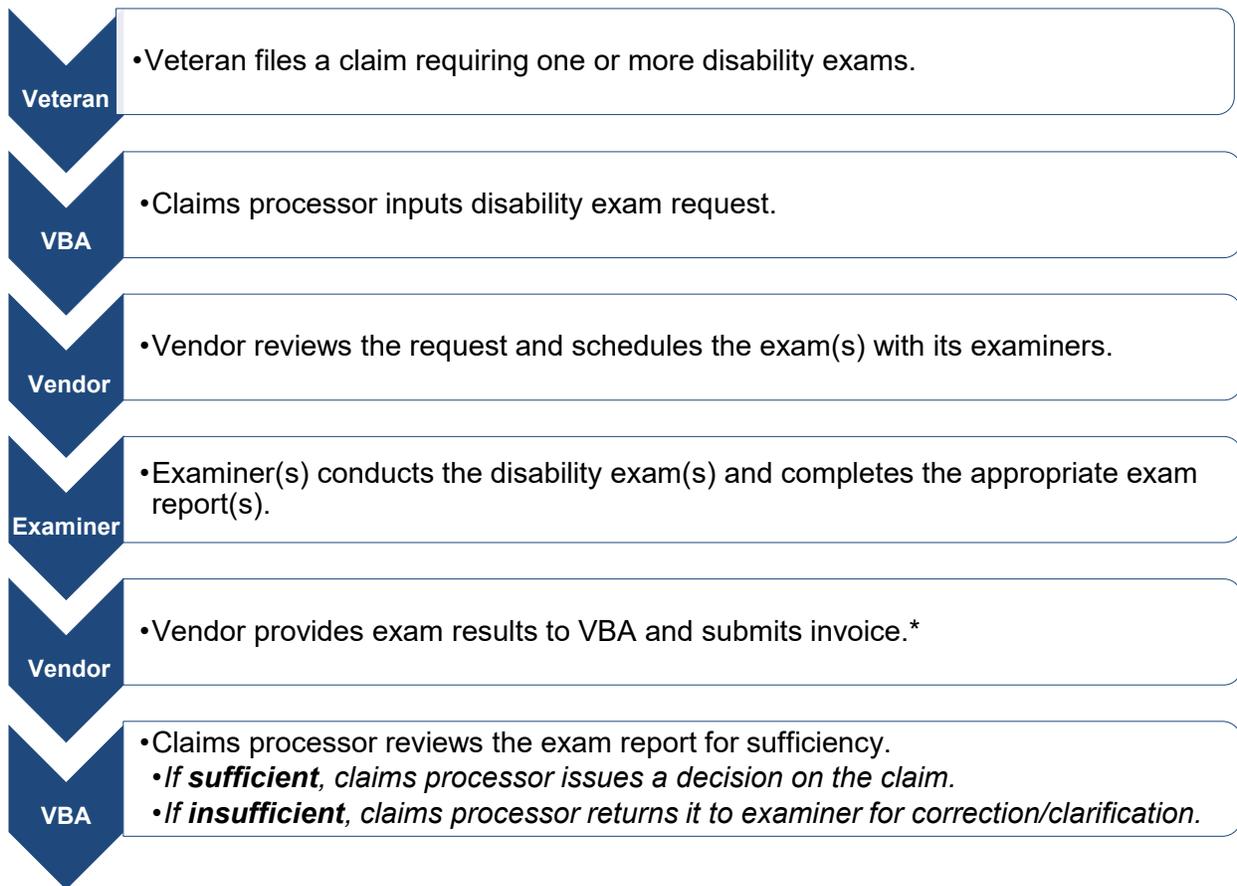
## VA’s Office of Procurement, Acquisition and Logistics

Under the Office of Procurement, Acquisition and Logistics, VA’s Strategic Acquisition Center developed and awarded VBA’s medical disability exam contracts. This office, through a VA

contracting officer, provides direct contracting support to VA’s organizations. The Strategic Acquisition Center analyzes procurement data and ensures awarded contracts meet acquisition program goals and objectives.

## Disability Exam and Claims Processes

The process starts with the veteran filing a claim (figure 3). VBA claims processors then request an exam, if needed, and the request is routed to a Veterans Health Administration medical facility or to one of the three vendors, depending on availability and the veteran’s home address. The vendor schedules the exam with one of its examiners and provides completed exam reports to VBA. VBA claims processors then make the decision on the veteran’s claim. MDEO quality reviews can be conducted at any time after the vendor provides the exam results to VBA and submits an invoice.



**Figure 3.** Overview of VBA’s contract disability exam process.

Source: VA OIG analysis of documents related to VBA’s contract disability exam process.

\* Vendors invoice VBA on a lagging monthly basis—that is, vendors submit an exam invoice to VBA the month after the exam is completed.

## Results and Recommendations

### Finding: VBA's Governance of and Accountability for the Contract Medical Disability Exam Program Need Improvement

MDEO's quality component examines contract medical disability exam documentation for accuracy as set forth in the pertinent contracts. Staff look to see whether contract medical disability examiners provided all elements to support a medical opinion and a definitive diagnosis, when required. These quality reviews are used to calculate an accuracy percentage for each vendor. MDEO reported that all three vendors have been below the contract's 92 percent accuracy requirement since at least 2017.

The deficiencies the OIG team identified appear to have persisted, at least in part, because of limitations with VBA management and oversight of the VBA's contract medical disability exam program at the time of the review. The team's finding is supported by the following determinations:

- **MDEO proficiently performed quality reviews of contract medical disability exams**, but more could have been done to address the identified weaknesses and errors.
- **Vendor exams did not consistently meet all accuracy criteria** or the overall VBA requirement.
- **VBA did not hold vendors accountable.** Vendor performance, according to the contracts, was measured in three categories: quality, timeliness, and veteran satisfaction. The contractual wording during the OIG's review period, which MDEO developed with the prior VA contracting officer, included specifics on how to apply the monetary incentives. The contract wording was not specific regarding the application of monetary disincentives. However, according to the current VA contracting officer, vendors would have to fail in all three categories before the VA contracting officer could act.
- **MDEO did not sufficiently share or use available information.** Specifically, MDEO did not communicate exam errors to the Office of Field Operations and regional offices that could correct them. Additionally, MDEO did not use all readily available data to identify systemic issues with contract medical disability exams. This includes available data from STAR and claims processors, which could provide MDEO with additional insight into recurring errors, areas for improvement, and gaps in general oversight.

Although VA reported spending nearly \$6.8 billion since the contracts began in fiscal year 2017, some of the exams produced by vendors have not met contractual accuracy requirements. All three vendors have consistently been below the 92 percent accuracy requirement. As a result, VBA claims processors may have made decisions on veterans' claims based on inaccurate or

insufficient information. Therefore, it is vital for VBA to make improvements to the governance of the contract exam program and accountability for it.

## What the OIG Did

To address the objectives of this review, the OIG team examined VBA's actions and decisions associated with the contract medical disability exam program. The team examined MDEO's quality reviews to determine the adequacy of the review process as well as policies and procedures for MDEO's Medical Disability Exam Quality component. The team also reviewed a sample of 198 of 12,152 MDEO quality reviews of the three VBA vendors (LHI, QTC, and VES) completed from January 1 through December 31, 2020 (review period). In addition, the team interviewed managers and employees from MDEO, the Compensation Service, and the Office of Field Operations, as well as the VA contracting officer associated with the contract medical disability exam program. For more on the OIG's scope and methodology, including sampling for projections, see appendixes B and C.

## MDEO Proficiently Performed Quality Reviews

Each month, MDEO reviews random samples of vendors' exams for compliance with contract quality standards. These quality reviews identify instances when the vendor has not complied with contract quality requirements. To assess the exams' accuracy, analysts use MDEO's quality review checklist of 13 questions, such as whether (1) examiners provided all elements of the requested medical opinion and (2) examiners provided either a definitive diagnosis or an explanation if they did not provide a definitive diagnosis.<sup>14</sup> Refer to appendix A for contract quality terms. According to a third-party evaluation, MDEO compiles these quality reviews into monthly and quarterly performance reports to assess the vendors' performance and determine whether they are meeting the contractual 92 percent accuracy requirement.<sup>15</sup>

Of the OIG's statistical sample of 198 MDEO quality reviews completed during the review period, the OIG team examined 99 quality reviews in which MDEO found errors and 99 quality reviews with no MDEO-identified errors. The team validated 192 of the 198 MDEO findings. As a result, the OIG team estimated that MDEO reached accurate conclusions in at least 95.1 percent of the 12,152 reviews it completed in 2020. Given MDEO's high accuracy rate, the OIG made no recommendation regarding MDEO's quality reviews.

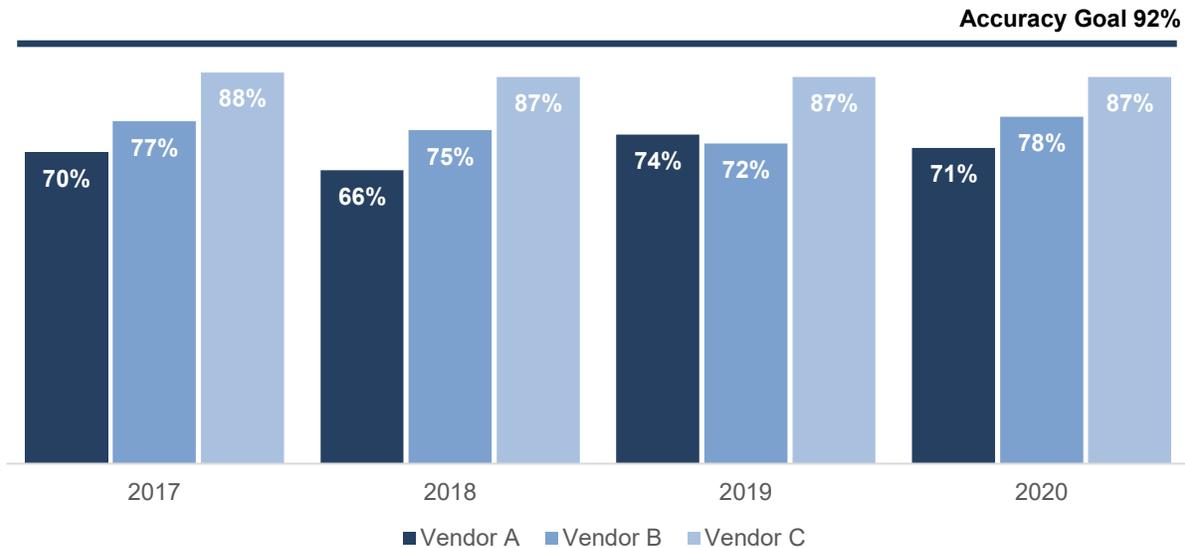
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<sup>14</sup> MDEO, "Quality Error Standard," Standard Operating Procedure, April 2018. Exam accuracy is based on a pass-fail model, excluding questions 1 and 13 on the contract medical disability exam checklist.

<sup>15</sup> MITRE, *Veterans Benefits Administration Quality Assurance Programs Evaluation*, 2019. A contractor's quarterly compliance score is the percent of compliant exams. For example, if 250 exams are reviewed for Contractor A and 200 exams are found to have no errors (i.e., to be fully compliant), Contractor A's compliance score is 80 percent (200 Compliant/250 Total Reviewed = 0.80).

## Vendor Exams Did Not Consistently Meet Accuracy Criteria

While the OIG team concluded that MDEO proficiently identified errors in exam reports, the OIG also found that VBA did not compel vendors to improve accuracy. All three vendors failed to consistently provide VBA with the accurate exams required by the contracts. The contracts state that the government “will measure the quality of the vendor’s performance in completing examination requests.” Accordingly, the contracts state that every quarter, MDEO will review vendors’ exam reports for accuracy; accuracy less than 92 percent is considered “unsatisfactory performance.”<sup>16</sup> MDEO reported that all three vendors were consistently below the 92 percent requirement and have been since at least 2017 (figure 4).



**Figure 4.** Vendor exam quality has consistently been below the 92 percent accuracy requirement.

Source: MDEO-provided data.

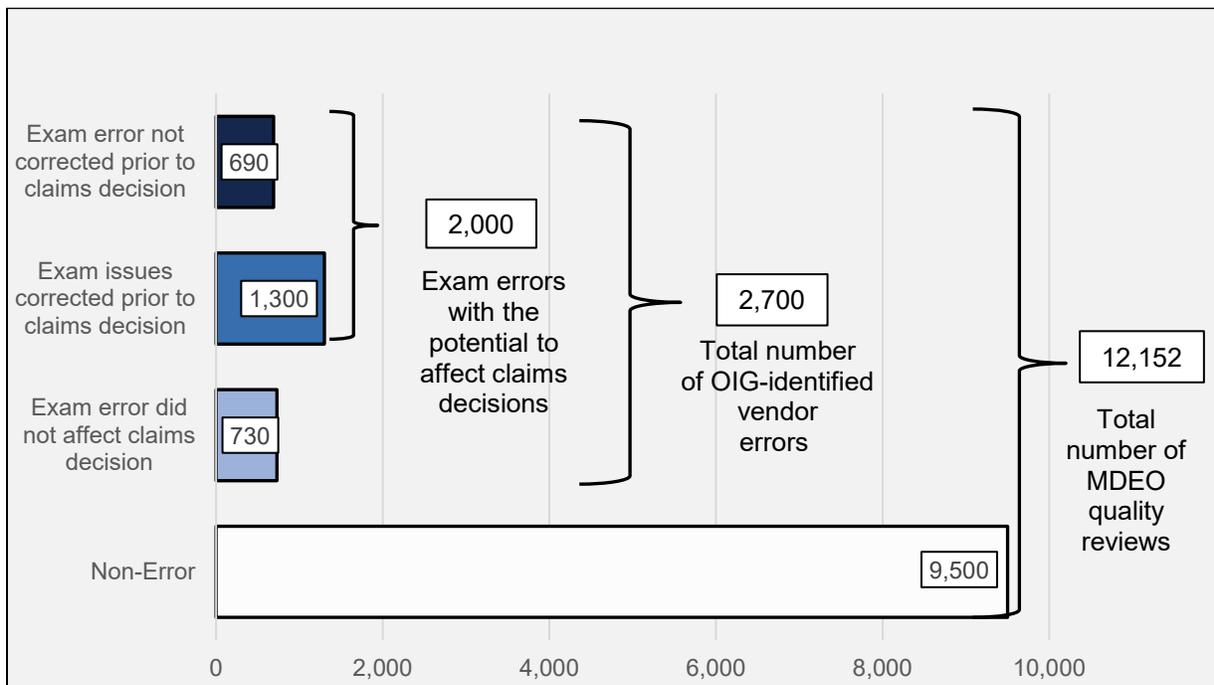
Note: This figure reflects aggregate accuracy rates for each vendor’s completed exam reports for calendar years 2017–2020. Numbers in the figure have been rounded.

Even though vendors did not meet the 92 percent contract quality requirement, MDEO did not use the monetary incentives/disincentives part of the contract. Despite not meeting the requirement, vendors were providing the quality of service they were being paid for, according to the assistant director of Medical Disability Examination Quality. She further stated that there were some errors with contract compliance that were only discrepancies that would not affect a

<sup>16</sup> MDEO worked with a third-party contractor that did an analysis of the quality program and recommended a different method to measure vendor quality. The recommended method would put the MDEO vendor quality process more in line with industry standards and with the methodology used by the Compensation Service for claims quality.

claims processor’s decision, but they [vendors] still “have room for improvement.” The assistant director also stated claims processors have become “very good at adapting to an imperfect product.”<sup>17</sup> However, VBA officials contracted with these vendors for nearly \$6.8 billion to provide an accurate exam. Therefore, it is the OIG’s determination that vendors must meet VBA’s contractual requirements, rather than expect VBA to adapt to an imperfect product.

Additionally, the OIG team determined that even though MDEO identified errors in its quality reviews, these errors were not corrected before or after claims processors made their decisions. MDEO completed 12,152 quality reviews on vendor exams during the review period. The OIG estimated that there were 2,700 exams with vendor errors, of which approximately 2,000 had the potential to affect claims decisions.<sup>18</sup> Further, the OIG team estimated 690 of these 2,000 exams (about 35 percent) were reviewed but not corrected before claims processors decided these claims (figure 5).



**Figure 5.** Tiered projections of MDEO errors.

Source: OIG statistical projections.

\*Note: All estimates in the report have been rounded.

MDEO’s quality reviews can be a valuable resource to improve vendor exam quality and, consequently, the accuracy of claims processors’ decisions. The errors MDEO identifies in its

<sup>17</sup> In the response to this report, VBA provided a technical comment stating that the assistant director’s reference to claims processors’ ability to adapt to an imperfect product was to the requirement for them to consider the entire body of evidence to render a decision. The OIG team’s interview with the assistant director did not support that clarification. Details on VBA’s technical comment are on page 19 and in appendix D.

<sup>18</sup> A vendor quality error refers to a quality error identified by MDEO in the quality review.

quality reviews should be corrected. The following three sections discuss why vendor exam accuracy has not improved and exam errors have not been resolved.

## **VBA Did Not Use Monetary Disincentives to Hold Vendors Accountable**

The OIG team found that vendors were not improving their exam accuracy in part because the contract terms limited the government from penalizing them for unsatisfactory performance. Although MDEO reported that vendors had not met their contractual 92 percent accuracy requirement, the contracts' wording at the time of the OIG review was not specific regarding the application of monetary disincentives. Additionally, the VA contracting officer suspended the use of monetary incentives and disincentives due to complications in tracking timeliness data and sampling methods.

### **Contractual Wording Restricts the Ability to Apply Disincentives**

According to the contracts, vendors may receive monetary incentives or disincentives based on their quarterly performance in three categories: quality, timeliness, and veteran satisfaction.<sup>19</sup> If a vendor exceeded the expected performance standard for all three criteria, the VA contracting officer could apply a monetary incentive for that quarter.<sup>20</sup> If the vendor failed to meet the criteria, the VA contracting officer could apply a monetary disincentive.<sup>21</sup>

The contractual wording during the OIG's review, which MDEO developed with the prior VA contracting officer, detailed how to apply the monetary incentives to encourage continuous improvement by vendors. However, the contract wording was not specific regarding the application of monetary disincentives. According to the current VA contracting officer, vendors had to fail in all three categories before the VA contracting officer could act.<sup>22</sup> For example, if the vendor met the performance criteria for veteran satisfaction but was lacking in accuracy and timeliness, the vendor could not be penalized. According to the VA contracting officer, the contract language was too subjective to calculate disincentive amounts and needed to be changed. Furthermore, the VA contracting officer stated vendors never were awarded an incentive or penalized for poor performance.

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<sup>19</sup> As previously noted, exam accuracy is based on a pass-fail model, excluding questions 1 and 13 on the contract medical disability exam checklist. A contractor's quarterly compliance score is the percent of compliant exams. For example, if 250 exams are reviewed for Contractor A and 200 exams are found to have no errors (i.e., to be fully compliant), Contractor A's compliance score is 80 percent (200 Compliant/250 Total Reviewed = 0.80). MDEO calculates timeliness by measuring the number of days from when the exam is requested from the vendor to the date VA receives the completed exam. Veteran satisfaction is measured by feedback provided by veterans in response to their exam experience.

<sup>20</sup> According to the contracts, the incentive is a percentage of the measured quarter's total invoiced amount.

<sup>21</sup> A disincentive deducts money as a penalty for failing to meet the standard performance criteria.

<sup>22</sup> See appendix A section on incentives.

MDEO and the VA contracting officer share responsibility for ensuring contract language does not prevent the VA contracting officer from easily applying incentives and disincentives. The deputy executive director of MDEO stated that she was talking with the VA contracting officer and the vendors about how to modify contracts to apply incentives and disincentives more readily. VBA was restricted by limitations in the contracts. Contracts for Regions 1 through 4 were awarded in 2018 and set to expire in 2028.<sup>23</sup> Contracts for Districts 6 and 7 were extended in April 2021 until new contracts could be executed.

## **VA Contracting Officer Suspended a Primary Method for Holding Vendors Accountable**

In November 2019, the current VA contracting officer paused incentives and disincentives until January 31, 2020, for two reasons. First, the Veterans Benefits Management System (VBMS), which electronically manages claims processing, could not accurately track timeliness, a capability needed to evaluate performance. For example, if a veteran asked to reschedule an exam, VBMS could not account for this scenario when calculating timeliness. The assistant director of MDEO's data and operations confirmed that the system was unable to track timeliness of the exam in a scenario like this. Without complete timeliness data, MDEO could not accurately and consistently demonstrate whether vendors met the timeliness criteria for an incentive or a disincentive.

Second, a vendor voiced concerns that MDEO was not reviewing all types of exams in its sample as required by the contracts. The assistant director of medical disability exam quality confirmed the vendor was correct because MDEO does not review general medical exams, including separation health assessments and individual medical opinions. An internal standard operating procedure for MDEO's quality sample exclusion states the volume of general medical exams, including separation health assessments and individual medical opinions, overwhelms the random sample. In February 2020, the VA contracting officer suspended the incentives and disincentives indefinitely, in part because of these concerns.

The deputy executive director of MDEO stated in August 2021 that the timeliness issue had been resolved and that the office had contracted with a third party to validate timeliness. Furthermore, to address the vendor's concerns regarding sampling, MDEO was working to ensure its sample sets are random. While MDEO was taking steps to resolve individual issues, the VA contracting officer continued the indefinite suspension of incentives and disincentives.

Due to the contractual wording and suspension of incentives and disincentives, MDEO and the VA contracting officer did not have a primary method to enforce incentives and disincentives for the improvement of quality of disability exams. MDEO should have taken action to enforce contract performance requirements. Because it did not, the vendors' accuracy has not improved.

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<sup>23</sup> One contract in Region 4 was awarded February 1, 2021, and set to expire January 31, 2022.

Recommendation 1 addresses VBA’s need to assess and modify contracts and any renewals to ensure that vendors can be held accountable for unsatisfactory performance by applying monetary disincentives.

## **Vendors Were Not Contractually Required to Correct MDEO-Identified Errors**

During the review period, the contracts did not require vendors to correct individual errors identified by MDEO in its contractual quality reviews. MDEO communicates the results of these reviews to vendors in phone calls, but this communication is limited as these calls follow a script to ensure consistency and accuracy. Based on the limited communication with scripted quality calls and no requirement to correct vendor exam errors, the OIG team determined MDEO did not have a sufficient process to ensure improvement in vendor accuracy.

While the OIG believes a requirement for vendors to correct identified errors would be beneficial, MDEO did not feel this would necessarily be productive since MDEO typically conducts quality reviews after vendors conduct exams and submit invoices. According to MDEO managers, this means that a claims processor often has already reviewed the claim and made a decision based on that exam, so correction is not necessary even if an error has been identified. However, as shown in example 1, the OIG team found that claims processors can make decisions after MDEO’s quality review.

### ***Example 1***

*MDEO completed a quality review on August 4, 2020. This review found that in the medical opinion, the examiner indicated PTSD was not related to military service but provided a rationale that PTSD was related to military service. Hence, MDEO identified this contradiction as an error.<sup>24</sup> As of February 14, 2022, claims processors had not requested a clarification on the exam, and a decision had not been made on the claim.*

Further, the OIG believes that even if a claims processor has already made a decision, the vendor should still be required to correct identified errors because claims processors can review a decision in light of revisions or new evidence—which could change the previous decision. In fact, STAR, another VBA quality program, reviews claims processing accuracy after the claim decision has been made, and if STAR identifies an error made by a claims processor, the claims processor still must fix this error. If MDEO functioned similarly, vendors would be held accountable to address errors regardless of the timing of MDEO’s review. Example 2 demonstrates that a decision can be corrected by the claims processor after MDEO identifies an error and the vendor provides a corrected exam.

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<sup>24</sup> The OIG team reviewed the claim and concurred with MDEO’s identified error on April 20, 2021.

## **Example 2**

*MDEO completed a quality review on September 29, 2020. It found that an examiner had completed an exam on August 12, 2020, using only the available medical records, without contacting the veteran or obtaining the medical information needed to provide a current level of disability. The claims processor continued the 0 percent evaluation for tension headaches on August 20, 2020, based on the insufficient exam. The OIG concurred with MDEO's finding of an error and notified the Office of Field Operations. A new exam was requested on September 7, 2021. On September 28, 2021, the claims processor increased the evaluation for tension headaches from 0 percent to 30 percent based on the new exam.*

Since vendors were not required to fix errors that MDEO identifies, claims processors were receiving and basing decisions on potentially inaccurate exams. Consequently, veterans may have received inaccurate decisions and not gotten the benefits to which they were entitled. Recommendation 2 is for VBA to assess and modify contracts and any renewals to ensure procedures are established for vendors to correct all errors MDEO identifies.

## **MDEO Has Not Consistently Shared Errors or Used Available Information**

MDEO did not communicate exam errors to the Office of Field Operations and regional offices in order to resolve them, nor did MDEO use all readily available data to identify systemic issues with contract medical disability exams.

### **MDEO Did Not Communicate Exam Errors to the Office of Field Operations and Regional Offices for Resolution**

Although the contracts did not require vendors to correct errors identified by MDEO, they required vendors to correct the exams that regional offices return for clarification. The OIG determined it is crucial that MDEO relay the errors it identifies to the Office of Field Operations and the regional offices it oversees. By adding this extra layer of accountability, VBA can ensure more errors are corrected before decisions are issued to veterans. For instance, if MDEO had shared exam errors with the Office of Field Operations and regional offices, claims processors in regional offices could have initiated a review of the exam reports to determine the appropriate action and potentially reduced the time needed for clarification, which MDEO reported delayed veterans' decisions by an average of 19 days.<sup>25</sup>

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<sup>25</sup> MDEO reported exam clarification from regional offices took an average of 18.9 days to complete during the review period.

MDEO procedures indicate that if MDEO staff determine that an error requires a correction, such as when there has been an egregious or a clear and unmistakable error in deciding the claim, MDEO staff *can* notify the Office of Field Operations.<sup>26</sup> MDEO's deputy executive director agreed that all exam errors *should* be sent to the regional offices.

However, MDEO managers and employees acknowledged that MDEO does not share routine errors with the regional offices. As previously stated, MDEO managers said in most cases, claims processors have already reviewed the exams and sharing these errors was therefore not necessary. However, the deputy under secretary for the Office of Field Operations noted that claims that have already been decided can be reevaluated using corrected information. By sharing its findings with the Office of Field Operations and regional offices, MDEO can help ensure that claims processors have all the necessary information to ensure exam quality and accurate claims decisions. VBA relies on claims processors to review the veteran's entire record and determine whether exams provide adequate support for deciding claims, but if claims processors do not know about errors in exams, they may issue decisions based partly on insufficient information.

In addition to the two examples below, the OIG found 24 more exam errors that were not communicated to the Office of Field Operations and regional offices. The OIG team determined that MDEO correctly identified the errors, but the electronic claims folder for these veterans showed that the errors were not communicated to the regional office and that the claims processors made a decision on these claims without seeking clarification. Regional offices determined that for four of the 26 exam errors, no additional action was required. Of the remaining 22 exam errors, 11 decisions led to the veteran not receiving the benefit sought.

### **Example 3**

*A veteran claimed service connection for a neck condition. However, the claims processor requested a medical opinion as to whether the neck condition was secondary to another condition. The examiner indicated in the exam report that the neck condition was not due to the other condition and that the veteran had no neck injuries during active duty. However, this determination conflicted with the veteran's service treatment records, which documented an exam for neck strain on September 22, 1978. VBA's procedures manual states that an examination is insufficient when a medical opinion is not properly supported by a valid rationale, evidence of record, or both.<sup>27</sup> While MDEO determined that the evidence of record did not support the examiner's rationale, because MDEO did not communicate its findings, the regional office did not identify this in its claims*

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<sup>26</sup> 38 C.F.R. § 3.105. A clear and unmistakable error is one on which reasonable minds could not differ, and it is absolutely clear that a different result would have occurred.

<sup>27</sup> VA Manual 21 1, part 3, sub. 4, chap. 3, sec. d, topic 3.a, "Insufficient Examination Reports," February 19, 2019.

*review and send the exam report back for clarification before the claims processor decided the claim.*

#### **Example 4**

*A veteran's claim with the Board of Veterans' Appeals for the right knee was sent back to the regional office for an exam.<sup>28</sup> The examiner indicated on one part of the exam report that the veteran had instability in the right knee but indicated on another portion that he did not. VBA's procedures manual says claims processors must seek clarification when an exam has a discrepancy.<sup>29</sup> Although MDEO correctly identified this issue as an error, it did not communicate its finding to the regional office. The claims processor decided the claim without obtaining clarification from the examiner.*

The OIG communicated to the Office of Field Operations the 26 exam errors that potentially affected exam quality because the accuracy of the exam was in question. The Office of Field Operations reviewed the exam errors and determined 22 of the 26 required corrective action by the regional offices. The regional offices took corrective action by requesting exam clarifications in 19 instances. After receiving the new exams, the regional office rendered new decisions (as in example 2).

Current and former MDEO employees told the OIG team that MDEO managers discouraged them from directly relaying exam issues to the regional office claims processors. An employee reported sending out messages to the field when issues were found with the exams, but said that practice was stopped by management.<sup>30</sup> The deputy under secretary for the Office of Field Operations stated that MDEO should share the errors it identifies with regional offices, since claims processors need to know what exam errors they are missing. Further, this information could be used to provide additional training. The MDEO deputy executive director stated there is ongoing communication with the Office of Field Operations, and MDEO planned to start sharing quality review information with the Office of Field Operations. Recommendation 3 focuses on implementing procedures requiring MDEO to communicate exam errors to the Office of Field Operations and the regional offices and demonstrate progress in correcting the identified errors.

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<sup>28</sup> A veteran may appeal any or all issues in a decision by a local VA office or VA medical center.

<sup>29</sup> VA Manual 21-1, part 3, sub. 4, chap. 3, sec. d, topic 3.c, "Clarification of Examination Reports," February 19, 2019.

<sup>30</sup> In response to this report, VBA provided additional context that "as the MDE program matured, management put procedures in place to refer issues to the Office of Field Operations. With those procedures in place, it was no longer appropriate for analysts to make direct contact with regional offices." Details on VBA's technical comment are on pages 19–20 and in appendix D.

## **MDEO Did Not Analyze All Readily Available Data to Identify Systemic Exam Issues**

MDEO could take further steps to identify frequently made contract medical disability exam errors (trends) to drive improvement in the quality of vendors' reports. MDEO, STAR, and claims processors all identify issues with contract medical disability exams and produce data relating to these deficiencies. These data sources could provide MDEO with supplementary information to identify trends and areas for improvement. However, the OIG team found that even though MDEO conducts quality reviews of exams completed by vendors, the office has not analyzed all relevant data to identify systemic issues. For example, MDEO could analyze exams that claims processors have sent back to vendors for clarification or correction. MDEO also could analyze STAR errors related to contract medical disability exam deficiencies.

While MDEO analyzes its own quality review data, the deputy executive director of MDEO acknowledged that MDEO does not analyze any other exam data to identify error trends. The Office of Field Operations and the Compensation Service leaders stated that MDEO should analyze and use these data to identify exam issues. The deputy executive director agreed that MDEO should be responsible for analyzing the data but also stated that MDEO does not have adequate staff to perform systemic error identification. However, MDEO has a designated data and analysis team whose mission is "to process, analyze, and report on data in support of [MDEO]. The team tracks key metrics and trends that support MDEO program decision-making and vendor oversight." By not analyzing any exam data beyond its own, MDEO may be missing recurring vendor exam issues identified by STAR and the claims examiners that it could share with vendors to aid resolution and improve quality. Recommendation 4 requires MDEO to implement procedures to analyze all available error data and provide systemic exam issues and error trends to vendors.

## **Conclusion**

Exams are a critical piece of evidence used in deciding veterans' disability claims and the benefit amounts veterans receive. Although VA spent nearly \$6.8 billion on its contract medical disability exam program, in some cases vendors have not consistently produced exams that meet contractual accuracy requirements. Furthermore, contract language hinders the program's ability to hold vendors accountable for correcting errors and improving exam accuracy. As a result, VBA needs to make improvements to the program to help ensure vendors produce accurate exams to support correct decisions for veterans' claims.

## **Recommendations 1–4**

The OIG made four recommendations to the acting under secretary for benefits:

1. Assess and modify contracts and any renewals to ensure that vendors can be held accountable for unsatisfactory performance by applying monetary disincentives.
2. Assess and modify contracts and any renewals to ensure procedures are established for vendors to correct errors identified by the Medical Disability Examination Office.
3. Implement procedures requiring the Medical Disability Examination Office to communicate exam errors to the Office of Field Operations and the regional offices and demonstrate progress in correcting the identified errors.
4. Implement procedures requiring the Medical Disability Examination Office to analyze all available error data and provide systemic exam issues and error trends to vendors.

## VA Management Comments

The acting under secretary for benefits concurred in principle with recommendations 1 and 2, provided information on actions taken—in particular, executing new contracts—and requested closure of the recommendations. The acting under secretary concurred with recommendations 3 and 4 and provided an action plan to address each recommendation. The actions taken and proposed by VBA are detailed in appendix D. VBA's responses to the recommendations follow:

- **Recommendation 1.** On October 1, 2021, VBA executed new contracts that hold vendors accountable for unsatisfactory performance through application of monetary disincentives, referred to as negative incentives. A negative incentive is assessed on a quarterly basis if the contracts' combined timeliness and production performance requirement levels are not met. VBA considers this recommendation fully implemented and requests closure.
- **Recommendation 2.** VBA executed contracts that include established procedures for vendors to correct errors identified by MDEO. The contractor must take corrective action when examination deficiencies are identified and provide the corrective action to VBA upon receipt of the request. VBA considers this recommendation fully implemented and requests closure.
- **Recommendation 3.** VBA initiated development of procedures that refer disability benefits questionnaire errors from MDEO to the Office of Field Operations for review. The target completion date for these procedures is April 30, 2022.
- **Recommendation 4.** MDEO will work with Compensation Service to identify a process to receive error trend data that is a result of incorrect exams. MDEO will also develop a procedure for obtaining and assessing rework data. MDEO will analyze both data sets to

identify systemic exam issues and communicate those error trends to vendors. The planned actions are proposed to be completed by April 30, 2022.

The acting under secretary for benefits also provided general comments and two technical comments on this report, which the OIG addressed below and throughout the report. These VBA comments are also found in full in appendix D.<sup>31</sup>

## OIG Response

VBA's actions taken on the vendor contracts were responsive to recommendations 1 and 2. Although VBA asked that recommendations 1 and 2 be closed, the OIG will continue to assess VBA's monitoring of the actions taken on the contracts and will close the recommendations when satisfied that sufficient progress has been made. The corrective action plans for recommendations 3 and 4 are responsive to the intent of the recommendations, and the OIG will monitor VBA's implementation of the planned actions.

VBA's general comments focused on MDEO's management and oversight of the contract exam program, and on actions taken after the period of this review. The OIG offers the following responses to three of the under secretary's general comments:

- **VBA general comment:** "Because this OIG report is based on an earlier snapshot in time, it does not address subsequent actions taken by the program office to assess and correct performance issues. MDEO has modified the MDE contracts, to include updates on quality determination and the application of incentives and disincentives."

**OIG response:** The OIG review period was January 1 through December 31, 2020. In the response to this report, VBA provided a copy of the revised performance work statement, dated September 9, 2021. The OIG recognizes the improvements initiated by VBA after and in response to the team starting this review. The actions taken by VBA corroborate the MDEO program limitations identified by the OIG in this review.

- **VBA general comment:** "It is important to note that incentives and disincentives are not the primary method for encouraging vendor improvement. MDEO holds weekly performance discussions with all vendors to address concerns related to pending inventory, timeliness, special issues, quality, and customer service concerns. Vendors are provided with monthly and quarterly feedback regarding their performance on all performance standards."

**OIG response:** The OIG recognizes there are several ways to encourage vendor improvement and determined that monetary incentives and disincentives are primary

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<sup>31</sup> VBA technical comments on the report in appendix D are not numbered, but the OIG refers to them as comments 1 and 2, which is the order in which they are presented in appendix D.

methods, which were established under the contract. VBA's response provided other actions carried out by MDEO, such as weekly performance discussions with vendors. However, as detailed in this report, all three vendors have been below the contract's accuracy requirement since at least 2017. Therefore, the OIG concludes that VBA needs to use all available methods to facilitate improvements. Further, by executing major contract modifications on October 1, 2021, to address ambiguity that affected the ability to implement incentives and negative incentives, MDEO confirmed the importance of those options.

- **VBA general comment:** "All vendors are required to participate in VBA's rework process and address noted deficiencies. The claims process requires a Rating Veterans Service Representative (RVSR) to conduct a thorough review of the claim. During the review, the RVSR has the responsibility and authority to determine if re-examination is warranted, or if it is necessary to return the [exam report] for rework prior to adjudicating the claim. Rework may include corrections or clarification to data provided on the [exam report]. The claims decision is based on the totality of evidence in the claims folder, to include completed disability examinations. The RVSR has the authority to return the [exam report] to the vendor, or any other documentation if deemed insufficient. A request for vendor action comes from the claims processors in the regional office rather than MDEO via a rework Examination Scheduling Request (ESR). MDEO monitors the percentage of rework compared to overall exam requests."

**OIG response:** The OIG determined the current rework process that requires the claims processors to review and determine if reexamination is warranted is not sufficient. Errors identified by MDEO during quality reviews were sometimes missed by claims processors who issued decisions based on insufficient or incomplete exams. Vendors should be required to review and correct errors identified by MDEO during its monthly quality reviews. Further, during the review period, the contracts did not contain the necessary language to require vendors to correct individual errors MDEO identifies in its quality reviews.

As to VBA's two technical comments, the OIG addressed them in footnotes to the narrative of this report, as follows.

For **comment 1**, VBA provided clarification about a statement the assistant director of Medical Disability Examination Quality made during an interview with the OIG. When discussing the accuracy of claims decisions and vendors not meeting quality expectations, the assistant director stated claims processors have become "very good at adapting to an imperfect product." VBA clarified the assistant director's reference to the ability to adapt was referring to the requirement for claims processors to consider the entire body of evidence to render a decision. The OIG added a footnote to the report on page 9 regarding VBA's technical comment and clarification.

For **comment 2**, VBA provided additional context about a point raised by an MDEO employee during an interview with the OIG. The employee reported sending out messages to the field about issues found with exams but said that practice was stopped by management. VBA provided additional information that “as the MDE program matured, management put procedures in place to refer issues to the Office of Field Operations. With those procedures in place, it was no longer appropriate for analysts to make direct contact with regional offices.” The OIG added a footnote on page 15 regarding VBA’s technical comment and clarification.

## **Appendix A: Contract Requirements during the OIG Review Period**

### **CORRECTION OF INADEQUATE EXAMINATION REPORTS**

#### **10.6 Correction of Inadequate Examination Reports in CAATS and VBMS:**

10.6.1 CAATS Inadequate and Insufficient: An Inadequate exam is defined as a medical examination worksheet and/or DBQ [disability benefits questionnaire] submitted with incomplete and/or missing information from the required fields or contains inaccurate medical information, even if the VARO does not require clarification to reach a disability rating decision. An Insufficient exam is defined as a medical examination worksheet and/or DBQ which despite being complete with all fields being addressed and containing accurate medical information, requires clarification for the VARO purpose of reaching a disability rating decision. The Contractor shall return corrected inadequate examination reports and requests for clarification on insufficient examination reports to VA within 8 calendar days without additional charge to VA. The only exception will be for charges incurred due to additional tests authorized by VA. Inadequate or Insufficient examination reports returned for clarification, correction, or completion will be amended and returned without additional charge. Inadequate examinations will have 50% of the billing deducted.

10.6.2 For requests submitted through CAATS, VA will send a CAATS file transfer to the Contractor indicating that the examination report is either insufficient or inadequate and include the specifics on the reason for return.

10.6.3 For requests submitted through VBMS, VA will send a DAS file transfer to the Contractor for an exam clarification request. In the narrative section there will be parsed narrative text for each contention, as needed, including indication of insufficient or inadequate status and the reason for return.

10.6.4 Rework requests to include Correction of Insufficient Examination Reports and Requests for Clarification in VBMS: Rework requests are completed exam results that VA has determined are unclear or inconsistent and need additional information. Rework requests can be insufficient examination reports or requests for clarification. Insufficient examination reports are those missing requested information needed to rate the claim. A clarification request is limited to examination reports containing all information necessary to rate a claim, but where information contained therein is conflicting in interpretation. Clarification requests do not result in the Veteran returning for an additional examination. The Contractor shall return corrected rework requests for insufficient examination reports to VA within 8 calendar days without additional charge to VA. The Contractor shall return corrected rework requests for clarification to VA within 8 calendar days without additional charge to VA. The only exception will be for charges incurred due to additional tests authorized by VA.

10.6.5 VA will send an Exam Rework Request package through DAS file transfer to the Contractor for an exam rework request. It will be in the same file format as an Exam Scheduling Request except it will contain both the data and narrative from the previous Exam Scheduling request and the narrative concerning whether it is an exam rework for clarification or insufficiency and why for each contention data package.

**EXAMINATION REQUIREMENTS:**

10.16 Examination Quality: The Government will measure the quality of the vendor's performance in completing examination requests. The Government will evaluate the quality of performance by reviewing a statistically valid sample at the 95 percent confidence level with a 5 percent margin of error. The evaluation of quality will be completed on a quarterly basis. The worksheet or DBQ evaluation will include a review of the following:

- a. All questions listed on the worksheet(s) shall be addressed and answered as indicated per the worksheet instructions;
- b. The correct worksheet(s) were utilized in completing the examination;
- c. The appropriate tests, procedures, laboratory work, and x-rays, as indicated on the worksheet(s), were utilized in completing the examination;
- d. The DBQ is medically appropriate and with the diagnosis consistent with clinical findings/medical history; and
- e. All examination reports satisfy the credential and signature requirements found in Section 10.12 (Examiner Credentials and Signature).

Furthermore, if "No" is answered for any question 2 through 12, the DBQ will be considered completed in error. VBA's quality review process assesses accuracy based on contractual requirements, and does not assess sufficiency for rating purposes.

PERFORMANCE REQUIREMENT SUMMARY (PRS)

12.0

Areas	Unsatisfactory Performance	Expected Standard of Performance	Exceptional Performance
<p>The Government will evaluate the quality of performance by reviewing a statistically valid sample at the 95 percent confidence level with a 5 percent margin of error. The evaluation of quality will be completed on a quarterly basis. The worksheet or DBQ evaluation will include a review of the following:</p> <ul style="list-style-type: none"> <li>i. All questions listed on the worksheet(s) shall be addressed and answered as indicated per the worksheet instructions;</li> <li>ii. The correct worksheet(s) were utilized in completing the examination;</li> <li>iii. The appropriate tests, procedures, laboratory work, and x-rays, as indicated on the worksheet(s), were utilized in completing the examination;</li> <li>iv. The DBQ is medically appropriate, with the diagnosis consistent with clinical findings/medical history; and</li> <li>v. All examination reports satisfy the credential and signature requirements found in Section 10.12 (Examiner Credentials and Signature).</li> </ul>	<p>For the first 3 months following ramp-up period less than 82%; For the second 3 months less than 87%; After 6 months less than 92%</p>	<p>For the first 3 months following the ramp-up period 82%; For the second 3 months 87%; After 6 months 92%</p>	<p>For the first three months following the ramp-up period 84% or greater; For the second 3 months 89% or greater; After 6 months 94% or greater</p>

## INCENTIVES

12.4 Monetary Incentive: A monetary incentive is included with this contract. The intent of the incentive is to encourage continuous improvement, over the life of the contract, beyond the minimum Expected Standard of Performance listed in the PRS. Eligibility to receive the monetary incentive is based on the Contractor's performance in accordance with the criteria listed within the PRS. Performance will be measured on a quarterly basis throughout the life of the contract and the Contractor(s) are eligible, quarterly, to receive the monetary incentive based performance during the previous quarter.

12.5 A Contractor may qualify for the monetary incentive if, in a single measured quarter for each Region serviced by the Contractor, the Contractor (1) meets or exceeds the Exceptional Performance Standard for Timeliness, (2) meets or exceeds the Expected Standard of Performance for Quality and (3) meets or exceeds the Expected Standard of Performance for Customer Satisfaction Survey. The incentive earned is a percentage of the measured quarter's total invoiced amount for the particular region.

CONTRACT MEDICAL DISABILITY EXAM CHECKLIST

<b>Contract Exam Audit Criteria</b>	
1	<p><b>The results of this question are not provided to the contract vendors. This is an internal audit question only.</b></p> <p>Was the exam request adequate?</p> <p><input type="radio"/> Yes <input type="radio"/> No</p>
2	<p>Was the correct DBQ worksheet(s) completed for the condition(s) at issue?</p> <p><input type="radio"/> Yes <input type="radio"/> No</p>
3	<p>If required, does the report indicate a c-file (e-file) review was completed?</p> <p><i>Note: If c-file review not required, mark n/a.</i></p> <p><input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</p>
4	<p>For each condition at issue, was a definitive diagnosis provided? If not, was a sufficient explanation provided?</p> <p><input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</p>
5	<p><b>DBQ-Specific</b></p> <p>Does the DBQ report provide all required medical history for the condition(s) at issue?</p> <p><input type="radio"/> Yes <input type="radio"/> No</p>
6	<p><b>DBQ-Specific</b></p> <p>Does the DBQ report provide and sufficiently address clinical exam findings for the condition(s) at issue?</p> <p><input type="radio"/> Yes <input type="radio"/> No</p>
7	<p><b>DBQ-Specific</b></p> <p>Were the results of all required lab/diagnostic tests included in the report and the significance explained, or does the report indicate the tests are not medically indicated and why?</p> <p><i>Note: If no testing required or requested, mark n/a.</i></p> <p><input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</p>
8	<p>Does the DBQ report describe the impact of the condition(s) on the Veteran's functional status/ability to work?</p> <p><i>Note: If there is no diagnosed condition due to normal exam findings, mark n/a.</i></p> <p><input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> N/A</p>

<b>Contract Exam Audit Criteria</b>	
9	<p>Excluding the diagnosis (es), were inconsistencies, contradictions and discrepancies resolved?  <i>Note: If none existed, mark n/a.</i></p> <p><input type="radio"/> Yes   <input type="radio"/> No   <input type="radio"/> N/A</p>
10	<p>Excluding medical opinions, were all issues requested by the regional office in the remarks section of the exam request sufficiently addressed?  <i>Note: If none requested, mark n/a.</i></p> <p><input type="radio"/> Yes   <input type="radio"/> No   <input type="radio"/> N/A</p>
11	<p>If requested, were all required elements of the medical opinion provided?  <i>Note: If none requested, mark n/a.</i></p> <p><input type="radio"/> Yes   <input type="radio"/> No   <input type="radio"/> N/A</p>
12	<p>Does the report include the examiner's specialty and credentials? If so, do the credentials satisfy the authentication requirements?</p> <p><input type="radio"/> Yes   <input type="radio"/> No</p>
13	<p>If applicable, does the DBQ report meet exam-specific contractual requirements?  <i>Note: If no exam-specific contractual requirements, mark n/a.</i></p> <p><input type="radio"/> Yes   <input type="radio"/> No   <input type="radio"/> N/A</p> <p><b>This question is for informational purposes and will not be included in the quality score calculation.</b></p>

## Appendix B: Scope and Methodology

### Scope

The OIG review team conducted its work from February 2021 through March 2022. The review population included all VBA's contract medical disability exam quality reviews from January 1 through December 31, 2020 (review period). The team chose this period to be certain that MDEO employees had had enough time to complete their quality review process. The data were received from VBA and validated by the OIG.

### Methodology

To accomplish the review objectives, the review team identified and reviewed applicable regulatory requirements, documentation, and actions related to MDEO. The team interviewed and obtained information on the program from managers and employees from VBA's MDEO, the Compensation Service, and the Office of Field Operations, as well as the VA contracting officer associated with the contract medical disability exam program.

In coordination with OIG statisticians, the team reviewed a stratified random sample of 198 quality reviews separated into two strata. The team discussed the findings with VBA officials and included their comments where appropriate.

Appendix C provides more details on the statistical sampling methodology.

### Internal Controls

The review team assessed VBA's internal controls significant to the objective. This included an assessment of the five standard internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.<sup>32</sup> In addition, the team assessed the principles of those internal control components. The review team identified internal control deficiencies with four components and 12 principles as significant to the objective.<sup>33</sup> The team identified internal control weaknesses during this review and proposed recommendations to address the following deficiencies:

- Component 2: Risk Assessment
  - Principle 6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.

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<sup>32</sup> GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

<sup>33</sup> Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies during the review period.

- Principle 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
- Principle 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- Principle 9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.
- Component 3: Control Activities
  - Principle 10: Management should design control activities to achieve objectives and respond to risks
  - Principle 11: Management should design the entity's information system and related control activities to achieve objectives and respond to risks
  - Principle 12: Management should implement control activities through policies
- Component 4: Information and Communications
  - Principle 13. Management should use quality information to achieve the entity's objectives.
  - Principle 14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
  - Principle 15. Management should externally communicate the necessary quality information to achieve the entity's objectives.
- Component 5: Monitoring
  - Principle 16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
  - Principle 17. Management should remediate identified internal controls deficiencies on a timely basis.

## **Fraud Assessment**

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by

- completing the fraud indicators and assessment checklist,
- soliciting OIG's Office of Investigations for indicators, and
- reviewing OIG's hotline for reports of fraud in the review area.

OIG did not identify any instances of fraud or potential fraud during this audit.

### **Data Reliability**

The OIG team reviewed computer-processed data from MDEO. Although no detailed testing was done, the OIG determined the data to be sufficiently reliable for the purpose of this review and report. This was based on detailed discussions with VBA, including demonstrations by VBA of the Medical Contract Exam Quality system. Through these steps, the team determined that VBA's data, in the form of the number of completed contract medical disability exam quality reviews included in this report, were reliable.

### **Government Standards**

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix C: Statistical Sampling Methodology

### Approach

To accomplish the objective, the OIG team reviewed a statistical sample of contract medical disability exam quality reviews between January 1 and December 31, 2020. The team used statistical sampling to quantify the extent of contract medical disability exam quality reviews to determine whether MDEO's reviews were contractually accurate, whether exams were sufficient for rating purposes, and whether the regional offices took proper action on insufficient exams.

### Population

The review population included 12,370 quality reviews pulled and examined by the Medical Disability Exam Quality component for the review period. These reviews included exams completed by LHI, QTC, and VES.

The contract for a fourth vendor, VetFed Resources Inc., was terminated during OIG's review period, so OIG did not include VetFed in the review. After excluding quality reviews on exams that VetFed conducted, the team found the population to be 12,152 quality reviews.

### Sampling Design

To monitor quality, MDEO samples vendor exams each month. Following a review of exam documentation, MDEO classifies each exam into one of two result categories: error and non-error. To assess MDEO's process, OIG requested records for all 12,370 exams that MDEO reviewed during 2020. These records were grouped by vendor and result category for sampling purposes. Of these exams, 12,152 were conducted by three vendors (LHI, QTC, and VES) with the remaining 218 exams conducted by a fourth vendor—VetFed. Because VetFed no longer conducts exams for VBA, its exams were removed from OIG's sampling frame. Having assembled a sampling frame, the OIG randomly selected 33 exams from each contractor for errors and non-errors in stratum 1 and stratum 2 (198 exams total).

The OIG team determined 842 (about 7 percent of the MDEO sample) exams were incorrectly allotted to error categories that were in fact without an error. The OIG replaced these incorrectly classified quality reviews with other quality reviews that involved actual errors. For purposes of a design-based analysis, the last three involved 842 non-error exams and had a sample size of zero. Based on this situation, OIG decided to conservatively assume that none of the quality reviews in these last three strata involved errors. Hence, all estimates of errors in the population and in the MDEO sample are either unbiased (if MDEO correctly classified all of these 842 exams as non-errors) or conservatively biased low (if MDEO incorrectly classified one or more of these 842 exams as non-errors). The nine strata in the population are shown in table C.1.

**Table C.1. Strata in the Population**

Stratum	Result category	Vendor	Classification error	Quality reviews in MDEO sample	Quality reviews in OIG subsample
1	Non-Error	LHI	No	2193	33
2	Non-Error	QTC	No	3871	33
3	Non-Error	VES	No	2687	33
4	Error	LHI	No	933	33
5	Error	QTC	No	1212	33
6	Error	VES	No	414	33
7	Non-Error	LHI	Yes	225	225*
8	Non-Error	QTC	Yes	432	432*
9	Non-Error	VES	Yes	185	185*

*\*Although no quality reviews were examined from these strata, the OIG conservatively assumed that none of the quality reviews involved errors. This assumption is equivalent to having sampled all exams from these strata and having found that none of them involved errors.*

## Weights

The estimates in this report were calculated using weighted sample data. Samples were weighted to represent the population from which they were drawn. The team used the weights to compute estimates. For example, the team calculated the error rate point estimates by summing the sampling weights for all sample records that contained the error, then dividing that value by the sum of the weights for all sample records.

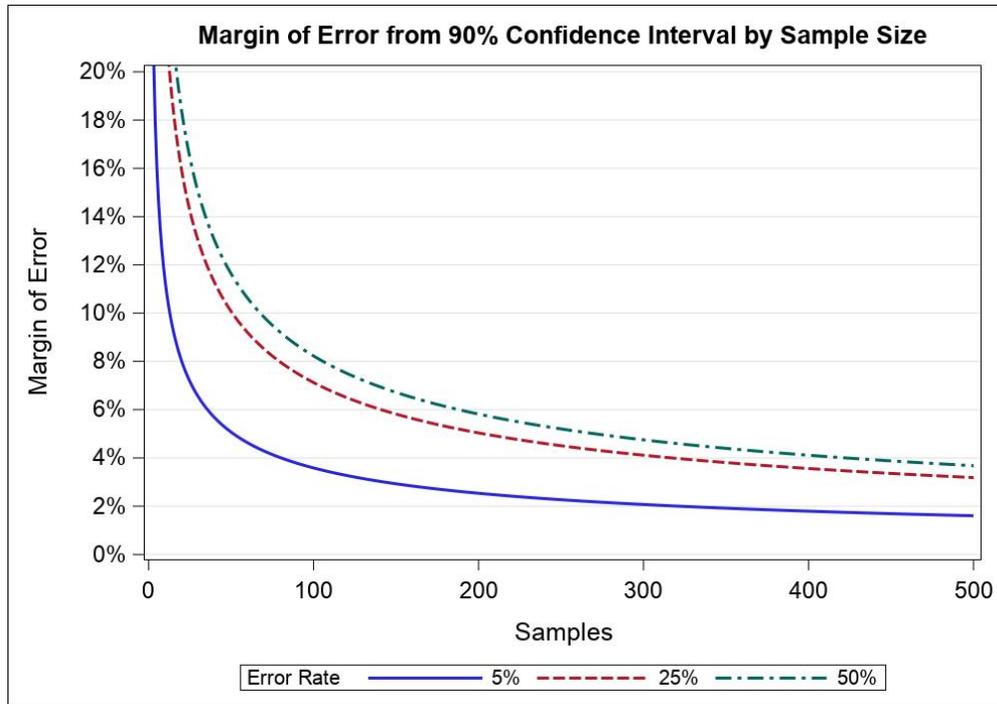
## Projections and Margins of Error

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the OIG repeated this audit with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.

Figure C.1 shows the effect of progressively larger sample sizes on the margin of error.



**Figure C.1.** Effect of sample size on margin of error.  
 Source: VA OIG statistician’s analysis.

Of the 99 sampled quality reviews in the error strata, OIG identified four quality reviews that either involved no error or involved errors but not all the errors that MDEO had claimed. Of the 99 sampled quality reviews in the non-error strata, OIG identified two exams that in fact involved errors. That is, six of the 198 reviewed exams were evaluated incorrectly. When accounting for sample weights and assuming zero errors in strata 7 through 9, OIG estimated that MDEO correctly evaluated at least 95.1 percent (90 percent confidence) of all exams it reviewed in 2020. This projection was based on a Clopper-Pearson interval around the estimated error rate. Statistical results are presented in table C.2.

**Table C.2. Accuracy of Contract Medical Disability Exam Quality Reviews\***

Result	Count from sample	Projection	90 percent confidence interval lower limit	90 percent confidence interval upper limit	90 percent confidence one sided interval lower limit
OIG concurrence with MDEO quality reviews	192	97.62%	94.39%	99.25%	95.11%

\*Projections in this table pertain to the 12,152 MDEO quality reviews and 2,559 errors identified by MDEO.

Having assessed MDEO’s evaluations, OIG categorized each exam involving error by type:

- (1) Quality reviews with exam errors that did not have the potential to affect claims decisions
- (2) Quality reviews with exam errors that had the potential to affect claims decisions but that were corrected prior to the claims decisions
- (3) Quality reviews with exam errors that had the potential to affect claims decisions and that were not corrected prior to the claims decisions

For statistical projections, OIG then consolidated these three nonoverlapping groups into a hierarchy of three possible types of error:

- (1) All exams with vendor quality errors (categories 1 through 3 from above)
- (2) All exams with errors that have a potential to affect claims decisions (categories 1 and 2 from above)
- (3) All exam errors that were not corrected prior to claims decisions (category 3 from above)

Next, OIG statistically estimated the number of exams in these hierarchical categories in each of the strata. The sum of these values is the estimated number of exams with each type of error in the MDEO sample. OIG additionally estimated the number of exams in each category as a percentage of the number of exams in the previous category. For example, the number of errors with potential to affect claims decisions was estimated as a percentage of the number of all vendor quality errors. OIG estimated the variance of these estimates using appropriate methods for complex sampling, as required. Wilson confidence interval bounds on the error rate for each category were used to project the number of exams in error. Estimation results are shown in table C.3.

**Table C.3. Frequency of Error Types in Exams Reviewed by MDEO\***

Result	Count from sample	Projection	Margin of error based on 90 percent confidence interval	90 percent confidence interval lower limit	90 percent confidence interval upper limit
1. Exams with vendor quality errors	99	2678 (22.04%)	257 (2.11%)	2430 (20.00%)	2943 (24.22%)
2. Exam errors with potential to affect	69	1,952 (72.91%)	289 (8.09%)	1681 (64.07%)	2259 (80.25%)

Result	Count from sample	Projection	Margin of error based on 90 percent confidence interval	90 percent confidence interval lower limit	90 percent confidence interval upper limit
claims decisions					
3. Exam errors not corrected prior to claims decision	26	692 (35.48%)	211 (10.20%)	511 (25.94%)	933 (46.33%)

*\*Projections in this table pertain to the 12,152 MDEO quality reviews and 2,559 errors identified by MDEO.*

## Appendix D: VA Management Comments

### Department of Veterans Affairs Memorandum

Date: April 19, 2022

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – VBA Contract Medical Exam Program Limitations Put Veterans at Risk for Inaccurate Claims Decisions [Project No. 2021-01237-AE-0050] — [VIEWS 07059389]

To: Assistant Inspector General for Audits and Evaluations (52)

Attached is VBA's response to the OIG Draft Report: VBA Contract Medical Exam Program Limitations Put Veterans at Risk for Inaccurate Claims Decisions.

*The OIG removed point of contact information prior to publication.*

Thomas J. Murphy  
Director, Northeast District, Veterans Benefits Administration,  
Performing the Delegable Duties of the Under Secretary for Benefits

Attachments

**Veterans Benefits Administration (VBA)  
Comments on OIG Draft Report  
Review of the Veterans Benefits Administration  
Contract Exam Adequacy**

**VBA provides the following general comments:**

**Vendor Accountability**

The Veterans Benefits Administration's (VBA) Medical Disability Examination Office (MDEO) is staffed with managers, management analysts, medical officers and contracting officer representatives to conduct oversight and management of the program. To further enhance program oversight, VBA awarded numerous ancillary contracts that do the following: improve financial management activities, assess customer satisfaction, create a training platform to improve the program's oversight of examiner training, validate vendor timeliness through independent validation and verification, assess the quality sample and quality review process, and validate examination provider credentials. MDEO management and staff assess vendor performance and work closely with the contracting officer to address performance concerns. MDEO conducts regular performance discussions with the vendors and performs continuous oversight, which includes the following: twice weekly meetings with vendors, including one with vendor senior leadership; monthly quality calls; monthly customer satisfaction calls; weekly information technology integration calls; monthly clinical calls; as well as ad hoc and urgent meetings for any emergent issues or concerns. During the monthly quality calls, MDEO shares error trend data and analysis, and requires vendors to discuss their efforts for addressing error trends and improving accuracy rates.

Because this OIG report is based on an earlier snapshot in time, it does not address subsequent actions taken by the program office to assess and correct performance issues. MDEO has modified the MDE contracts, to include updates on quality determination and the application of incentives and disincentives. However, it is important to note that incentives and disincentives are not the primary method for encouraging vendor improvement. MDEO holds weekly performance discussions with all vendors to address concerns related to pending inventory, timeliness, special issues, quality, and customer service concerns. Vendors are provided with monthly and quarterly feedback regarding their performance on all performance standards. Additionally, the federal acquisition process allows the program office, through the Contracting Officer, to issue cure notices and the Contracting Officer may also issue letters of concern which serve as tools to communicate concerns related to poor performance, as well as the ability to impact a contractor's Contractor Performance Assessment Reporting System (CPARS) rating. Government agencies are instructed to use the CPARS to create and measure the quality and timely reporting of performance information. Government officials use the CPARS in making award decisions. Since inception of the program, MDEO has taken several performance-related actions against vendors, such as reallocation of work and not exercising contract option periods.

The incentive and negative incentive performance structure was suspended due to several factors, not timeliness issues alone. The suspension in January 2020 was related to both quality sampling and timeliness. Then, in March 2020, the program was further impacted by the COVID-19 pandemic, which led to the non-resumption of incentives/negative incentives. During the period that incentives and negative incentives were not implemented, the program office communicated findings to vendors, conducted vendor training sessions and worked to address issues related to quality, timeliness, and customer satisfaction in a timely manner. There are other possible means to hold vendors accountable, such as training, provider suspension, reallocation of work, non-execution of contract option periods, and the issuance of cure notices and letters of concern. Based on a conflict between the MDEO contract prior to October 2021, and accepted government contracting practices, MDEO was not able to elevate one

performance measure over the other and apply a negative incentive for failure in one metric when meeting or exceeding standards in another area.

MDEO executed major contract modifications on October 1, 2021, to address ambiguity that impacted the ability to implement incentives and negative incentives. Examination timeliness performance metrics are tracked monthly and quarterly, and timeliness calculations are compared to vendor performance metrics in the Performance Work Statement (PWS) to assess vendor performance. The MDEO quality section was clarified regarding the parameters and process of sampling, which resolved the contracting officer's concerns regarding quality that contributed to the decision to postpone implementation of incentives and negative incentives. The change to the quality section of the PWS also included implementation of a revised quality audit checklist and methodology for quality scoring. The calculation was changed from an "all-or-nothing" determination to a "question-based" determination, where one error does not render the entire Disability Benefit Questionnaire (DBQ) inaccurate. The modification adjusted the accuracy measure from 92% to 96.5% effective October 1, 2021.

### **Mechanisms to Correct Substantive Errors or Omissions**

All vendors are required to participate in VBA's rework process and address noted deficiencies. The claims process requires a Rating Veterans Service Representative (RVSR) to conduct a thorough review of the claim. During the review, the RVSR has the responsibility and authority to determine if re-examination is warranted, or if it is necessary to return the DBQ for rework prior to adjudicating the claim. Rework may include corrections or clarification to data provided on the DBQ. The claims decision is based on the totality of evidence in the claims folder, to include completed disability examinations. The RVSR has the authority to return the DBQ to the vendor, or any other documentation if deemed insufficient. A request for vendor action comes from the claims processors in the regional office rather than MDEO via a rework Examination Scheduling Request (ESR). MDEO monitors the percentage of rework compared to overall exam requests.

For errors that are identified by MDEO as egregious, a memo is sent to the Office of Field Operations to initiate corrective action and/or a rework request by the regional office.

### **VBA provides the following technical comments:**

Page 8, paragraph 2:

"Even though vendors did not meet the 92 percent contract quality requirement, MDEO did not use the monetary incentives/disincentives part of the contract. Despite not meeting the requirement, the assistant director of Medical Disability Examination Quality stated that vendors were providing the quality of service they were being paid for. She further stated, there were some errors with contract compliance that were only discrepancies that would not affect a claims processors decision, but they still "have room for improvement." The assistant director also stated claims processors have become "very good at adapting to an imperfect product.""

**VBA Comment:** When OIG asked if the accuracy of claims decisions was poor due to vendors not meeting quality expectations, the Assistant Director referenced decision makers' requirement to consider the entire body of evidence to render a decision, while MDEO's quality audit is focused on the vendors' contractual compliance on individual DBQs. Decision makers are required to review, consider, and apply all the evidence contained in the Veteran's record, not just an individual DBQ. This requirement is what the Assistant Director was referring to regarding decision-makers' ability to adapt. MDEO's quality program provides appropriate oversight for contract compliance. Highlighting the difference between MDEO's oversight and the oversight provided through the regular claims process, MDEO routinely cites

errors on DBQs when the claim is accurately promulgated by claims processors because the totality of the Veterans' record provides sufficient information.

Page 15, paragraph 3:

“Current and former MDEO employees told the OIG team that MDEO managers discouraged them from directly relaying exam issues to the regional office claims processors. An employee said they used to send out messages to the field when they found issues with the exams but that was stopped by management.”

**VBA Comment:** As the MDE program matured, management put procedures in place to refer issues to the Office of Field Operations. With those procedures in place, it was no longer appropriate for analysts to make direct contact with regional offices.

**The following comments are submitted in response to the recommendation in the OIG draft report:**

**Recommendation 1:** Assess and modify contracts and any renewals to ensure that vendors can be held accountable for unsatisfactory performance by applying monetary disincentives.

**VBA Response:** Concur in principle. On October 1, 2021, VBA executed new contracts that hold vendors accountable for unsatisfactory performance through application of monetary disincentives, referred to as negative incentives. As supporting documentation, VBA provides a copy of the revised Performance Work Statement (PWS), dated September 9, 2021. A negative incentive is assessed on a quarterly basis if the combined timeliness and production performance requirement levels per the contract are not met.

VBA reviews performance metrics with the vendors and provides feedback on a monthly basis. The overall quarterly performance and application of any negative incentive is communicated with the vendor through a quarterly report provided orally and in writing. Additionally, VA can assess an amount not to exceed \$1,000/per examination for rework required from an inadequate examiner, at the discretion of the contracting officer.

VBA considers this recommendation fully implemented and requests closure.

**Recommendation 2:** Assess and modify contracts and any renewals to ensure procedures are established for vendors to correct errors identified by MDEO.

**VBA Response:** Concur in principle. VBA executed contracts that include established procedures for vendors to correct errors identified by MDEO. As supporting documentation, VBA provides a copy of the revised Performance Work Statement (PWS), dated September 9, 2021. The contractor must take corrective action when examination deficiencies are identified and provide the corrective action to VBA upon receipt of the request. Vendors are required to take all corrective actions specified by MDEO. If an examiner is deemed inadequate, MDEO can suspend the examiner, request the vendor return the amount billed for any examinations identified as being incorrect, and assess if a negative incentive is appropriate.

VBA considers this recommendation fully implemented and requests closure.

**Recommendation 3:** Implement procedures requiring MDEO to communicate exam errors to the Office of Field Operations and the regional offices and demonstrate progress in correcting the identified errors.

**VBA Response:** Concur. VBA initiated development of procedures that refer DBQ errors from MDEO to the Office of Field Operations for review. VBA anticipates finalizing the procedures by the end of April 2022.

Target Completion Date: April 30, 2022.

**Recommendation 4:** Implement procedures requiring MDEO to analyze all available error data and provide systemic exam issues and error trends to vendors.

**VBA Response:** Concur. MDEO will work with Compensation Service to identify a process to receive error trend data that is a result of incorrect exams. MDEO will also develop a procedure for obtaining and assessing rework data. MDEO will analyze both data sets to identify systemic exam issues and communicate those error trends to vendors. VBA anticipates finalizing the procedures by the end of April 2022.

Target Completion Date: April 30, 2022.

*For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.*

## OIG Contact and Staff Acknowledgments

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<b>Contact</b>	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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