



US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Rating Schedule Updates for Hip and Knee Replacement Benefits Were Not Consistently Applied

BE A
VOICE FOR
VETERANS

REPORT WRONGDOING
vaoig.gov/hotline | 800.488.8244

OUR MISSION

To serve veterans and the public by conducting meaningful independent oversight of the Department of Veterans Affairs.

CONNECT WITH US



Subscribe to receive updates on reports, press releases, congressional testimony, and more. Follow us at @VetAffairsOIG.

PRIVACY NOTICE

In addition to general privacy laws that govern release of medical information, disclosure of certain veteran health or other private information may be prohibited by various federal statutes including, but not limited to, 38 U.S.C. §§ 5701, 5705, and 7332, absent an exemption or other specified circumstances. As mandated by law, the OIG adheres to privacy and confidentiality laws and regulations protecting veteran health or other private information in this report.

Visit our website to view more publications.
vaoig.gov



Executive Summary

The Veterans Benefits Administration (VBA) provides monthly compensation benefits to veterans for service-connected disabilities caused by diseases or injuries incurred or aggravated by military service. The amount of monthly disability compensation payments varies according to the degree of disability.

VBA uses the VA Schedule for Rating Disabilities (rating schedule) to determine the appropriate level of compensation for service-connected disabilities based on the condition's documented medical severity. This process results in a disability evaluation, given as a percentage from zero to 100 in increments of 10; this percentage indicates

as far as can practicably be determined the average impairment in earning capacity resulting from such diseases and injuries and their residual conditions in civil occupations.... Over a period of many years, a veteran's disability claim may require reratings in accordance with changes in laws, medical knowledge and his or her physical or mental condition.¹

The rating schedule organizes disabilities into 15 body systems, such as cardiovascular, respiratory, and musculoskeletal systems.² In August 2017, VA began revising the rating schedule to reflect advances in medicine related to specific body systems—the schedule's first comprehensive review since 1945. According to VA's strategic plan, modernizing the rating schedule will update evaluations for service-connected disabilities and help ensure benefits adequately compensate for loss in earning capacity based on a more contemporary assessment of disability and employment.³

On February 7, 2021, VA implemented changes to the rating schedule for the musculoskeletal body system. One of the changes reduced the convalescence period for recovery after hip and knee resurfacing procedures or replacements.⁴ The period changed from 12 months at a total disability rating of 100 percent to four months at 100 percent.⁵ The governing regulation states that this entitlement to benefits for recovery begins after an initial grant of a one-month total

¹ 38 C.F.R. § 4.1 (2023).

² For a complete list of VBA's body systems, see appendix A.

³ Department of Veterans Affairs, *Fiscal Years 2022-28 Strategic Plan*, <https://department.va.gov/wp-content/uploads/2022/09/va-strategic-plan-2022-2028.pdf>.

⁴ For replacements, a prosthesis would be placed in the damaged joint area. Joint resurfacing is less invasive, preserves more of the original anatomy of the joint, and restores more of the original joint function than a joint replacement. 38 C.F.R. Part 4 (2023).

⁵ For a side-by-side comparison of musculoskeletal body system changes to hip and knee replacements and resurfacing, see appendix A, tables A.2 and A.3.

disability rating following hospital discharge, allowing for a total of five months of convalescence.⁶

When deciding a claim for convalescence, rating veterans service representatives must consider all benefits to which the veteran is entitled, whether or not expressly claimed. VA regulations also allow for an additional benefit called special monthly compensation (SMC), which is a higher rate of compensation for certain needs or disabilities. Veterans can receive SMC if they have a single service-connected disability rated as 100 percent disabling and an additional service-connected disability or disabilities independently rated at 60 percent or higher.⁷ Further, if a veteran has surgery for a service-connected knee replacement and there is evidence of a scar, then the veteran does not need to file a specific claim for VBA to consider entitlement to service connection for the scar.⁸ The scar is included as part of the claim for the knee replacement and would warrant a disability evaluation separate from the percentage of the disability of the replacement.⁹ As part of the process when rating the convalescence claim, the rating veterans service representative also assigns a post-convalescence percentage of disability, which is based on evidence and on the level of severity for hip and knee replacement and resurfacing.¹⁰

The VA Office of Inspector General (OIG) conducted this review to evaluate the effectiveness of VBA's implementation of changes to the rating schedule for hip and knee replacements or resurfacing.

What the Review Found

Rating veterans service representatives did not always decide the correct number of months for convalescence periods, ensure SMC benefits were accurate, address scars resulting from replacements, or assign the correct post-convalescence evaluation.¹¹ The OIG team reviewed a random sample of 112 in-scope claims from a universe of about 3,200 claims for convalescence for hip or knee replacements or resurfacing, received and decided from February 7, 2021, through August 31, 2022.¹² The findings in this report are also based on claims reviews,

⁶ 38 C.F.R. § 4.71a, "Prosthetic Implants and Resurfacing," note 5 (2020).

⁷ 38 C.F.R. § 3.155(d)(2) (2019); 38 C.F.R. §3.350 (2018).

⁸ The rating criteria for scars is found under 38 C.F.R. § 4.118 (2023), which includes symptoms such as pain.

⁹ 38 C.F.R. § 3.155(d)(2) (2019); VA Manual 21-1, "Considering Issues within Scope of a Claim," updated January 8, 2018, sec. V.ii.3.A, topic 2.

¹⁰ VA Manual 21-1, "General Information on Convalescent Ratings," updated November 18, 2021, sec. VIII.iv.8.C, topic 1.

¹¹ VA Manual 21-1, "Special Monthly Compensation," updated September 20, 2020, sec. VIII.iv.4.A, topic 1.a; 38 C.F.R. § 3.155(d)(2); VA Manual 21-1, "Considering Issues within Scope of a Claim," topic 2; VA Manual 21-1, "General Information on Convalescent Ratings," topic 1. The team did not identify any processing errors related to hip and knee resurfacing procedures.

¹² The team determined 24 veterans' claims were out of scope because they did not have a temporary 100 percent disability evaluation. For more information on the review's scope and methodology, see appendix B.

interviews, and survey results from an OIG-administered confidential and voluntary national electronic survey to a stratified sample of 427 rating veterans service representatives at VBA's 56 regional offices from January 25, 2023, to February 24, 2023 (with 344 surveys completed).

The OIG determined from the statistical sample review that rating veterans service representatives did not accurately process an estimated 1,400 of 3,200 claims (43 percent). Some claims had more than one associated error. Specifically, the OIG found the following errors:

- Approximately 33 percent of claims did not assign the correct number of months when granting periods of convalescence. Specifically, in the 112-sample review, VA either paid for periods of convalescence that were too long or too short—anywhere from one to eight months.
- An estimated 18 percent of claims did not accurately consider veterans' additional entitlement to SMC.

The OIG team's evaluation also found that an estimated 38 percent of claims overall had an improper payment during the review period. VBA paid an estimated \$3.3 million in total improper payments for hip and knee replacement claims—including both underpayments and overpayments for these claims.¹³

Among the OIG's determinations is that VBA needs information system enhancements to improve the accuracy of musculoskeletal claims involving convalescence decisions. The web-based Veterans Benefits Management System–Rating (VBMS–R) has tools and calculators designed to assist rating veterans service representatives in producing accurate rating decisions. The team determined, however, that VBMS–R lacks functionality to help rating veterans service representatives calculate the proper convalescence period. Moreover, the system requires manual data entry for both beginning and ending dates, increasing the risk for human error.

The OIG also concluded that VBA did not sufficiently monitor the accuracy of claims decisions following the musculoskeletal system rating schedule update because it did not originally plan to conduct reviews. However, the governing regulation update reflecting the rating schedule changes was delayed, and VBA conducted an informal review in response. The review was

¹³ Both underpayments and overpayments are considered improper payments. The Office of Management and Budget defines federal payments as improper when they are paid in the incorrect amount, paid to an ineligible recipient, or issued without adequate supporting documentation. Office of Management and Budget, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A 123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, March 5, 2021. The appendix explains that overpayments are a form of improper payments that threaten agency objectives because funds are not used for the intended purpose. Also see appendix D of this report for the VA OIG calculations of monetary impact.

intended to ensure the delay did not cause any issues with claims decisions processed during that period, but only included two claims specific to hip and knee convalescence.¹⁴

In addition, the OIG team determined that while VBA provided training on the changes to the rating schedule, nearly 75 percent of staff were required to undergo retraining on the musculoskeletal system updates because they did not achieve a passing score of 80 percent on the initial training. This reflects that VBA could enhance training to ensure comprehension. The review team confirmed there were no examples of how to apply the rating schedule changes to the musculoskeletal system in the instructional portion of the training course materials.

The findings in this report are meant to improve the accuracy of compensation paid to eligible veterans who experience hip and knee replacements and resurfacing. The identified deficiencies may also be instructive for VBA when deploying future body system changes to the rating schedule.

What the OIG Recommended

The OIG made four recommendations to the under secretary for benefits. VBA should conduct a review of claims completed from February 7, 2021, through August 31, 2022, for hip and knee replacements and resurfacing, and then take appropriate actions to correct convalescence periods and ensure monetary benefits to veterans are accurate. Next, VBA should implement a plan to assist rating veterans service representatives in determining the effective date, incorporating the initial month of convalescence, and calculating the duration of convalescence. It should also develop procedures to monitor claims and ensure accurate processing when rating schedule revisions have been made. Finally, VBA should supplement training on the rating schedule updates to include how to apply the changes to help ensure comprehension.

VA Management Comments and OIG Response

The under secretary for benefits concurred with all recommendations and provided acceptable action plans for implementation. The comments are provided in full in appendix E. The OIG will monitor VBA's progress and follow up on the implementation of the recommendations until all proposed actions are completed.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

¹⁴ The informal review included 30 musculoskeletal claims. Only four were specific to hip and knee conditions and only two were related to convalescence.

Contents

Executive Summary.....	i
Abbreviations.....	vi
Introduction.....	1
Results and Recommendations	6
Finding: VBA Did Not Consistently Apply the Rating Schedule Updates for Veterans Entitled to Convalescence Benefits after Hip and Knee Replacements.....	6
Recommendations 1–4	17
Appendix A: Rating Schedule Deployment Dates and Hip and Knee Changes.....	18
Appendix B: Scope and Methodology	21
Appendix C: Statistical Sampling Methodology	24
Appendix D: Monetary Benefits in Accordance with Inspector General Act Amendments	31
Appendix E: VA Management Comments	32
OIG Contact and Staff Acknowledgments.....	34
Report Distribution	35

Abbreviations

C.F.R.	Code of Federal Regulations
eCFR	Electronic Code of Federal Regulations
OIG	Office of Inspector General
SMC	special monthly compensation
VASRD	VA Schedule for Rating Disabilities
VBA	Veterans Benefits Administration
VBMS–R	Veterans Benefits Management System–Rating



Introduction

The Veterans Benefits Administration’s (VBA) mission is to provide benefits and services to veterans, their families, and survivors. Its compensation program delivers tax-free monthly payments to veterans with service-connected disabilities caused by diseases, injuries, or events incurred or aggravated during active military service. The amount of disability compensation payments varies according to the degree or severity of disability. Evaluations range from zero to 100 percent disabled, in increments of 10. The VA Schedule for Rating Disabilities (VASRD) comprises 15 body systems, including the musculoskeletal system, consisting of all joints, muscles, and bones.¹⁵ In 2021, VA implemented changes to the rating schedule for the musculoskeletal body system, including revising 29 diagnostic codes, adding four new diagnostic codes, and removing two codes from the rating schedule.¹⁶ A major change to the rating schedule for this body system was a reduction of the convalescence period—and corresponding eligibility for a temporary increased disability rating percentage—from 12 months to four months for hip and knee replacements or resurfacing procedures.¹⁷

The VA Office of Inspector General (OIG) conducted this review to evaluate the effectiveness of VBA’s implementation of changes to the rating schedule for hip and knee replacements or resurfacing.¹⁸

VA Schedule for Rating Disabilities

The rating schedule is primarily a guide for evaluating disabilities resulting from service-connected diseases and injuries. Rating veterans service representatives use the schedule to analyze claims and prepare decisions informing claimants of the determinations and the reasons for them. Ratings are expressed as percentages; this percentage indicates

as far as can practicably be determined the average impairment in earning capacity resulting from such diseases and injuries and their residual conditions in civil occupations.... Over a period of many years, a veteran’s disability claim may

¹⁵ While the rating schedule is also referred to as the VASRD, this report generally uses the term “rating schedule” for clarity except in relation to titles of related offices or positions. VBA is combining Respiratory and Auditory into a single rulemaking package called Respiratory, Ear, Nose, Throat. Therefore, the update to all 15 body systems will be completed through 14 rulemaking packages.

¹⁶ A diagnostic code uses a four-digit number VBA has designated to identify each medical disability; the rating criteria associated with each diagnostic code are used to evaluate a particular disability.

¹⁷ 38 C.F.R. Part 4, Diagnostic Codes 5054 and 5055 (2021).

¹⁸ A prosthesis is an artificial substitute for the replacement of a body part. The prosthesis would be placed in the area that was the joint. Joint resurfacing is a type of procedure that is less invasive, preserves more of the original anatomy of the joint, and restores more of the original joint function than [a] joint replacement. 38 C.F.R. Part 4 (2023).

require reratings in accordance with changes in laws, medical knowledge and his or her physical or mental condition.¹⁹

VA regulations also allow for an additional benefit called special monthly compensation (SMC), a higher rate of compensation for certain needs or disabilities. Veterans can receive SMC if they have a single service-connected disability rated as 100 percent disabling and an additional service-connected disability or disabilities independently rated at 60 percent or higher.²⁰ For example, a veteran will qualify for SMC if a right knee replacement was temporarily evaluated at 100 percent disabling when the veteran had separately been evaluated for posttraumatic stress disorder at 70 percent.

A VA regulation and the Adjudication Procedures Manual require rating veterans service representatives to consider entitlement to any additional benefits for complications of a claimed condition that are identified during the decision-making process but are not specifically claimed by the veteran.²¹ For example, if a veteran has surgery for a service-connected knee replacement and there is evidence of a scar, then the veteran does not need to file a specific claim for VBA to consider entitlement to service connection for the scar.²² The scar is included as part of the claim for the knee replacement and would warrant a disability evaluation separate from the percentage of the disability related to the replacement.²³ Disability claims may require reevaluation over time if there are changes in laws, medical knowledge, or the veteran's physical or mental condition.²⁴

Rating Schedule Components and Updates

The first version of the rating schedule was created in 1917 and a comprehensive revision was completed in 1945. In August 2017, VA began revising and updating the schedule's 15 body systems to reflect advances in medicine. As of June 2023, VBA has updated 10 of the 15 body systems defined in the rating schedule:²⁵

- Musculoskeletal System
- Infectious Diseases, Immune Disorders, and Nutritional Deficiencies
- Organs of Special Sense

¹⁹ 38 C.F.R. § 4.1 (2023).

²⁰ 38 C.F.R. § 3.350(i)(1) (2018); VA Manual 21-1, "Special Monthly Compensation," updated September 20, 2020, sec. VIII. iv. 4. A in *Adjudication Procedures Manual*, topic 10.a.

²¹ 38 C.F.R. § 3.155(d)(2) (2019); VA Manual 21-1, "Considering Issues within Scope of a Claim," updated January 8, 2018, sec. V.ii.3.A, topic 2.

²² The rating criteria for scars is found under 38 C.F.R. § 4.118 (2023), which includes symptoms such as pain resulting from a scar.

²³ 38 C.F.R. § 3.155(d)(2) (2019); VA Manual 21-1, "Considering Issues within Scope of a Claim," updated January 8, 2018, sec. V.ii.3.A, topic 2.

²⁴ 38 C.F.R. § 4.1.

²⁵ 38 C.F.R. Part 4.

- Cardiovascular System
- Genitourinary System
- Gynecological Conditions and Disorders of the Breast
- Hematologic and Lymphatic Systems
- Skin
- Endocrine System
- Dental and Oral Conditions

For additional information see appendix A, table A.1, for VBA’s reported timeline for updating and deploying the rating schedule by body system.

VA’s strategic plan states that modernizing this schedule will update evaluations for service-connected disabilities. The updated evaluations will help ensure benefits adequately compensate for loss in earning capacity based on a more contemporary assessment of disability and employment.²⁶ Because the rating schedule is in the Code of Federal Regulations, the formal “rulemaking” process must be followed to implement updates.²⁷ This generally involves drafting a proposed rule that is vetted through VA stakeholders, approved by the VA Secretary, sent for public comment, and published in the *Federal Register* as a final rule before the rating schedule is updated in the Electronic Code of Federal Regulations (eCFR).²⁸

Changes to Convalescence Periods

During the convalescence period, veterans are awarded a one-month convalescence period for hip and knee replacements or resurfacing, effective the date of hospital admission or outpatient treatment for surgery.²⁹ Prior to February 7, 2021, veterans were eligible for a temporary disability rate of 100 percent for a period of 12 months. VA’s updated regulation changed effective February 7, 2021, and states that veterans will receive compensation at the 100 percent evaluation rate for a period of four months following hip or knee resurfacing or implantation of a hip or knee prosthesis or resurfacing. The updated regulation also states that the four-month entitlement begins after an initial grant of one month following hospital discharge, allowing for a total of five months.³⁰ In short, the rating schedule changes decreased the period of the temporary 100 percent disability rate by eight months but did not affect the initial one-month period.

If a claim was received before February 7, 2021, the evaluation had to be based on the historical criteria, meaning the veteran would receive the one initial month plus the 12 months of

²⁶ Department of Veterans Affairs, *Fiscal Years 2022-28 Strategic Plan*, <https://department.va.gov/wp-content/uploads/2022/09/va-strategic-plan-2022-2028.pdf>.

²⁷ The C.F.R. is the official legal print publication containing the codification of the general and permanent rules published in the *Federal Register* by the departments and agencies of the federal government.

²⁸ The eCFR is a continuously updated online version of the C.F.R. It is not an official legal edition of the C.F.R.

²⁹ 38 C.F.R. § 4.30 (2006); 38 C.F.R. § 4.71a, “Prosthetic Implants and Resurfacing,” note 5 (2020).

³⁰ 38 C.F.R. § 4.30; 38 C.F.R. § 4.71a, note 5.

convalescence.³¹ In addition, as part of the process when rating the convalescence claim, the rating veterans service representative also assigns a post-convalescence percentage of disability.³² This evaluation is based on evidence and on the level of severity for hip and knee replacement and resurfacing, noted in appendix A, tables A.2 and A.3.

VBA Offices Involved with Rating Schedule Implementation

VBA’s Compensation Service oversees disability benefits to veterans and addresses all policy, maintenance, and implementation aspects of regulatory guidance.³³ Several groups of staff in Compensation Service have specific roles in rating schedule implementation (see table 1).

Table 1. Compensation Service Staff Involved in Rating Schedule Updates

Compensation staff name	Overview	Implementation role
Procedures*	Issues policy and procedures related to disability compensation	Updates the manual with rating schedule changes
Training	Oversees training and provides resources for VBA claims processors	Trains VA employees regarding rating schedule changes
Quality Assurance	Assesses nationwide claims-processing quality to increase accuracy and consistency for compensation claims	Conducts quality reviews of decisions and claims-processing actions
Systems Support and Operational Review	Develops claim processing functionality and monitors information systems to support new legislation and capabilities to increase claims processing efficiencies	Directs IT system updates with rating schedule changes
VASRD Program Management Office, Part 4 Regulations and Implementation	Revises the rating schedule by each body system, in staggered cycles of recurring reviews	Implements changes to the rating schedule

Source: Functional Organizational Manual and OIG team analysis of staff interviews and documents.

*The Compensation Service staff listed in this table include significant contributors to updating the rating schedule relevant to the findings in this report, but the list is not exhaustive.

³¹ VA Manual 21-1, “Effective Dates Based on a Change of Law or Regulation,” updated December 18, 2019, sec. V.ii.4.A, topic 6.

³² VA Manual 21-1, “General Information on Convalescent Ratings,” updated November 18, 2021, sec. VIII.iv.8.C, topic 1.

³³ 38 C.F.R. Part 4.

In addition to Compensation Service and its staffs listed in table 1, the Office of Business Integration and the Office of Field Operations were involved in implementing rating schedule changes. Among its contributions, the Office of Business Integration coordinates with VA's Office of Information Technology to provide decision-makers with information technology updates to systems such as the Veterans Benefits Management System–Rating (VBMS–R) to make benefits delivery more efficient. Rating veterans service representatives use VBMS–R to process claims. The Office of Field Operations oversees actions at VBA's district and regional offices, including advising the field and call centers on rating schedule changes.

Results and Recommendations

Finding: VBA Did Not Consistently Apply the Rating Schedule Updates for Veterans Entitled to Convalescence Benefits after Hip and Knee Replacements

VBA updated the rating schedule for the musculoskeletal system by amending its procedures manual, facilitating updates to the eCFR, and creating training lessons as planned.³⁴ Further, VBA planned for and prepared external communications, such as a briefing to veterans service organizations about the changes. VA also posted a public news release to its website announcing the schedule updates.

Despite these efforts, the OIG team determined from a statistical sample of hip and knee replacement and resurfacing claims that rating veterans service representatives did not always accurately implement the rating schedule changes during the review period from February 7, 2021, through August 31, 2022, leading to errors in how some veterans were compensated. For example, they did not assign the correct number of months for convalescence periods in the rating decisions when veterans underwent hip or knee replacements, ensure SMC benefits were accurately assigned, consistently address the separate issue of scars resulting from the surgeries, or assign the correct post-convalescence disability percentage in the evaluation. The review team estimated that 38 percent of claims had an improper payment. As a result, VBA paid an estimated \$3.3 million in improper payments for hip and knee replacement claims.³⁵ These included underpayments and overpayments.

The OIG determined that VBA should strengthen some systems, internal controls, and training to ensure the accuracy of hip and knee convalescence decisions using the updated rating schedule standards, and remediate any identified errors.³⁶ As this report details, VBA missed an opportunity to update the functionality of its information system to help rating veterans service representatives determine the effective date and calculate the total duration of the convalescence period to five months.³⁷ VBA also did not perform sufficient monitoring activities to evaluate

³⁴ VA Manual 21-1, “Evaluating Joint Replacement and Resurfacing,” updated November 5, 2021, sec. V.iii.1.A, topic 3; 38 C.F.R. Part 4, Diagnostic Codes 5054 and 5055.

³⁵ The Office of Management and Budget defines federal payments as improper when they are paid in the incorrect amount. Office of Management and Budget, “Requirements for Payment Integrity Improvement,” app. C in OMB Circular A 123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, March 5, 2021. The appendix states that overpayments are a form of improper payments that “jeopardize agency missions by diverting resources from their intended purpose.”

³⁶ For more on applicable controls, see Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

³⁷ The 100 percent rating for four months under diagnostic codes 5054 and 5055 begins after the initial grant of the one-month total rating assigned under 38 C.F.R. § 4.30, following hospital discharge. See appendix A.

compliance following the rating schedule update. Special focus reviews of rating decisions can help identify issues requiring corrective action. In addition, VBA has opportunities to enhance training and consistency of rating decisions that can improve VBA efforts to ensure eligible veterans receive the proper compensation for their knee and hip replacements.

The following determinations support the OIG's finding:

- A review of a statistical sample of claims revealed about 38 percent of claims examined for convalescence and additional benefits resulted in improper payments due to errors.
- The information technology system functionality did not support users in calculating effective dates or periods of recovery for hip and knee replacements.
- VBA did not sufficiently monitor rating decision accuracy after rating schedule changes for hip and knee replacements.
- Training enhancements could help claims processors make more accurate decisions.

The findings and recommendations in this report are meant to improve the accuracy of compensation paid to eligible veterans who experience hip and knee replacements. The identified deficiencies and lessons learned from this rating schedule update may also be instructive for VBA when deploying future body system changes to the schedule.

What the OIG Did

To gain an understanding of VBA's rating schedule change implementation, the OIG team interviewed key officials at VBA's Central Office. The team also interviewed rating veterans service representatives and quality assurance staff and managers at the St. Petersburg VA Regional Office to obtain their perspective on the changes to the musculoskeletal body system. Further, the team reviewed veterans' claims and relevant documentation. The review included veterans' claims granted for a temporary 100 percent evaluation for a convalescence period for hip or knee replacements or resurfacing.

The OIG team examined a statistical sample of claims to determine whether rating veterans service representatives accurately decided those claims associated with hip or knee replacements or resurfacing in accordance with agency regulations and procedures.³⁸ There were estimated to be about 3,200 claims received and decided within the scope of the review.³⁹ From that population, the team analyzed a statistical sample of 112 claims for convalescence for hip or knee replacements or resurfacing and additional benefits regarding SMC and scars. See

³⁸ 38 C.F.R. Part 4, Diagnostic Codes 5054 and 5055; VA Manual 21-1, "Special Monthly Compensation," topic 1.a; 38 C.F.R. § 3.155(d)(2); VA Manual 21-1, "Considering Issues within Scope of a Claim," topic 2; VA Manual 21-1, "General Information on Convalescent Ratings," topic 1.

³⁹ The team determined 24 veteran claims were outside the review scope because they did not have a temporary 100 percent evaluation. For more information on the review's scope and methodology, see appendix B.

appendix B for more information about the review’s scope and methodology and appendix C for the statistical sampling methodology.

Additionally, the review team developed and deployed a confidential and voluntary national electronic survey to a stratified sample of 427 rating veterans service representatives at VBA’s 56 regional offices from January 25, 2023, to February 24, 2023. The survey collected information about respondents’ experiences in implementing the changes to the rating schedule for the musculoskeletal body system.

About 38 Percent of Claims Examined for Convalescence and Additional Benefits Resulted in Improper Payments Due to Errors

From the statistically selected sample of 112 claims, the review team determined that rating veterans service representatives did not accurately decide an estimated 1,400 of the 3,200 claims (43 percent) for convalescence related to hip or knee replacements, additional benefits regarding SMC and scars, or assigning the correct disability percentage in a post-convalescence evaluation during the review period.⁴⁰ The review team estimated that about 38 percent of claims had an improper payment. As previously stated, VBA paid an estimated \$3.3 million in improper payments for hip and knee replacement claims.⁴¹ These included underpayments and overpayments. The following sections discuss the team’s findings that rating veterans service representatives did not always assign the correct number of months for convalescence periods, accurately decide SMC benefits, or consistently ensure that scars resulting from hip or knee replacements were addressed on the rating decisions. Though the team found five incorrect post-convalescence evaluations, the errors did not appear to be systemic and are not discussed further.

VBA Did Not Always Assign the Correct Number of Months for Convalescence Periods

The review team’s analysis of the completed claims in its statistical sample revealed that rating veterans service representatives did not always assign the correct number of months for convalescence periods when veterans underwent hip or knee replacements. An estimated 1,100 of the 3,200 claims (about 33 percent) contained these errors.⁴² While the criteria changed from assigning 12 months for convalescence to four months, rating veterans service representatives generally assigned benefits using the new criteria but miscalculated the total number of months. Specifically, in the 112-case sample review, VA either paid for periods too

⁴⁰ Some claims had multiple errors; for example, the rating veterans service representative did not assign the correct period for convalescence and special monthly compensation. The team did not identify any processing errors related to hip and knee resurfacing procedures.

⁴¹ See appendix D for more information on the calculations of the monetary impact of improper payments.

⁴² Percentage reflects rounding of the estimated claims with incorrect number of months for convalescence.

long or too short, ranging from one to eight months. Overall, rating veterans service representatives incorrectly assigned convalescence for an estimated average of 1.6 months. Examples 1 and 2 illustrate errors the team found.

Example 1

On August 20, 2021, a veteran underwent surgery for a knee replacement. A rating veterans service representative assigned 13 months of convalescence beginning on the date of the surgery until October 1, 2022. However, the veteran's entitlement to a convalescence period should have only continued to February 1, 2022 (one month post-surgery and four months for recovery).⁴³ Additionally, the rating veterans service representative should have granted entitlement to SMC for this convalescence period due to disabilities independently rated at 60 percent or higher. As a result of the overpayment for the period of convalescence and underpayment of the SMC, the veteran was overpaid approximately \$8,897 overall, which is a VA error and does not need to be repaid. VBA agreed with the review team's assessment.

Example 2

On May 21, 2021, a veteran underwent surgery for a knee replacement. A rating veterans service representative incorrectly assigned three months convalescence beginning on the date of surgery until September 1, 2021. The veteran was entitled to a period of five months of convalescence until November 1, 2021, (one month post-surgery and four months for recovery).⁴⁴ As a result, the veteran was underpaid approximately \$5,232 over a period of two months. VBA agreed with the review team's assessment.

All identified claims errors were provided to VBA for corrective action.

VBA Did Not Always Ensure SMC Benefits Were Accurate

Based on the errors identified in its sample, the review team found that rating veterans service representatives did not ensure SMC benefits were accurately assigned in an estimated 570 claims (18 percent) from a universe of about 3,200 claims for convalescence for hip or knee

⁴³ 38 C.F.R. § 4.30; 38 C.F.R. § 4.71a, note 5.

⁴⁴ 38 C.F.R. § 4.30; 38 C.F.R. § 4.71a, note 5.

replacements or resurfacing.⁴⁵ For example, rating veterans service representatives either granted SMC to veterans who did not qualify or missed granting this benefit altogether. Rating veterans service representatives also assigned the additional benefit for SMC for an incorrect period. When veterans are no longer entitled to receive the 100 percent evaluation for the convalescence period, the temporary entitlement to SMC benefit is also no longer met, as reflected in example 3.

Example 3

On May 3, 2022, a veteran underwent a right knee replacement. A rating veterans service representative granted convalescence and SMC beginning on the date of the surgery until October 1, 2022. The veteran's entitlement to convalescence and SMC benefits should have continued to November 1, 2022 (one month post-surgery and four months for recovery).⁴⁶ This means the rating veterans service representative's incorrect end date would have led to a one-month underpayment. However, the temporary entitlement to SMC continued to be paid beyond the end date established by the rating veterans service representative and continued beyond the appropriate November 2022 end date, which led to an overpayment of approximately \$4,151 as of January 2023. The OIG also notified VBA of this overpayment in January. Erroneous payments for SMC will continue until VBA staff take corrective actions. VBA agreed with the review team's assessment.

VBA Did Not Consistently Ensure Residual Scars from Surgery Were Addressed

The issue of a scar from a service-connected surgery is considered to fall within the scope of a claim for hip and knee replacement.⁴⁷ However, rating veterans service representatives did not always ensure that scars resulting from hip or knee replacements were considered in the rating decisions. In six of the 112 sample claims, rating veterans service representatives did not grant

⁴⁵ As previously noted, veterans can receive SMC if they have a single service-connected disability rated as 100 percent disabling and an additional service-connected disability or disabilities independently rated at 60 percent or higher. VA Manual 21-1, "Special Monthly Compensation." SMC is an additional level of compensation that recognizes the severity of certain disabilities or combinations of disabilities by paying additional benefits. 38 C.F.R. § 3.350(i)(1).

⁴⁶ 38 C.F.R. § 4.30; 38 C.F.R. § 4.71a, note 5.

⁴⁷ VA Manual 21-1, "Considering Issues within Scope of a Claim," topic 2. An issue within the scope is one that is not explicitly identified by the claimant but is identified upon review of the claim during the decision-making process. This VBA manual also requires staff to consider entitlement to SMC if the veteran meets the criteria. VA Manual 21-1, "Types of Issues and Claims," updated February 28, 2019, sec. V.ii.3.A, topic 1.

service connection for a scar resulting from the hip or knee replacements.⁴⁸ Example 4 demonstrates when VBA should have, but did not, consider a scar as an additional issue in the existing claim for a knee replacement.

Example 4

On August 2, 2021, a veteran underwent a right knee replacement. A rating veterans service representative granted the appropriate convalescence benefits for this surgery. A VA regulation and the manual require that rating veterans service representatives take into consideration the issue of a scar when there is evidence of it resulting from a hip or knee replacement.⁴⁹ However, the rating veterans service representative did not award additional entitlement to service connection for a scar that was a result of the surgery, even though available medical evidence showed the veteran had a healing surgical scar on the right knee. VBA agreed with the review team's assessment.

As previously noted, rating veterans service representatives use VBMS–R to process claims. In November 2022, VBA made an update to VBMS–R that added a feature to assist rating veterans service representatives with identifying when a scar should be considered.⁵⁰ To assess this update, the team analyzed an additional random sample of 56 completed claims received from December 1, 2022, through January 31, 2023, related to scars associated with hip or knee replacements or resurfacing.⁵¹ The OIG reviewed whether the update was effective in reminding rating veterans service representatives to consider a residual scar when deciding a claim for hip or knee surgery.⁵² The team determined that this update was generally effective because rating veterans service representatives addressed scars resulting from surgery in all but two of the 56 additional claims reviewed.

Given the inaccuracies identified in about 38 percent of the claims examined for convalescence and additional benefits resulting in improper payments, recommendation 1 in this report calls on VBA to review convalescence claims for hip and knee replacements and resurfacing completed from February 7, 2021, through August 31, 2022, and take appropriate actions to correct inaccurate periods and ensure the accuracy of monetary benefits.

⁴⁸ The team did not provide the projected number of scar errors to the universe of claims because of the relatively small number of errors in the sample.

⁴⁹ 38 C.F.R. § 3.155(d)(2); VA Manual 21-1, “Considering Issues within Scope of a Claim,” topic 2.

⁵⁰ Veterans Benefits Management System 28.2 Release Notes, “Production Availability,” November 13, 2022, ver. 0.3.0, November 9, 2022.

⁵¹ The review population included 154 veterans' claims with a 100 percent evaluation for a hip or knee replacement or resurfacing from December 1, 2022, through January 31, 2023.

⁵² 38 C.F.R. § 3.155(d)(2); VA Manual 21-1, “Considering Issues within Scope of a Claim,” topic 2.

Information Technology System Functionality Did Not Support Users' Calculations for Convalescence of Hip and Knee Replacements

The web-based system VBMS–R includes embedded tools and calculators, such as an effective date builder and evaluation builder, to help rating veterans service representatives produce accurate rating decisions. The effective date builder is used to determine the start date for benefits based on existing evidence for the veteran.⁵³ The evaluation builder guides rating veterans service representatives through entering the facts and disability information to determine the impairment percentage of a service-connected disability.⁵⁴ Using the embedded tools is mandatory.⁵⁵ These tools, however, do not assist rating veterans service representatives with determining the effective date for hospital admission or outpatient treatment for surgery, or calculating the proper duration of the convalescence period.

The review team observed the process required to grant veterans temporary 100 percent evaluations for convalescence, which includes manually entering both the effective date and end date for the convalescence periods. Whenever an information system requires manual entry, it introduces the risk for human error that could be mitigated with training and tools for using the system. For example, the team found based on its sample that rating veterans service representatives did not assign the correct number of months when granting convalescence periods in an estimated 1,100 claims from the universe of about 3,200 claims (33 percent).

Effective Date Builder

According to the VBMS–R User Guide, the effective date builder is used to determine the start date for benefits. However, it does not have the functionality to aid users in determining the hospital admission date or outpatient treatment for surgery for a hip or knee replacement, which is generally the start date for a period of convalescence.⁵⁶ During a claims-processing demonstration provided by the Office of Business Integration, the review team confirmed that the effective date builder does not have this function.

⁵³ Effective dates are determined by the facts in each case that apply to the relevant regulation for effective dates. Examples of potential effective dates include the date the claim is received, the day after military discharge, or the date of hospital admission. 38 C.F.R. § 3.400 (2023).

⁵⁴ Evaluations are determined by the facts in each case as they relate to criteria in 38 C.F.R. Part 4. For example, a 100 percent evaluation is warranted for a five-month period of convalescence for a hip or knee replacement.

⁵⁵ VA Manual 21-1 “Mandatory Use of VBMS-R Embedded Rules-Based Tools for Assigning Disability Evaluations VA Manual,” updated September 20, 2021, sec.V.iv.1.A, topic 5.

⁵⁶ 38 C.F.R. § 4.30; 38 C.F.R. § 4.71a, note 5.

Evaluation Builder

A rating decision is required to have a narrative that informs the veteran of the decision for each issue, the evidence that was considered, and the reason for the decision.⁵⁷ The evaluation builder guides rating veterans service representatives in generating an accurate evaluation of a service-connected impairment, which contains a disability percentage (the decision) and a narrative explaining the reason for each decision. For convalescence ratings, however, the evaluation builder does not easily guide rating veterans service representatives in completing a convalescence decision. The rating veterans service representative must input multiple entries into the evaluation builder to address the initial one-month convalescence period, the four additional months following replacement or resurfacing of a hip or knee, and a post-convalescence evaluation. These multiple entries merge the three evaluations, which informs the veteran of the entire decision and populates a rating code sheet appropriately. This rating code sheet contains information about the claimant, the current decision, previous decisions, and the state of entitlement to compensation benefits.

In an estimated 1,300 claims (40 percent), rating veterans service representatives failed to make an entry in the evaluation builder that included the initial one-month convalescence period as required.⁵⁸ VBA could improve monitoring of claims by ensuring the one-month convalescence period is documented on the rating code sheet.

Five of the nine rating veterans service representatives the review team interviewed reported that they did not find the embedded tools in VBMS–R helpful to ensure accurate duration calculations based on effective dates of hip and knee replacement claims. All but one of the nine representatives stated that a system enhancement to help calculate the dates in assigning the periods of convalescence would be helpful. There were approximately 3,200 rating veterans service representatives eligible for the team’s survey, of which 427 were surveyed and 344 provided responses. Of those responses, 128 reported that the evaluation builder was not effective for ensuring accuracy when determining the start date and duration of convalescence periods. Based on this response, an estimated 1,100 of 3,200 rating veterans service representatives (35 percent) reported the evaluation builder was not effective for ensuring accuracy when determining the start date and duration of convalescence periods. See the section on sampling methodology in appendix C.

VBA could enhance functionality of the embedded tools by including options for determining hospital admission or outpatient treatment for surgery effective dates, calculating durations of

⁵⁷ An issue can be a claimed disability or unclaimed residual complications, as well as an ancillary benefit such as special monthly compensation. Each issue requires a decision. VA Manual 21-1, “Completing the Rating Decision Narrative,” updated May 10, 2016, sec.V.iv.1.A, and VA Manual 21-1 “Determining the Issues,” updated April 20, 2022, sec. V.ii.3.A.

⁵⁸ 38 C.F.R. § 4.30.

convalescence, and incorporating the initial one-month convalescence period. These options could minimize the risk of human error with manual data entry. The team identified existing functionality in the effective date and evaluation builders that has been applied to similar types of claims, but not convalescence decisions. Recommendation 2 addresses implementing a plan to assist employees with determining the effective date, incorporating the initial month under 38 C.F.R. § 4.30, and the duration of convalescence.

VBA Did Not Sufficiently Monitor Rating Decision Accuracy after Rating Schedule Changes for Hip and Knee Replacements

VBA's quality assurance mission is to drive improvements in accuracy and consistency in the claims process used to deliver benefits to veterans. It conducts special reviews to gauge compliance with new statutory requirements or policy changes. As previously stated, VA began revising and updating the rating schedule's 15 body systems in August 2017. This is the first major revision since 1945. However, VBA did not conduct any special reviews on the previous 10 body system updates since 2017 and did not have a program in place to monitor the accuracy of changes specific to the rating schedule update for hip and knee replacements or resurfacing.

VA implemented changes to the rating schedule for the musculoskeletal body system on February 7, 2021, including hip and knee replacements or resurfacing. However, according to the VASRD implementation chief, the *Federal Register* published hyperlinks in the eCFR that reflected regulatory amendment language but did not include the rating schedule revisions. Therefore, the eCFR still included guidance that the convalescence period was 12 months instead of the updated four months. The chief further reported that the eCFR was corrected on February 11, 2021. In response, the VASRD Program Management Office and the quality assurance group initiated an informal review of musculoskeletal claims decisions in March 2021 because of the delay in publishing the rating schedule changes. The former assistant director of quality assurance and the lead consultant stated they only conducted the informal review because they wanted to make sure the delay in updating the eCFR rating schedule did not cause any issues with claims decisions processed during the eCFR publication delay from February 7, 2021, to February 11, 2021. The informal review focused on a total of 30 musculoskeletal claims starting February 2021 through September 2021. Only four of those claims were for hip and knee conditions, of which just two were related to convalescence. Neither VBA nor the review team identified any issues with the two claims specific to hip and knee convalescence. However, since the review team found an estimated 43 percent of convalescence claims for hip or knee replacements were inaccurate, including assigning additional benefits regarding SMC and scars and the correct disability percentage in post-convalescence evaluations, the team determined VBA's limited review was insufficient to identify any error trends for these claims.

The former assistant director for VBA's quality assurance reported that because the musculoskeletal system is such a large body system and encompasses many disabilities, musculoskeletal issues inherently make up a large part of the quality review process. He further reported that there were no standard operating procedures specific to his office in implementing and monitoring the accuracy of changes to the rating schedule. However, the claims quality assurance reviews are random and do not specifically target diagnostic codes for which the criteria have changed. The OIG contends this is not conducive to achieving the office's stated role to conduct quality reviews of decisions and claims-processing actions regarding rating schedule changes.

Monitoring is essential to ensure that processes align with changing laws and other VA requirements, objectives, resources, and risks. The Government Accountability Office's federal government standards for internal controls include the requirement for effective monitoring, which underscores its importance for achieving objectives.⁵⁹ VBA could improve claims decision accuracy with quality assurance processes that specifically monitor the consistency and level of compliance with policy and procedures following the implementation of the rating schedule changes. Recommendation 3 addresses the need for VBA to develop these procedures when the related rating schedule has been revised.

Training Enhancements Could Help Claims Processors Make More Accurate Decisions

The review team evaluated VBA's initial four-hour training on changes to the musculoskeletal body system rating schedule and determined the training explained the change in convalescence periods for hip and knee replacements and resurfacing. The self-paced, prerecorded training was supplemented with copies of manual and regulation updates, as well as materials on the rating schedule both before and after changes to the law. The training material outlined the new time frame for the convalescence period—specifically, that it was reduced from 12 to four months.

VBA assigned the training for musculoskeletal system updates to rating veterans service representatives with a completion deadline of February 5, 2021. This initial training included a knowledge assessment that required a score of at least 80 percent to pass. VBA reported that 2,855 of 3,816 staff (nearly 75 percent) had to undergo retraining on the musculoskeletal system updates in fiscal year 2022 because they did not initially receive a passing score.⁶⁰

During the review, the team also discovered there could be challenges in applying the training material. VBA's training directs staff to consider the effective date when determining whether to

⁵⁹ Government Accountability Office, "Monitoring," *Standards for Internal Control in the Federal Government*.

⁶⁰ The team did not validate the reported number of staff who had to retrain on the *Introduction to the Musculoskeletal System VASRD Updates*.

use the prior or updated rating schedule and states, “If your effective date is prior to the change in the rating schedule, whether for a new claim or a claim for increase, your evaluation must be based on the historical criteria.”⁶¹ However, VBA’s quality assurance staff stated that claims received on or after that date are subject to new legislation. Typically, the effective date is the date of surgery. Since the effective date and the date the claim was received may not be the same, it could be unclear which rating schedule applied. Additionally, the review team is concerned that the training and quality assurance staff are not consistently interpreting VBA policy. For future rating schedule revisions to other body systems, it is important that guidance from both training and quality assurance staff be consistent in order to determine which rating schedule applies based on the facts of each claim.

The OIG estimated that 1,500 of 3,200 rating veterans service representatives (46 percent) surveyed from January 25, 2023, to February 24, 2023, identified training as an area needing improvement regarding evaluating musculoskeletal conditions, including hip and knee replacements.⁶² Several reported that they would like to see more examples or interactive training options related to applying the rating schedule changes to the musculoskeletal system and inputting information into VBMS–R.

The OIG team confirmed there were no examples in the instructional portion of the training course materials on how to apply the rating schedule changes to the musculoskeletal system or how to input information into VBMS–R. Therefore, in an effort to increase accuracy in rating claims, recommendation 4 addresses the need for VBA to supplement the training on the rating schedule updates to include how to apply the changes to help ensure comprehension.

Conclusion

The review team identified errors in about 43 percent of claims from the estimated universe of 3,200 during the review period. Specifically, rating veterans service representatives did not accurately decide convalescence related to hip or knee replacements, additional benefits regarding SMC and scars, or assign the correct disability percentage in a post-convalescence evaluation during the review period. Of these, an estimated 38 percent affected veterans’ monetary benefits and resulted in an estimated \$3.3 million in total improper payments. The review team determined this occurred because VBA did not provide rating veterans service representatives effective tools to accurately decide convalescence periods for claims on hip and knee replacements, which increases the risk of veterans being paid improper amounts. Further,

⁶¹ Compensation Service, “Determining Which Criteria to Apply,” slide 37 in *Introduction to the Musculoskeletal System VASRD Updates*, January 2021.

⁶² Percentage may not be precise due to rounding of the estimated OIG survey results. There were approximately 3,200 rating veterans service representatives eligible for the team’s survey, of which 427 were surveyed and 344 provided responses. Of those responses, 167 identified training as the area most needing improvement regarding evaluating musculoskeletal conditions, including hip and knee replacements. See appendix C for additional information on the OIG survey sampling methodology.

VBA did not sufficiently monitor the accuracy of claims affected by these rating schedule changes. While training was available on the modifications, VBA did not ensure staff fully comprehended the information as reflected in the high rates of retraining.

Recommendations 1–4

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

1. Conduct a review of the convalescence claims for hip and knee replacements and resurfacing completed from February 7, 2021, through August 31, 2022, and take appropriate actions to correct convalescence periods and ensure monetary benefits are accurate.
2. Implement a plan to assist employees with determining the effective date, incorporating the initial month under 38 C.F.R. § 4.30, and calculating the duration of convalescence.
3. Develop implementation procedures to include monitoring the accuracy of claims processing when the related rating schedule has been revised.
4. Supplement training on the rating schedule updates to include how to apply the changes to help ensure comprehension.

VA Management Comments

The under secretary for benefits concurred with all recommendations. To address recommendation 1, VBA will review completed convalescence claims from February 7, 2021, through August 31, 2022, for hip and knee replacements and resurfacing and take appropriate actions to correct convalescence periods and ensure the accuracy of monetary benefits. For recommendation 2, VBA will implement a plan to assist staff with determining effective dates, incorporating the initial month of benefits, and calculating convalescence periods. To comply with recommendation 3, VBA will develop a standardized implementation plan—including for monitoring methods, information sharing, and corrective actions—as a baseline to ensure claims processing accuracy after changes to the rating schedule. It will also ensure procedures are well established and communicated to staff before changes take effect. Finally, to address recommendation 4, VBA will use the OIG’s suggested feedback to enhance training and aid comprehension of rating schedule changes; VBA “will submit a supplemented training product based on this feedback upon implementation of the next rating schedule update.” The under secretary’s comments are presented in full in appendix E.

OIG Response

The under secretary for benefits provided acceptable action plans for all recommendations. The OIG will monitor VBA’s progress and follow up on recommendation implementation until all proposed actions are completed.

Appendix A: Rating Schedule Deployment Dates and Hip and Knee Changes

See table A.1 for the 15 body systems and the corresponding deployment dates for the rating schedule updates.

Table A.1. Rating Schedule Body Systems and Scheduled Deployment Dates

Fiscal years 2020–2024 priority	Rating schedule change target effective date	Deploy to production
Dental and Oral Conditions	8/18/2017	8/18/2017
Gynecological Conditions and Disorders of the Breast	8/18/2017	8/18/2017
Endocrine System	12/10/2017	12/10/2017
Organs of Special Sense	5/13/2018	5/13/2018
Skin	8/12/2018	8/12/2018
Hematologic and Lymphatic Systems	5/11/2019	5/11/2019
Infectious Diseases, Immune Disorders, and Nutritional Deficiencies	8/3/2018	8/3/2018
Musculoskeletal System	2/7/2021	2/7/2021
Genitourinary System	11/14/2021	11/15/2021
Cardiovascular System	11/14/2021	11/15/2021
Digestive System*	9/10/2023	9/10/2023
Respiratory System*	12/10/2023	12/10/2023
Impairment of Auditory Acuity*	12/10/2023	12/10/2023
Mental Disorders*	12/10/2023	12/10/2023
Neurological Conditions and Convulsive Disorders*	3/17/2024	3/17/2024

Source: OIG analysis of information provided by the Office of Business Integration Chief of Business Architecture Services and Integration Systems.

** Projections for both “target effective” and “deploy to production” dates for these body systems were provided by VBA and have not been validated by the OIG.*

See tables A.2 and A.3 for comparisons of the rating schedule before and after the changes effective February 7, 2021.

Table A.2. Side-by-Side Comparison of Musculoskeletal Body System Changes to Hip Replacement and Resurfacing

Rating schedule before February 7, 2021*		Rating schedule effective February 7, 2021†	
5054 Hip, replacement (prosthesis), prosthetic replacement of the head of the femur or of the acetabulum	Percentage disability allowed	5054 Hip, resurfacing or replacement (prosthesis), prosthetic replacement of the head of the femur or of the acetabulum	Percentage disability allowed
For one year following implantation of prosthesis	100	For four months following implantation of prosthesis or resurfacing	100
Following implantation of prosthesis with painful motion or weakness such as to require the use of crutches	90	Following implantation of prosthesis with painful motion or weakness such as to require the use of crutches	90
Markedly severe residual weakness, pain, or limitation of motion following implantation of prosthesis	70	Markedly severe residual weakness, pain, or limitation of motion following implantation of prosthesis	70
Moderately severe residuals of weakness, pain, or limitation of motion	50	Moderately severe residuals of weakness, pain, or limitation of motion	50
Minimum rating	30	Minimum evaluation, total replacement only	30
		Note: At the conclusion of the 100 percent evaluation period, evaluate resurfacing under diagnostic codes 5250 through 5255; there is no minimum evaluation for resurfacing.	

Source: VA OIG analysis of 38 C.F.R. § 4.71(a). Bolded type added to highlight revisions.

* Former rating schedule notes, before February 7, 2021. (1) The 100 percent rating for one year following implantation of prosthesis will commence after initial grant of the one-month total rating assigned under § 4.30 following hospital discharge. (2) Special monthly compensation is assignable during the 100 percent rating period from the earliest date permanent use of crutches is established.

† Rating schedule notes effective February 7, 2021. (1) When an evaluation is assigned for joint resurfacing or the prosthetic replacement of a joint under diagnostic codes 5051–5056, an additional rating under § 4.71a may not also be assigned for that joint, unless otherwise directed. (2) Only evaluate a revision procedure in the same manner as the original procedure under diagnostic codes 5051–5056 if all the original components are replaced. (3) The term “prosthetic replacement” in diagnostic codes 5051–5053 and 5055–5056 means a total replacement of the named joint. However, in diagnostic code 5054, “prosthetic replacement” means a total replacement of the head of the femur or of the acetabulum. (4) The 100 percent rating for one year following implantation of prosthesis will commence after initial grant of the one-month total rating assigned under § 4.30 following hospital discharge. (5) The 100 percent rating for four months following implantation of prosthesis or resurfacing under diagnostic codes 5054 and 5055 will commence after initial grant of the one-month total rating assigned under § 4.30 following hospital discharge. (6) Special monthly compensation is assignable during the 100 percent rating period from the earliest date permanent use of crutches is established.

Table A.3. Side-by-Side Comparison of Musculoskeletal Body System Changes to Knee Replacement and Resurfacing

Rating schedule prior to February 7, 2021*		Rating schedule effective February 7, 2021 †	
5055 Knee, replacement (prosthesis)	Percentage disability allowed	5055 Knee, resurfacing or replacement (prosthesis)	Percentage disability allowed
For one year following implantation of prosthesis	100	For four months following implantation of prosthesis or resurfacing	100
With chronic residuals consisting of severe painful motion or weakness in the affected extremity	60	With chronic residuals consisting of severe painful motion or weakness in the affected extremity	60
With intermediate degrees of residual weakness, pain, or limitation of motion rate by analogy to diagnostic codes 5256, 5261, or 5262	varies†	With intermediate degrees of residual weakness, pain, or limitation of motion rate by analogy to diagnostic codes 5256, 5261, or 5262	varies†
Minimum rating	30	Minimum evaluation, total replacement only	30
		Note: At the conclusion of the 100 percent evaluation period, evaluate resurfacing under diagnostic codes 5256 through 5262; there is no minimum evaluation for resurfacing.	

Source: VA OIG analysis of 38 C.F.R. § 4.71(a). Bolded type added to highlight revisions.

* Former rating schedule notes and rating schedule notes effective February 7, 2021, are identical to those following table A.2.

† Based on the specifics of each case, evaluations can vary under these diagnostic codes.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from November 2022 through December 2023. The team reviewed a statistical sample of hip and knee replacement and resurfacing claims completed from February 7, 2021, through August 31, 2022. Further, the team surveyed rating veterans service representatives with rating experience from January 2021 through January 2023.

Methodology

To accomplish the objective, the VA Office of Inspector General (OIG) team completed these actions:

- Reviewed applicable laws, policies, and procedures to determine whether rating veterans service representatives accurately processed and decided claims in accordance with agency regulations and procedures for claims associated with hip or knee replacements or resurfacing.
- Examined a statistical sample of 136 completed claims for hip or knee replacement or resurfacing convalescence, of which 112 were determined to be in the scope of the review.⁶³
- Reviewed a statistical sample of 56 completed claims for scars associated with hip or knee replacements and resurfacing that were received and decided from December 1, 2022, through January 31, 2023. The review population included 154 veterans' claims with a 100 percent evaluation for a hip or knee replacement or resurfacing from December 1, 2022, through January 31, 2023.
- Interviewed officials at the Veterans Benefits Administration's (VBA) Central Office and claims-rating veterans service representatives, quality assurance staff, and managers at the St. Petersburg VA Regional Office.
- Conducted a web survey of 427 rating veterans service representatives statistically sampled from a population of 3,248, from January 25, 2023, to February 24, 2023, to collect information about their experiences during the implementation of changes to the rating schedule for the musculoskeletal body system. Of these, 13 were found to be out of scope. The team estimates the population eligible for survey is about 3,194. The team received 344 completed surveys for a response rate of 81 percent. The team reviewed and

⁶³ This review assessed the processing accuracy of convalescence claims for hip and knee replacements or resurfacing, which are at higher risk of error; the team's findings are not intended to represent VBA's overall claims processing accuracy rate.

analyzed the responses and followed up for clarification or additional information as needed. Survey responses were weighted to create population estimates. More detail about the sample design and estimates is included in appendix C.

Internal Controls

The OIG team assessed VBA's internal controls significant to the objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.⁶⁴ In addition, the team reviewed the principles of internal controls as associated with the objective. The team identified the two components and three principles listed below as significant to the objective.⁶⁵ The team identified the following internal control weaknesses during this review that are discussed in the report findings and proposed recommendations:

- Component: Control Activities
 - Principle 11: Design Activities for the Information System
- Component: Monitoring
 - Principle 16: Perform Monitoring Activities
 - Principle 17: Evaluate Issues and Remediate Deficiencies

Fraud Assessment

The OIG 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

- identifying laws, regulations, and procedures related to the review subject matter to help detect noncompliance or misconduct;
- examining previous reviews, audits, and inspections as reported by VA OIG and other auditing organizations regarding VBA; and
- completing the Fraud Indicators and Assessment Checklist.

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

⁶⁴ Government Accountability Office, *Standards for Internal Control in the Federal Government*.

⁶⁵ Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of this review.

Data Reliability

The review team used computer-processed data from VBA's Corporate Database. To test for reliability, it determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The review team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the review team compared veterans' names, file numbers, social security numbers, date of claims, and decision dates as provided in the data received in the 168 claims reviewed.

Testing of the data disclosed that they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the veterans' claims did not disclose any problems with data reliability.

The review team obtained a listing of rating veterans service representatives from VBA. To test for reliability, it determined whether any data were missing from key fields, included any calculation errors, or were outside the parameters requested. The review team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in correct fields, or illogical relationships among data elements. The team determined the listing was sufficiently reliable for the review objectives.

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 team reviewed a statistical sample of completed veterans’ claims for hip and knee replacements and resurfacing with a 100 percent evaluation received and decided by VBA from February 7, 2021, through August 31, 2022. The team used statistical sampling to quantify the extent of claims where VA employees completed a rating decision for a temporary 100 percent evaluation for convalescence from a hip or knee replacement or resurfacing within the team’s scope.

Population

The review population included 3,903 veterans’ claims with a temporary 100 percent evaluation for convalescence for a hip or knee replacement or resurfacing from February 7, 2021, through August 31, 2022 (the review period). For the review, the team estimated the in-scope population to be 3,214 veterans’ claims. The difference between the review population and the estimated population occurred because the team determined 24 veteran claims were out of scope because they did not have a temporary 100 percent evaluation. Therefore, the team estimates the out-of-scope population to be about 690 and estimates the in-scope population eligible for this review is about 3,200 veterans.

Table C.1. Summary of Projections and Confidence Intervals for Estimated Population

Estimate name	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
In-scope population	3,214	212	3,002	3,426	112
Out-of-scope population	689	212	477	901	24

Source: VA OIG statistician’s projection of estimated population.

Sampling Design

The review team selected a random sample of 112 claims from the in-scope population of completed claims for diagnostic codes 5054 and 5055 received by VBA from February 7, 2021, through August 31, 2022.

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team calculated the error rate estimates by first summing the sampling weights for all sample records that contained the given 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 approximately 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.

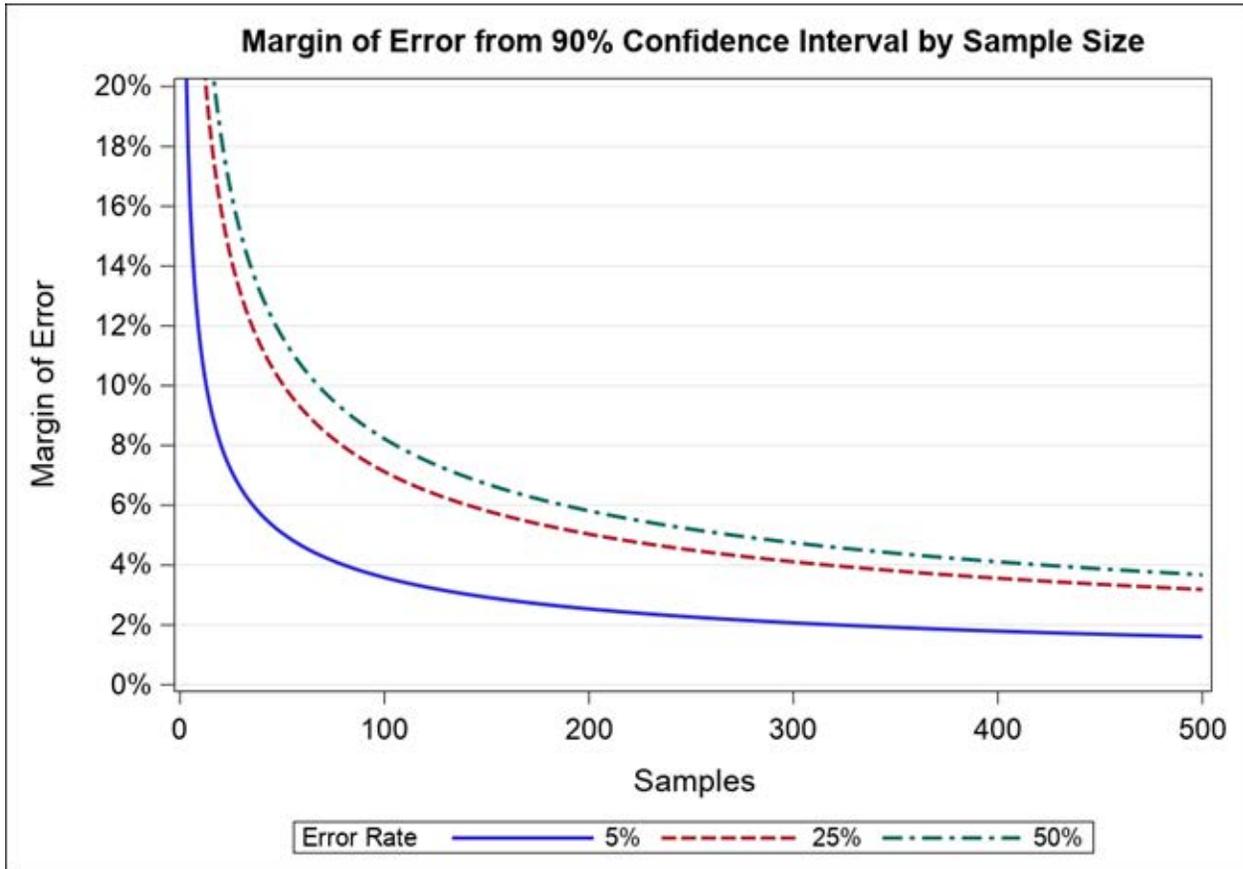


Figure C.1. Effect of sample size on margin of error.

Source: VA OIG statistician’s analysis.

Projections

Tables C.2 and C.3 include the review team’s analysis and projected results for errors and improper payments on convalescence claims for hips and knees during the review period.

Table C.2. Summary of Projections and Confidence Intervals for Estimated Population with Errors and Errors with Improper Payments

Estimate name	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Claims with errors (percent)	1,378 (43%)	250 (8%)	1,127* (35%)	1,628 (51%)	48

Estimate name	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Claims with errors resulting in improper payments (percent)	1,205 (38%)	245 (8%)	960 (30%)	1,450 (45%)	42
Claims with errors due to incorrect number of months when granting convalescence periods (percent)	1,062 (33%)	238 (7%)	824 (26%)	1,300* (40%)	37
Claims for which rating veterans service representatives did not accurately consider veterans' additional entitlement to special monthly compensation (percent)	574 (18%)	194 (6%)	380 (12%)	768 (24%)	20

Source: VA OIG statistician's projection of estimated population with errors and errors with improper payments.

*Projections and confidence intervals may not total precisely due to rounding.

Table C.3. Summary of Projections and Confidence Intervals for Estimated Improper Payments

Estimate name	Estimate amount (\$)	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Total improper payments	3,340,455*	1,132,576	2,207,879	4,473,030†	42

Source: VA OIG statistician's projection of estimated improper payments.

* The point estimate for the total overpayments was 1,458,856 and for the total underpayments was 1,881,599.

† Projections and confidence intervals may not total precisely due to rounding.

Tables C.4 and C.5 detail the review team's analysis and projected results for the mean number of months veterans improperly were assigned convalescence and the code sheets that included proper documentation during the review period.

Table C.4. Summary of Projection and Confidence Interval for Mean Number of Months Improperly Assigned Convalescence

Estimate name	Estimate amount	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Mean months	1.59	0.45	1.15*	2.04	37

Source: VA OIG statistician’s projection of estimated mean number of months improperly assigned convalescence.

*Projections and confidence intervals may not total precisely due to rounding.

Table C.5. Summary of Projection and Confidence Interval for Estimated Population of Rating Decision Code Sheet 38 C.F.R. § 4.30 Documentation

Estimate name	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Code sheet did not include 38 C.F.R. § 4.30 (percent)	1,291 (40%)	248 (8%)	1,043 (32%)	1,540* (48%)	45
Code sheet included 38 C.F.R. § 4.30 (percent)	1,923 (60%)	248 (8%)	1,675 (52%)	2,171 (68%)	67

Source: VA OIG statistician’s projection of estimated population of rating decision code sheet 38 C.F.R. § 4.30 documentation.

*Projections and confidence intervals may not total precisely due to rounding.

Survey Sampling Methodology

The review team conducted a web survey of VBA rating veterans service representatives. The team used statistical sampling to quantify the extent of survey results in the rating veterans service representative population.

The survey population included 3,248 rating veterans service representatives with rating experience between January 2021 and January 2023. The survey was open to rating veterans service representatives from January 25, 2023, to February 24, 2023.

The team selected a statistical sample of 427 of rating veterans service representatives from the population of 3,248 with rating experience between January 2021 and January 2023. The review team excluded 13 rating veterans service representatives because they either did not have valid

contact information or serve as a rating veterans service representative in the past two years. Since the excluded 13 rating veterans service representatives represent others in the original survey population that may also be out of scope, the team estimates the population eligible for survey is about 3,194. The review team received completed surveys from 344 rating veterans service representatives for a response rate of 81 percent.

The population was stratified by employee experience level and categorized in three strata as seen in table C.6.

Table C.6. Survey Strata

Rating veterans service representative's experience level	Sample size
Entry level (0–12 months)	141
Intermediate level (13–24 months)	112
Journeyman level (25 or more months)	174
Total	427

Source: VA OIG statistician's stratified survey population.

Table C.7 contains the projections based on the survey of rating veterans service representatives regarding the Veterans Benefits Management System–Rating's evaluation builder and training to evaluate musculoskeletal claims.

Table C.7. Statistical Projections Summary for Survey Data

Estimate category	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Population of rating veterans service representatives eligible for survey	3,194	34	3,161*	3,228	344

Estimate category	Estimate number	90 percent confidence interval			Sample size
		Margin of error	Lower limit	Upper limit	
Rating veterans service representatives who reported the evaluation builder was not accurate for assigning convalescence periods (percent)	1,125 [†] (35%)	172 (5%)	953 (30%)	1,297 (41%*)	128
Rating veterans service representatives who reported training on the rating schedule needs improvement (percent)	1,482 (46%)	180 (6%)	1,302 (41%)	1,663* (52%)	167

Source: VA OIG statistician's projection of estimated population.

* Projections and confidence intervals may not total precisely due to rounding.

[†] This estimate is conservative as 13 of 344 respondents did not respond to this question.

Appendix D: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs*
1-4	The OIG estimated that inaccurate evaluations for convalescence for a hip or knee replacement resulted in at least \$3.3 million in improper payments.	\$0	\$3.3 million
	Total	\$0	\$3.3 million

Source: VA OIG analysis.

Note: The OIG determined VBA's inaccurate processing led to an estimated \$3.3 million in questioned costs during the review period. The estimate includes payments that were either incorrect or unsupported.

*The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; are not supported by adequate documentation; or are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the review. The \$3.3 million in questioned costs were unsupported costs.

Appendix E: VA Management Comments

Department of Veterans Affairs Memorandum

Date: December 29, 2023

From: Under Secretary for Benefits (20)

Subj: Office of Inspector General (OIG) Draft Report - Rating Schedule Updates for Hip and Knee Replacement Benefits Were Not Consistently Applied [Project No. 2023-00153-AE-0007] — [VIEWS 11133063]

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

1. Thank you for the opportunity to review and comment on the OIG draft report: Rating Schedule Updates for Hip and Knee Replacement Benefits Were Not Consistently Applied. The Veterans Benefits Administration (VBA) provides the attached response to the draft report.

The OIG removed point of contact information prior to publication.

(Original signed by)

Joshua Jacobs

Attachment

Veterans Benefits Administration (VBA)

Comments on OIG Draft Report

Rating Schedule Updates for Hip and Knee Replacement Benefits Were Not Consistently Applied

The Veterans Benefits Administration (VBA) concurs with OIG's findings and provides the following comments in response to the recommendations in the OIG draft report.

Recommendation 1: Conduct a review of the convalescence claims for hip and knee replacements and resurfacing completed from February 7, 2021, through August 31, 2022, and take appropriate actions to correct convalescence periods and ensure monetary benefits are accurate.

VBA Response: Concur. VBA will conduct a review of the convalescence claims for hip and knee replacements and resurfacing completed from February 7, 2021, through August 31, 2022, and will take appropriate actions to correct convalescence periods and ensure monetary benefits are accurate.

Target Completion Date: September 30, 2024

Recommendation 2: Implement a plan to assist employees with determining the effective date, incorporating the initial month under 38 C.F.R. § 4.30, and calculating the duration of convalescence.

VBA Response: Concur. VBA will implement a plan to assist employees with determining the effective date, incorporating the initial month under 38 C.F.R. § 4.30, and calculating the duration of convalescence.

Target Completion Date: May 31, 2024

Recommendation 3: Develop implementation procedures to include monitoring the accuracy of claims processing when the related rating schedule has been revised.

VBA Response: Concur. VBA will develop a standardized implementation plan as a baseline to ensure accuracy of claims processing when the related rating schedule has been revised. In addition, VBA will ensure procedures are well established and communicated to the field in advance of rating schedule changes. The plan will be inclusive of VBA methods for monitoring claim accuracy, sharing error findings and trends, and executing corrective actions where necessary.

Target Completion Date: May 31, 2024

Recommendation 4: Supplement training on the rating schedule updates to include how to apply the changes to help ensure comprehension.

VBA Response: Concur. VBA has documented the suggested feedback from OIG to add additional examples to supplement training to better ensure comprehension of rating schedule updates. VBA will submit a supplemented training product based on this feedback upon implementation of the next rating schedule update.

Target Completion Date: TBD

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

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

Review Team	Lisa Van Haeren, Director Kristine Abramo Robert Campbell Eric Cayce Elyce Girouard
--------------------	---

Other Contributors	Kim Cragg Marnette Dhooghe Darryl Joe Victor Rhee Ruoqing Wang-Cendejas Bill Warhop Kotwoallama Reine Zerbo
---------------------------	---

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Veterans Health Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
Office of Acquisition, Logistics, and Construction
Board of Veterans' Appeals

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
House Committee on Oversight and Accountability
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

OIG reports are available at www.vaig.gov.