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VA DISABILITY BENEFITS

Agency Has Taken Steps, but Challenges Remain with Managing and Modernizing Its Program

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Agency Has Taken Steps, but Challenges Remain with Managing and Modernizing Its Program

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A testimony before the Committee on Veterans' Affairs, U.S. Senate.

For more information, contact: Elizabeth H. Curda at curdae@gao.gov**What GAO Found**

Over the past 2 decades, the Department of Veterans Affairs (VA) has taken various steps to improve and address challenges related to its disability compensation program, such as reforming its appeals process. However, GAO's prior work has shown that VA's efforts to reform its disability compensation program have not consistently achieved the desired improvements. Underpinning many of the challenges are VA leaders and managers not fully using leading management practices. For example:

Reform initiatives. GAO's 2022 report found VA undertook 23 initiatives to reform the disability program from fiscal years 2017 through 2020. GAO's closer look at five of them found VA did not consistently follow leading practices for effective reforms, such as establishing goals and involving key stakeholders. To address these shortfalls, GAO made eight recommendations (VA agreed or agreed in principle).

As of October 2025, VA has addressed six recommendations and partially addressed the remaining two. One of these recommendations, which GAO deems a high priority for implementation, is for VA to develop and implement a policy describing the leading practices that VA officials should follow when undertaking initiatives to reform the program.

Disability exams and training. High-quality disability exams and claims processor training play key roles in accurately determining eligibility and preventing fraud, costly rework, and processing delays. However, GAO's prior work has identified challenges VA faces in these areas.

Specifically, GAO's 2024 and 2025 reports identified opportunities to strengthen VA's oversight of the quality of exams provided by contracted medical providers (called examiners). For example, GAO found incorrect financial incentive payments to contractors. To address this and other shortfalls, GAO made five recommendations. All five remain open as of October 2025. VA has partially addressed one and described plans to address the others.

GAO's 2021 report highlighted shortfalls in VA's management of training for claims processors, such as whether VA assessed training results. To address these shortfalls, GAO made 10 recommendations, with four remaining open as of October 2025.

Program modernization. GAO's prior work has identified various policy options proposed by others for modernizing VA's existing disability benefits structure to reflect changing views about disability. For example, in 2012 GAO examined the opportunities and challenges of several policy options, such as providing integrated vocational services with transitional cash assistance. VA's disability compensation program's parameters are set forth in federal law. This statutory framework restricts the extent to which VA can reform its disability program, as there are certain actions VA cannot take without Congress amending the relevant laws.

Addressing each of these longstanding challenges requires sustained leadership and would help ensure veterans receive accurate decisions and timely access to disability compensation.

Why GAO Did This Study

Veterans with injuries or illnesses incurred during their military service may receive monthly disability payments from VA. Veterans found eligible for disability compensation are entitled to cash benefits regardless of employment status or amount of income earned. In fiscal year 2024, VA provided over \$163 billion in compensation to over 6.5 million veterans and their families.

GAO's prior work has highlighted longstanding challenges VA has faced, ranging from grappling with large numbers of claims and appeals to reexamining the existing disability benefits structure.

These challenges can affect VA's current efforts to provide veterans with accurate decisions and timely access to disability compensation. They can also affect its capacity to modernize disability compensation to best meet the needs of veterans with disabilities in the 21st century. As a result of these and other challenges, VA's management of disability compensation claims has remained on GAO's High-Risk List since 2003.

This statement focuses on (1) VA's longstanding challenges with managing changes to the disability compensation program, (2) challenges to ensuring the quality of decisions in the existing disability compensation program, and (3) policy approaches that disability commissions and others have raised for modernizing VA's disability benefits structure.

It is based on findings from prior reports from 2012 to 2025.

October 29, 2025

Chairman Moran, Ranking Member Blumenthal, and Members of the Committee:

I am pleased to be here today to discuss our work on the challenges and opportunities the Department of Veterans Affairs (VA) faces in managing and modernizing its disability benefits program.

VA administers one of the largest federal disability benefit programs in the nation. It provided over \$163 billion in compensation to over 6.5 million veterans and their families in fiscal year 2024, according to VA. Veterans with service-connected disabilities (i.e., injuries or illnesses incurred or aggravated during military service) may receive monthly VA disability compensation payments according to the severity of their disability.¹

Our prior work has highlighted longstanding challenges VA has faced, ranging from grappling with large numbers of claims and appeals to reexamining the existing disability benefits structure. These challenges can affect VA's current efforts to provide veterans with accurate decisions and timely access to disability compensation. They can also affect VA's capacity to modernize disability compensation to best meet the needs of veterans with disabilities in the 21st century. As a result of these and other challenges, VA's management of disability compensation claims has remained on GAO's High-Risk List since 2003.²

VA has made some progress in addressing these high-risk issues, such as identifying deficiency root causes and establishing action plans to address them. However, additional steps and long-term commitment will be required to achieve the needed change.

My statement today focuses on (1) VA's longstanding challenges with managing changes to the disability compensation program, (2) challenges to ensuring the quality of decisions in the existing disability compensation

¹See generally 38 U.S.C. Ch. 11.

²GAO's High-Risk List focuses attention on government operations that are vulnerable to fraud, waste, abuse, or mismanagement, or are in need of transformation to address economy, efficiency, or effectiveness challenges. Our 2025 High-Risk Report provides VA a road map for better managing its disability workloads and updating its disability benefit eligibility criteria. See GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington, D.C.: Feb. 25, 2025).

program, and (3) policy approaches that disability commissions and others have raised for modernizing VA's disability benefits structure.

This statement is based on our body of work that spans more than a decade. We note these reports from 2012 to 2025 below. More detailed information on the scope and methodology of our prior work can be found within the specific reports on which this statement is based. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VA Disability Compensation Program and related services. VA provides disability compensation to veterans with service-connected injuries or illnesses. Veterans determined eligible for disability compensation are generally entitled to cash payments regardless of employment status or the amount of income earned.

Under statute, compensation levels are generally based on the disability rating that represents the average percentage loss in earning capacity associated with the severity of physical and mental conditions.³ VA uses the Veterans Affairs Schedule for Rating Disabilities to determine a disability rating percentage from 0 to 100 percent. If dissatisfied with VA's decision on their initial claim, veterans may appeal.

Besides financial compensation, VA provides health care, housing, vocational rehabilitation, and other employment-related services to eligible veterans. These services are provided through multiple administrations and programs within VA, such as the Veterans Health Administration and Veteran Readiness and Employment program. In many instances, a veteran first receives a disability rating from VA and then applies for these services.

Trends in disability compensation workloads. During the first quarter of the 21st century, VA has faced periods of growing claims and appeals workloads. While VA has recently made progress in managing its

³38 U.S.C. § 1155 provides that the "ratings shall be based, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations."

workloads and reducing its backlog of disability claims, the number of backlogged disability claims has fluctuated.

During this period, VA has faced surges in workloads, such as those related to changes in the eligibility determination process for certain claims. For example, VA adjudicated 260,000 previously denied and new claims when a presumptive service connection was established for additional Agent Orange-related diseases in August 2010. More recently, VA data show that the increase in claims driven partly by the Honoring our PACT Act of 2022 (PACT Act) had added to VA's already considerable workload.⁴ Moreover, VA continues assessing potential additional presumptions for other potentially service-connected conditions that could produce a surge in claims and appeals.⁵

GAO's High-Risk List designation. GAO's High-Risk List identifies government operations with serious vulnerabilities to fraud, waste, abuse, and mismanagement, or in need of transformation. GAO uses five criteria to assess progress in addressing high-risk areas: (1) leadership commitment, (2) agency capacity, (3) an action plan, (4) monitoring efforts, and (5) demonstrated progress. VA's disability compensation program has been on GAO's High-Risk List since 2003 for continuing challenges with managing its claims workloads and modernizing eligibility criteria.

⁴See Pub. L. No. 117-168, 136 Stat. 1759.

⁵For example, VA is exploring the relationship between exposure to Per- and polyfluoroalkyl substances (PFAS) and kidney cancer. See 89 Fed. Reg. 78986 (Sept. 26, 2024).

VA Has Not Fully Used Leading Practices to Manage Changes to Its Disability Compensation Program

Over the past 2 decades, VA has taken various steps to improve and address challenges related to its disability compensation program. For example, these steps include reforming the appeals process,⁶ enhancing training for adjudicators, and establishing programs to manage and oversee contracted medical exams.

However, our prior work has shown that despite VA's efforts to reform its disability compensation program, VA did not consistently achieve its goals for improvement. Underpinning many of the challenges, VA leaders and managers are not fully using leading management practices to manage the disability compensation program. Specifically, VA has not consistently applied leading management practices, such as leading practices for effective reforms and key practices that align with the five criteria we use to assess the areas on our High-Risk List. Our prior work found opportunities for these leading practices to help VA improve disability claims processing and update its eligibility criteria.

Improvements to disability claims processing. Our work on VA's reform efforts surfaced management and oversight challenges in how VA approaches reforms to its disability compensation program. Specifically, in July 2022 we reported that VA undertook 23 initiatives from fiscal years 2017 through 2020 to improve its disability compensation program.⁷ Our closer look at five initiatives found VA did not consistently apply leading practices for effective reforms, such as establishing goals for the reforms and involving key stakeholders, to achieve intended results.⁸

For example, VA has undertaken wide-ranging initiatives to improve its processing of military sexual trauma claims, including office consolidations and changes to trainings and policies. In planning these changes, VA did not fully incorporate input from external stakeholders—

⁶See, for example, GAO, *VA Disability Benefits: Actions Needed to Better Manage Appeals Workload Risks, Performance, and Information Technology*, [GAO-21-105305](#) (Washington, D.C.: July 13, 2021).

⁷GAO, *VA Disability Benefits: Compensation Program Could Be Strengthened by Consistently Following Leading Reform Practices*, [GAO-22-104488](#) (Washington, D.C.: July 18, 2022).

⁸We have found that effective reform efforts require a combination of people, processes, technologies, and other critical success factors to achieve results. Our prior work describes 12 leading practices that federal agencies can use in agency reform efforts, including efforts to streamline and improve the efficiency and effectiveness of operations. See GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, [GAO-18-427](#) (Washington, D.C.: June 13, 2018).

including veterans with disabilities related to military sexual trauma or their representatives—to account for how the changes would affect these stakeholders. Overall, VA had no way to prioritize and oversee these initiatives.

We made eight recommendations to improve how VA plans and implements disability benefit reforms (and VA agreed or agreed in principle).

- As of October 2025, VA has addressed the six recommendations related to using leading practices for effective reforms where needed for initiatives we reviewed.
- VA has partially addressed the remaining two recommendations. One recommendation is for VA to designate a centralized leadership team to oversee its many reforms. The other recommendation, which we deemed a high priority for implementation,⁹ is for VA to develop and implement a policy describing the leading practices that VA officials should follow when undertaking reforms.

Fully implementing these recommendations will help VA consistently follow leading practices for reform and determine how much progress has been made in achieving its reform goals and what work remains.

Updating eligibility criteria. VA continues to rely on outdated medical and earnings loss information in the rating schedule to determine whether veterans qualify for disability benefits. Specifically, according to VA, the rating schedule is currently undergoing its first comprehensive update since its creation in 1945, which is intended to reflect labor market changes and medical and technological advances and their impact on medical conditions that affect potential earnings. Past studies evaluated veterans' with service-connected disabilities average loss of earnings and found that not all veterans were being equitably compensated.¹⁰

⁹GAO, *Priority Open Recommendations: Department of Veterans Affairs*, [GAO-25-108071](#) (May 5, 2025). Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

¹⁰For example, two studies, conducted by CNA and Economic Systems Inc., respectively, suggested that veterans with mental health impairments were being undercompensated.

For many years, VA had not demonstrated it had the capacity or robust plans to address the root causes of the challenges related to updating eligibility criteria. Since 2019, we have been assisting VA on how to improve its disability compensation program's high-risk designation, such as by providing information on effective action planning.

In 2020, VA took important steps to demonstrate progress on this high-risk area. Specifically, it issued an action plan that identified root causes of the challenges, but lacked other key elements, such as clear metrics intended to track progress. VA has continued to update their action plan, most recently in 2024, and monitor the effectiveness of corrective actions. These steps have resulted in VA fully meeting three of the five criteria needed for this area to be removed from GAO's High-Risk List (i.e., leadership commitment, action plan, and monitoring) in 2025.

To fully meet all five criteria for this high-risk area, VA needs to continue building capacity and demonstrating results. For example, VA continued to face delays in fully completing its comprehensive update of the criteria. VA's 2024 action plan stated that the department had updated the medical information covering 11 of the 15 body systems and made progress in studying earnings loss as a potential source for future updates.

However, in January 2025, VA officials also stated the remaining four body systems are still being updated, in part due to VA's lengthy internal and external review period. VA has extended the timeline to complete its comprehensive updates to fiscal year 2026, which is more than 10 years beyond VA's initial goal. VA also continues to test the efficacy of procedures for producing earnings loss information but has not updated the criteria with this information. Without a rating schedule that reflects advances in medicine and changes in the labor market since 1945, VA may overcompensate some veterans while undercompensating others.

Oversight of Disability Exams and Claims Processor Training Are Key Challenges to Ensuring Quality Disability Compensation Decisions

In VA's current system, high-quality disability exams and claim processor training play key roles related to accurate eligibility decisions and preventing fraud, costly rework, and processing delays.

High-quality exams. VA may require disability exams for veterans filing disability claims to help determine their eligibility. VA has increasingly relied on contractors to provide the medical professionals, called examiners, to conduct most disability exams. In fiscal year 2024, examiners conducted over 3 million disability exams—representing 93 percent of all disability exams—at a cost of over \$5 billion, according to VA officials.

In our September 2024 and August 2025 reports, we made five recommendations to strengthen VA's oversight of contracted medical exam quality.¹¹ Our five recommendations generally focused on three areas: (1) breakdowns in procedures for identifying and correcting the most frequent or complex problems with contracted exams, (2) incorrect financial incentive payments to contractors, and (3) a gap in feedback from examiners—a key stakeholder group.

All five recommendations remain open as of October 2025. VA agreed or agreed in principle with the recommendations. VA has partially addressed one recommendation and described plans to address the others. Fully implementing our five recommendations would help VA improve exam quality and help veterans receive benefits they are entitled to without delay.

Claims processor training. VA's claims processors are responsible for making numerous decisions on disability claims, which is often a complex undertaking. Training and quality have a clear connection because training helps prevent errors from occurring in the first place.

Our June 2021 report examined wide-ranging aspects of VBA's training program for new and experienced claims processors against a framework

¹¹See GAO, *VA Disability Exams: Improvements Needed to Strengthen Oversight of Contractors' Corrective Actions*, [GAO-24-107730](#) (Washington, D.C.: Sept. 18, 2024); and *VA Disability Benefits: Additional Oversight and Information Could Improve Quality of Contracted Exams for Veterans*, [GAO-25-107483](#) (Washington, D.C.: Aug. 18, 2025).

of leading practices for training.¹² Overall, our report highlighted shortfalls in VBA's management of its training, such as directing and coordinating training across VBA, monitoring whether claims processors completed required training, and assessing training results. To remedy these shortfalls in how VA planned, designed, implemented, and evaluated its training for claims processors, we made 10 recommendations.

For example, our prior work indicated that evaluation has been a consistent gap in VA's management of training. And we found that VA had not completed a plan to evaluate training for experienced claims processors. We recommended that VA complete and implement a plan to evaluate training of disability claims processors that aligns with leading practices. VA agreed or agreed in principle with the recommendations. As of October 2025, VA addressed six of our 10 recommendations and partially implemented four.

Effective management of VA's training program can help claims processors meet veterans' needs by providing timely and accurate decisions. It can also save taxpayer dollars by reducing mistakes and rework of the same claim if that claim is appealed.

Overall, our recommendations related to disability exams and claims processor training underscore the importance of VA needing sustained leadership with a commitment to oversight and accountability. This includes a commitment to making sure that contracted exams are high quality, and that VA takes steps to (1) improve contracted exam quality, (2) train claims processors, (3) identify when contractors or claims processors fall short, and (4) correct the identified problems and prevent reoccurrences.

¹²GAO, *VA Disability Benefits: Veterans Benefits Administration Could Enhance Management of Claims Processor Training*, [GAO-21-348](#) (Washington, D.C.: June 7, 2021). See also *VA Disability Benefits: Training for Claims Processors Needs to Be Enhanced*, [GAO-24-107510](#) (Washington, D.C.: July 23, 2024).

Options Exist for Modernizing VA's Disability Benefits Structure but Some May Require Statutory Changes

Various commissions, expert panels, and others have suggested policy options to modernize VA's existing disability benefits structure to reflect current thinking about disability. Often, these forums have focused on answering the following questions:

- Does VA focus too singularly on compensation without adequate focus on rehabilitation to maximize a veteran's recovery and reintegration?
- Could VA's various disability benefits and services be better integrated to serve individual veterans?
- Should VA distinguish work participation from other consequences of injuries or diseases that have a broader impact on a person's quality of life, such as difficulty interacting with family and friends?

Our prior work has identified various policy approaches or options proposed by others for modernizing VA's disability benefits structure.¹³ Specifically, in 2012 we examined the opportunities and challenges of three key policy approaches proposed by commissions and others for modernizing VA's disability benefits structure. The three approaches included providing quality of life payments, providing integrated vocational services with transitional cash assistance, and systematically factoring the effects of assistive technology and medical interventions into rating decisions.

Similarly, in 2015 we identified seven options proposed by others for revising VA's Total Disability Individual Unemployability (TDIU) benefit. TDIU is provided to veterans, irrespective of age, who are deemed to be unable to obtain or maintain gainful employment due to their service-connected disability. One of the seven options we reported on was to discontinue the TDIU payment when the veteran reaches Social Security's full retirement age (65 to 67, depending on birth year). This

¹³In those reports, we did not recommend or endorse the adoption of any particular policy option or package of options. Rather, we identified them from literature reviews as potential options that could be considered. For more information about how we identified these options, including the reports or other materials that present these options, see GAO, *VA Disability Compensation: Actions Needed to Address Hurdles Facing Program Modernization*, [GAO-12-846](#) (Washington, D.C.: Sept. 10, 2012); and GAO, *Veterans' Disability Benefits: VA Can Better Ensure Unemployability Decisions Are Well Supported*, [GAO-15-464](#) (Washington, D.C.: June 2, 2015).

option was proposed by the Congressional Budget Office (CBO) in 2013.¹⁴

VA's disability compensation program's parameters are set forth in federal law. This statutory framework restricts the extent to which VA can reform its disability program, as there are certain actions VA cannot take without Congress amending the relevant laws. For example, under 38 U.S.C. § 1155, VA is required, as far as is practicable, to base its disability ratings on the average impairments of earning capacity resulting from various types of injuries in civil occupations. This provision essentially prohibits VA from basing disability ratings (or a portion of the ratings) on a loss of quality of life without a statutory change.

Chairman Moran, Ranking Member Blumenthal, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have.

GAO Contact and Staff Acknowledgments

If you or your staff members have any questions concerning this statement for the record, please contact Elizabeth H. Curda at curdae@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this statement.

James Whitcomb (Assistant Director) made key contributions to this testimony. Also contributing to this testimony were Alex Galuten, Erin Godtland, Gina Hoover, Lorin Obler, Zachary Sivo, and Joy Solmonson. Other staff who made contributions to the reports cited in this testimony are identified in the source reports.

¹⁴Congressional Budget Office, *Options for Reducing the Deficit: 2014 to 2023* (Washington, D.C.: Nov. 2013), 48. Since 2013, CBO has updated these options. See Congressional Budget Office, *Options for Reducing the Deficit: 2025 to 2034* (Washington, D.C.: Dec. 2024), 49.

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