



Australian Government

Department of Veterans' Affairs

Overview of DVA's claims process diagnostic and high level implementation plan

Version 1.0

10 December 2021

These materials are preliminary and non-exhaustive.

They reflect general insights and may present potential options for consideration based on currently available information, but do not contain all of the information needed to determine a future course of action.

The insights and concepts included in these materials are still being validated.

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Overview of findings (1/4)

Reducing the claims backlog for veterans is a key priority for the Minister of Veterans' Affairs and Departmental leadership. The goal is to eliminate the backlog by December 2023 (funding to support this due to expire in July 2023). The initiatives outlined in this report offer a path to eliminate the backlog by December 2023 and increase processing capacity by 2.4x through deploying 6 existing and 11 new initiatives. To eliminate the backlog on a more rapid trajectory by June 2023, DVA faces a choice between (a) accelerating 4 initiatives and deploying 4 further ideas or (b) deploying 73 additional FTEs

As of December 2021, 54k claims are on hand – 17k claims are being processed and 37k exceed the current claims processing capacity and represent the backlog

- The 54k claims on hand are spread across seven claim types, and the majority are concentrated in MRCA-IL and tri-Act categories. 59% of claims are likely to be determined under MRCA-IL, and 11% under DRCA IL. The remaining 30% are split across remaining claim types. The majority of tri-Act claims are likely to be determined under MRCA-IL
- Serving and transitioning members of Defence represent a substantial cohort of the IL backlog, at ~61% of MRCA and DRCA IL claims on-hand; these members also represent ~46% of MRCA and DRCA PI claims on-hand

This backlog has been created by DVA's claims processing being unable to keep up with rapidly growing claim demand

- Total claims across all types have exceeded forecast projections, growing by 48% p.a. between June 2019 and July 2021. This has been primarily driven by:
 - An increase in the number of veterans making claims: lodgements under MRCA IL and DRCA IL grew at 13% p.a. and 14% p.a. respectively since 2019. Increased claims are associated with an increase in claims from recent theatres of war, such as Afghanistan, and veteran centric reform efforts to simplify and digitise the claims process
 - An increase in the number of claims lodged per client in MRCA-IL, which grew by 7% p.a. since 2019
 - MRCA and DRCA IL claims giving rise to permanent impairment (PI) claims: 58% of accepted MRCA IL claims precipitate a corresponding PI claim (63% of which are lodged within one month of IL acceptance), and 2.22 DRCA PI claims are lodged for every DRCA IL claim accepted
- The number of deployed full time equivalents (FTEs) has been significantly lower than required to process incoming claims (by ~133 FTEs - 40% of what was required - in the six months to August 2021). Although the number of FTEs has increased by 36% over the last five months, capacity is 2340% lower than that required to clear the backlog by June 2023 based on previous Departmental modelling
- Under standard conditions, new delegate staff require a minimum of six months training before becoming fully proficient. Remote working has further impacted the typical speed of upskilling. As of December 2021, less than 25% of claims processing staff are in training



Overview of findings (2/4)

In addition to the current 37k backlog, future projected inflow of claims means that a further 122-125k claims will need to be determined or allocated to delegates to reach a zero backlog by June 2023. Additional claims are expected from two primary sources:

- An influx of MRCA-PI claims, which are generated from the processing of the MRCA-IL claims
- Ongoing claims inflow, which has exhibited a wide variation in growth rate across the past three years in response to several drivers, including operational cadence and veteran centric reform. Demand growth varies substantially across claim types; MRCA-IL, dual-Act, and tri-Act claims growth has tapered off in the last 12 months, while Veterans' Entitlements Act 1986 disability pensions (VEA DP) and DRCA IL claims growth has increased, possibly due to eligible cohorts reaching retirement age

To identify potential initiatives to eliminate the backlog, a range of analyses and consultations, including delegate and global expert interviews, engagement with veterans and their families, peak body consultation, detailed process review, case sampling and workforce analysis, were conducted. This identified the following issues:

- Six major pain points are evident across DVA's claims process, with delegates being allocated incomplete claim applications being a primary driver of bottlenecks in claim processing; this results in time spent waiting to obtain adequate information, particularly from external medical providers
 - Veterans face difficulty in accessing and compiling the medical evidence needed in support of a claim, with some veterans reporting resistance from doctors to take on DVA clients. Furthermore veterans report issues with empathy, respect and trust when engaging with the Department– some veterans have to re-tell their story repeatedly, to the point that they feel scrutinised
 - Overall veteran satisfaction with the claims process has been shown to be driven by timeliness of claims allocation and determinations, complexity of claims lodgement and assessment (linked to the complexity of the legislation), and insufficient communications on claims progressing
- A further 13 sub-step process pain points across all claim types (after a claim is allocated to a delegate) were evident from interviews with 25 delegates across four locations, covering seven claim types and 70+ forms

Based on these analyses and consultations, 37 discrete ideas – in addition to those the DVA has in-train – were identified to help potentially eliminate the backlog. Of these, 11 have been prioritised based on feasibility and expected impact

- Prioritised initiatives fall into two groups:
 - **Five initiatives within DVA's current budget and resourcing:**
 1. Instituting lean management practices
 2. Dynamic FTE reallocation across claim types
 3. Establishing tiger teams rapidly to process complete claims
 4. Directing non-claims processing work away from delegates, and
 5. Minimising submission of conditions with low acceptance rates



Overview of findings (3/4)

- **Six initiatives requiring government approval, such as budget or legislation:**
 1. Supporting veterans to submit complete claim applications through a concierge function
 2. Expanding non-liability healthcare,
 3. Developing guidance and digital forms for external medical providers,
 4. Revise claims management approach for serving members,
 5. Expanding computer-supported decision making, and
 6. Reviewing SOP diagnostic protocols
- The remaining additional 26 ideas could further address the reduction in the claims backlog. These initiatives were not prioritised given they involve significant legislative changes, would be complex to implement, and have limited immediate backlog impact potential or high likelihood of having an impact after June 2023:
 - These could be further examined to accelerate backlog clearance and to improve veteran experience, with consideration for the expected impact, the requirements of external alignment, and delivery timelines
 - These additional ideas may also help make the claims process to be more sustainable in the long term as well as improve overall veteran experience

To model the impact of the prioritised initiatives on the backlog, a range of FTE and initiative scenarios have been considered – based on the baseline scenario, implementing all 6 in-train and prioritised 11 initiatives would eliminate the backlog by December 2023

- Delivery of in-train initiatives alone may succeed in clearing the existing backlog of 37k claims as of December 2021 by November 2022; however, with new claim inflow and conversion of IL claims to PI, the backlog is expected to remain at ~30k claims in December 2023 without further action
- Implementation of all six in-train initiatives and the prioritised 11 initiatives with forecast FTEs is expected to increase DVAs claims processing capacity by 2.4 times and reduce the claim volume above DVA processing capacity to zero by December 2023. Under this scenario the backlog would still remain at ~9k claims by June 2023

To eliminate the remaining 9k claims backlog by June 2023, DVA faces a choice between (a) implementing 4 additional ideas and accelerating delivery of 4 initiatives or (b) deploying additional 73 FTEs

- Option (a) - Acceleration and expansion of 4 of the 11 prioritised initiatives – specifically working with shared IT service providers to accelerate the delivery of computer supported decision making, expand digitisation of forms, and deploy lean management practices to realise the benefits of reduced shrinkage. The delivery of PI category reviews for serving members of Defence could also be pulled forward AND deployment of one idea within DVA's control – extending refusal to deal (the DVA's method of closing idle claims) with DRCA/IL claims to those over 500 days old AND deployment of three ideas that will require additional budget, legislation or systems changes – applying SOPs to DRCA claims in order to realise cross Act training efficiencies, automate the acceptance of IL claims in the backlog as a one-off action, and creating a determination module in the integrated support hub (ISH) to reduce delegate effort in writing determinations OR
- Option (b) - DVA could consider an additional scale up of FTEs. Adding 73 FTEs in June 2022 would eliminate the backlog by the end of June 2023, assuming the full realisation of the 11 prioritised initiatives (an additional 190 FTE would be required to clear the backlog by June 2023 assuming no implementation of new initiatives)



Overview of findings (4/4)

Initiative implementation will require early decision making and delivery on an ambitious timetable as well as a significant investment in delivery capabilities, engagement and coordination across multiple Departments/Agencies, and a robust performance management and tracking framework

- DVA faces an ambitious series of decision steps and delivery milestones, starting from December 2021
- To successfully meet these milestones, DVA could consider taking additional action to aid and derisk initiative delivery:
 - Establishing a delivery unit could support an already stretched CBD division and drive initiative progress by supporting initiative owners to build initiative implementation plans, track initiative performance against KPIs, intervene when initiatives are not delivering as expected and establishing a continuous improvement loop to add initiatives to the pipeline
 - Early engagement with Central Agencies and Services Australia could unlock required budget and system change capacity respectively to ensure work packages are funded and scheduled
 - Establishing a set of reporting enablers of operational excellence could also improve oversight and tracking of initiative delivery (e.g., reporting on time to complete and tracking shrinkage)



Basis of our perspective

Veteran engagement

Workshops with three veteran peak bodies (Young Veterans, Female Veterans and Families, ESORT), the Multi-Act Working Group, discussions with two veterans' families, 36 pieces of correspondence received from the Minister's Office, Regional RSL office

Case sampling

Interrogated 174 historical claims in detail

Claims and workforce analysis

Analysis of 4 years of claims data using advanced analytics

Momentum case development

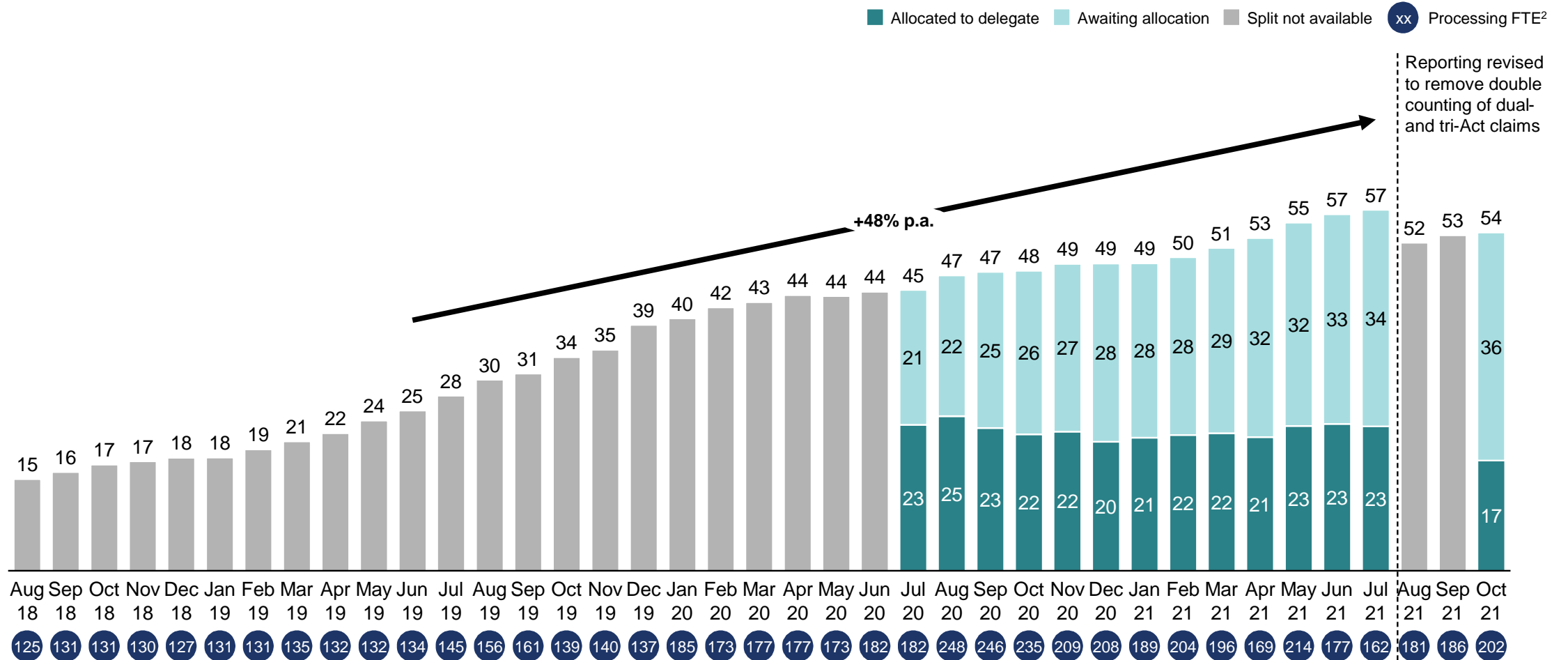
Incorporating in-train and potential initiatives





Total claims on hand grew by 48% p.a., between 2019 and 2021, which has increased the number of claims awaiting allocation

Total claims on hand, thousands¹



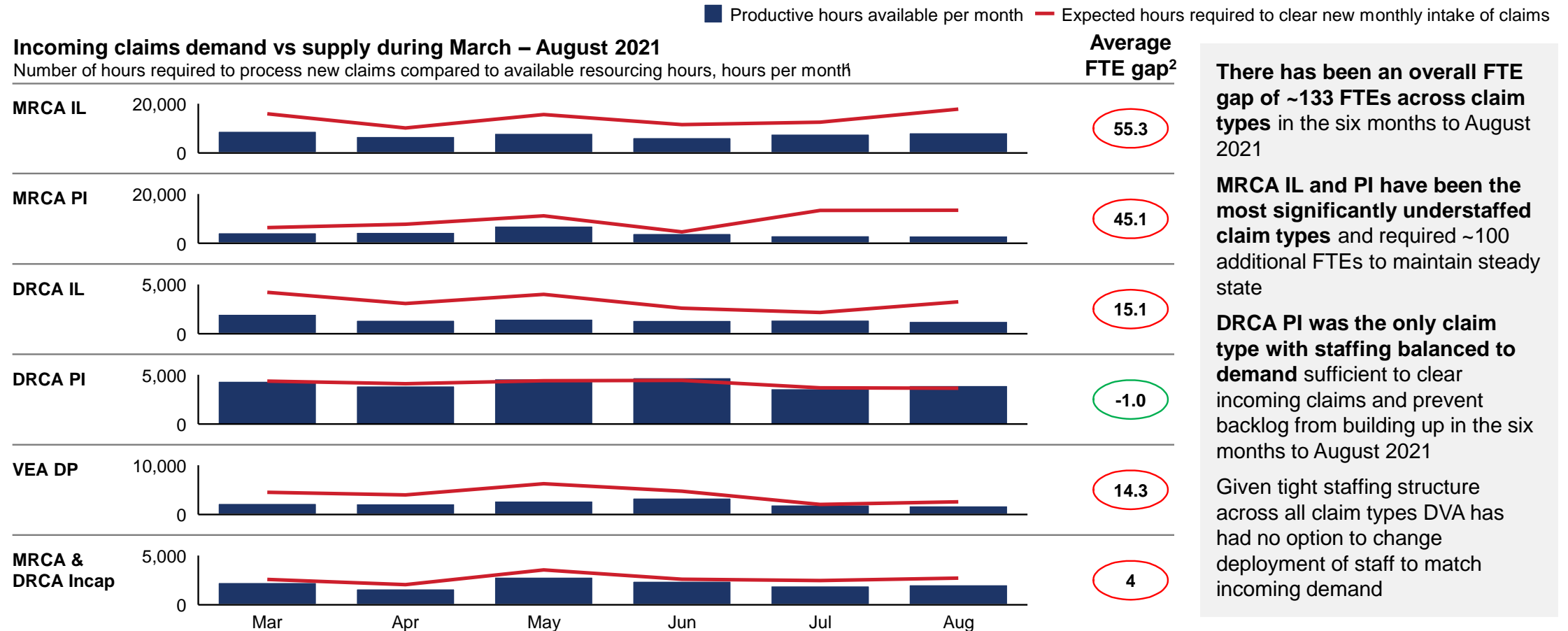
1. Includes MRCA-IL, DRCA-IL, MCRA-PI, DRCA-PI, VEA-DP

2. Client Benefits National Summary used up to and including Jul 21 – processing FTEs reported, Forecasting Report used for Aug 21 onwards – total FTEs reported

Source: August 2021 Client Benefits National Summary; Weekly Report 07 -11-2021



A gap of 133 FTEs mean inflows of claims have been consistently higher than delegates' capacity to process claims



There has been an overall FTE gap of ~133 FTEs across claim types in the six months to August 2021

MRCA IL and PI have been the most significantly understaffed claim types and required ~100 additional FTEs to maintain steady state

DRCA PI was the only claim type with staffing balanced to demand sufficient to clear incoming claims and prevent backlog from building up in the six months to August 2021

Given tight staffing structure across all claim types DVA has had no option to change deployment of staff to match incoming demand

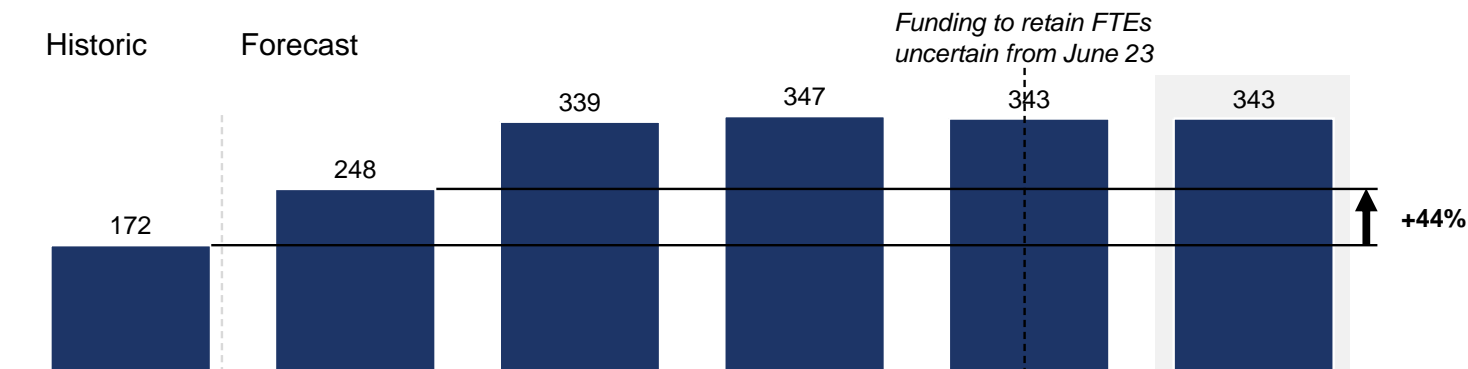
1. Total monthly demand calculated by multiplying monthly claims inflow by average touch time to determine a claim. Average touch time calculated by dividing an FTE's weekly productive hours by reported determination rates by claim type, assuming a 7.5 hour working day and 80% productivity rate. Total monthly supply of productive hours calculated by multiplying number of FTEs by claim type by productive hours, assuming 18.75 working days per month a 7.5 hour working day and 80% productivity rate.

2. Average FTE gap is calculated by taking the difference between the demand for and supply of productive hours and dividing by the number of productive hours per FTE per month, assuming 18.75 working days per month a 7.5 hour working day and 80% productivity rate.



DVA have used additional funding to scale claims processing FTEs over the past 5 months to increase processing capacity by 36%, taking training into account

Claims processing FTEs across MRCA-IL, MRCA-PI, DRCA-IL, DRCA-PI, VEA-DP, dual- and tri-Act, # FTEs¹



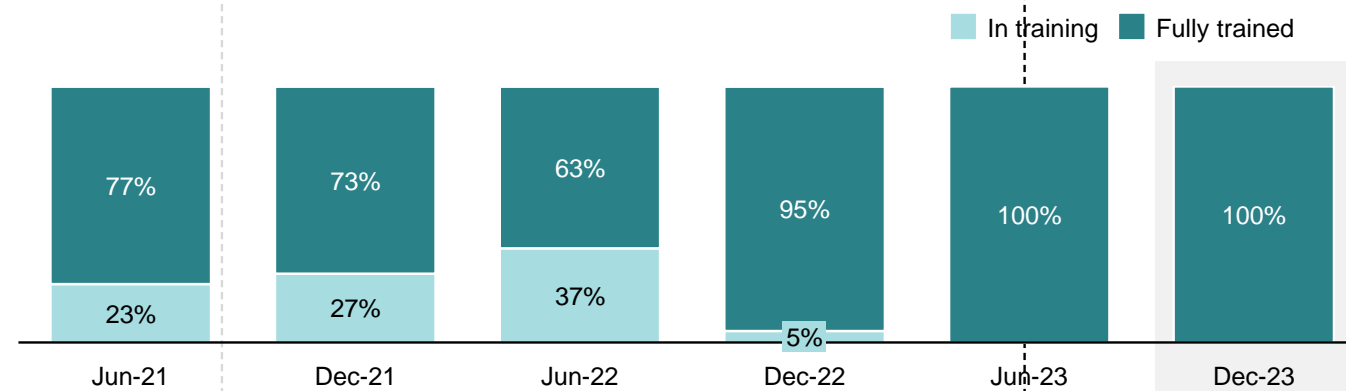
Key takeaways

DVA has scaled its processing FTEs by 36% over the past five months using additional funding from central government, increasing the estimated processing capacity from 172 to 235 FTEs in the period June to October 2021

Processing FTEs are forecast to hit 248 in December 21, an increase of 44% from June 2021

An increased onboarding of new-trainees means that number of processing FTEs will continue to increase as trainees gain proficiency, subsequently increasing estimated processing capacity to 328 FTEs by March 2022

Training status of claims processing FTEs, %



Definitions

Processing FTE does not include reductions for proficiency and shrinkage², typically ~28% shrinkage based on historic observations

Fully trained delegates are those who have been employed for over six months and are expected to be at 100% proficiency

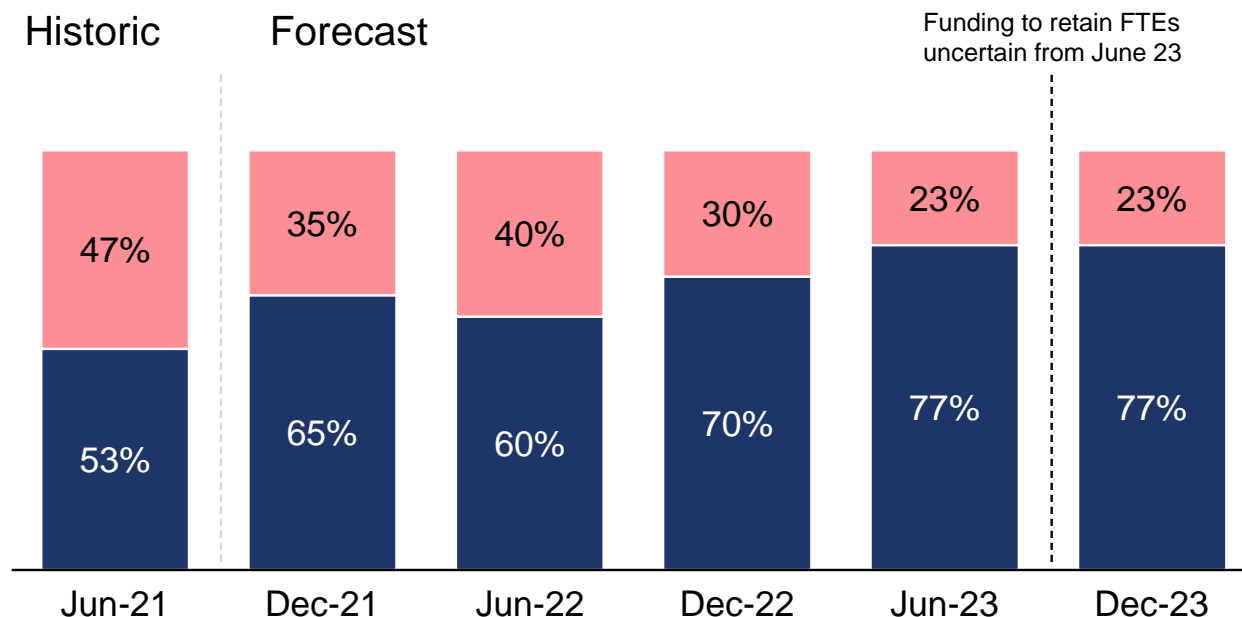
1. Raw FTEs, does not include adjustment for proficiency based on training status. Impact of attrition on FTEs in training is not shown.
 2. Shrinkage is the proportion of an FTEs paid time that is unproductive. 28% figure is based on calculated historic observations.



However, forecast FTE scale up is 23-40% lower than that estimated to be required by Departmental modelling to clear the backlog by June 2023

■ Forecast FTE supply ■ Forecast FTE need as of February 2021²

Claims processing FTEs across MRCA-IL, MRCA-PI, DRCA-IL, DRCA-PI, and VEA-DP, # FTEs¹



The estimated FTEs required to clear the backlog of claims by June 2023 based on previous work by the Department required 30-40% more FTEs to be trained for claims processing in FY22 than is currently forecast within budget





1. Includes adjustment for proficiency based on training status

2. Forecast available on an annualised basis only, assumed to be constant across financial years



DVA already has six in-train or planned initiatives that are expected to improve claims processing

● On track
 ● Some risks
 👤 Impact veteran experience

Category	Initiative	Description	Lever addressed	Level of maturity	Status	Veteran Experience	Estimated impact (add'l # of claims processed p.a.)
 Process	Reduce referrals to MACs	Develop a protocol, roles and responsibilities manual, and training materials to reduce the incidence of MAC referrals	Improve training	Implemented	●		~3700 claims ²
	Expansion of screening in MRCA IL	Deployment of APS to identify information gaps in the MRCA IL unallocated queue and submission of requests for information to increase proportion of complete claims allocated to delegates to reduce handoffs	Conduct parallel processing of steps Only add complete claims to queue	Implemented	●	👤	~1700 claims ³
	Pilot case management approach in MRCA IL	Provide administrative support to Delegates to obtain medical information for allocated claims enabling better targeting of investigating effort	Only add complete claims to queue Increase productive hours available per person	Planned	●		~1730 claims ⁴
 Policy	Simplify approach to identifying date of clinical onset	Clarify the concept of date of clinical onset under the MRCA and VEA, and inform claims processing staff of the simplified approach to be taken in certain circumstances	Simplify claim requirements	Planned	●	👤	~1760 claims ⁵
 Systems	Letter functionality in ISH	Minimise the level of manual intervention required by delegates and to pre-populate MRCA, DRCA and Incap decline letters with data entered elsewhere in systems	Automate process steps	Planned	●		~1730 claims ⁷
 People	Increase resourcing levels	Recruit additional processing FTEs to investigate and determine claims	Increase staff numbers	Implemented	●	👤	~30-35k claims ¹

1. Calculation based on addition of 136.1 FTEs by March 2022 compared to September 2021 with an average monthly determination rate between 16 and 28 depending on claim type, discounted for tenure and productivity. Assumes FTEs are fungible across claim types
2. Calculation based on assumption of reducing MAC referral rates down to 40-50% of claims across claim types. This is expected to realise ~9k hours of investigation effort p.a. across claim types that can be diverted to determining claims. The number of additional claims calculated by dividing this realised effort by average touch time to determine each claim type
3. Calculation based on expectation that FTEs will retrieve medical information for 70% of the 10-15% of claims in the unallocated queue with no medical information on file yielding ~200 hours of released investigation effort p.a. that can be diverted to additional determinations
4. Calculation assumes that 5-10% of investigation effort across 80% of 16 MRCA IL delegates caseload can be delegated to administrative FTEs yielding ~600 hours of effort p.a. that can be diverted to additional determinations
5. Calculation assumes that investigatory effort for the 5% of claims involving a second request to an external medical provider that required validation of the date of onset can be eliminated. This is expected to yield ~700 hours for investigating and determining other claims
6. Calculation assumes delegates can save 2-3 mins of effort per MRCA IL and PI claims that are closed (rejected), saving ~300 hours p.a. that can be diverted to claims processing

Source: CBD Implementation Plan, DVA EOP records; Note: Only includes initiatives that will impact processing or backlog clearance. Excludes all complete initiatives



11 further initiatives have been prioritised in order to clear the backlog by December 2023

Impact of initiatives and extent to which initiatives are within DVA's control *Note modelling scenarios as listed on page 16*

Category	Initiative number	Initiative (initial perspective, details subject to change)	Estimated sizing		Focus of impact	Veteran experience	Change required	
			Estimated sizing (conservative)	Estimated sizing (optimistic)			Conservative case	Optimistic case
Process	PROC02	Support clients to submit completed claims	11.08		Future demand	👤	Budget & system change	⊛ Budget & system change
	PROC05	Develop guidance and digital forms for External Medical Provider	-0.17		Future demand	👤	Budget & system change	N/A ⁷ ⊛
	PROC09	Direct non-claims processing work to complex case team	2.14		Backlog / future demand	👤	DVA only	N/A ⁷ ⊛
Policy	POLI01	Extend non-liability healthcare conditions	-0.10		Future demand	👤	Gov't decision, budget & system change	N/A ⁷ ⊛
	POLI03	Review SOP diagnostic protocols	-0.11		Future demand	👤	Gov't decision	N/A ⁷ ⊛
	POLI05	Revise claims management approach for serving members ⁴	-1.06		Future demand	👤	N/A ⁶	⊛ Commissioner approvals, Defence approvals
Systems	SYST02	Expand eligibility for computer-supported decision making	3.51		Future demand	👤	Budget & system change	⊛ Gov't decision, budget & system change
	SYST14	Notify clients of acceptance rates for low acceptance conditions	0		Future demand	👤	DVA only	N/A ⁷ ⊛
People	PEOP02	Improve delegate productivity through the institution of lean management practices	6.38	-0.47	Backlog / future demand		DVA only	DVA only
	PEOP04	Reallocate FTE by claim type	10.53	1.50	Backlog / future demand		DVA only	DVA only
	PEOP05	Establish tiger team for complete MRCA IL claims	0.12	0.43	Backlog / future demand ⁵		DVA only	DVA only

1. For all claim types
12. bid

3. Initiative, or pain points addressed by this initiative, raised during veteran engagement sessions with Young Veterans, Women and Families, and/or ESORT 8-10 November 2021

4. Backlog impact on MRCA and DRCA PI claims only

5. In the conservative case of the tiger team, only backlog claims impacted

6. Given the number of approvals required outside of DVA's control for this initiative, no conservative case exists

7. Aggressive initiative case not required



We investigated a range of scenarios to determine the future momentum case of demand/supply and options to eliminate the backlog

Description of modelling scenarios

Initiative scenario	Assumed FTE	Initiatives on
A No initiatives	Current FTE	None
B Forecast FTE only	Forecast FTE	None
C In-train initiatives	Forecast FTE	6 in-train initiatives only
D In train with extra FTE, Jun 23 clearance	Forecast FTE + additional FTE to clear backlog by Jun 23	6 in-train initiatives only
E In train with extra FTE, Dec 23 clearance	Forecast FTE + additional FTE to clear backlog by Dec 23	6 in-train initiatives only
F In train and initiatives within DVA control ¹	Forecast FTE + reallocation and retraining	6 in train initiatives + 5 prioritised initiatives not requiring new policy/budget changes
G In train and initiatives requiring external approval ¹	Forecast FTE + reallocation and retraining	6 in train initiatives + 11 prioritised initiatives
H In train and initiatives requiring external approval, Jun 23 clearance ¹	Forecast FTE + optimistic reallocation + additional FTE to clear backlog by Jun 23	6 in train initiatives + 11 prioritised initiatives
I In train and initiatives requiring external approval, Dec 23 clearance ¹	Forecast FTE + optimistic reallocation + additional FTE to clear backlog by Dec 23	6 in train initiatives + 11 prioritised initiatives
J In train and initiatives requiring external approval (expanded / at accelerated pace) plus additional ideas ¹	Forecast FTE + optimistic reallocation (including accelerated training from alignment of SOP factors)	6 in train initiatives + 11 prioritised initiatives (with 4 expanded or at accelerated pace) + 5 ideas

1. Uses optimistic case to model impact (see page 10)

All initiative scenarios are applied to a range of demand assumptions

- ① No new claims inflow
- ② No new IL claims inflow plus conversions of IL to PI
- ③ Low growth in claims
- ④ Baseline growth in claims
- ⑤ High growth in claims

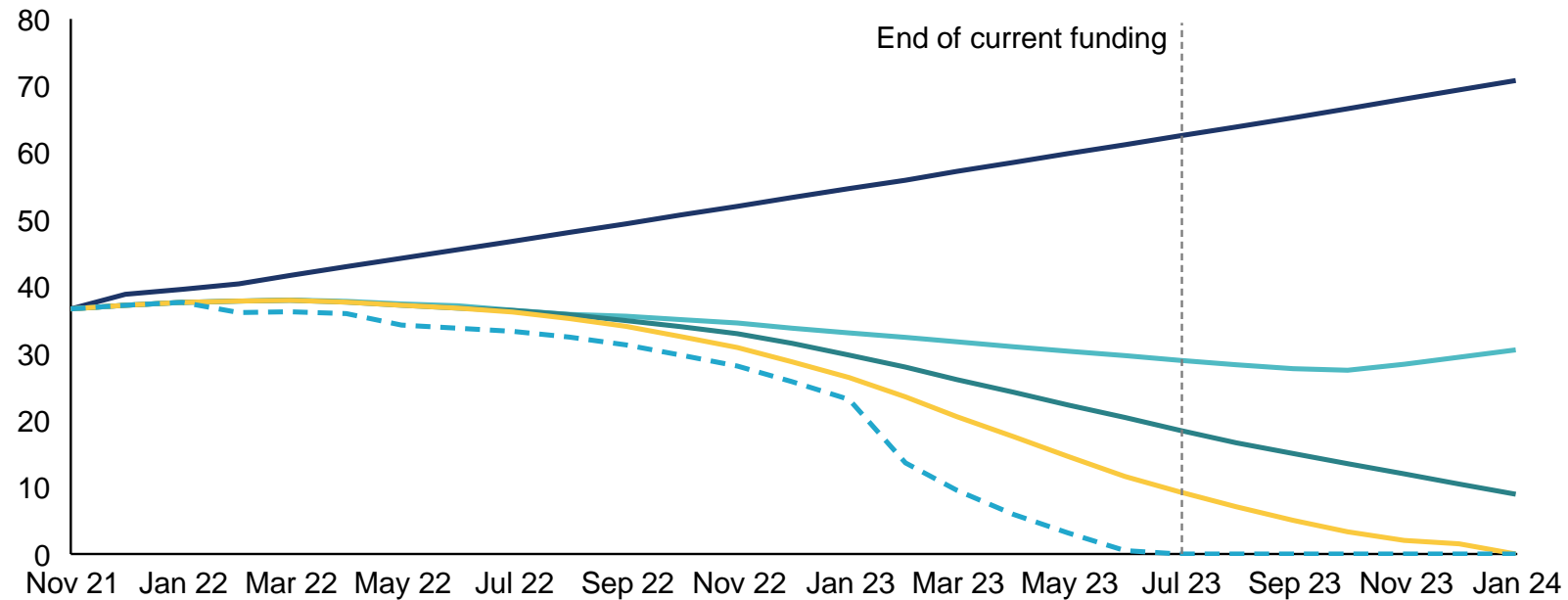


It may be possible to eliminate the claims backlog by June 2023 by accelerating and implementing these initiatives

- A** — No initiatives, current FTE
- C** — 6 in-train initiatives only, including forecast FTE
- F** — 6 in-train + 5 prioritised initiatives with no policy/ budget change
- G** — 6 in-train + 11 prioritised initiatives
- J** — Stretch case: 6 in-train + 11 prioritised initiatives of which 4 accelerated + 4 additional ideas

Backlog for MRCA IL, MRCA PI, DRCA IL, DRCA PI, VEA DP, dual-act, and tri-act claims

Claims on hand above processing capacity, thousand



Assumptions for migration of multi-act claims: starting multi-act claims on hand and claims received are migrated to the claim type in the backlog aligned to the processing FTE that will ultimately determine these claims; based on observed migration in the months of Aug-Oct 2021, for tri-act claims, 70% migrate to MRCA IL, 11% to DRCA IL, 3% to VEA DP, 4% to VEA/DRCA, and 12% remain tri-act. For VEA/DRCA claims, 34% migrate to DRCA IL, 25% to VEA DP, and 40% remain dual-act. The un-migrated number of tri-act claims is defined by eligibility owing to period of service, not acts under which claims are actually submitted

Demand assumptions: All figures are in net claims, i.e. subtracting withdrawals. Net PI lodgements demand is assumed to be a fixed ratio to IL acceptances under the same act, set to the average ratio observed over the past 12 months in Client Benefits National Summary data – these are 58% for MRCA PI, and 222% for DRCA PI. Net IL and DP claims received per month begins at the 3-month average observed claims received for Aug-Oct 2021; these are 2503 claims per month for MRCA IL, 368 for DRCA IL, 249 for VEA DP, 124 for VEA/DRCA, and 140 for VEA/DRCA/MRCA. These are assumed to grow 1.5% for MRCA IL and VEA DP, 10% for DRCA IL, and 0% for VEA/DRCA and VEA/DRCA/MRCA.

Supply assumptions: For the dark blue line (current FTE), FTE are assumed to stay constant at 186 FTE, as reported for September 2021. Forecast FTE provided by DVA is adjusted to align with observed actual processing FTE in Client Benefits National Summary data and therefore includes shrinkage due to delegates in training, leave, mixed benefits processing (28% shrinkage). FTE are reallocated between claim types by initiatives in lines featuring prioritised initiatives. Time to complete a given claim is assumed equal to the value implied from average determinations and average allocated claims in Aug-Sep 2021, ranging from 95 days (VEA/DRCA) to 214 days (DRCA IL). Touch time is equal to the value implied from average determinations in Aug-Sep 2021 and assumed time available to a delegate per month (21.25 days x 7.5 hours per day), ranging from 3.4h (DRCA PI) to 14.4h (VEA/DRCA/MRCA). Determination rates are calculated from assumed available delegate hours for processing and touch time per claim.

Source: DVA Pilot Initiatives model; DVA claims and FTE forecasting report, 17 Nov 2021; Data on migration and withdrawals provided by Victoria Benz on 18 Nov 2021; bottom-up evaluation of 150 sample claims for touch time and time to complete; August 2021 DVA Client Benefits National Summary Data for FTE shrinkage

Detailed insights

- In order to eliminate claims on hand above processing capacity by Jun 23, DVA would need to adopt an ambitious strategy to accelerate and expand prioritised initiatives and introduce several other ideas
- Accelerated and expanded initiatives include improving lean management, bringing forward serving member PI claim review, accelerating form digitisation, and bringing forward computer-supported decision making
- Other ideas include increasing available working hours, closing non-respondent claims in DRCA, aligning SOP factors between MRCA and DRCA IL (to enable faster FTE retraining), automated acceptance of IL claims, and creating a determination module in ISH

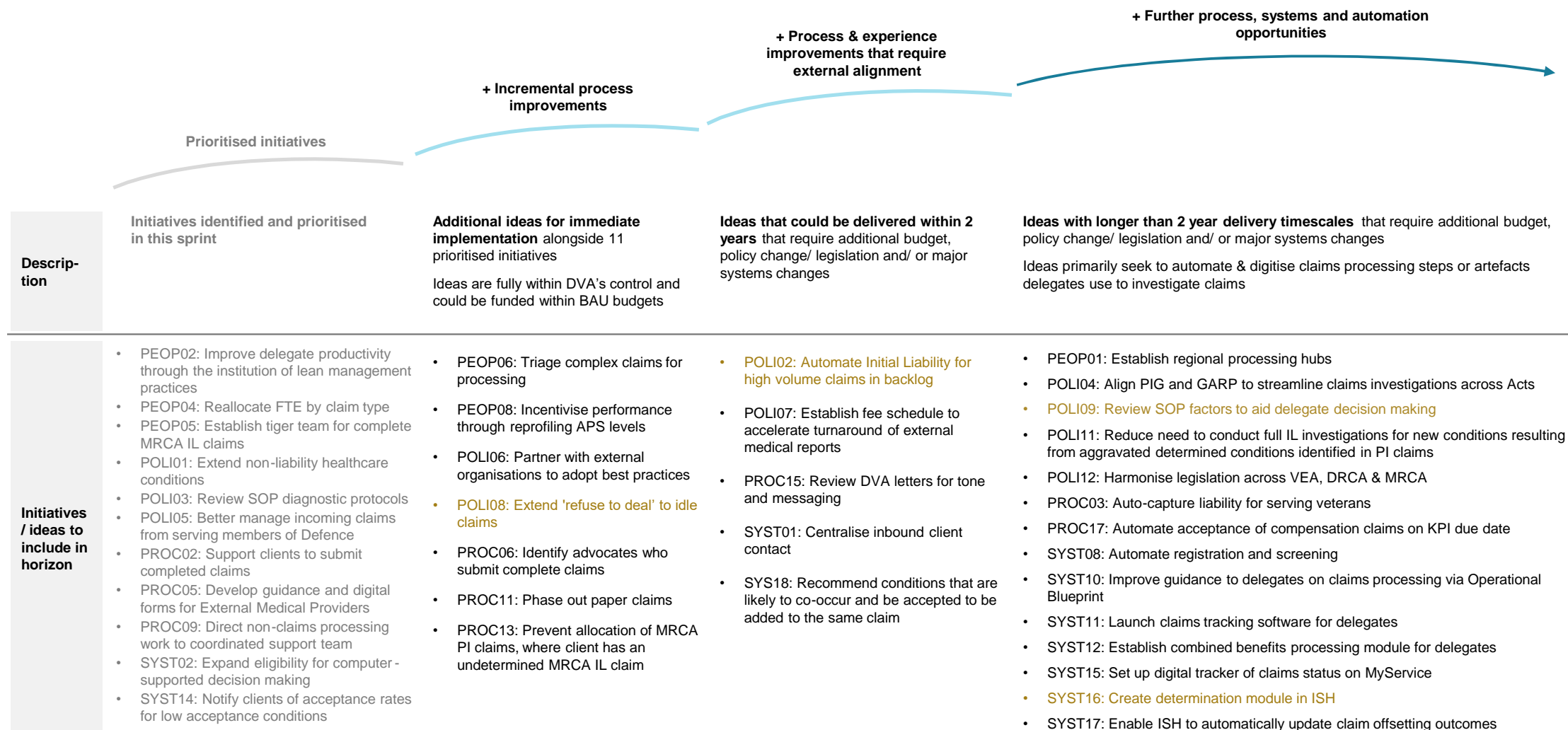
Major assumptions

- Reported multi-act claims on hand and claims received are “migrated” to the claim type that they will be determined under
- The ratio of forecast PI lodgements to IL acceptances is fixed at the 12-month historical average ratio
- Net claims received per month begins at the 3-month historical average value for Aug-Oct 21 and grows by a fixed percentage depending on claim type
- Forecast FTE is adjusted down by 28% of projection to align with observed shrinkage
- Processing capacity is a function of time to complete, determination rate, and FTE, starting at a total of ~17.0k claims and ~33.5k claims under forecast FTE, assuming no other changes



Additional ideas to clear the backlog have been sequenced based on whether they are within DVA's control, or could be delivered within two years

XX Ideas included as potential options to clear the backlog by June 2023



Source: Long list of initiatives generated via interviews with DVA stakeholders between 27 September – 3 December 2021. Multiple similar non-prioritised ideas have been consolidated into final set of 26 ideas for consideration post engagement.



The DVA could elect to accelerate prioritised initiatives and implement additional ideas to clear the remaining backlog by June 2023

Ideas and high level expected impact aimed at eliminating backlog by June 2023

■ Lower estimate ■ Upper estimate

Options for DVA	Description	Included initiatives/ ideas	High level sizing of potential additional impact on claims processed, thousands ¹	What you would need to believe to see idea delivered
Accelerate/ expand prioritised initiatives	Enhance impact of proposed initiatives by: <ul style="list-style-type: none"> Acceleration of key delivery milestones Expand breadth or scope of initiatives 	PEOP02: Lean management – estimate reduction in shrinkage achieved through lean management ²	3 2	DVA can get an accurate measure of shrinkage, and this could be reduced by 7%, as per public sector benchmarks
		POLI05: Defence – begin requirement of serving member PI category review 6 months earlier ³	2 1	With ministerial push, Commissioner and Defence approval could be achieved earlier
		PROC05: Digitise forms – bring forward delivery of digital forms by 1 year ⁴	<1	DVA could secure budget and deliver systems changes by January 2023
		SYST02: CSDM – bring forward delivery of computer supported decision making for all STP/ Streamlined conditions by 6 months months ⁵	<1	DVA could secure budget and deliver systems changes by June 2022
Ideas that could be delivered within 2 years	Actively deploy identified incremental process fixes Chose to deploy ideas that will require policy changes/ legislation, additional budget and/or systems changes	POLI08: Extend refuse to deal – close claims on hand in DRCA where client has not responded to offer letter ⁶	1 1	DVA could expand use of existing powers to claims over 500 days old with no client response
		PEOP04: Reallocation of FTEs – Apply SOPs to DRCA claims in January 2023 and realise training efficiency gains ⁷	10 7	DVA could achieve legislation could change by September 2022 and can reduce time to cross train delegates by 50%
		POLI02: Auto accept IL claims in backlog ⁸	5 3	DVA would auto accept conditions with 85% acceptance rates and achieves legislation change to enable this by June 2022
		SYST16: Create determination module in ISH - pre-populate determination letters for delegates ⁹	3 2	ISH system upgrade could be deployed by January 2023

Initiatives/ ideas presented here represent those that would most likely aid DVA in clearing the remaining backlog as of June 2023

Initiatives/ ideas are all independent of each other, with DVA able to select which and when to deploy initiatives as opposed to deploying more FTEs

1. Sizings presented here represent the difference (additional) impact on the backlog compared to the optimistic cases for existing initiatives for MRCA-IL only. Does not reflect additional demand inflows e.g., PI claims generated from accelerated determination of IL claims. Sizings are not cumulative, based on high level estimated and should be considered as indicative only.
 2. Calculation assumes 7p.p reduction in shrinkage from 0% in April 22 to 100% in April 23 with linear ramp up for all claim types
 3. Same sizing as previous with bringing forward milestones by 6 months with 0% ramp up in Jan 23 to 100% in April 23 with linear ramp up
 4. Calculation assumes digital forms deployed from January 2023

5. Assumes CBDM extended to all STP/ Streamlined conditions from June 2022
 6. Assumes DRCA PI claims over 500 days are eligible for refuse to deal, while delegates waits for client to respond to offer
 7. Assumes standardising SOPs across all Acts will reduce delegate cross-Act training requirements by 50%
 8. Assumes all single condition claims for conditions with historical acceptance rates of above 85% are automatically accepted
 9. Assumes delegate can automatically populate Determination letter, reducing Determination stage touch time to 10 mins across claims

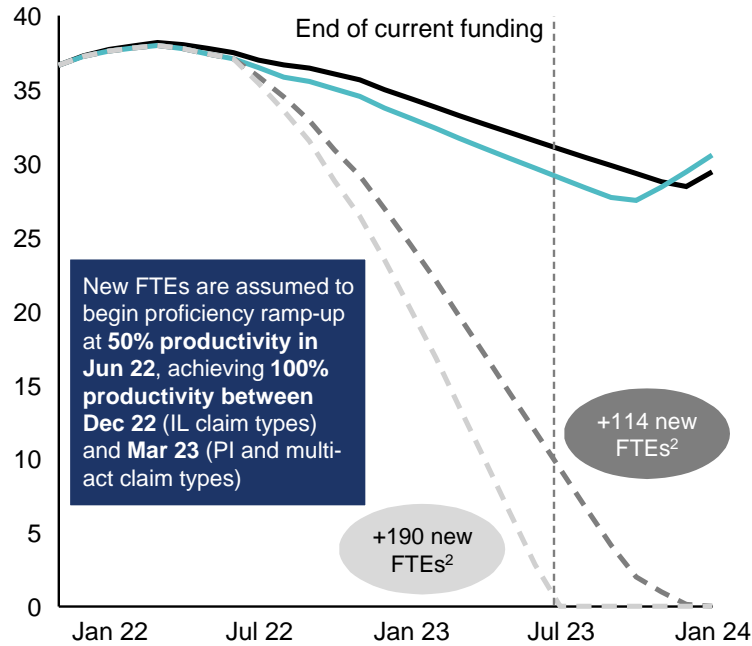


Alternatively, the Department could choose to further increase resourcing by 73 FTEs to clear the backlog by June 2023

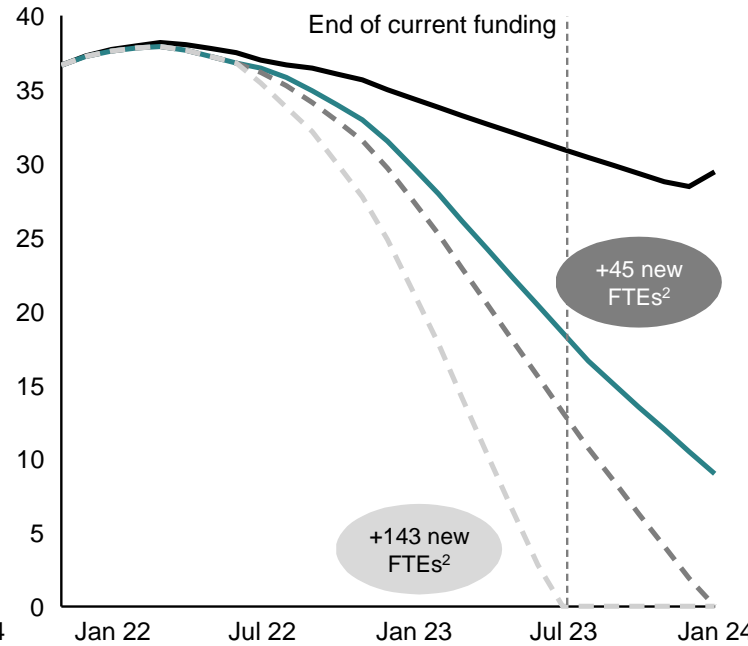
Claims on hand above processing capacity under baseline growth demand case¹, thousand

- B** — No initiatives, forecast FTE
- C** — 6 in-train initiatives only, including forecast FTE
- F** — 6 in-train + 6 prioritised initiatives with no policy/ budget change
- G** — 6 in-train + 11 prioritised initiatives
- Adding FTEs required to clear the backlog by Dec 23
- Adding FTEs required to clear the backlog by Jun 23

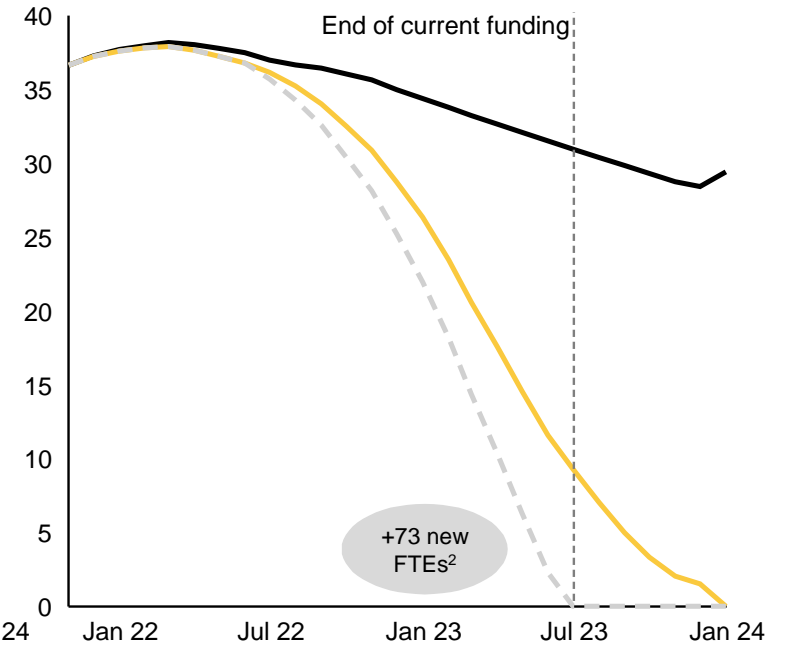
C 6 in-train initiatives only, including forecast FTE



F 6 in-train initiatives + 6 prioritised initiatives within DVA control



G 6 in-train initiative + 11 prioritised initiatives



1. For MRCA IL, MRCA PI, DRCA IL, DRCA PI, VEA DP, dual-act, and tri-act claims; 2. FTE figures include effects of shrinkage, i.e. this is the number of processing FTE required when shrinkage is accounted for
Assumptions for migration of multi-act claims: starting multi-act claims on hand and claims received are migrated to the claim type in the backlog aligned to the processing FTE that will ultimately determine these claims; based on observed migration in the months of Aug-Oct 2021, for tri-act claims, 70% migrate to MRCA IL, 11% to DRCA IL, 3% to VEA DP, 4% to VEA/DRCA, and 12% remain tri-act. For VEA/DRCA claims, 34% migrate to DRCA IL, 25% to VEA DP, and 40% remain dual-act. The un-migrated number of tri-act claims is defined by eligibility owing to period of service, not acts under which claims are actually submitted
Demand assumptions: for IL and DP claims received per month begins at the 3-month average observed claims received for Aug-Oct 2021; these are 2503 claims per month for MRCA IL, 368 for DRCA IL, 249 for VEA DP, 124 for VEA/DRCA, and 140 for VEA/DRCA/MRCA. Demand for PI lodgements is assumed to be a fixed ratio to demand for IL acceptances under the same act equal to the average ratio observed over the past 12 months in Client Benefits National Summary data – these are 58% for MRCA PI, and 222% for DRCA PI. The growth rates (low/base/high) are -10.1%/1.5%/22.7% for MRCA IL, 10.0%/10.0%/18.7% for DRCA IL, -8.9%/1.5%/-1.6% for VEA DP, -4.4%/0%/21.2% for VEA/DRCA, and -9.3%/0%/0% VEA/DRCA/MRCA
Supply assumptions: Forecast FTE provided by DVA is adjusted to align with observed actual processing FTE in Client Benefits National Summary data and therefore includes shrinkage due to delegates in training, leave, mixed benefits processing (28% shrinkage). FTE are reallocated between claim types by initiatives in charts featuring prioritised initiatives. Time to complete a given claim is assumed equal to the value implied from average determinations and average allocated claims in Aug-Sep 2021, ranging from 95 days (VEA/DRCA) to 214 days (DRCA IL). Touch time is equal to the value implied from average determinations in Aug-Sep 2021 and assumed time available to a delegate per month (21.25 days x 7.5 hours per day), ranging from 3.4h (DRCA PI) to 14.4h (VEA/DRCA/MRCA). Determination rates are calculated from assumed available delegate hours for processing and touch time per claim.



Expected backlog in June and December 2023, and additional FTEs required to clear the backlog by June 2023

Outcomes for different modelling scenarios across low, base and high demand assumptions

Initiative scenario	Assumed FTE	Initiatives on	Remaining claims in backlog June 2023, different demand cases, thousand			Remaining claims in backlog December 2023, different demand cases, thousand			Additional FTE required to clear backlog by June 2023, different demand cases, thousand		
			Low	Base	High	Low	Base	High	Low	Base	High
C In-train initiatives	Forecast FTE	6 in-train initiatives only	23,855	29,010	35,511	29,543	30,554	36,864	154	190	236
F In train and initiatives within DVA control	Forecast FTE + reallocation and retraining	6 in-train + 5 prioritised initiatives with no policy/ budget change	13,310	18,511	25,012	8,347	8,964	20,517	103	143	181
G In train and initiatives requiring external approval	Forecast FTE + reallocation and retraining	6 in train initiatives + 11 prioritised initiatives	7,605	9,278	15,778	0	0	9,144	54	73	109
J In train and initiatives requiring external approval (expanded / at accelerated pace) plus additional ideas	Forecast FTE + optimistic reallocation (including accelerated training from alignment of SOP factors)	6 in train initiatives + 11 prioritised initiatives (with 4 expanded or at accelerated pace) + 4 ideas	0	0	3,813	0	0	0	0	0	11

Source: August 2021 Client Benefits National Summary; Weekly Report 07-11-2021, DVA Pilot Initiative Model Build. DVA claims and FTE forecasting report, 17 Nov 2021; Data on migration and withdrawals provided by Victoria Benz on 18 Nov 2021; bottom-up evaluation of 150 sample claims for touch time and time to complete; August 2021 DVA Client Benefits National Summary Data for FTE shrinkage.

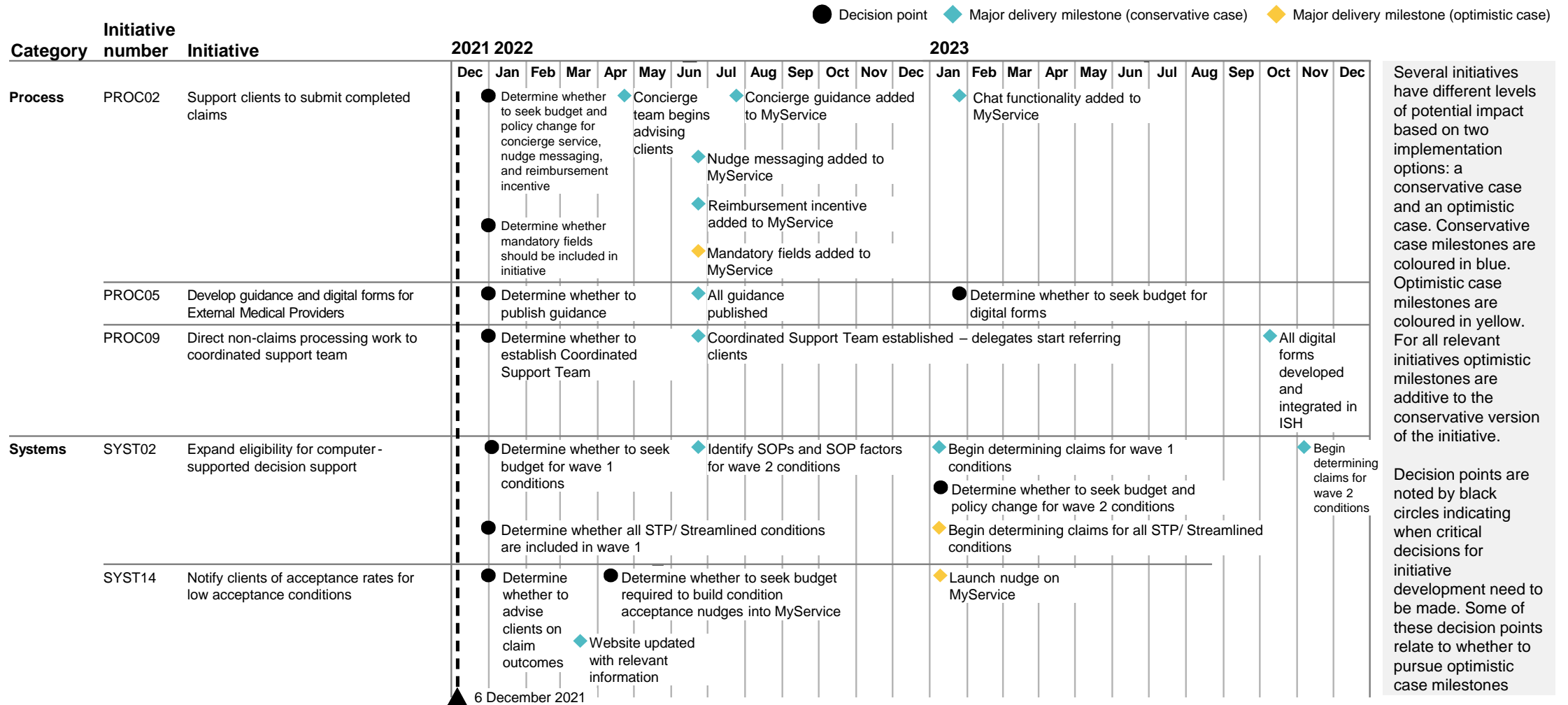
Assumptions for migration of multi-act claims: starting multi-act claims on hand and claims received are migrated to the claim type in the backlog aligned to the processing FTE that will ultimately determine these claims; based on observed migration in the months of Aug-Oct 2021, for tri-act claims, 70% migrate to MRCA IL, 11% to DRCA IL, 3% to VEA DP, 4% to VEA/DRCA, and 12% remain tri-act. For VEA/DRCA claims, 34% migrate to DRCA IL, 25% to VEA DP, and 40% remain dual-act. The un-migrated number of tri-act claims is defined by eligibility owing to period of service, not acts under which claims are actually submitted

Demand assumptions: All figures are in net claims, i.e. subtracting withdrawals. Net PI lodgements demand is assumed to be a fixed ratio to IL acceptances under the same act, set to the average ratio observed over the past 12 months in Client Benefits National Summary data– these are 58% for MRCA PI, and 222% for DRCA PI. Net IL and DP claims received per month begins at the 3-month average observed claims received for Aug-Oct 2021; these are 2503 claims per month for MRCA IL, 368 for DRCA IL, 249 for VEA DP, 124 for VEA/DRCA, and 140 for VEA/DRCA/MRCA. These are assumed to grow 1.5% for MRCA IL and VEA DP, 10% for DRCA IL, and 0% for VEA/DRCA and VEA/DRCA/MRCA.

Supply assumptions: For the dark blue line (current FTE), FTE are assumed to stay constant at 186 FTE, as reported for September 2021. Forecast FTE provided by DVA is adjusted to align with observed actual processing FTE in Client Benefits National Summary data and therefore includes shrinkage due to delegates in training, leave, mixed benefits processing (28% shrinkage). FTE are reallocated between claim types by initiatives in lines featuring prioritised initiatives. Time to complete a given claim is assumed equal to the value implied from average determinations and average allocated claims in Aug-Sep 2021, ranging from 95 days (VEA/DRCA) to 214 days (DRCA IL). Touch time is equal to the value implied from average determinations in Aug-Sep 2021 and assumed time available to a delegate per month (21.25 days x 7.5 hours per day), ranging from 3.4h (DRCA PI) to 14.4h (VEA/DRCA/MRCA). Determination rates are calculated from assumed available delegate hours for processing and touch time per claim.



Potential roadmap to deliver new initiatives (2/2)



Sources: Decision and delivery milestones timeline developed from individual initiative milestone plans, co-developed with DVA stakeholders (1 November – 3 December 2021)