

**U.S. DEPARTMENT OF VETERANS AFFAIRS BUDGET
REQUEST FOR FISCAL YEAR 2013**

HEARING
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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**U.S. DEPARTMENT OF VETERANS AFFAIRS
BUDGET REQUEST FOR FISCAL YEAR 2013
Wednesday, February 15, 2012**

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The Committee met, pursuant to notice, at 10:31 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller [Chairman of the Committee] presiding.

Present: Representatives Miller, Bilirakis, Roe, Johnson, Runyan, Buerkle, Huelskamp, Turner, Filner, Brown, Reyes, Michaud, Sanchez, McNerney, Donnelly, Walz, Barrow, and Carnahan.

OPENING STATEMENT OF CHAIRMAN JEFF MILLER

The CHAIRMAN. Good morning, everybody. This hearing will come to order. Welcome to this morning's hearing to review the administration's fiscal year 2013 budget request for the Department of Veterans Affairs. Mr. Secretary, we all appreciate you being here this morning and bringing your entire team with you as well.

Although we are still combing through the budget, a process that will likely involve further follow up questions after this hearing this morning, I think it is safe to say that viewed in context of an extraordinarily tight fiscal climate a 4.3 percent increase in discretionary spending should be termed positive. That said, outcomes are what really matter. Mr. Secretary, I know you and I both agree with that. Veterans do not really care about the numbers as long as their claims are being decided quicker, their health care is taken care of in a timely fashion, and their aging facilities are upgraded.

I have got some questions about how this funding request relates to the actual resource requirement but I will get to those later. I want to use the remainder of my time to talk about the issue of sequester and the Veterans Administration.

Mr. Secretary, let me begin by saying that I agree with you and the President that sequestration is not desirable whether it is applied to DoD, VA, or any other Federal agency. Again, I think we can all agree on that. But I also agree that specific guidance as to how sequestration will be carried out and its impact at the operational level is something that will likely be determined a bit farther down the road, but not too much further down that road. For example, will there be layoffs? Will maintenance needs be postponed or deferred? Will facility activations be delayed? Those are details that I am curious whether VA has already looked at, and they probably should have been looked at, but I can understand if we are not quite at that point yet.

And finally we are in agreement that there is an ambiguity in the law with respect to VA that requires a clarifying legal decision

that only the Office of Management and Budget can make. That is where my agreement with the administration and its series of non-responses to me and other Committee Members ends.

For months I have been trying to get clarity about what we, as a Committee, and veterans, as our constituency, deserve to have resolved. Namely, because of a conflict in the law is VA even part of the picture should a sequester order occur? Do we have cause to be concerned? There is no such ambiguity with respect to the Department of Defense. There is no ambiguity with respect to most other non-defense programs. All know that those agencies are definitely in play. But because the administration has not clarified the matter, no one can say or will say if VA is completely exempt or not.

Now I have received legal opinions from lawyers from both the Congressional Research Service and the Government Accountability Office saying that in their judgment VA appears to be completely exempt. They provided these opinions to me in a matter of days, proving that the legal issue at hand is not really that complicated. But their judgments, mine, and that of others in Congress carry no weight presently. Only OMB can resolve this completely. And after multiple requests from this Committee, a secretive legal opinion from VA lawyers delivered to OMB several months ago, and obvious concern expressed by veteran organizations alike, the question still lingers.

The obvious question is, why does it still linger? Why not resolve the issue now? The ambiguity will remain in law even if Congress and the President agree on finding \$1.2 trillion in cuts to avoid a sequester next January. This is an issue that needs clarifying once and for all. Mr. Secretary, I know that you are not the hold up. And I do not direct this comment at you. But I believe that we are seeing here a cynical attempt to keep veterans twisting in the wind to create more pressure to act to avoid a sequester.

I say to the President there is enough pressure to act already without threatening America's veterans. One way or another, a decision has got to be made. And I am not going to hold my breath any longer waiting for OMB to make their decision. I have introduced legislation to clarify the law as it stands now. I ask my colleagues to join me in support. The Protect VA Healthcare Act of 2012 would simply amend the law to conform to what Congress intended when it voted on the Budget Control Act.

We need to get this issue resolved. If the President will not lead on this issue then we will. With that said, I yield to my good friend and Ranking Member Mr. Filner for his opening statement.

[THE PREPARED STATEMENT OF CHAIRMAN MILLER APPEARS IN THE APPENDIX]

**OPENING STATEMENT OF BOB FILNER,
RANKING DEMOCRATIC MEMBER**

Mr. FILNER. Thank you, Mr. Chairman. Thank you, Mr. Secretary and your staff for being here. I also thank those who will be on the second panel, the independent budget panel. All of you have worked so hard on that budget and that gives us some points of reference. It holds the VA accountable and allows us to look at

this in a comprehensive fashion. So we thank the independent budget panel for their presentations.

I disagree with you on one thing, Mr. Chairman, when you said the administration is somehow cynically holding veterans hostage, or something like that. The proof is in the pudding. I'm sorry, Mr. Secretary, you are not the pudding. But the proof is right here. That is at a time when everything is being cut back, I just cannot imagine the internal bureaucratic budget struggles that you had to go through to get this budget. But here we are with everything being threatened, and our veterans are moving forward. Not only in this budget but in the advance appropriations budget.

So to say we are leaving veterans twisting in the wind is just not true. You are here to say, as you have in the budget, that we are moving forward. Yes, we have problems. I mean, we know it, you know it, we go back and forth on how best to resolve them whether it is the backlog, or mental health care, or homelessness. But there is no twisting in the wind here. We recognize the problems. We acknowledge them and we are moving forward on them. And this budget shows that you are moving forward.

It does not go as far as the independent budget goes. But in this context of incredible cutbacks, Mr. Secretary, I think you have done a great job here to keep the veterans of this country moving forward. Thank you.

[THE PREPARED STATEMENT OF HON. FILNER APPEARS IN THE APPENDIX]

The CHAIRMAN. And now I would like to welcome the first panel that will be speaking with us today. We have got the Honorable Eric Shinseki, Secretary of the U.S. Department of Veterans Affairs. And he is accompanied, and I will just read their name, and Mr. Secretary, I do not know if you are going to further introduce them in your opening statement or not. But Dr. Robert Petzel, Under Secretary for Health; Honorable Allison Hickey, Under Secretary for Benefits; Honorable Steven Muro, Under Secretary for Memorial Affairs; Honorable Roger Baker, Assistant Secretary for IT; and finally W. Todd Grams, the Executive in Charge for the Office of Management and Chief Financial Officer. Mr. Secretary, your complete written statement as usual will be entered in the record and you are recognized for five minutes.

**STATEMENT OF HONORABLE ERIC K. SHINSEKI, SECRETARY,
U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED
BY ROBERT A. PETZEL, M.D., UNDER SECRETARY FOR
HEALTH, VETERANS HEALTH ADMINISTRATION; GENERAL
ALLISON A. HICKEY, UNDER SECRETARY FOR BENEFITS,
VETERANS BENEFITS ADMINISTRATION; MR. STEVE L.
MURO, UNDER SECRETARY FOR MEMORIAL AFFAIRS, NA-
TIONAL CEMETERY ADMINISTRATION; HONORABLE ROGER
W. BAKER, ASSISTANT SECRETARY FOR INFORMATION AND
TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS;
MR. W. TODD GRAMS, EXECUTIVE IN CHARGE FOR THE OF-
FICE OF MANAGEMENT AND CHIEF FINANCIAL OFFICER,
U.S. DEPARTMENT OF VETERANS AFFAIRS**

STATEMENT OF HON. ERIC K. SHINSEKI

Secretary SHINSEKI. Thank you, Chairman Miller, Ranking Member Filner, distinguished Members of the Committee. Thank you for this opportunity to present the President's 2013 budget and 2014 advance appropriations requests for the Department of Veterans Affairs.

This Committee has a long history of strong support for our Nation's veterans. I have certainly witnessed that over the past three budgets which I have been present for. The President has demonstrated his respect and his sense of obligation for our 22 million veterans by sending the Congress yet again another strong budget request for Veterans Affairs. I thank the Members for your unwavering support, and I seek your support, continued support, on this budget request.

I would also like to acknowledge the representatives from our veterans service organizations who are present this morning. Their insights are always helpful as VA develops resources and strives to constantly improve our programs. Mr. Chairman, thank you for introducing the Members of the panel here. I would just point out that to my left is Roger Baker, Assistant Secretary for Information Technology. Then Mr. Todd Grams to my immediate left. Dr. Petzel to my immediate right. General Hickey to his right, and then the Honorable Steve Muro. And thank you for allowing my written statement to be submitted for the record.

This hearing occurs at an important moment in our Nation's history. I am old enough to have experienced our return from Vietnam and to have witnessed the end of the Cold War. We are again in another period of transition. Our troops have returned home from Iraq. Their numbers in Afghanistan are likely to decline over time. Our history also suggests that VA's requirements from these two operations will continue to grow long after the last combatant leaves Afghanistan, perhaps another decade or more. We must provide access to quality care, timely benefits and services, and job opportunities for all generations of veterans. They have all earned it.

In the next five years it is estimated that more than a million veterans are expected to leave military service, a generation that has come to rely on VA at unprecedented levels. Through September, 2011 of the approximately 1.4 million veterans who deployed to and returned from Operations Enduring Freedom and Iraqi Freedom, 67 percent have used some VA benefit or service,

a far higher percentage than those from previous wars. The 2013 budget request would allow VA to fulfill the requirements of our mission: health care for 8.8 million enrolled veterans; compensation and pension benefits for nearly 4.2 million veterans, about 10 percent of whom are 100 percent disabled; life insurance covering 7.1 million active duty servicemembers and enrolled veterans at a 95 percent customer satisfaction rating; educational assistance for over 1 million veterans and family members on over 6,500 campuses; home mortgages that guarantee over 1.5 million servicemember and veteran loans with the Nation's lowest foreclosure rate; burial honors for nearly 120,000 heroes and eligible family members in our 131 national cemeteries, befitting their service to our Nation.

The 2013 budget request continues the momentum of our three priorities: increasing access to care, benefits, and services; eliminating the claims backlog; and ending veterans homelessness, through effective, efficient, and accountable use of the resources you and the Congress provide.

Access encompasses VA's facilities, programs and technology. This 2013 budget request allows VA to continue improving access by opening new or improved facilities closer to where veterans live and by providing telehealth including in veterans' homes; by fundamentally transforming veterans' access to VA benefits through a new electronic tool called the Veterans Relationship Management System; by collaborating with the Department of Defense to turn the current Transition Assistance Program, TAP, into an outcomes-based training and education program that fully prepares departing servicemembers for the next phase of their lives; and by establishing a national cemetery presence in eight rural areas and better serving rural and women veterans.

We know that more than a million veterans will leave the military over the next five years. Potentially all will enroll in VA and over 600,000 of them will likely seek care and benefits and services from VA in the out years. From what we know, fiscal year 2013 will be the first year in which our claims production, that is the number of claims going out the door, will exceed our incoming claims. For that reason the paperless initiative we have been building over the past two years is critical to reversing years of backlog growth and we must not falter here. We must not hesitate. There is no turning back. We must protect stability in IT funding. It is critical to solving this issue we have been wrestling with.

From January, 2010 to January, 2011 alone, the estimated number of homeless veterans declined by 12 percent, from 76,300 to 67,500 on any given night. This downward trend must continue. Much remains to be done to end veterans homelessness in 2015. We are now developing a dynamic homeless veterans registry which contains over 400,000 names of current and formerly homeless veterans, allowing us to better see, track, and understand the causes of veterans homelessness. In the years ahead, this information will help us to more effectively prevent it, not just for veterans, but perhaps for other communities as well. We look to develop more visibility of the "at-risk" veteran population in order to prevent veterans from falling into homelessness, and this budget supports that plan.

We are committed to the responsible use of the resources you provide through the 2013 budget and 2014 advance appropriations request that you will consider.

Again, thank you Mr. Chairman for this opportunity to appear before this Committee, and to all the Members as well. Thank you for your continued, unwavering support. We look forward to your questions.

[THE PREPARED STATEMENT OF HON. SHINSEKI APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much, Mr. Secretary, again for your testimony. And I and the Ranking Member again want to say thank you for the diligent work that you and your team has done in a very austere time in bringing additional funds to our veteran population.

I would like to go back if I could, the budget states that as a result of reassessments to resource requirements for health care services, long term care, and other programs, the estimates for these programs are now substantially lower than what was included in last year's budget submission, which was the basis for the Congress providing funds to the VA. In fact the revised estimate suggests that Congress provided nearly \$3 billion more than the administration needed in fiscal year 2012, and roughly \$2 billion more than was needed in the 2013 advance appropriation. So my question, I guess I have got two questions. One is when did VA conduct the reassessment and communicate its findings to Congress? And number two, it is a significant amount of funds. I think we would all be interested in knowing exactly how this money was reinvested.

Secretary SHINSEKI. A fair question, Mr. Chairman. Let me just offer that the budgeting process is a series of estimates that get refined over time until we submit the final budget. They are based on actuarial projections to create that estimate. Sometimes the advance appropriation request incorporates data that gets refined as we get closer to submitting the actual budget itself, as we are doing here in 2013.

Most current estimates of utilization intensity, unemployment, inflation, long term care, and CHAMPVA requirements are things that influence that budget estimate, that modeling process. How much change occurred? About \$1.9 billion to about \$2 billion. Those dollars have been reinvested in homelessness, activations, new models of care, expanded access, caregivers, and improved mental health. As to the process, the timing by which we would provide this notification to the Congress, this would be the appropriate time. It is in the submission of the budget that we acknowledge we had an adjustment to the model and we have reinvested the money in this fashion. And so this would ordinarily be the appropriate time for that notification.

The CHAIRMAN. And your number is more at the \$2 billion range?

Secretary SHINSEKI. I say \$2 billion. I think the number is like \$1.995 billion. So \$2 billion, I think, is a fair round off.

The CHAIRMAN. In the current budget submission it has \$1 billion for a Veterans Job Corps. We all are keenly aware of the high number of unemployed veterans in our country today and not a sin-

gle Member of this Committee nor this Congress should be in any way satisfied with that number. And we have tried to do things in this Committee to help bring those numbers down. My concern is that there is no detail in the budget submission. You know, where did the number \$1 billion come from? You know, it was chosen to be provided in your entitlement accounts to be dispensed I think over a five-year period. And so I think we would all benefit from a conversation, Mr. Secretary, as to who it is going to be focused on, what area of the veteran population? How is it going to work? And what will happen to these jobs once the funds run out?

Secretary SHINSEKI. Mr. Chairman, the proposal for the Veterans Job Corps, the \$1 billion piece of that is a program that we are seeking congressional authorization on. We are putting together the details of that, which we would provide to you, and you would have a chance to review.

I would say that the intent here is to put up to 20,000 back to work over the next five years on projects that will restore and protect our public lands. Projects would be in national parks, forests, on rivers, trails, wildlife refuges, national monuments, and other public lands. Veterans could work on park maintenance projects, patrolling public lands, rehabilitating natural and recreational areas, and in administrative, technical, and law enforcement related activities.

The Veterans Job Corps program is a project that is going to be coordinated with other departments and we are sort of an oversight of the distribution of funds. There are others who will be participating. I am told, and I am confident that VA resources will not be diverted to fund this \$1 billion, that it will come from elsewhere. I do not know exactly where at the moment, but Mr. Chairman I will share that with you as soon as we have final details.

The CHAIRMAN. Thank you. Mr. Filner?

Mr. FILNER. Thank you, Mr. Secretary. And I just want to focus on a couple of areas that I have been involved with over the years. One is the claims backlog. In your budget presentation you title it eliminate the claims backlog. I do not see any real estimate, or projection, or anything of when you think you are going to do that. But I still think that in the short run at least to get this turned around your notion of, I think you used the word brute force a few years ago if I recall that—

Secretary SHINSEKI. Probably a poor choice of words—

Mr. FILNER. Well no, it was okay, it was good. It gives me something to shoot at, very nice. So. I do not think it is going to work. I just think all of this stuff you have is good stuff, but it is too big. And you know, as you point out there are all kinds of factors making it bigger. I still think you have to take some radical steps in the short run. Whether it is to grant all of the Agent Orange claims that have been submitted or have been there for more than, I do not know, X number of years. Or as I suggested at other times, all claims that have the medical information and have been submitted with the help of a veterans service officer you accept subject to audit. Unless you take some real radical step to eliminate a million of them, or 500,000 of them, you are never going to get there. It is just going to always be there. You do not want that as your legacy, I do not think. Nor do we.

You are going to have to take some really strong step in terms of accepting stuff that has been in the pipeline a long time. Again, that has adequate, by whatever definition, documentation and professional support. Plus, this incredible situation of Agent Orange. Where, as you know, not only have those claims increased but we are talking about, as you well know, your comrades for 30 or more years that have been wrestling with this. Let us give the Vietnam vets some peace. Let us give them a real welcome home. Let us grant those Agent Orange claims. Get those, whatever it is, if it is 100,000 or 200,000 of our backlog, just get them off the books.

I do not know if you want to comment on that, but I still think you are never going to get there with, you know, all this is good stuff. I mean, we have talked about it on many occasions. But it is not going to fundamentally, or at least in the short run, change it around so you can get to a base level of zero, or wherever you want to be, and move forward from there.

Secretary SHINSEKI. Mr. Filner, I will call on Secretary Hickey for the final details. We have pretty much worked through the increase in Agent Orange claims. I think we are well down on the number and I will rely on her statistics here.

I would say, you and I have discussed the IRS-like model several times. We have looked at it and we continue to look at it. We continue to look for aspects of it that we can use. So it is not an either, or, as in it is either the IRS model or not. We have seen goodness in it and we have taken pieces of it. What concerns us about the IRS model is that it shifts the burden for submitting a complete, accurate claim to the veteran. It is shifted entirely to the veteran. Unlike today where the VA has a duty to assist, and that is what we do.

We have taken pieces of the model. Online claims submission using a Turbo Tax-like form. We are moving towards a paperless IT claims technology, which is the foundation for IRS. We are on the verge of achieving that this summer. We have created segmented lanes where claims are categorized as easy, moderate, or difficult and they get processed much more efficiently that way.

So we have looked at the IRS model and taken what is good from it. I think we are on the verge of revolutionizing the way we process claims. We ought to go through with fielding this automation tool, that we have been building for two years and get the results from it.

Mr. FILNER. Okay. I do not think you will revolutionize it. I think you may evolutionize it. But it is going to take longer than you and I are alive.

By the way, to use as a reason that this shifts the burden to the veterans is a beside the real point. I would drop that as one of your opposition points. Because we are not saying that. You are saying, "Oh, the poor veteran has this stuff and our bureaucracy wants to help." Come on, the problem is the bureaucracy, not the veteran. And to say, "Oh, now we are shifting it more." We are not. We are saying we accept the claim that you have, assuming it was done with, again, professional help. And our duty to assist is to accept it subject to audit. I think it is a little bit disingenuous to say that, "Oh, the poor veteran now, my plan shifts all the burden to him." It does not. It does nothing of the sort. It puts all the burden on

the bureaucracy to say, "Yeah, we are going to accept that," rather than go through a year, or two years, or five years of putting the veteran under such incredible tension from bureaucratic kinds of demands that it is, I mean it is probably worse than the original claim.

Just one last point, if I may Mr. Chairman, I will be very brief. As you know I have, and you have it in your testimony, about women's veterans that I do not think you had time to do in your oral testimony. And I applaud you on that. The House passed a bill that I had put forward a year or two ago called a Women Veterans' Bill of Rights. It got through the House. It got stuck in the Senate. I would just ask that you look at that and you can do stuff administratively. You could post something in each of our, you know, centers and clinics. We have a long way to go on this.

But women veterans need to feel that this institution is evolving to meet their needs. And a statement at the front door of their rights I think would be very helpful. So I would just ask you to look at that. We did not do it legislatively, but I think you could do some stuff administratively.

Secretary SHINSEKI. Thank you, Mr. Filner. I will look at that. Just as a point of information, I think in this budget you will see that between 2012 and 2013 women veterans' issues were increased in funding by 17 percent. If you go back to 2009, when you and I began discussions like this, between 2009 and this 2013 budget, women's issues funding has gone up 124 percent. If you include 2014, which is the advance appropriation out there, it would be 158 percent. So I want to assure you that this is not something that—

Mr. FILNER. Right. I don't question the commitment or the budget situation. You know, the average woman veteran who comes to a VA center does not know all of those statistics, nor do the men inside who may be catcalling, nor does the doctor who will not see the woman because she has brought her kids that she cannot get babysitting to. So it is a question of what is going on at that front door, and how they perceive themselves, and how the male veterans perceive them, and how the VA perceives them. I do not question your budget stuff. I want a more public and a cultural almost saying, "We are going to change this. And here is what you should expect. And here is what all of us are going to work toward." Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Colonel Johnson?

Mr. JOHNSON. Thank you, Mr. Chairman. And Mr. Secretary and your team, thank you for being here this morning. My questions are brief and I'll try to get through them quickly. Mr. Secretary, how can the VA pursue effective procurement when you still do not have an integrated financial system with which to control the VA's spending? I mean, if you do not have a system to track the VA's spending how can you account for what is being spent?

Secretary SHINSEKI. Thank you, Congressman Johnson. I am going to call on a couple of folks here to talk about acquisition from their perspective. When we arrived three years ago acquisition was being done in multiple places. We have moved to centralizing acquisition now. The first step has been an integrated model with the first step to integrate all of VHA's activities in one account so there

is visibility. Then the decision will come here, once that is done and we are running smoothly, about whether we go to the next step to totally centralize acquisition in VA. That is a decision to be made at the appropriate time.

Other evidence of what we have done in the area of centralizing our acquisition efforts relates to the centralization of IT, which we did quite a significant move in a very short period of time. It took us a couple of years to grow through that and because of that lesson we are taking a more deliberate move in centralization of acquisition. But we will get there.

Let me ask Dr. Petzel to talk about acquisition centralization in VHA and then perhaps Mr. Baker to talk about IT.

Mr. JOHNSON. Okay, I appreciate that. If you could keep your answers short I appreciate that too, because I have got several others and limited time. But that is okay.

Secretary SHINSEKI. Well we can provide it for the record, if you wish.

Mr. JOHNSON. Okay. Go ahead, I will give you just a minute or so.

Dr. PETZEL. VHA, thank you Congressman Johnson, VHA spends a large proportion of the money that VA has for acquisition. We have centralized our acquisition activities within VHA, ensured that everybody is certified and educated about their responsibilities. I think most importantly we have developed strategic purchasing groups to ensure that we are getting the best price and that we have standardized the purchase of all of the medical equipment that we have got. Artificial hips, surgical gloves, suture material, all of the supplies, we want to have a best price and we want to ensure that unless there is a real good reason why not, that people are purchasing from them.

Mr. JOHNSON. And I certainly commend that. My concern is you are talking process. I am talking about an integrated financial system with visibility from front to back. That is what I see that is missing. And I will get to Mr. Baker in just a second.

In the President's budget request he asks for \$1 billion for Veterans Jobs Corp. We have yet to see specific details about the Jobs Corp or how these funds would be spent. How can you expect Congress to support and fund a program with which we have so little to no information?

Secretary SHINSEKI. Mr. Johnson, as I indicated earlier, that plan is being finalized, it is being brought together. It is a multi-department coordination effort over which VA has oversight and as soon as we have that we will provide details.

Mr. JOHNSON. Do you have any idea when that is going to be, Mr. Secretary?

Secretary SHINSEKI. I will give you a better answer when I submit it for the record.

Mr. JOHNSON. Okay.

Secretary SHINSEKI. We are still in the process of bringing that plan together.

Mr. JOHNSON. Okay. Mr. Baker, as you well know you and I started our very first dialogue over a year ago talking about an integrated systems architecture, a roadmap that shows where you are and where you are going. And we are here a year later, I still

have not seen that. How can you justify a 6.9 percent increase in IT spending when you do not know what you have got, and you do not know where you are going?

Mr. BAKER. Thank you, Congressman. I think two points on that one and I will make them relatively quickly. About 80 percent of my budget is spent in the hospitals and in the benefits offices providing direct support to the people who serve veterans. And so as we look at that we have had substantial growth in employees and in the cost of that infrastructure. That is the main driver of the increase—

Mr. JOHNSON. All the more reason, absolutely. I agree with you. But all the more reason why an integrated architecture is so vitally important. Because in any IT environment, as you and I well know, 75 percent of the life cycle costs is in O&M, supporting and managing those systems to do that kind of thing. The better you do at managing that architecture, integrating the systems, and finding cost efficiencies the lower that O&M cost is. That is exactly—you are making my case for why I am asking for a systems architecture.

Mr. BAKER. And as you are aware, Congressman, I think we have made improvements since the May hearing. Most importantly to us, we now have a chief architect who gets it. He came up and met with your staff, we have delivered three CDs, and actually I understand you may take some time to go through those.

Mr. JOHNSON. I just got those last night. So I have not gone through them yet but I can assure you that I will.

Mr. BAKER. We appreciate the input. I think you will find it is better than it was last May. It is not where either of us would like it to be. But we are making progress on that. I in no way disagree with you. As we talked last May, in a swamp full of alligators we might choose different paths through that. But we are working on architecture and we appreciate your input.

Mr. JOHNSON. Okay. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. Ms. Brown?

Ms. BROWN. Thank you, Mr. Chairman. Mr. Secretary, first of all let me thank you for your service. This Committee has always been very bipartisan and we have always worked very closely to provide benefits to the veterans. And I probably have been on this Committee longer than any other Member except the Ranking Member, and we really came on at the same time. His name just came before mine. So I have been on this Committee for over 20 years. I do not know how they did that. Maybe we was elected minutes apart, or something.

Anyway, the point I am trying to make is I think it is sometime important to have some institutional memory, and I have it for this Committee. And I do know that I have participated in conferences after conferences over the years, and I want to thank, you know, a lot of times people ask, "Well, what have we done for the veterans?" Before 2009 we did not have forwarding budget. We didn't have, you know, everybody wants more. But for the first time we had stability when we had this President, President Barack Obama. And the budget that we put forth. And I know most people in this room may not remember that, but I have been in every conference and I know how all of us talked the talk, but was not pre-

pared to walk the walk. And so when we have these little fights up here I am confident that the veterans are not going to participate with some of the things that have been proposed. So I am very grateful. And I do know that you have a very difficult job.

Let me, you know, when we sit here and we know that we are stepping down as far as the military is concerned, and so a lot more veterans will be coming back to the community, clearly the Job Corps, working with the communities, working with the mayors, I met with my Mayor last week. We have an unemployment rate of close to 30 percent with the veterans. So we need to do all we can. Because lack of employment leads to suicides, the mental health services. So you have a very tough job. And I am happy to be able to work with you in the forwarding budget process.

I want to know, do you have all of the tools you need necessary? Because I have been working with the different hospitals around the country. And I want to make sure that they can get all of the equipment, that you have all of what you need. I understand the forwarding budget, we have it. But do we have it to make sure that the hospitals and the different facilities get the equipment that they need?

Secretary SHINSEKI. Thank you, Congresswoman Brown. This budget is adequate to meet our requirements for veterans in 2013. The 2014 advance appropriations gives us that first strong step in submitting an even stronger budget for year 2014.

This budget is a 10.5 percent increase over the last budget at a time when other departments are being tasked mightily. The President has been very supportive of veterans. That 10.5 percent increase is split between mandatory, mandatory is actually a 16.2 percent increase and discretionary, about 4.5 percent. Each of those pieces of our budget is strong enough to support our requirements. This budget helps us meet our obligations to veterans.

Ms. BROWN. On the homeless can you give us a, I mean, that is, you know, you have done a yeoman's job. We have been talking about it for a long time. One-third still of the people that are on the street are veterans that have not been able to get the assistance that they need. What are you doing, the department, to, I mean, to increase what you are doing?

Secretary SHINSEKI. Congresswoman, I am going to call on Dr. Petzel in just a second, because in the execution of our homeless programs, I have pinned the rose on VHA because it is our largest administration. VHA goes to all of the communities: with 152 hospitals; 800 community-based outpatient clinics; and 300 vet centers. They are out there and they touch our communities in ways no other administration does. Our success over the last three years has been to establish a partnership from our national headquarters level all the way down through VHA's medical facilities, and out into those communities so that the organizers in those communities, the Catholic Charities, the Volunteers of America, the Salvation Army, Swords to Plowshares, all of those great folks that, as I have said for years now, are creative geniuses when it comes to dealing with the homeless because they have done so much with so little for so many years. We are putting resources out of VA, through VHA, the health care system, and reaching out to those community organizers.

Ms. BROWN. Are we partnering with them?

Secretary SHINSEKI. I am sorry?

Ms. BROWN. Are we partnering—

Secretary SHINSEKI. We are absolutely partnering with them. Every local medical center director and CBOC director is in dialogue with those individuals. We tried not to take a cookie cutter approach to this so that we could adjust that arrangement by community, and fit into what the community needed.

Ms. BROWN. Thank you. And I hope we have another round because I want to talk some more about Job Corps. Because maybe some of the Members have some bright ideas about what we can do to assist with the veterans unemployment. Because that is a crucial problem throughout the country. Unemployment is extremely high but veterans unemployment is unacceptable. And Job Corps is one way that we could partner with the communities. But you know, I am sure we have some geniuses who can help work with the VA to help come up with some proposals as to what we could do to help. Thank you. I yield back the balance of my time.

The CHAIRMAN. Thank you very much, Ms. Brown. With your fine last statement you got Mr. Filner's, something about exceptional genius. You got his attention. Dr. Roe?

Mr. ROE. I thank you Mr. Chairman. And to General Shinseki, again thank you for your service, not only to the military, but to the Veterans' Affairs Committee and to the Veterans Administration. I am going to carry on with what Congresswoman Brown was talking about homelessness. That has become a real passion of mine. And one of the problems we found out when you peel the onion back and get down to the weeds, the VA seems to be a little slow in moving. Not the VA, but the local people need more vouchers. It is a catch-22 because the VA is so paternalistic that they will not turf out the case workers so that we can have maybe a caseworker that is not a VA employee. This creates a problem because when you hit the maximum number of people that one caseworker can take care of the vouchers stop. In my district, we have a need for a number of more vouchers. We can put a lot more people in homes, and every night you do not do that somebody is outside. Is there a way that we can speed up the hiring of the caseworkers, or turf that out so we can get these veterans off? We've got the vouchers. We've got the need. We've got the houses. We just are not able to get the veterans in there because of this little snafu.

Secretary SHINSEKI. Congressman, this is a good point. You know that the vouchers go through HUD—

Mr. ROE. I do know that.

Secretary SHINSEKI. —they go through the public housing authorities. What we had not been doing, and I think you are referring back here to some recent history, HUD decides where those vouchers go. We recommend, but the final call is made by HUD. We found that that decision is made, say in May, and then we are now running to go hire case managers in those locations. What we have worked out with HUD is when we give our recommendation it is a pretty educated guess on where the issues are. We would appreciate it if HUD would give those locations the strongest consideration. If HUD will do that, then we can use the six or seven months while they are doing their final analysis, to go ahead and

start hiring case managers. That is the model that we are now moving to.

Mr. ROE. Okay. Well let me just walk you down to where I am with it. We have got a great relationship with the regional HUD office in Knoxville, Tennessee. We have talked to them. We know the people on a first name basis because we are trying to shorten that. Also, there is still a bottle neck on the case workers at the local Mountain Home. So I hope that will work because it is leaving veterans outside when we could get them inside.

Secretary SHINSEKI. Right.

Mr. ROE. We have the shelters.

Secretary SHINSEKI. I will go look at that specific case. It had come up elsewhere and we thought this was the fix. We have been able to hire case managers in advance of the allocation of the HUD vouchers.

Mr. ROE. And if we do not do that, is there a way that the VA can be flexible enough to allow other—we will bring you some ideas because I do not want to—

Secretary SHINSEKI. We will be happy to work with you on that.

Mr. ROE. Ms. Brown is right. The second thing I want to talk about briefly and then we will move on is the mental health issue. When you have a situation where more veterans are dying of suicide than combat then we have a huge problem in this country. And one of the things I hear from local veterans about at home is, that they were with individual therapy with a psychiatrist or with a specialist in mental health, and now they are in larger groups. That does not seem for some of them to work as well. Is that just a manpower issue? I know Mr. Michaud has talked about this, I have heard him and Mr. Walz both talk about this on numerous occasions. It is being brought up to me a lot of places I go that these needs probably are not being met as well in a large group setting. Are there resources in this budget to help alleviate that?

Secretary SHINSEKI. Just very quickly, Congressman, there is a 5 percent increase between 2012 and 2013 in the budget. But if you look at where we started in 2009 to the 2013 budget the increase is 39 percent. If you look out to 2014, the increase in resources is 45 percent, and that is the firepower for us to go out and hire people.

Mr. ROE. Okay. But it is not getting chewed up by the bureaucracy, though? And it is getting down to the veteran? Are we just getting bigger up here at the VA, but not actually getting the resources down to a veteran where he or she can talk to a person and not in a group setting?

Secretary SHINSEKI. I am going to call on Dr. Petzel to give you the numbers here. But it is not being captured in the—

Mr. ROE. Thank you.

Dr. PETZEL. Thank you, Mr. Secretary. Congressman Roe, the money is being distributed down into the field. As the Secretary mentioned we have poured a tremendous amount of resources over the last three years into mental health professionals and now stand at a point where we have 20,500 clinical professionals, psychiatrists, psychologists, psychiatric social workers, etcetera.

The question is, I think, is that sufficient? This is what you are asking. And the sufficiency of that depends on three things. One,

do we have enough people out there? Have we given enough resources to hire enough people? Two, are those people being hired? That is, are we filling vacancies as rapidly as we can? And three, are we getting the kind of appropriate productivity out of those people?

We have some of the same questions that you have. And to that end, we are site visiting every single one of our 152 medical centers with a mental health team to evaluate the staffing, the access that veterans have, and to assess whether additional resources are needed. If that is not found to be the case, we will provide them.

Mr. ROE. I thank you, and I thank the Chairman. I yield back.

Ms. BROWN. Mr. Chairman? Before you go to the next person, can I have a follow up question on that, mental health?

The CHAIRMAN. Yes, ma'am.

Ms. BROWN. Sir, I have a question. You said that we are, can we hire? Are we not, are we trying to hire all of those people? Or are we working with other agencies as far as subcontracting out? Because if we, we are not going to be able to hire enough people. He talked about the group setting. Some people can benefit from the group setting. But everybody do not need that one on one, but some people do. So we cannot, based on the resources how can we better utilize the dollars to meet the needs?

Dr. PETZEL. Thank you, Congresswoman Brown. We do contract in the community. We do provide mental health on a fee basis non-VA care. And as the Secretary was just pointing out to me, a new modality that is becoming increasingly important is telemental health. Where we provide both evaluation and therapy in a telehealth setting, where the patient may be remotely, 100 miles away. They are on a television screen with an appropriate supervisor, and the psychiatrist or psychologist is back at a larger medical center. It has been very successful in treating PTSD and other mental health disorders. And I think that this is going to become a more common practice as we move forward.

Ms. BROWN. Well, thank you. I sure would like to review that. Because I am a hands on, touching person, and I cannot do it over the television. But maybe I can see how it works.

Dr. PETZEL. Okay.

Ms. BROWN. Thank you.

The CHAIRMAN. Mr. Michaud?

Mr. MICHAUD. Thank you very much, Mr. Chairman. And thank you, Mr. Secretary, for coming down. Three questions, the first one is at the time we passed advance appropriation for the VA, my concern was what was going to happen on the IT side, particularly where health, they are building buildings and IT is delayed. Has that caused a problem so far within the system? Is my first question.

My second question is many states have a prescription monitor program to help address the growing problems of prescription drug abuse. And as of now the VA doesn't report data in those programs in different states, which leaves an information gap for the people who are trying to address the problem. In light of the VA's commitment to deal with the substance abuse in a better integrated way, are you willing to work with states to provide that data to the states?

And my third question is, it is my understanding that an RFP for the PC3s will be issued sometime in March or April. I am concerned that the VA may not be moving, or they are moving ahead without a well thought out strategy or vision for the PC3s. Can you explain what your expectations are for the PC3s? And are you going to work or incorporate some of the ideas, well we have done pilot programs under the HERO program, are you going to incorporate some of those particular ideas as well?

Secretary SHINSEKI. Mr. Michaud, I will take the first question, and ask Dr. Petzel to take number two, and Secretary Baker to take the third one.

As Members of this Committee will recall, IT used to be distributed throughout VA. With encouragement from this Committee and by the will of our leadership, we centralized the IT programs under a single office. That is our Office of Information and Technology under Secretary Baker.

So we did this and it was the right decision. It took us a while to get it done, but we collapsed all of IT into a single office.

Then subsequently we were given this wonderful mechanism that you all provided us called advance appropriations. When advance appropriations came on it allowed for our health care system to have a two-year budget process, really almost a continuous budget program because of a two-year submission every year.

In advance appropriations you give us approval for medical services, medical facilities, and medical compliance and support programs. When you give us approval on medical facilities, that is hospitals and community-based outpatient clinics. And so we have authority to expend dollars and stand those facilities up except for medical IT which is captured over here in the IT budget. We are then a bit desynchronized. It becomes most obvious in a year when we have a continuing resolution. So from October we are executing our health care budget but if it is as late as April, as it was last year, it is not until April that we can release the IT funding to then catch up with those facilities. We are a little desynchronized and I am looking for ways to try to solve that.

Another downside is the IT budget perhaps looks bigger than it needs to be. Therefore when there are decisions being made about whether or not this budget, IT budget, can be executed, as happened last year, we lost \$300 million of IT funding which was in the IT account but really belonged over to health care. We are looking for ways to try to resolve this issue. With that, Dr. Petzel?

Dr. PETZEL. Thank you, Mr. Secretary. Congressman Michaud, we are very interested in the monitoring program. And by law we have been unable to participate up to date. My understanding is there is legislation in the offing to make it possible for us to do that and we will be a delightful participant in that program. I think it is very, very important for veterans and for the community at large.

Mr. BAKER. Thank you, Congressman. Two points for you, and I really appreciate your question related to the tie to health care. Because as I commented earlier about 80 percent of what my organization does is directly in those hospitals and helping support veterans.

I want to make sure we are going to answer your question right. When you said PC3s, my thinking was you were asking about our acquisition about desktop computers? With that—

Mr. MICHAUD. No, sorry. No, the patient centered community care.

Mr. BAKER. We will let Dr. Petzel have that one instead of me.

Mr. MICHAUD. Okay.

Dr. PETZEL. Thank you, Roger. That is mine. And you are referring to our PACT program, the patient accountable care teams. This is the central feature of a cultural transformation that is occurring within our delivery system. Patient centeredness, team care, continuous improvement, data driven, evidence based, providing value and a population component, and prevention component to what it is doing. And we do want to incorporate those things into the community projects that we are involved in, such as ARCH and such as Project HERO. Absolutely.

Mr. MICHAUD. So you intent to incorporate what you learned from those two programs into the—

Dr. PETZEL. We absolutely do.

Mr. MICHAUD. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Turner? You are recognized.

Mr. TURNER. Thank you, Mr. Chairman. The complexities of this budget are such, maybe you could just help me shed a little light on what efforts will be made to help veterans secure mortgages? And I know the VOW Act is now kicked in. Can you let me know, or let us know, how any of the efforts to help veterans get capital for business start ups have taken effect? Thank you.

Secretary SHINSEKI. Thank you, Congressman. Let me call on Secretary Hickey to address the mortgage piece of this.

General HICKEY. Thank you, Congressman for your question. VA's loan program has been very active. In fact, for 14 quarters now we have shown the Nation how to keep from having seriously delinquent loans. We have in fact, over the last year alone, kept 73,000 veterans and their family members in their homes. We see that as a homelessness prevention program. This is not something we just serve our veterans for. In fact, we serve our servicemembers quite heavily as well, and we engage with them in the same respects.

From a home loan perspective, moving forward we see an increase in the demand for home loans for our veterans and servicemembers, and we are responding in kind and have some good results associated with that.

Mr. TURNER. Do you have any numbers?

General HICKEY. I do, sir. The total number of loans that we have to date for 2011, is 357,594 VA home loans. I would also share with you that though we help and assist our veterans and servicemembers with VA loans, we are also very actively engaged with those who choose not to use a VA loan and use another loan. We are happy to work with them when they find themselves in trouble and help to act on their behalf to keep them in their home and keep them solvent in their family environment.

Mr. TURNER. Thank you. Any comment on the efficacy of the VOW Act in regard to business loans?

General HICKEY. So sir, I can take that. Specifically for business loans, what I would offer you, under VOW certainly are the tax credits that are provided in the provision of the law. Certainly even better for those businesses that choose to hire our disabled veterans who have been out of work for a while. So we encourage that. We do provide resources to help educate and provide employment opportunities for our veterans. Specifically, since 1 October last year, we have also added to the Post 9/11 G.I. Bill education through four-year degree programs, the opportunities to participate in non-degree programs, and we have a full 8,000 veterans who are using their G.I. Bill benefit to do that today. So I would say that is the active part of that piece of the discussion that we are involved and engaged in with our veterans.

Mr. TURNER. Thank you. I yield back.

Mr. MILLER. Sergeant Major? Mr. Walz?

Mr. WALZ. Thank you, Mr. Chairman. Thank you, Mr. Secretary and to your team for the work you have done. As a veteran I can say I am proud of the work you are doing and the care you are extending to our veterans. Also, thank you to everyone else who is here today. This is certainly a team effort, as you well know. The second panel that will be speaking are unwavering supporters of our VA but always they can be our harshest critics, as they should be. And so I am very proud of the work that we have all done. I often say this is, this seems to me many times to be the most positive place on Capitol Hill. It is about coming together, working together across the aisle to find solutions. So I am very appreciative of that. And I also think maybe, I see a lot of folks around today with our purple lanyards on. A lot of your employees that are out there in like the Minneapolis VA and those things. I go a lot of times to visit our warriors but there is an awful lot of heroes in the likes of yourself and your team that have served in uniform too, so thank you for that.

I would also associate, I know the Chairman started out, and I too express my concern with sequestration is simply bad. It is a failure of this Congress. It, the Constitution is very clear about tasking us to make the hard decisions to cut programs and eliminate them if they are not working, but to make sure we are funding those that are working. So I am deeply concerned with sequestration, too, trying to see how this works out. The silver lining might be though, and I don't know, I would ask again, if there, what attempts are being made during this where DoD is going through trying to understand what sequestration means or whatever? Is it another opportunity for us to try and look at collaboration? I know when you do this budgeting, or are budgeting of DoD and VA the separate silos again? Or how are we getting that seamless transition? I know it is a broad question but I am always trying to figure out if there is a way to merge those two.

Secretary SHINSEKI. Well Congressman, I assure you that there is lots of effort between both the Secretary of Defense and myself to bring our two large departments together. It is a constant dialogue between us, as it was with Secretary Gates. I met with Secretary Gates I think four times in the last five months of his tenure as Secretary, so I can tell you how much energy and importance he gave to it. I have met with Secretary Panetta several times now.

We will be meeting again on the 27th, working through the issues that are common to both of us which are about young men and women in uniform, and veterans, one and the same. So how do we create that seamless transition we are all looking for?

Much of it has to be electronic and that is why I push so hard to protect what we have set aside here in the IT budget. I just want to assure you it is a solid relationship. There are still warts on it, and things we need to work through, but we now have an integrated agreement on an integrated electronic health record.

Mr. WALZ. That is great.

Secretary SHINSEKI. It has taken us about three years actually two years, to get here with a joint, common, open architecture platform that we are both now putting our thoughts together on how to build. Hopefully in the near future this thing will be fielded.

Mr. WALZ. No, I am certainly glad to hear that and I know the commitments there. But I think all of us know it will end up being better care for our veterans, and the plus side is it will save us money. I think that is trying to get the efficiencies out of government.

I would just end with, I know we have got a lot of folks who want to ask questions, Mr. Chairman, but I could not agree more on this issue of synchronizing IT back over to the advance appropriations. And I would say, Mr. Chairman, and tell my colleagues, Representative Betty McCollum has been working on this. She and I have been working together to put something forward. I think this can be done as a rule change or something out of this Committee to allow for that to happen. Because the fact of the matter is we can build a new hospital and put in a wonderful x-ray machine but we cannot coordinate the transfer of those files and the infrastructure that, it would be the equivalent now if the plumbing was not part of the advance funding on that hospital and you could not put the plumbing in the building. I mean, that is how integrated IT is. And it is just simply an antiquated piece of legislation, in my opinion. I think you guys can do it better. And again, I would make the argument if we do it on the front end and we plan accordingly, I think we will save money as well as integrating.

So that piece is out there. We are working on it. Your folks have been very good about articulating that to us. So with that, again, thank you. We will continue to go through the budget. But I too would echo my sentiments that in a very, very difficult budgeting time we cannot forsake our veterans. We must make those hard choices and I think this budget is doing that. So I thank you. Mr. Chairman?

The CHAIRMAN. Mr. Runyan?

Mr. RUNYAN. Thank you, Mr. Chairman. And I want to kind of roll out with Congressman Walz was saying, about integrating. Because I applaud you, Secretary Shinseki, because every time we talk to you we talk about accountability. One of the biggest issues I think here, and I know we have had conversations, there are about 300,000 people in the Veterans Administration, correct? Sometimes I question the ability of how long your tentacles are to get that down into this administration. Because at the end of the day, we have the conversations here in these Committees. We all agree that we want, our purpose is to take care of veterans. And

how we are going to do that within this Committee is dedicating funds for that. But if people are not being held accountable in the administration, and they are there using money that is there to benefit veterans, I think is one of the biggest oversights, and a big thing we have to do in oversight here in this Committee is to do that and to force that down.

And the two points I want to raise on that, and they are not budget related, but in the end of the day they are budget related because it does not allow the money to get down, and we have had several hearings on here about updating regulations to current practices. Now we had the fiduciary hearing last week about the same thing, which the regs have not been updated since the seventies. Current, you know, and we are implementing more and more procedures on outdated instructions and protocol on how to do this. Times have changed.

And in that same process, and it goes right back to your accountability aspect of it, you know, the metrics of how we do this. I think the one metric that needs to be at the top of the list every single time is customer satisfaction. And I think that is what is missing in a lot of this. We all, every under secretary has their numbers that they come out and talk about, and we have the benchmarks that a lot of time in Congress we put on you. But at the end of the day, is the customer satisfied? Because that is what we hear day in and day out, and that is what we are in the business to do.

And I think there is a lot when I go back to, you know, the accountability and you being able to get down to the grassroots level and actually, whether it is access to care, all that type of stuff, we need to get there. And going back to what Ms. Brown was saying, and talking about, and we talk about it across the board, with veterans hiring preference in the VA. I applaud you guys for that. But my one question, and I will take it for the record and I will stop because I am pretty sure you do not have the number on it, what is the retention, the longevity of those veterans you actually do hire throughout this process? Because I think that is a key issue as we move forward. It is one thing to give them a job for six months. They get frustrated, possibly, with the way this administration works. And I think that is one thing we can clear up. Because obviously in a constrained budget environment we are in, I do not think there is enough money we can appropriate to take care of veterans. But I think internally there is plenty of room there that we have to take a serious look at, to make the customer satisfaction the number one goal. And I think any private industry in this country that does that well has a great, great leader like yourself that can get down and sink down to the grassroots level. And I would just appreciate a comment if you do have any retention on veterans hiring preference.

Secretary SHINSEKI. Yes, Mr. Runyan, you are right. I do not have the longevity data here today, so I will be happy to provide it for the record.

I just want to assure you that we want customer satisfaction, we are a services organization. Customer satisfaction in this kind of an organization ranks very high. We make tremendous efforts to try to ensure that we are getting a sense for what our veterans and eligible family members think of our services.

Steve Muro here runs the largest cemetery system in the country. Seventy-four percent of his workforce are veterans. For the last ten years he has been the top customer satisfaction entity in the country. That is not because we say so, but the University of Michigan ACSI Customer Satisfaction Index rates them above Lexus, above Google, above all the others, hands down.

We are not quite up to his standard across the VA. But in VHA our pharmaceutical effort has received both J.D. Powers as well as Malcolm Baldrige recognitions. We have evidence where we know how to do it right in some places, and you are right, what we need to do is make sure that is uniform across the board.

Mr. RUNYAN. Yeah, and I agree. And just to keep the pressure on you, I mean customer satisfaction for a long time was very high at Arlington Cemetery also and we see what we have ended up there. So it is the due diligence of not only your administration but this Committee to keep that up. And with that, I yield back, Chairman.

The CHAIRMAN. Mr. McNerney?

Mr. MCNERNEY. Thank you, Mr. Chairman. Thank you, Secretary Shinseki and staff. I just want to say, I want to congratulate you. Back home I am hearing from the veterans that this is not the VA that was there ten years ago. The VA is responsive, it is reaching out, it is getting things done. And I like to think it has to do with the leadership of the group in front of us, with the budget that has been increased over the last several years, and with this Committee. So I want to congratulate ourselves.

But there is still a tremendous amount to do. For example, last week, we had a hearing on the fiduciaries. And it was just breathtakingly stark, the difference in viewpoint between what the VA administrators were saying and what the beneficiaries were saying. And both of them had legitimate points of view. The administrators were trying to follow the regulations to the best of their ability, and they have to do that. And yet there was significant fall out. So there is still a lot of collaboration, there is a lot of language that needs to be discussed, a lot of hard work to make sure that this end of the programs are responsive to the veterans, not just to some sort of framework that is out there. And so we need to pat ourselves on the back and yet we need to take a deep breath and plow forward. But I am really proud to be a part of this Committee and to work with this group.

So I have a few questions. The online veterans benefits system will be a critical component in the claims process. Can you give me an update as to where we are, and what hiccups you have seen in this system?

Secretary SHINSEKI. Secretary Hickey?

General HICKEY. Thank you, Congressman. I believe you are speaking about our Veterans Benefits Management System?

Mr. MCNERNEY. Yes.

General HICKEY. It is our paperless IT system that brings us from an essentially pencil and paper environment into an environment where we are working on a claim in an electronic method.

We have been through phase one. I think you have heard about it, and many of you I believe have come with us to see what is going on in Providence, Rhode Island, and also in Salt Lake City.

We have been through phase two where we have done some more additions to functionality in the system and tested it. We have run nearly a thousand claims through it now, and we are completing those claims in about 120 days per claim. We are moving, and right now, we are in phase three of that process. We are expanding, scoping, and scaling it so that by the fourth quarter of this year, we will have 16 regional offices on the system, and then 40 by the end of the calendar year in 2013.

In terms of issues we are seeing, as in any new system, as you develop it, you see points that you want to make adjustments to and shape and change. We have had active involvement and engagement from super users sitting right next to coders and developers to make that happen. We are working closely with OIT on a day-to-day and week-to-week basis to ensure that we close any gaps that we have, and do.

Critical to that is this fiscal year 2013 budget and every dollar that is in it that is associated with VBMS.

Mr. MCNERNEY. Well, thank you. The Vocational Rehabilitation and Employment Program is also very valuable, and peer to peer and so on. But I hear from back home that there is an average counseling ratio of one counselor to 145 veterans. What can we do to reduce that ratio to make it more responsive?

General HICKEY. Congressman, thank you for asking that question. We actually are right, now today. Our target is 125 to one. We believe that is an appropriate workload. We are at 139 today, so we are closing in on that gap, and we will close it even further. We are taking new steps to meet earlier in the process with our veterans. You will see this budget reflects a growth in VetSuccess on Campus vocational and rehabilitation employment counselors. We get those counselors out where our student veterans are today, to help them both in the adjustment and in their graduation rates using their G.I. Bill. Also you will see this budget reflects a growth of VR&E counselors at our wounded, ill, and injured sites so that we start the planning process with them earlier rather than waiting for them to exit service and come into the veteran community.

Mr. MCNERNEY. Okay, well it sounds good. Mr. Secretary, one last question. The VA cites management improvement as one of the areas where it can achieve savings. Can you elaborate on that a little bit, give me some details?

Secretary SHINSEKI. I am going to call on Dr. Petzel.

Mr. MCNERNEY. Okay.

Dr. PETZEL. Thank you, Mr. Secretary. Congressman, we have a number of management improvements that have been put in place, in fact, in the previous year and we are elaborating on this year. As an example, in non-VA care where we spend about \$4 billion, we now are able to use Medicare prices for reimbursement for both the facilities and the professional fee. Previously we were only using Medicare for the professional fee. This is going to save us over \$100 million this coming year.

Secondly, we are reducing non-VA hospitalization, contract hospitalization. Third, we have dramatically decreased the cost of dialysis. We now have a regulation allowing us to charge Medicare prices. We have renegotiated contracts with all of our providers and have saved literally hundreds of millions of dollars over the

cost in 2010 of dialysis. And those are just a few examples of the many things we are doing.

Secretary SHINSEKI. Mr. McNerney I just want to have Mr. Muro add one piece to this with the first Notice of Death office and what we have achieved with it.

Mr. MURO. Thank you, Mr. Secretary. Congressman, our First Notice of Death office collects information on veterans deaths. And by doing so we are able to go into our VA system, our electronic system, and annotate that the veteran has passed away, which ensures timely discontinuation of payments to the deceased. And we are working now with VHA to cancel appointments and to cancel medication shipments that are going out. By doing this, we are able to save the funding that would have gone out to the veterans and prevent collections from veterans families after they pass.

The CHAIRMAN. Mr. Bilirakis?

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it very much. And thank you, Mr. Secretary, for all of your good work on behalf of our heroes. I have one question. I have been closely following the many implications of the many provisions of the Affordable Health Care Act, particularly the HHS contraception mandate. General, I know that one of your priorities is ending veterans homelessness, and of course it is our priority on this Committee as well. I also know that the VA partners with many faith-based organizations to reduce veterans homelessness. Has the VA taken into consideration the repercussions of the HHS mandate, particularly if these faith-based entities choose to pay fines rather than violate their religious tenets by providing contraception? And that such fines could potentially reduce resources available to meet the needs of homeless veterans?

Mr. FILNER. I thought we would get through a whole hearing without you mentioning contraception.

Secretary SHINSEKI. Congressman, I would say there is more work to be done here. The President has announced a policy that would ensure employers affiliated with religious organizations that they will not have to pay or refer for contraceptive services. The administration has said we will work collaboratively with organizations that self-fund to address their concerns. Our local community partners, of which we have many across the country, thus far, like VA are committed to our goal of ending veterans homelessness by 2015 and there is no indication that they will be deterred from their commitment to that goal of ending veterans homelessness. But as I say, we are early in the discussions.

Mr. BILIRAKIS. Okay. I would like to continue to work with you on this issue. Thank you, Mr. Secretary. I yield back.

The CHAIRMAN. Ms. Sanchez?

Ms. SANCHEZ. Thank you, Mr. Chairman. And I want to thank all of our panelists for being here today to answer questions. I think the questions are many and I am going to get through the most important questions that I have fairly quickly. Secretary Shinseki, I recently had the opportunity to visit the patient aligned care center at the Long Beach VA facility. And I want to applaud the efforts there to provide an integrated system of care. But one of the things that has been brought to my attention is the levels of staffing for the new models that will be put in place. I heard

from doctors, nurses, and other practitioners to discuss how thin they feel that they are being stretched in this new system. And it is a system that they want to see succeed. I mean, they are employed there because they believe in the mission, they want to provide the service. But I am wondering if you could maybe go into a little bit of detail as to how the \$433 million that is proposed for patient centered care, how that will go towards staffing to make sure that we have the staff available to meet the needs of those veterans?

Secretary SHINSEKI. I am going to call on Dr. Petzel for the details of this.

Ms. SANCHEZ. Sure.

Dr. PETZEL. Thank you, Mr. Secretary. Congressman Sanchez, when we implemented the PACT program several years ago, the first thing that we did was a survey of what we called PACT readiness, one of which was to determine how many support people that were in place for each one of the providers in a PACT clinic. The desirable ratio agreed to in the entire health care community is three people per provider. We found that there were places that were reaching that goal, and others that weren't. One of the major things that has been involved in the PACT new model financing has been to provide the medical centers with, and the clinics, with the number of people that they need in order to support the provider.

I will look specifically at Long Beach, and I can in fact get back to you. But our goal, and we are very close to it as I understand, is to have three support people per provider in each one of our clinics.

Ms. SANCHEZ. Okay. Because I, you know, I hear stories about staffing being stretched thin and, you know, no new hires, or people leave and then are not replaced. And so the concern is to have the appropriate amount of people available to provide the services that are needed. And I would appreciate you following up with me about that.

To the Secretary, I know that you and I have previously discussed some of my concerns, specifically with respect to the VA employing female specialists to assist specifically female veterans with VA services. And I know that the administration's budget contains \$403 million to address the needs of women veterans. I am wondering if you can tease that out a little bit and provide more specifics on how that money will be used to address the growing needs of the female veteran population?

Secretary SHINSEKI. Thank you, Congresswoman. I am going to call on Dr. Petzel for the details, but this is to confirm that you and I have had discussions about this.

Dr. PETZEL. Thank you, Mr. Secretary. Our goal is to ensure that every female veteran has a choice of providers, and that if they wish to, they will be able to be seen by a female provider. About 75 percent of women choose to have a female provider and we are able to meet that need in virtually every setting except perhaps some remote community-based outpatient clinics, where we just do not have those sorts of facilities available.

I can for the record, give you the details about how much staffing, what kind of staffing would be associated with the \$403 mil-

lion increase that we are seeing in women's health programs. I do not have that number at the tip of my fingers. But it is important to us, as I am sure it is to you, that women have a choice. That if they wish to see a female provider they are afforded that opportunity.

Ms. SANCHEZ. Yeah, one of the things on my tour of the Long Beach facility was they do have a sort of separate women's clinic area where women can choose, you know, that to be their point of entry to the system.

Dr. PETZEL. About 60 of our largest medical centers have specific women's centers, women's health centers, where all of the services are provided in that same environment. The rest of them are associated with women specific primary care clinics, when they are not as large. And then in community-based outpatient clinics, we have trained the primary care providers in the necessities of women's health.

Ms. SANCHEZ. Great. I appreciate your time and look forward to the additional information. I will yield back.

The CHAIRMAN. Thank you. Mr. Huelskamp?

Mr. HUELSKAMP. Thank you, Mr. Chairman. And Mr. Secretary, good to see you here. I appreciate the conversation with you and your staff last week. And I have a couple of questions. I appreciate the recent question about choices and opportunities. It made reference to rural areas. That would describe much of my congressional district, and, but I often get asked the question, "Mr. Congressman, we served our country, however, we have difficulty accessing the medical care we have been promised." And actually this past weekend one of the smaller communities in my district, there was a newspaper article about them finishing the construction of a new hospital, a \$24 million hospital, for a community of 3500 folks. And there are veterans in Scott City, Kansas. But if you look at, and pull up the Web site, it indicates if you would like to access health care through the system your closest opportunity would be 69.5 miles, that is a CBOC. If you want to access a hospital, your closest hospital is 203 miles. What do I tell my veterans, Mr. Secretary, when they say, "You know, we would like to attend our local hospital, or we would like to receive care in our local hospital. We would like to receive care from our local doctor." What am I supposed to tell them, other than, "Get in the car and drive 69.5 miles or drive 203 miles to the nearest VA hospital?"

Secretary SHINSEKI. Congressman, fair question. If there is one thing we have focused on for the last three years it is how to serve veterans closer to home. It is not either a VA CBOC or a VA hospital. We have the option to provide fee basis service. We also provide contract care. I am not familiar with the specific instance here, we will go take a look at it. Let me ask Dr. Petzel to fill in the gaps here.

Dr. PETZEL. Thank you, Mr. Secretary. Congressman Huelskamp, we also have two pilot programs where we are looking at specifically what you have been talking about. Project HERO, which is in its last year, and Project ARCH, which is just beginning. And I know that Kansas is one of the network areas where we are piloting Project ARCH.

Both of these are multipurpose, but a primary thing is to look at the feasibility of providing fee care and contract care. And as importantly if not more importantly, the cost of providing fee or contract care. We intend to explore once the results of these pilots are available the feasibility of doing more of these kinds of efforts. Forty-three percent of our veterans are rural. A large percentage of that 43 percent are highly rural, as you find I think in large parts of Kansas.

Mr. HUELSKAMP. And I appreciate that. And I will follow up on that, and I appreciate the pilot project in Pratt, which is about 60 miles from a hospital.

Dr. PETZEL. Right.

Mr. HUELSKAMP. We are talking about folks that are 200 miles away, that if they were to drive to the nearest VA hospital they would be passing along probably 20 community hospitals. My veterans are saying, "Can't we just have a card like in Medicare that we would not have to have a special pilot project? We simply would access our local doctor in our local hospital." And they are not talking about a pilot program, and which is in, and initially it looks like Pratt is not working very well and we appreciate data as we go along. But what are we supposed to tell them? That it is coming sometime in the future. Meanwhile they have probably the best medical care they are going to get within 250 miles, is at their local hospital, just down the street.

Dr. PETZEL. As I said, there is the fee basis option in some of these communities if they are eligible for that. And telehealth and telehome health—

Mr. HUELSKAMP. But I appreciate that, doctor.

Dr. PETZEL. —are becoming a much large part of what we do rurally.

Mr. HUELSKAMP. What makes them eligible?

Dr. PETZEL. I would like to respond for the record to that.

Mr. HUELSKAMP. Sure.

Dr. PETZEL. But basically it is service-connection and being treated for a service-connected disability. Otherwise, they would not be eligible. Unless they are a part of one of these pilots.

Mr. HUELSKAMP. Well I presume they were eligible, had service-connected injuries. But they can go to their hospital? Who do they call to say, "I would like to go to the Scott City Hospital rather than driving to Wichita for care?"

Dr. PETZEL. They would talk to the intake people at their local hospital. And this is done commonly. Again, if they are service-connected, and they live that distance, more than 60 miles, that would be someone that we would often give a fee card to, to get care in the community.

Mr. HUELSKAMP. Yeah, I appreciate that. And one follow up as well. The question referenced the Affordable Care Act. I am very troubled by the mandates that have been proposed about religious organizations. But Mr. Secretary, the religious organizations have already responded. They think it is a distinction without a difference, and it is going to be difficult to expect people of faith to participate in Affordable Care Act with these particular type of mandates. So I appreciate it. I would like to be involved in the discussion as well. Mr. Secretary, it is very troubling when we have

a First Amendment and many Americans feel like these mandates violate the First Amendment. So I appreciate the time. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Carnahan?

Mr. CARNAHAN. Thank you, Mr. Chairman, and also special thanks for your commitment to come out to St. Louis next week to follow up an oversight visit at Cochran VA Medical Center. And Mr. Secretary, really to you and all your team for the work you have done for our veterans, but also close to home on behalf of the folks in St. Louis and veterans there for the work you have done to help turn things around at Cochran. The targeted investments there, we get good reports back from our veterans about improvements there. And reiterate my invitation, I hope you will come out when they open up that new state of the art sterile processing department there that you and your team can be a part of that. We think that is an important success story that we want to be sure and share with the community, and to our veterans.

And since we last spoke I had another issue, close to home issue raised, but also I think it has some implications nationwide. And it has to do with the Veterans Benefits Administration claims processing centers. One large one, as you know, in St. Louis employs a number of our veterans there. My understanding is that the VA is getting into a contract with a Xerox subsidiary, ACS, to outsource parts of the claims processing. I am hearing reports from staff in St. Louis they are being asked to train contractor replacements. And I had five particular questions I wanted to submit for the record and hope we can get some detailed answers to, but I would like to see if we can get a brief answer here at the hearing.

First, did VBA comply with the law requiring there to be a public/private competition before direction converting this kind of work? This was a change in the law that was championed by our former Missouri U.S. Senator Kit Bond to address these kind of issues.

Secondly, do we know this contract is actually saving money in terms of supplying those kind of services?

And why is this contract being put in place now when many millions have been invested in pilot programs all over the country as part of this transformation? And the national roll out of these projects was to be completed next year, was my understanding.

Fourthly, are you aware of this particular contractor we have heard reports of a not very good track record in providing services to the Federal government.

And finally, with regard to our veterans and their high jobless rates now, why is VBA not using its new hiring authority under the Vow to Hire Heroes Act instead of assigning this work out to contractors? In St. Louis alone, I know nearly half of those employees are veterans.

I know that is a mouthful but I wanted to get that on the record. And I am going to ask if you could address that briefly within the time we have.

Secretary SHINSEKI. Congressman, thanks. I am not familiar with that contract personally and so I will provide you a full answer for the record.

Mr. CARNAHAN. Great. Thank you. I appreciate that. Again, I think that has impact nationally in terms of those services I think are very important, but also close to home in our region of St. Louis.

Mr. FILNER. Congressman, would the director of VBA know more about the contract to get a quick answer? I mean, somebody must know the contract.

General HICKEY. So thank you, Congressman. I think you are referring to the VBMAP (Veterans Benefits Management Assistance Program) contract with ACS Federal Solutions?

Mr. CARNAHAN. Right.

General HICKEY. Absolutely. We followed all the provisions for the VBMAP contract. And what it is, and I will explain it very quickly, it is a short-term ability for us to essentially do two things: one, push through some claims to get them ready to rate because we grew our rater workforce last year significantly, and we need to have work for them to rate in order to get through that backlog which, as you all well know, is over 500,000 claims today.

Two, it is not meant to be long-term, but we are looking at how they do the work, trying to take lessons from that to bring them into VBA, and finding the ways in which we are incorporating lessons as we move forward on our transformation model.

So I understand the initial concern from the workforce. I have sent a letter out to them this week telling them that nobody is going to lose their job over this. Nobody is going to be replaced as a result of this, so I just want you to know that. We are—

Mr. CARNAHAN. Excuse, if I, just if I could interrupt? So no current employees are expected to lose their positions?

General HICKEY. No, sir.

Mr. CARNAHAN. You are strictly using this as a, to supplement and take care of a backlog?

General HICKEY. Yes, sir. For the short-term, yes, sir.

Ms. BROWN. Will the gentleman yield?

Mr. CARNAHAN. Yes, I would yield.

Ms. BROWN. Let me just say, that sounds good. But when you all put the contract out, why is it that you did not have some criteria, whoever is getting the contract why cannot they use veterans where possible? I mean, that should have been a part of the RFP, or whatever, when you sent the proposal out, and it still can be a part of whoever has the contracts should have some preference for veterans when they are qualified and they have a very high unemployment. I am not saying you are going to do additional work, you have additional money, we should have an opportunity to hire additional veterans.

General HICKEY. Congresswoman Brown, that is a great question. And I will tell you that ACS has made a concerted effort to do that. In fact, 15 percent of the folks in this contract are veterans.

Mr. FILNER. Fifteen? Or 50, did you say?

General HICKEY. Fifteen percent right now, but they are continuing to go to—

Mr. FILNER. Is that required or is that just their voluntary thing?

General HICKEY. They are voluntarily doing this—

Mr. FILNER. But the question was, why do we not insist on it in their contracts? And why is it not 50 instead of 15? I mean, why are we complimenting them on doing this, it still sounds small to me. You are issuing the contract: Put the mandates on the requirements that we want. Why can we not do that?

General HICKEY. So Congressman, we have had conversations back and forth with the contractor to encourage them—

Mr. FILNER. You are not answering the question. You are having conversations with the contractor. Why does the contract not specify and mandate that preference level so you do not need the conversations that is part of their requirement? And as, if Mr. Carnahan is correct, that they may not even have a history of doing this, I mean, put it in the contract. Why are you going through these voluntary conversations?

General HICKEY. Congressman—

Secretary SHINSEKI. Fair enough, Mr. Filner. We will take a look at this.

Mr. FILNER. Oh, come on. You can give me some general answer. Are you saying we cannot do it legally? Or we do not—

Secretary SHINSEKI. I do not know the answer to that question.

Mr. FILNER. Yeah, but she must know the answer. Why, I mean come on. This is not rocket science here. You issue contracts a hundred times a day. Why can we not have contracts that do this?

Secretary SHINSEKI. You can. And I do not know the circumstances of this contract and I would like—

Mr. FILNER. But she apparently does, so why did we not do it here?

General HICKEY. So Congressman, I will go back to our acquisition folks to ask—

Mr. FILNER. Oh come on, you know, you guys know the answer to this. Why are you so afraid to just tell us?

Secretary SHINSEKI. I am not sure it was not in the contract, Mr. Filner. That is what I need to go check.

Mr. FILNER. Well but she sure, she did not say it was or was not.

General HICKEY. Congressman—

Mr. FILNER. You said, you started off your testimony, "I know the contract." So did it specify or not?

General HICKEY. I will find out and give you for the record, exactly what the contract—

Mr. FILNER. —I mean, I don't understand this. Come on. You know this better than you are saying here.

Ms. BROWN. Reclaiming my time that I probably do not have—

Mr. CARNAHAN. I will yield the time that I do not have.

The CHAIRMAN. Three and a half minutes ago you had—we do, if you would, but we have one more Member who has not asked a question.

Ms. BROWN. Right. He probably will be okay with me finishing. What we want in this Committee, with the high unemployment, close to 30 percent, one place that we can start, and one complaint I constantly get, is that the VA that does billions of dollars of work do not do it with veterans. I mean, there are opportunities for, someone asked the question earlier about helping veterans' businesses, we should have some kind of a grants program, but part of all, everything we do should have some opportunity for veterans

to participate. We should set the standards with the VA. I mean, it is a business. Government is a business, regardless of what some of these people in this Committee and in this Congress think. It is a big business. And it employs a lot of people and it has a lot of opportunities. I think about it as my grandmama's sweet potato pie. We should all have the opportunity to get a slice of that pie. Thank you.

The CHAIRMAN. I'm sorry, Mr. Donnelly is before you. Mr. Donnelly?

Mr. DONNELLY. Thank you, Mr. Chairman. You always show great wisdom. Mr. Secretary, I just want to thank you and your team for everything you have done for our veterans. I talk to our veterans all the time and they say they have never had the type of care and the type of services that they have received in recent years. So to everybody, I want to thank you very, very much. And especially on behalf of the folks in the South Bend, Indiana region for the center that is going there. And then also to the vets groups for your dedication, and to the employees. And from my home state of Indiana who have made it possible for these people to get the kind of care they have received, I want to thank you very, very much for that.

And then to Mr. Muro, I mentioned this to you once before that my mom is in one of the military cemeteries. They do an extraordinary job there. I try to get there as often as I can and it has always been a place that we take great, great pride in. So thank you very much for that.

And then my question is this, on the patient centered care initiative, when we talk about differences, what are the differences we can expect as we move forward, as we go more towards this? What are the improvements we can be looking for?

Dr. PETZEL. That is an excellent question. And I would like to just go through what patient centered care means. It means two things, first of all. Number one, it means that the patients are in control of their health care. That they have access to the information and the advice, the counsel they need to be an important part of the decision process. And then the second thing that it means is that the whole care system revolves around the needs of the patient. That is, they have access to the care they need in that place, in a chronologically and geographically reasonable fashion. The scheduling of patients is around the needs of the patient. So we have after hours clinics, we have Saturday clinics, etcetera.

And then it translates into the way we deliver care. The medical care system has been disease oriented in the past, I think as Dr. Roe would probably agree. The idea was you were treating somebody with diabetes, you were treating somebody with hypertension, or obesity. That is shifting to a much more holistic view of how you take care of a person. That is, you are treating the individual and you are providing care for the things that they need. The blood sugar level may be important to us in the diabetic patient. But his or her mobility, his or her lifestyle may be a much more important thing to them than those blood chemistries. And we need to take into account what is important.

So it is number one, personalizing the care. Number two, it is care that is aimed at taking care of the entire person as opposed

to taking care of a specific disease entity. And then thirdly is, it is integrated, and it is coordinated. So that you get all of the services that you need under the auspices of that PAC team. They take responsibility for everything that you might need in your health care environment.

Mr. DONNELLY. And I do not know if this is you again, Dr. Petzel. But one of my concerns has always been for our soldiers who are coming home, our servicemen and women, that they be able to somehow without any stigma receive the mental health care that might be needed as they make this transition. And I know, General, you said that you are working closely with DoD on transition issues and working together. But I am, I just want to make sure that for these young men and women when they come home that so many of the things they have seen and dealt with and may wake up at night thinking about, that there is some way to, and I know we work hard to do this, but that there be no stigma, and that there be an opportunity for them to be able to pick up the phone as we have, with many of the programs we have to get the care they need.

Dr. PETZEL. Thank you again, Mr. Secretary, and Congressman. There are several things that are happening right now that are, I think, are going to have a real impact on the stigma and the destigmatization of mental health. Number one is we have a campaign out called Make the Connection, where veterans who have had mental health issues are relating how important it was to them to be able to talk to somebody at the VA about their problems. And it is a very effective, we would be delighted to present the Committee with a copy of the 60-second spot that is being used across the Nation.

The second thing is that we are trying to integrate mental health care into our primary care setting so that when you visit your primary care provider you can also have your mental health issues dealt with so that you do not have to go to a separate mental health clinic. Because some people are really quite reluctant actually to go.

Mr. DONNELLY. I think that is a big step.

Dr. PETZEL. And for women particularly, we have incorporated behavioral health and mental health providers into the women's health centers so that, again, they do not have to go to a separate mental health clinic in order to have their mental health needs treated. We think that the integration of primary care and mental health is a big important wave of the future.

Mr. DONNELLY. Thank you very much. Mr. Chairman, thank you.

The CHAIRMAN. Thank you. Mr. Reyes?

Mr. REYES. Thank you, Mr. Chairman. Thank you, Mr. Secretary, and all of you for accompanying us. I apologize for being late, but we had Secretary Panetta in the Armed Services Committee this morning and one of the main topics was BRAC, which always gets the attention of every Member of Congress. So I apologize for being late, but I also want to associate myself with the comments of the Members here expressing appreciation for your leadership and the quality of health care that is being given to our veterans, and the outreach that has dramatically improved under your leadership. We appreciate that.

In regard to customer service I was wanting to. I happened to be at a Veterans Day parade the day after one of the presidential candidates had proposed privatizing health care by giving vouchers to veterans. There was unanimous opposition from the veterans there at that parade against privatizing or giving vouchers for health care. They are extremely satisfied with the quality of health care that they get, at least in my district in El Paso.

I also had an opportunity a few months back to go to the VA hospital in Houston. In regard to women veterans, Houston hospital has a separate women's health care facility that is working tremendously well. So to the extent that we can make that a strategy throughout the VA system, I would strongly recommend and urge that we follow it. In talking to some of the women veterans there, they definitely felt more at ease having a facility that they could go to themselves. They definitely felt that they were getting the kind of attention that made a real difference to them. So I would urge that we do that as much as possible.

The other thing that I saw there, which was pretty interesting, was that one of the doctors had developed a system of tracking the day to day surgical operations by using a computer software program. And I have mentioned it to the Committee before. The question I have is, within the system, is there a way that best practices can be proposed so that they can be incorporated around the country using those kinds of improvements?

Secretary SHINSEKI. Congressman, I am going to call on Mr. Baker to talk about this program that you have seen. We have similar interests. Going back to your first comment about women veterans, we are doing everything we can to stay out ahead of what we know are going to be growing numbers over the next ten years. As I indicated earlier, between 2009 and this budget, 2013, we have increased funding for women's programs by 124 percent. Then if you roll this out one more year to 2014, with the advance appropriations, our investments go up 158 percent. I expect there will be more growth. What I am trying to assure you of is we are trying to stay out ahead of the requirements. Identify the requirements, where they are, and get resources where they need to be.

Let me turn to Mr. Baker on the second part of your question.

Mr. BAKER. Thank you, Congressman. One of the things that has made the VA electronic health record system great is exactly what you described. Doctors looking at the problem and helping develop the software, or even developing the software themselves. Most of what we have right now grew up in that fashion.

The sort of thing you are describing, where an individual doctor has put together a package tends to move through our system if you will very democratically. If it is good, other people pick it up. And if it is not, something else tends to take its place. We have a long history of doing that. We have a whole program for doing that, it is called Class 3 software in our vernacular. There are at last count about 12,000 different pieces of Class 3 software in the system, some of them used broadly and some of them used in only one facility. So they grow up exactly that way. But innovation in Vista is what has made it great and it is exactly that approach that that doctor has taken.

Mr. REYES. Great, thank you. Mr. Chairman, I have a question for the record from one of our colleagues, Congressman Hinojosa from the Rio Grande Valley. The VA clinic has been in operation now for a year and they have nothing but good things to say, except for a couple of issues on reimbursement. So can I give it to you for the record?

Secretary SHINSEKI. Absolutely. I will be happy to provide an answer for the record.

Mr. REYES. Thank you. Thank you very much, Mr. Chairman.

The CHAIRMAN. Ms. Brown, you are recognized for one final question.

Ms. BROWN. Thank you. First of all, I would like to submit for the record a story today in the Washington Post about members of the Reserve component. I understand the VA has no direct responsibility for active duty medical care but what is the VA doing to supplement what the Department of Defense to care for those heroes once they return home? I want to submit that, I am sure, without objections. And going back to what—

The CHAIRMAN. Now wait a minute. I get to say without objection.

Ms. BROWN. Oh, all right. I did not read the script, Mr. Chairman.

The CHAIRMAN. Without objection.

Ms. BROWN. Thank you. And going back to the, what we said about the Corps and high unemployment, it goes back to, and I guess we could work together if you need additional language or information as far as the hiring of veterans, of contracting with veterans and minority businesses. If it is something that we need to do on our part, I am certain that we will. Because with this influx of addition of veterans, even the Job Corps, we need to see what we can do.

I was talking to the Mayor of Jacksonville just a couple of days ago. And we were talking about the fact that we have this unemployment, and we are working together, and they have the big conferences for the veterans. Even though a lot of times they get hired they do not stay on but about the month. So the problem is we need more than just the companies willing to hire them. We need to make sure that they have the skills, the counseling, the technology they need to stay on the job. And so that is long term. It is just not helping them to get the job, but helping them to keep the job.

Lastly, Mr. Secretary, I know the question came up about women's health care. I want to make sure, I do not care who the VA is contracting with, women are not second class citizens, women veterans. Are they able to get the medical, medication or whatever they need to take care of themselves as they deem necessary?

Secretary SHINSEKI. Yes, to that last question. To the first question you had regarding National Guard and Reserve, 43 percent of our beneficiaries in the benefits we handle are National Guard and Reserve veterans of the Global War on Terrorism. I am not sure why the disconnect here. But if you have particulars we would like to follow up and resolve them.

On the contract, we will look at this. Congresswoman, you know for three years I have pushed veterans employment, and I would

not let something get in the way of doing a better job at this. I will go look at this contract because I am not familiar with it, but if we need help I would be happy to work with you on it.

Ms. BROWN. Yes, sir. And I just was not speaking of that one contract, I am speaking of the policy pertaining to how we handle contracts. Are we partnering with veterans businesses, small businesses, minority businesses? I guess that is what I am saying.

Secretary SHINSEKI. Absolutely. As you may know, we run a National Veteran Small Business Conference every year. We did one in New Orleans last year. We had a tremendous turn out. We used this as a training opportunity where veteran owned small businesses and service-disabled veteran small business owners can come in and get tutored on what it takes to be successful. They also have an opportunity to speak directly with VA's contract manager so they have a good idea of what proposals ought to look like. We are going to do it again in Detroit the last week in June of this year.

Ms. BROWN. Okay.

Secretary SHINSEKI. We are going to link to the small business conference, a jobs fair to hire veterans as well. There will be two events going on simultaneously. We have government and for-profit businesses in the area of Detroit who are going to participate, offering jobs and also mentoring small business owners.

Ms. BROWN. Back to the question of women, I want to be clear we are talking about birth control. Are they able to get whatever they need, as they deem necessary?

Secretary SHINSEKI. Congresswoman, I am not a physician, but I believe those services are provided when requested.

Ms. BROWN. Thank you. This is very important to women veterans. Lastly, Mr. Secretary, you are really a bright spot in the administration. And I know it is very difficult dealing with the multiplicity of what we have here. But I want to thank you for your service, and I am very impressed that you committed to come to St. Louis. You have my written request to come to Orlando. Thank you.

The CHAIRMAN. Thank you very much. Members, I appreciate your questions. Mr. Secretary, thank you very much for your patience. And you and your team are now excused. Thank you, sir.

I would like to remind everybody there is a second panel.

The CHAIRMAN. If I could get everybody to return to their seats I would appreciate it. Thank you to the second panel for making your way to the table, reminding Members that we are supposed to have our first vote at 1:30.

This second panel includes people who we all know very well. We appreciate you being here today to testify.

Mr. Carl Blake, the National Legislative Director of the Paralyzed Veterans of America; Raymond Kelley, Director of National Legislative Services for the Veterans of Foreign Wars of the United States; Mr. Jeffrey Hall, the Assistant National Legislative Director of the Disabled American Veterans; Diane Zumatto, who is probably the newest person at the table, but has been before this Committee before, National Legislative Director for AMVETS; and Tim Tetz, the Director of National Legislative Commission for The American Legion.

Thank you all for being here today. Each of your written statements will be included in the hearing record and you will each be recognized for five minutes.

I don't know who is going to begin first. Mr. Blake, you are recognized for five minutes.

STATEMENTS OF CARL BLAKE, NATIONAL LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA, RAYMOND C. KELLEY, DIRECTOR, NATIONAL LEGISLATIVE SERVICES, VETERANS OF FOREIGN WARS OF THE UNITED STATES; JEFFREY HALL, ASSISTANT NATIONAL LEGISLATIVE DIRECTOR OF THE DISABLED AMERICAN VETERANS; DIANE ZUMATTO, NATIONAL LEGISLATIVE DIRECTOR, AMVETS, TIMOTHY M. TETZ, DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

STATEMENT OF CARL BLAKE

Mr. BLAKE. Thank you, Mr. Chairman. Chairman Miller, Ranking Member Filner, Members of the Committee, on behalf of the co-authors of the Independent Budget, Paralyzed Veterans of America is pleased to be here today to discuss the fiscal year 2013 budget request for the Department of Veterans Affairs.

Since you already have my full written statement for the record that includes most of the analysis of the Independent Budget recommendations, I am going to limit my comments to some observations and thoughts on the budget request specifically, and some of the comments made here this morning.

I will begin by saying the Independent Budget certainly appreciates the increases provided for by the Administration for the VA programs for fiscal year 2013. That being said, it does not eliminate our concerns that you raised and many Members of the Committee have raised regarding sequestration and its impact on veterans health care programs specifically.

We find it quite troubling that the Office of Management and Budget has taken months to come up with a position that we feel like should be pretty well spoken, and the fact that it has taken this long certainly is worrisome to us and we appreciate your introduction of H.R. 3895, that we believe will correct that problem once and for all.

We also appreciate the fact that the VA has been particularly in recent years very open to working with the veteran service organizations more so than in the past, of course we believe it could be done more, but we certainly appreciate the fact that they have brought us more into the fold as they have moved forward, particularly with their transformation of their VBA claims process.

All that being said I am going to focus on a couple of concerns that I have specifically.

There was a lot of discussion here this morning about efficiencies in particular. The Administration continues its presumption for program improvements and efficiencies to the tune of more than \$1.2 billion I believe in 2013 and in 2014.

What is more troubling to me is the discussion that I believe you raised, Mr. Chairman, about this excess resources that apparently

they have identified to the tune of approximately \$3 billion in 2012, about \$2 billion I think they say in 2013.

It sort of begs the question, how has the Administration determined that they have \$3 billion too much for 2012 when we have seven months of this fiscal year still to finish? If they came back after the fact and said we had all this extra money that would be one thing, but sort of in midstream, it is certainly a concern for it. It doesn't mean that it wouldn't necessarily be realized, but it is certainly a concern.

They identify health care services in particular which was a big chunk of it, they identify long-term care. I wonder where are those savings for long-term care? Does that mean that there are fewer veterans taking advantage of VA's long-term care programs? This given fact that the veterans population is actually aging.

So we have some concerns about that. And the fact that they don't even meet what they are mandated to meet as far as their capacity requirement for long-term care.

We also have concerns about this roller coaster ride of medical care collections estimates. I would note that two years ago the fiscal year 2012 collections estimate was \$3.7 billion. Last year when they submitted the 2012 budget, it was revised to \$3.1 billion. And I would note that this year's budget shows that their estimate is now \$2.7 billion. So that is a \$1 billion change over the course of the last two years, and I understand there are factors that play into those changes, but the fact is that that difference in resources which they factor into their ability to provide health care services has to have some sort of an impact on the delivery of services in a timely fashion and quality services to veterans. So I think these things need to be teased out.

I go back to the excess resources they have. As important as I would consider that issue, I would think that there would be more than a couple of bulleted points or a paragraph in a four volume document explaining that. That might be the most important fact that they outline in their entire budget, because that certainly has an impact on everything going forward. So we certainly hope that the Committee will pursue that and that the VA will come forward with more information about it.

Lastly I would direct my comments towards the 2014 advance appropriation. While the Independent Budget does not offer specific budget recommendations for that for any number of reasons, a couple of things jump out at me about the 2014 recommendation. Given our concerns about whether 2013 is actually a sufficient budget put forward, it could arguably be a fairly small increase for 2014. Additionally they project a very huge jump in medical support and compliance over previous years funding. I would point out that I believe that is the part of the administrative arm of the medical care side of the VA, so that would certainly give us pause. At the same time there is an even larger decrease projected for medical facilities.

While I know they project some transfers of resources and staffing in medical facilities to medical services, I would also note that the budget shows a substantial decrease in non-recurring maintenance in 2014, a very substantial decrease.

So with all those thoughts, Mr. Chairman, I would like to thank you for the opportunity to be here today and we would be happy to answer any questions that you might have.

[THE PREPARED STATEMENT OF CARL BLAKE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you.
Mr. Kelley.

STATEMENT OF RAYMOND C. KELLEY

Mr. KELLEY. Mr. Chairman, Members of the Committee, on behalf of the 2.1 million members of the Veterans of Foreign Wars and our auxiliaries thank you for the opportunity to testify today.

As a partner of the IB the VFW is responsible for the construction portion of the budget, so I will limit my remarks to that.

I would like to start by thanking the secretary and his team. His work has improved the service for and the lives of veterans. So Mr. Secretary, thank you for that.

A vast growing and aging infrastructure continues to create a burden on VA's overall construction and maintenance requirements. These facilities are the instruments that are used to deliver the care to our injured and ill veterans. Every effort must be made to insure that these facilities are a safe and sufficient environment to deliver that care.

A VA budget that does not adequately fund facility maintenance and construction will reduce the timeliness and quality of care.

Since 2004 utilization in VA has grown from 80 percent to 121 percent, and during that same time facility conditions has dropped from 81 percent to 71 percent. This is having an impact on the delivery of health care.

To determine and monitor the condition of its facilities, VA conducts facility condition assessments, or FCAs. These assessments include inspections of building systems such as electrical, mechanical, structural, and architectural safety and water protection.

The FCA review team can grant a rating between an A and an F. A through C is a new facility to an average facility, a D rating is below average, an F rating means the condition is critical and requires immediate attention. To correct the D's and F's, VA would need to invest nearly \$10 billion.

VA is requesting \$400 million for 4 of the 21 partially-funded VHA major construction projects in fiscal year 2013, leaving well over \$5 billion remaining in partially-funded projects dating back to fiscal year 20007.

These projects include improving seismic deficiencies, providing spinal cord injury centers, completing a polytrauma blind rehab and research facility, as well as expanding mental health facilities.

This request is too low to support the ever growing need of veterans, therefore, the IB partners request that Congress provide funding of \$2.3 billion for VHA major construction accounts and the total of \$2.8 billion for all major construction accounts. This will allow VA to complete all current partially-funded major construction seismic corrections, and a mental health center, and fund the four VA identified projects for 2013.

Although VA's funding request for minor construction account is lower than the IB request, this level of funding will allow VA to fund more than 120 minor construction projects.

Even though nonrecurring maintenance is funded through VA's medical facilities account and not through the construction account, it is critical to VA's capital infrastructure.

NRM embodies the many small projects that together provide the long-term sustainability and usability of VA's facilities.

VA is requesting \$774 million in NRM for fiscal year 2013, but to keep pace with the need and to reduce the backlog of NRM, \$2.1 billion would be needed.

The IB is not requesting this amount of funding for NRM, only pointing out the actual need to reach VA strategic goals.

An enhanced use lease provides VA the authority to lease land or buildings as long as that lease is consistent with VA's mission. Although enhanced use lease can be used for a wide range of activities, the majority of these leases result in housing for homeless veterans and assisted living facilities.

In 2013, VA has 19 buildings or parcels of land that are planned for enhanced use lease; however, that lease authority has expired and we encourage Congress to reauthorize it so VA can continue to put empty and underused life space to work for veterans.

Mr. Chairman, thank you for the opportunity to testify today and I look forward to any questions you or the Committee may have.

[THE PREPARED STATEMENT OF RAYMOND C. KELLEY APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you, Mr. Kelley.
Mr. Hall.

STATEMENT OF JEFFREY HALL

Mr. HALL. Thank you, Mr. Chairman. Good morning to you and Ranking Member Filner and Members of the Committee. On behalf of the Disabled American Veterans and our 1.4 million members, all of whom are wartime disabled veterans, I am please to be here today to offer our recommendations of the Independent Budget as it relates to veterans benefits programs, judicial review, and the veterans benefits administration for fiscal year 2013.

Mr. Chairman, we are now in the third year of VBA's latest effort to transform its outdated and inefficient claims processing system into a modern rules based digital system. Over the next year we will begin to see whether their strategies to transform these people, processes, and technologies will finally result in a cultural shift away from focusing on speed and production to a business culture of one of quality and accuracy, which is truly the only way to get the backlog of claims under control.

Although we have been very pleased with VBA's increasing partnership with VSO stakeholders, we urge this Committee to provide constant and aggressive oversight of the many transformation activities that are going to take place throughout this year.

Perhaps the most important initiative is the new veterans benefits management system, or VBMS, which we will begin rolling out in June with full deployment planned by the end of 2013. As VBA

works to complete, perfect, and deploy this vital new IT system, it is absolutely crucial that sufficient resources are provided.

We note that the budget for VBMS this year drops down from \$148 million for fiscal year 2012 to \$128 million for fiscal year 1013. We hope that this Committee will thoroughly examine whether that level of funding is sufficient to complete this essential program.

In order to sustain VBA's transformation efforts, the Independent Budget for fiscal year 2013 recommends maintaining current staffing levels in most business lines. Given the large increases in claims processors over the past few years, we believe that VBA's focus should now be on properly training new and existing employees.

That is why we are concerned about recent reports from the field indicating that VBA is already short on training dollars and cutting back on the Challenge training program done at its centralized training academy. Yet at the same time, we have heard that the VBA is instituting a new round of mandatory overtime for compensation service employees which at time and a half would have significant impact or implications.

We hope that the Committee will look into these questions to insure that VBA's focus and resources remain on quality and accuracy and not just production.

The VR&E budget proposal for fiscal year 2013 does request funding for approximately 150 new counselor designated for the expansion into the integrated disability evaluation system and for the VetSuccess on campus program, both of which we support; however, in order to reach their target of having one counselor for every 125 veterans served, they will need approximately 195 additional counselors for fiscal year 2013 in order to meet the projected workload increase.

The IB also recommends a staffing increase at the Board of Veterans Appeals. Although the board is currently authorized to have 544 full-time employee equivalents, its adopted budget for fiscal year 2012 only supported 532, and for fiscal year 2013, the budget request would further reduce the FTEE to 527.

Looking at historical appeals rates and the rising number of original compensation claims, the IB recommends that VBA be given the sufficient funding for the authorized workforce in 2013 of at least 585 FTEE.

Mr. Chairman, the IB also recommends that Congress this year finally enact legislation to repeal the inequitable requirement that veterans military longevity retired pay be offset by an amount equal to their disability compensation if rated less than 50 percent disabled. Congress has previously removed this offset for veterans with service-connected disabilities rated 50 percent or greater and should pass legislation to treat all veterans equitably.

We also recommend that Congress eliminate the survivor benefit plan and the dependency and indemnity compensation offset. Under current law the amount of an annuity under the survivor benefit plan must be reduced on account of and by an amount equal to dependency and indemnity compensation for survivors and dependents. This offset is inequitable because there is no duplica-

tion of benefits since payments under the SBP and the DIC programs are made for different purposes.

And finally, Mr. Chairman, the IB strongly recommends that Congress and VA determine the most practical and equitable manner of providing compensation for non-economic loss and the loss of quality of life suffered by service-connected disabled veterans and then move expeditiously to implement this new component.

The Institute of Medicine and the congressionally mandated Veterans Disability Benefits Commission and even the Dole Shalala Commission all recommended that the current disability benefits system be reformed to include non-economic loss and the loss of quality of life as factors in compensation.

Both the Canadian and Australian disability compensation programs already do just that and it is time that we did the same for the brave men and women who have suffered permanent disabilities affecting their entire lives in their service to this great Nation.

Mr. Chairman, this concludes my statement, I would be happy to answer any questions.

[THE PREPARED STATEMENT OF JOSEPH A. VIOLANTE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much.
Ms. Zumatto.

STATEMENT OF DIANE ZUMATTO

Ms. ZUMATTO. Distinguished Members of the House Veterans' Affairs Committee thank you for this opportunity to you share the IB's recommendations in what we believe to be the most financially responsible way while still insuring the quality and integrity of the care and benefits earned by American veterans.

In light of this Nation's unresolved fiscal crisis, the IBVSOs have serious concerns about the potential reductions in VA spending which will seriously impact our veterans, their families, and survivors.

That being said, my main focus today will be the NCA.

The single most important obligation of the NCA is to honor the memory, achievements, and sacrifices of our veterans who so nobly served in this Nation's armed forces. These acts of self-sacrifice by our veterans obligate America to preserve, rehabilitate, and expand our national cemetery system as necessary.

These venerable and commemorative spaces are part of America's historic material culture. They are museums of art and American history. They are fields of honor and hallowed grounds and they deserve our most respectfully stewardship.

The sacred tradition of our national cemeteries spans roughly 150 years back to the time when the earliest military cemeteries were situated at battle sites, at field or general hospitals, and at former prisoner of war sites.

The NCA currently maintains stewardship of 131 of the Nation's 147 national cemeteries as well as 33 Soldiers' lots.

Since 1862 when President Lincoln signed the first legislation establishing the national cemetery concept, more than three million burials have taken place in national cemeteries, which are currently located in 39 states and Puerto Rico.

As of late 2010 there were more than 20,021, 21 acres of historic landscape, funerary monuments, and other architectural features included within established NCA sites.

VA estimates that of the roughly 22.4 million veterans alive today, that approximately 14.4 percent of them will choose a national or state veteran cemetery as their final resting place.

With the transition of an additional one million servicemembers into veteran status over the next 12 months, this number is expected to continue rising until approximately 2017.

The NCA, which is the Nation's largest cemetery system, invested an estimated \$39 million into the National Shrine Initiative in fiscal year 2011 in its efforts to improve the appearance of our national cemeteries.

While an NCA survey conducted in October 2011 indicated that process continues to be made in reaching its performance measures, more needs to be done.

In order to adequately meet the demands for interment, gravesite maintenance, and related essential elements of cemetery operations, the IBVSOs recommend \$280 million for the NCA's operations and maintenance budget in fiscal year 2013 with an annual increase of \$20 million until the operational standards and measures goals are reached. This request also includes \$20 million for the National Shrine Initiative.

Finally the IBVSOs call on the Administration and Congress to provide the resources needed to meet the sensitive and critical nature of the NCA's mission and to fulfill the Nation's commitment to all veterans who have served their country so honorably and faithfully.

The state cemetery grants program compliments the NCA's mission by establishing gravesites for veterans in areas unable to fulfill veteran burial needs. In fiscal year 2011 the cemetery grants budget was \$46 million, and that funded 16 cemeteries, including the establishment of five new ones. The IB recommends an increase to \$51 million for 2013 in order to meet rising demands which should peak in 2017.

Since burial benefits were first introduced in 1917 they have continually evolved, and this process needs to continue in order for this benefit to meet 21st Century needs and expenses.

Benefits should be split into two categories. Veterans within the accessibility model and those outside the accessibility model.

Plot allowances as well as burial benefits for both service and non-service-connected veterans need to be increased to meet rising costs.

That is the conclusion of my statement.

[THE PREPARED STATEMENT OF DIANE ZUMATTO APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much.
Mr. Tetz.

STATEMENT OF TIMOTHY M. TETZ

Mr. TETZ. Chairman Miller and Ranking Member Filner, thanks for the opportunity to join this distinguished panel and present the American Legion's viewpoint on the 2013 VA budget.

If the VA budget were a house that was up for sale, you would have a lot of prospective buyers. The curb appeal of this budget is phenomenal. You have an expansion of existing programs for homeless, rural, women, and student veterans, you have activation of new much needed medical facilities throughout the Nation, and you have an increase in minor construction funding.

VA proposed increased funding to eliminate the backlog of claims and homelessness and expand access.

If the VA budget were a house, it would have the granite counter tops, walk-in closets, a fenced yard, and every modern amenity a prospective buyer would want. Buy it now because it is undervalued for the market. Everyone has their eyes on this one.

One small problem, it is not the gem it is made out to be. Yes, certainly there are some things to celebrate, but there are many more things we should be worried about.

One such worry is the funding of the major, minor, and non-recurring maintenance and construction accounts. As we outlined in our testimony through the SCIP process, the VA has identified more than \$50 billion in construction projects that are necessary in the coming ten years.

We appreciate the additional \$792 million in medical services account that will help the activation of Las Vegas, Orlando, Denver, and New Orleans health centers. The veterans of these regions have waited years for these facilities, yet it strikes me stupid that the VA would only ask for \$608 million in minor construction money and \$532 million in major construction for the remainder of the projects that SCIP has identified. At this pace, the 10-year plan will go on for 50 years.

Today's 30-year-old sergeant who just returned from Djibouti will be a nursing home resident if the VA facility was built.

The VA construction budgets must be increased to meet the real needs identified by the SCIP plan.

The American Legion also supports the increased funding for the NCA. Secretary Muro and the thousands that work for NCA are the heroes in the VA, they exceed every standard from veteran contracting to employment of veterans to monetary savings through operational efficiencies, yet they are beginning to feel the budget pinch and need an increase to meet those requirements.

The budget proposes a seven percent increase in the medical care collection funds. VA points to increased collections in a legislative fix to bill private insurer rates rather than the Medicare rate. Neither the proposal or increased collections have been successful in the past.

What happens when VA falls short on MCCF collections? VA must scrimp and save elsewhere. Maybe they don't hire their full staff, maybe they put off purchasing upgraded equipment, perhaps they put off training or other programs. In the end it is the veteran who suffers. It will be the veteran who has to wait longer for his claim to be processed. It will be the veteran who must wait two months for her appointment. It will be the veteran who won't have the latest technology to diagnose cancer early.

The MCCF fund is budget gimmickry at its best. It is unrealistic and a poor excuse for an increase in an increased budget.

So if the VA budget is our dream home, I am going to encourage you to invest in buyer's insurance, you are going to need it.

I am not the most experienced person in this room or even at this table, yet I can guarantee that some of the selling features of this VA budget are never going to see the light of day. If we look at that 10.5 percent increase, we are talking about \$13.3 billion. Take away the \$9.6 billion of mandatory spending for compensation, education, and disability claims. That was earned with the blood, sweat, and tears of our military. Now you are left with \$3.7 billion. Take away the \$500 million of rollover savings that the VA hasn't spent from a previous fiscal year and you are left with \$3.2 billion.

Some argue Congress will never agree upon the tax cuts and spending cuts elsewhere in the budget to come up with the \$1 billion to fund the Veterans Job Corps, so Veterans Job Corps becomes just another dream for the 20,000 jobless veterans, and we are left with only \$2.2 billion increase in the VA budget. Take out the \$200 million of MCCF collections and you are left with a VA budget increase of \$2 billion.

Now \$2 billion isn't much to scoff at, there are plenty of agencies that would love to have a \$2 billion increase in their budget, but how are we going to meet the needs of a million veterans who are returning from Iraq and Afghanistan? How are we going to keep pace with the escalating costs of care, construction needs, and badly needed technology improvements? Two billion dollars is not quite two percent, 1.6 to be exact, and if the Office of Management and Budget comes in later this year and asks for two percent from the VA, it is game over.

Our house, our wonderful house with such great curb appeal is nothing more than a house of cards. We have left our Nation's heroes with nothing more than broken promises, meaningless letters, and intolerable wait times.

Our Nation's veterans deserve real increases with real money that can meet their real needs.

We must not, you cannot put forth a budget based on pipe dreams of collections, hopes of grand compromises that generate \$1 billion, and putting off purchases of infrastructure investments for today or tomorrow.

The American Legion implores you to take a thorough review of this budget, weed out the parts that are unrealistic or may never happen, make sure you adequately fund both the minor and major construction accounts, allow VA to remain a leader in prosthetic and medical research, and assist the VA in breaking the back of the backlog.

That is going to cost money, real money. Your task is to make sure your priorities find and protect that money. Protect it as you were protected by those who served. Find it for it is your time to serve now, your time to serve our Nation's veterans and give them a budget they deserve.

Thank you for the opportunity to present the American Legion views, I look forward to answering your question.

[THE PREPARED STATEMENT OF TIMOTHY M. TETZ APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much for your testimony.

I was going to ask for further explanation of the gimmickry that you had talked about in your testimony, I think you have been pretty clear with it.

But Mr. Blake, you too also referenced some of the way the numbers have been fudged, and I just want to ask, where do you think the VA is being less than transparent?

Mr. BLAKE. I don't know that is an easy question to answer, but if it is a question of transparency, I go back to my point about this \$3 billion in excess funding.

I wouldn't consider just simply saying we have got \$2.9 billion in excess funding and that is it, transparent. They didn't give us any—there are no details to that other than some mild breakdowns they say approximately \$2.6 billion I think in health care services, a couple hundred million in long-term care, and another hundred or so million in other health care programs I think, but that is not very specific.

So I think there needs to be a full accounting of where that money is, how it—you know, why it is excess?

And I go back to my point that I don't know how we can decide up front that we have an excess of resources unless we have just preordained that we are going have an excess of resources, which means that somehow or the other, perhaps we are not going to meet the full demand that is going to come to the VA within the next seven months.

So you know, I am not suggesting—I think there just needs to be more clarification about some of these savings that their claim, that they are going to realize and excess money that they have.

The CHAIRMAN. I mean to a layman who is not a CPA, it appears that they have a very difficult time budgeting. We have all talked about that, and each of you have brought that up in your comments. Does it instill confidence in you, number one, that they could be that far off in their numbers? And number two, do you agree with their ability to take that money then and use it as they choose without coming back to Congress to reprogram the money?

Mr. TETZ. Mr. Chairman, I think from our perspective what we are seeing on the—out in the field we are seeing you have got medical center directors who are not given their full allotment of money who are saying where did the money go? You gave me these increases and we are not getting them and seeing it down here, and then magically at the end of the year they are reprioritized albeit for sometimes very good programs, but there needs to be a better dialogue.

If we are here on the hill lobbying as a group for increased funding for program X, Y, or Z and you no longer need it for program Z, well, shouldn't we be part of the group that you come to and say where do you want us to use this money now?

Mr. BLAKE. Not fully understanding this excess money that they have, it would seem to me, that at least the health care services portion must be governed by the model, which we have obviously put a lot of stake in, and it concerns me that they have apparently, you know, rerun the model and found that they had that much extra savings, which that is not necessarily out of the realm of possibility, but that is a four to five percent difference in its funding

needs, that is pretty substantial when you are talking about a budget this big.

So I would really like to know what—it almost seems that it would have to be sweeping assumption changes to have that much of a difference in the change in its resources. So you know, I think they would almost have to identify, you know, some of these ideas.

In their budget request last year they projected a need for certain I think \$900 million was their contingency fund, but they said that they built in there some assumptions about economic factors without really assigning a good dollar figure to that. I mean is that part of this? You know, there certainly needs to be a better accounting of it than we just have this much extra money.

The CHAIRMAN. Any other comments?

Mr. Filner.

Mr. FILNER. Thank you. I just want to again thank you for your incredible work on this that allows us to ask these questions. I mean you have given us some—I want you as my realtor too.

There are some real questions here, and to say, we have extra resources for a VA that would like to do a lot more, it really weakens the whole argument for the next budget, right? I mean, if you say you don't have this money, or you have this extra money.

I just also want to say for the record that I see in the audience, who stayed from the first panel, Secretary Petzel, Secretary Hickey, Secretary Muro, Secretary Baker, thank you for staying. I think it is important that you do hear directly our questions, so thank you very much for staying for the second panel.

So we will take this critique seriously and try to do what we can to make sure that your concerns are met.

Thank you so much.

The CHAIRMAN. Mr. Michaud.

Mr. MICHAUD. Thank you very much, Mr. Chairman.

A question for each of you. It relates to what you talked about this morning when you look at the maintenance and construction budget, but it also is actually a separate piece of legislation that I would like to get your opinion on because it relates to the construction piece.

Last week in the House of Representative we passed 1734, the Civilian Property Realignment Act, which sets up a BRAC process where this group will look at facilities that are currently out there. DoD is exempted from it. VA, we tried to get it exempted but it failed. So the VA is part of that BRAC type process if the Senate passes it.

And I have two major problems with it. Number one is we do not know, over the next five years, the soldiers that come back exactly what facilities they are going to be needing, which could cause a problem with more space.

And number two, under that process that money doesn't stay within the VA, it goes in to pay down the debt. So we are talking assets that VA currently has and actually taking that money for something else.

Have you seen that legislation and if so are you supportive or do you oppose it?

Mr. KELLEY. The VFW hasn't taken a position on the piece of legislation, but what I will add is that we are satisfied with the BUR

process that VA uses to assess their facilities to see if it needs to be repurposed, if it can be demolished, what to do with that property.

It is a very usable model, so I would—my knee jerk reaction without making a stance on this bill would be that allow BUR to do its job, don't let the larger government influence what VA needs to do with its property.

Mr. HALL. I just concur with my colleague, Ray, on that.

Mr. TETZ. I think, Mr. Michaud, the American Legion doesn't have a formal position on that bill, but obviously we have been through the cares process, the BUR process now, and when we look at the enhanced use lease agreements and that overall structure, you bring up a great point, how are we going to address the veterans' needs in five years from now, and when we sell something in the northeast that people aren't using today are we truly doing that?

And keeping that as close to the users, and that being the veterans and the VA, certainly would be in the best interest of our Nation's veterans.

Mr. MICHAUD. Okay. Thank you very much.

Well, I would suggest that you pay attention to the legislation because it passed the House, it is on its way to the Senate. I agree with the rest of it except for the VA part for the reasons that I mentioned.

My next question, if you look at the budget, the VA budget they are adding \$433 million in 2013. The budget requests VA—well, it states that it has a specific plan to support the cultural changes necessary to become a more patient-centered health care system.

Have your organizations been part of this transformation efforts? Have you seen the plans that the VA offers? To each Member of the panel.

Mr. BLAKE. I think that is PACT is what they are calling it.

Mr. MICHAUD. Yes.

Mr. BLAKE. The Independent Budget has some discussion on PACT, and what I will say is, we don't necessarily believe PACT is a bad thing, it is a model that is pretty commonly used in the private sector for health care delivery.

That being said, what we have heard is the way staffing is being done for these PACT teams and the resources are being allocated, doesn't seem to fit the way it is supposed to be done. That is what we have heard.

There is certainly more discussion about it in the IB and I am not the expert on it, but you know, it is something we definitely have within our—it is one of the major issues going on within VHA as far as its transformation that we are concerned about.

Mr. TETZ. Mr. Michaud, as the only Member on the panel not part of the IB, we have had similar briefings from the VA. Obviously patient care is utmost concern. I can get back to your staff on our individual basis, but many of those models basically take and throw the entire organization and super structure on its ear and say instead of paying attention to the nurses and the doctors, we are now going to pay attention to the patients, and when they do so, sometimes the nurses and doctors aren't willing to give up that care.

And so to instrumentally change, that really has to be believed in from top to bottom all through the program.

Mr. MICHAUD. I see I only got seven seconds left, so just a yes or no question. Each one of you, have you seen the plan? Yes or no?

Mr. BLAKE. I personally have probably seen the cover of the plan, but I know my staff has seen the plan that specifically works on it, yes.

Mr. KELLEY. Same as Carl, we have staff that has looked at this and has talked with VA. I am not personally fully aware of all aspects of it though.

Mr. HALL. Same for DAV, I have not seen it, but we have individuals that deal with that issue specifically.

Ms. ZUMATTO. I actually have not seen the plan yet and I don't have any staff to look at it, so obviously I need to get it.

Mr. TETZ. And with the exception of Diane, I agree with the rest of them, we have staff that review this.

The CHAIRMAN. Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman, and thank you all for being here. There is literally millions of veterans that stand with you that you represent, them and their families, and I can't tell you as a member of several organizations how proud I am to have you here. These are the conversations we have to have. I know each and every one of you is the staunchest supporting there is of VA, and because of that you will be the harshest critics, so I always appreciate the very candid responses that you give.

And I would have to say, Tim, I loved your analogy. I am also a big fan though of Extreme Makeover. We can do this.

And the President's budget and the VA budget is a suggestion. Constitutionally we hold the purse strings, we hold the final decisions. So this is where democracy works its best and works its will, and it is very important that we have this, so I want to thank you for that.

And again, I would also be the first to say Members of Congress are experts at gross generalizations, so I want to be very careful of what I do on this, but I do concur and I think some of you brought up some things that I am hearing personally, and I go out and talk to people in the field. I talk to those directors, and I talk to the nurses, and I talk to the people that are cleaning the rooms to hear what is going on.

And one of the things that I am hearing, and this came from one of my areas, we have out in Minnesota, listing one of them, we have dental equipment and the space needed ready to stand up three new dental facilities or ability to deliver that care; however, we haven't hired anybody to do it. So it is boxed up sitting there and that is going.

Does that surprise any of you? Maybe I am just looking at where you are at. If that is the case again that our intent was to fund and put it out there and make that available, how are we making sure it happens?

And I am wondering, and I think Carl brought up a good point along with the Chairman, of how do we account—is not standing those dental clinics accounting for some of the money that is not spent that is going back to go elsewhere? Because I wanted the

dental clinics, that is what I voted for and that is what I wanted to see.

So I am just curious to get with you on this. And I say that being very careful of a gross generalization, being very careful of the dreaded disease around here, somebody told me and we did it, it needs to be more accurate than that, but I am hearing it from you somewhat echoed.

If somebody could give me just your feeling on this. Is that kind of what is happening here? Are we not given the ability to follow through on some of the things that we are doing or intended to do?

Mr. TETZ. Mr. Walz, the system, we are saving, task force at the American Legion stands up and sends around the facilities nationwide has made their visits this year and they continue to do so, and it is not uncommon for us to come across empty facilities like this or empty rooms where you are, hey, when we have the right people we can have this telehealth center.

The problem with telehealth, and it is a great program and I agree with Dr. Petzel on the future that it has, telehealth requires somebody to be there to open up to office on the one end, the rural end, and somebody to be there, the professional on the other end, to take it. If you don't have those people, all this infrastructure in the world doesn't do anything for veterans.

Mr. WALZ. Yeah, and I think for me it is about following through and I think best made plans are best intentions, but I am pretty certain if those three dental areas were up they would be full, we could keep them full if we had the dentists, the dental hygienists, everything else that goes with it, so I am concerned.

And that leads me to my next question. Again, don't want to over generalize, but this comes from a claim processor out there. They are being asked to do 20 hours of overtime each month, pressure is incredibly high, they lost three mid-range folks who just simply didn't want to do it anymore, and that happens in every business.

Again, I don't want to over generalize, but I heard you mention it, I am hearing it, and kind of if there is smoke there is fire.

Has this been a problem that you are seeing? I think Mr. Hall you mentioned this in yours. And I know this directly from the person who came to me and again said it, but with the disclaimer on that if you are hearing it too.

Mr. HALL. We are hearing it. We are hearing it as an organization, I think other members of the IB may be. I have personally heard it because I have friends that work for the VA in various places, and it was just basically said as mandatory overtime. There is no choice. It is not, you know—

Mr. WALZ. Yeah, that is the way it is being described to me.

Mr. HALL. So the mandatory however they get the 20 hours, two and a half Saturdays or one hour extra every day, whatever it may be.

The biggest concern to those individuals and shared by us is not necessarily the mandatory overtime, it is to quote them, where are they getting the money for this if we are cutting training? How are they requiring this, you know, for me to come in on a Saturday to do this, but yet we are cutting the training? We are already disenchanted by the training that we don't receive, so—

Mr. WALZ. I want to give them the flexibility if they need to do overtime or whatever, but I just don't think it is a good model to rely on. It always makes me question—

Mr. HALL. I think it is certainly sending the wrong message.

Mr. WALZ. It is unsustainable too.

Mr. HALL. Right.

Mr. WALZ. Okay. Well, very good.

Again, I appreciate what all of you do. I think, and like I said, I have seen some really bad homes on that show turn out really nice, and so the 20-year high school lunchroom supervisor in me remains optimistic, Tim, that we will get this, a lot of folks working hard. This room and this Committee is in absolute agreement that our job is to deliver the best care that can be possibly be given to our veterans and I appreciate you playing a huge part in that. So thank you all.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Michaud, any more questions?

Mr. MICHAUD. No, just a comment if I might on Mr. Walz' last issue about the facility that has dental care.

I know we have a facility in Maine that has just opened up, a CBOC that actually could provide dental health care, but the VA is not going to provide it because they are saying the need is not there, which I disagree with.

But here is a situation, Mr. Chairman, if you look at one of the biggest issues on trooper readiness for the guard and reserve is actually dental care, and I think there is an opportunity for the VA to work collaboratively with the DoD, particularly the national guard and reserves to provide those types of services, because there are actually guard and reservists who are dentists that could actually do the work if they were able to share the facilities, and I think that will—and I know Minnesota has a lot of guard and reserves there as well.

So I think if there was more collaboration in the health care area with DoD and the VA, I think we could actually get more bang for the buck.

And I yield back.

The CHAIRMAN. Thank you very much, and I concur with your comments in regards to greater sharing of services between DoD and VA, and I would like to say thank you to the witnesses on the second panel.

Again, thank you to the witnesses of the first panel that are still remaining here.

We have got a long way to go in this process, but I would ask unanimous consent that all Members would have five legislative days to revise and extend their remarks and add extraneous materials, and in the absence of Ms. Brown, I will go ahead and say without objection, and with, that this hearing will be adjourned.

[Whereupon, at 1:22 p.m., the Committee was adjourned.]

A P P E N D I X

Prepared Statement of Chairman Jeff Miller

Good morning, and welcome to this morning's hearing to review the Administration's Fiscal Year 2013 budget request for the Department of Veterans Affairs. Mr. Secretary, I thank you and your team for joining us today.

Although we are still combing through the budget, a process that will likely involve further follow-up questions after this hearing, I think it's safe to say that viewed in context of an extraordinarily tight fiscal climate, a 4.3% increase in discretionary spending is certainly positive.

That said, outcomes are what really matter . . . veterans don't care about numbers, they want their claims decided faster, their health care taken care of, and their aging facilities upgraded.

I do have some questions about how this funding request relates to the actual resource requirement, but I'll get to those later. I want to use the remainder of my time to talk about the issue of sequestration and VA.

Mr. Secretary, let me begin by saying that I agree with you and the President that sequestration is not desirable, whether it is applied to DoD, VA, or any agency. I think all of us agree on that.

I also agree that specific guidance as to how sequestration will be carried out and its impact at the operational level is something that will likely be determined a bit farther down the road, but not much farther. For example, will there be layoffs? Will maintenance needs be postponed? Will facility activations be delayed? Those are details that I'm curious whether VA has looked at, and they probably should have already, but I can understand if we aren't quite at that point yet.

Finally, we are in agreement that there is an ambiguity in the law with respect to VA that requires a clarifying legal decision that only the Office of Management and Budget can make.

That is where my agreement with the Administration and its series of non-responses to me, and other Committee Members, *ends*. For months I've been trying to get clarity about what we, as a Committee, and veterans, as our constituency, deserve to have resolved. Namely, because of a conflict in the law, *is VA even part of the picture should a sequester order occur? Do we have cause to be concerned?*

There is no such ambiguity with respect to DoD. There is no ambiguity with respect to most other non-defense programs. All know that those agencies are definitively in play.

But because the Administration has not clarified the matter, no one can say if VA is completely exempt or not. I have legal opinions from lawyers from both the Congressional Research Service and the Government Accountability Office saying, in their judgment, VA appears to be completely exempt. They provided these opinions to me in a *matter of days*, proving that the legal issues at hand aren't that complicated.

But their judgments, mine, and that of others in Congress carry no weight presently. Only OMB can resolve this. After multiple requests from this Committee, a secretive legal opinion from VA lawyers delivered to OMB several months ago, and obvious concern expressed by veterans' organizations, the question *still* has been left to linger.

The obvious question, is "why?". Why not resolve this now? The ambiguity will remain in law even if Congress and the President agree on finding \$1.2 Trillion in cuts to avoid a sequester next January. This is an issue that needs clarifying once and for all.

Mr. Secretary, I know you're not the holdup. And I don't direct this next comment at you. But I believe what we're seeing here is a cynical attempt to keep veterans twisting in the wind to create more pressure to act on the immediate sequester threat. I say to the President, there is enough pressure to act already without threatening veterans. One way or another, a decision must be made.

I won't hold my breath any longer waiting for an OMB decision. I've introduced legislation to clarify the law as it stands now. The Protect VA Healthcare Act of 2012 would simply amend the law to conform to what Congress intended when it voted on the Budget Control Act. I ask all my colleagues here for their support. We need to get this resolved. If the President won't lead, then we must.

With that, I yield to the Ranking Member for his opening statement.

**Prepared Statement of Hon. Bob Filner,
Ranking Democratic Member**

Thank you, Mr. Chairman.

Secretary Shinseki, I want to welcome you this morning, and I am looking forward to your testimony addressing the funding needs of the Department of Veterans Affairs for fiscal year 2013, and the agency's advance appropriation recommendation for the Medical Care accounts for fiscal year 2014.

I would also like to thank the representatives of the veterans service organizations who co-author the Independent Budget, and The American Legion, for presenting us with their views as to the resource requirements of the VA. Every year this Committee relies on the veterans' community to provide an important insight into the needs of the VA, and the pressing issues facing veterans and their families.

Mr. Secretary, I applaud your budget request this year. In a constrained fiscal environment your budget recognizes the reality of increased medical care costs and the importance of delivering the health care and benefits that our veterans have earned in a timely fashion. If you tell this Committee that you need these funding levels, then I will commit to you that I will work with my colleagues to ensure you get it.

In discretionary funding you request a 4.5 percent increase, and a 16.2 percent increase in mandatory funding, for an overall budget increase of 10.5 percent in 2013. The majority of these discretionary funds have already been provided through advance appropriations. I know this Committee will carefully assess your 2013 request, as well as the additional \$165 million you are seeking to augment the amount already provided for the Medical Care accounts.

Budgets represent a choice, and provide a window into the priorities of the VA. I believe many, if not all, of your priorities are the priorities of this Committee. I remain concerned, however, that at the end of the day you have the resources you need to fulfill your mission. In light of this, I believe we must ensure that your "operational improvements" and other cost-saving claims are actually realized. We must ensure that your medical collections estimates are achievable. And we must ensure that your workload estimates, especially workload projections for our returning servicemembers are accurate.

CBO recently released a report entitled "*The Veterans Health Administration's Treatment of PTSD and Traumatic Brain Injury Among Recent Combat Veterans.*" The report found that of those seeking care at VA, 28 percent of the OEF/OIF/OND cohort suffers from PTSD, TBI or both. Treatment in the first year for these conditions can be four to six times greater than for those who do not have these conditions. So while we have come a long way in the past 10 years, clearly there is much left to be done.

Over the years I have looked to the Independent Budget for guidance as we make the tough decisions necessary to fully fund the VA and to ensure that our budget priorities meet our national priorities and aspirations. I look forward to hearing from the IB as to why they believe we need to add nearly \$4 billion to the Administration's request, including \$1.5 billion for medical care for FY2013. I also look forward to hearing the panel's views as to the sufficiency of the Administration's advance funding request for FY2014.

Mr. Secretary, we have all worked together over the years to increase funding levels for the VA to meet the needs of our veterans. I am sure that we will do the same this year. But as scripture informs us, "to whom much is given, much is expected." I know that I speak for my colleagues on this Committee that we expect great results from you that will serve our veterans and their families.

Thank you, Mr. Chairman. I yield back the balance of my time.

Prepared Statement of Hon. Silvestre Reyes

Thank you Chairman Miller and Ranking Member Filner for convening this important hearing. One of the most critical functions of this Committee is to ensure

that we are providing the men and women who served our Nation with the health care, compensation, and support they have earned.

Secretary Shinseki, thank you for your service and tireless dedication to all veterans and thank you for being here today. The VA is an incredibly diverse and dispersed agency and this Committee will spend the next few weeks studying the budget document provided by the Department.

Today, I am particularly interested in hearing how the Department will deal with the difficult problem of unemployment among veterans - both those recently returned from Iraq and Afghanistan and those from other eras who are coping with long term unemployment. Adequate funding for VA health care continues to be a concern, and I look forward to working with you as we expand the VA's footprint in El Paso to meet the needs of the growing veterans population. Younger veterans dealing with prosthetics, brain and eye injuries, and post-traumatic stress bring new challenges to the VA, but these new issues cannot supplant the needs of older veterans who continue to deal with the effects of their service.

There are no easy answers, but we owe those who sacrificed themselves in defense of our Nation nothing less than the health care and benefits that have earned with their service.

Prepared Statement of Hon. Michael R. Turner

Thank you, Chairman Runyan, for holding this important hearing. I would also like to recognize your advocacy on this issue within the House Armed Services Committee. Special thanks, as well, to all the panelists for their advocacy of victim's rights and determination to address the military culture and climate. I have worked with Anu and SWAN for several years now and their contribution to this issue have been instrumental in achieving many legal and policy changes.

Before I start my remarks, I would like to point out that the great majority of the Servicemembers are patriotic citizens that serve their country honorably and selflessly. And while today's hearing may focus on the criminal behavior of a relative few, their behavior should not be used to broadly tarnish the reputation of the many Servicemembers who have honorably sacrificed for their country.

I became involved in this issue in 2008 following the tragic murder of Lance Corporal Maria Lauterbach. Maria reported being sexually assaulted and was later murdered by a fellow Marine while she was stationed at Camp LeJeune, North Carolina. During the course of the investigation a Marine Corps representative told me that "we lost two good Marines today." When, in fact, we had only lost one good Marine, Maria Lauterbach, and another Marine who was a rapist and murder that tarnished the reputation of the Corps. Later, during the course of Congressional hearings on the subject, a Lieutenant General stated that Maria "never alleged any violence or threat of violence in either sexual encounter."

These and several other incidents demonstrated a fundamental lack of understanding of the problem and how to deal with it. In addressing the issue of military sexual assault it is necessary to address some fundamental areas, namely: Command, Culture and Accountability. I think the hearing today strikes at the heart of the cultural element. Culture within the Department of Defense and the Department of Veterans Affairs.

In working on sexual assault issues on the House Armed Services Committee and the Military Sexual Assault Prevention Caucus, which I co-chair with Niki Tsongas, we have sculpted legislation that aims to facilitate a culture that encourages victims to come forward and punishes the criminal actors that degrade our military. The personal nature of sexual assault makes it difficult for victims to come forward and discuss the details of their experience. This is compounded by policies that require victims to repeatedly relive the experience and re-victimize the victims. These additional stresses decrease the likelihood of victims coming forward and permit the retention of criminals. As Anu pointed out in her testimony, the DoD Sexual Assault Prevention and Response Office (SAPRO) report indicated that 86.5% of sexual assaults go unreported. The end result is that some of these criminal later draw DoD and VA benefits, while their victims are left to fight to substantiate their PTSD claims.

Addressing the issue before the Committee today is a step towards creating a more victim-centric system that improves our military by rewarding victims for coming forward and punishing the bad actors. In addressing this issue, Niki Tsongas and I included a provision in the Defense STRONG Act last year requiring the DoD to retain records prepared in connection with sexual assaults involving members of the Armed Forces or dependents of members. That provision was later included in

the FY12 NDAA. This provision requires the Department of Defense to permanently retain records of sexual assault in the military, and ensures that a servicemember who is a victim of sexual assault has access to these records. Servicemembers find it difficult to obtain documentation proving their sexual assault once they have left the services because DoD destroys many of these documents after only a few years. It is our hope that improving this process will contribute to removing the negative stigma that surrounds the process and, thereby, improves military culture and climate.

Questions

Col. Metzler and Mr. Murphy. What is the status of implementation of this new policy (HR1540 Sec 586)?

Prepared Statement of Hon. Eric K. Shinseki

Chairman Miller, Ranking Member Filner, Distinguished Members of the House Committee on Veterans' Affairs:

Thank you for the opportunity to present the President's 2013 Budget and 2014 advance appropriations requests for the Department of Veterans Affairs (VA). For the past three budget requests, the Congress has supported the very high priority that the President has placed on funding for programs that provide care and benefits for our Nation's 22 million Veterans and their families. This submission seeks your support of the President's continued high priority support for Veterans who have earned this Nation's respect and the benefits and services we provide.

We meet at an historic moment for our nation's Armed Forces, as they turn the page on a decade of war. Recently, the President outlined a major shift in the Nation's strategic military objectives – with a goal of a more agile, more versatile, more responsive military focused on the future. The President also outlined another important objective – keeping faith with those who serve as they depart the military and return to civilian life. As these newest Veterans return home, we must anticipate their transitions by readying the care, the benefits, and the job opportunities they have earned and they will need to smoothly and successfully make this transition.

The President's 2013 Budget for VA requests \$140.3 billion – comprised of \$64 billion in discretionary funds, including medical care collections, and \$76.3 billion in mandatory funds. The discretionary budget request represents an increase of \$2.7 billion, or 4.5 percent, over the 2012 enacted level. Our 2013 budget will allow the Department to operate the largest integrated healthcare system in the country, with more than 8.8 million Veterans enrolled to receive healthcare; the eighth largest life insurance provider covering both active duty members as well as enrolled Veterans; a sizeable education assistance program serving over 1 million participants; a home mortgage service that guarantees over 1.5 million Veterans' home loans with the lowest foreclosure rate in the Nation; and the largest national cemetery system that continues to lead the country as a high-performing organization - for the fourth time in a 10-year period besting the Nation's top corporations and other federal agencies in an independent survey of customer satisfaction. In 2013, VA national cemeteries will inter about 120,000 Veterans or their family members.

The Department of Veterans Affairs fulfills its obligation to Veterans, their families, and survivors of the fallen by living a set of core values that define who we are as an organization: "I CARE"– Integrity, Commitment, Advocacy, Respect, and Excellence, – cannot be converted into dollars in a budget. But Veterans trust that we will live these values, every day, in our medical facilities, our benefits offices, and our national cemeteries. And where we find evidence of a lack of commitment to our values, we will aggressively correct them by re-training employees or, where required, removal. We provide the very best in high quality and safe care and compassionate services, delivered by more than 316,000 employees, who are supported by the generosity of 140,000 volunteers.

Stewardship of Resources

Safeguarding the resources – people, money, time - entrusted to us by the Congress, managing them effectively and deploying them judiciously, is a fundamental duty at VA. Effective stewardship requires an unflagging commitment to apply budgetary resources efficiently, using clear accounting rules and procedures, to safeguard, train, motivate, and hold our workforce accountable; and to assure the proper use of time in serving Veterans on behalf of the American people.

During the audit of the Department's fiscal year 2010 financial statement, VA's independent auditor certified that we had remediated all three of our remaining material weaknesses in financial management, which had been carried forward for over a decade. In terms of internal controls and fiscal integrity, this was a major accomplishment. We have also dramatically reduced the number of significant financial deficiencies since 2008, from sixteen to two.

Another example of VA's effective stewardship of resources is the Project Management Accountability System (PMAS) developed by our Office of Information Technology. PMAS requires Information Technology (IT) projects to establish milestones to deliver new functionality to its customers every six months. Now entering its third year, PMAS continues to instill accountability and discipline in our IT organization. In 2011, PMAS achieved successful delivery of 89 percent of all IT project milestones. VA managed 101 IT projects during the year, establishing a total of 237 milestones and successfully executing 212 of them. Of the 25 IT projects that missed their delivery milestone date, more than half delivered within the next 14 days. Ensuring IT projects meet established milestones means that savings and delivery of solutions are achieved throughout development, and that Veterans reap improvements sooner. By implementing PMAS, we have achieved at least \$200 million in cost avoidance by stopping or improving the management of 45 projects.

VA's stewardship of resources continues with the expansion of our ASPIRE dashboard to the Veterans Benefits Administration (VBA). Originally established in 2010 for the Veterans Health Administration (VHA), ASPIRE publicly provides quality goals and performance measures of VA healthcare. The success of this approach was reflected in its contribution to VHA's receipt of the Annual Leadership Award from the American College of Medical Quality. On June 30, 2011, VBA established an ASPIRE website at <http://www.vba.va.gov/reports/aspiremap.asp> for aspirational goals and monthly progress for 46 performance metrics across six business lines. This new effort expands the Department's commitment to unprecedented public transparency by sharing performance and productivity data in the delivery of Veterans' benefits, including compensation, pension, vocational rehabilitation and employment, education, home loans, and insurance.

Through the effective management of our acquisition resources, VA achieves positive results for Veteran-owned small businesses. VA leads the Federal government in contracting with Service-Disabled, Veteran-Owned Small Businesses (SDVOSB). In 2011, more than 18 percent of all VA procurements were awarded to SDVOSBs, exceeding our internal goal of 10 percent and far exceeding the government-wide goal of three percent.

Finally, VA's stewardship achieved savings in several other areas across the Department. The National Cemetery Administration (NCA) assumed responsibility in 2009 for processing First Notices of Death to terminate compensation benefits to deceased Veterans. This allows the timely notification to next-of-kin of potential survivor benefits. Since that time NCA has avoided possible collection action by discontinuing \$100.3 million in benefit payments. In addition, we implemented the use of Medicare pricing methodologies at VHA to pay for certain outpatient services in 2011, resulting in savings of over \$160 million without negatively impacting Veteran care and with improved consistency in billing and payment.

Veterans Job Corps

In his State of the Union address, President Obama called for a new *Veterans Job Corps* initiative to help our returning Veterans find pathways to civilian employment. The budget includes \$1 billion to develop a *Veterans Job Corps* conservation program that will put up to 20,000 Veterans back to work over the next five years protecting and rebuilding America. Veterans will restore our great outdoors by providing visitor programs, restoring habitat, protecting cultural resources, eradicating invasive species, and operating facilities. Additionally, Veterans will help make a significant dent in the deferred maintenance of our Federal, State, local, and tribal lands including jobs that will repair and rehabilitate trails, roads, levees, recreation facilities and other assets. The program will serve all Veterans, but will have a particular focus on post-9/11 Veterans.

Multi-Year Plan for Medical Care Budget

Under the Veterans Health Care Budget Reform and Transparency Act of 2009, which we are grateful to Congress for passing; VA submits its medical care budget that includes an advance appropriations request in each Budget submission. This legislation requires VA to plan its medical care budget using a multi-year approach. This approach ensures that VA requirements are reviewed and updated based on the most recent data available and actual program experience.

The 2013 budget request for VA medical care appropriations is \$52.7 billion, an increase of 4.1 percent over the 2012 enacted appropriation of \$50.6 billion. This request is an increase of \$165 million above the 2013 advance appropriations enacted by Congress in 2011. Based on updated 2013 estimates largely derived from the Enrollee Health Care Projection Model, the requested amount would also allow VA to increase funding in programs to eliminate Veteran homelessness, fully fund the implementation of the Caregivers and Veterans Omnibus Health Services Act, support activation requirements for new or replacement medical facilities, and invest in strategic initiatives to improve the quality and accessibility of VA healthcare programs. Our multi-year budget plan continues to assume \$500 million in unobligated balances from 2012 that will carryover and remain available for obligation in 2013 – consistent with the 2012 budget submitted to Congress.

The 2014 request for medical care advance appropriations is \$54.5 billion, an increase of \$1.8 billion, or 3.3 percent, over the 2013 budget request.

Priority Goals

Our Nation is in a period of transition. As the tide of war recedes, we have the opportunity, and the responsibility, to anticipate the needs of returning Veterans. History shows that the costs of war will continue to grow in VA for a decade or more after the operational missions in Iraq and Afghanistan have ended. In the next 5 years, another one million Veterans are expected to leave military service. Our data shows that the newest of our country's Veterans are relying on VA at unprecedented levels. Through September 30, 2011, of the approximately 1.4 million living Veterans who were deployed overseas to support Operation Enduring Freedom and Operation Iraqi Freedom, at least 67 percent have used some VA benefit or service.

VA's three priorities – to expand access to benefits and services, eliminate the claims backlog, and end Veteran homelessness – anticipate these changes and identify the performance levels required to meet emerging needs. The 2013 Budget builds upon our multi-year effort to achieve VA's priority goals through effective, efficient, and accountable program implementation.

Expanding Access to Benefits and Services

Expanding access for Veterans is much more than boosting the number of Veterans walking in the front door of a VA facility. Access is a three-pronged effort that encompasses VA's facilities, programs, and technology. Today, expanding access includes taking the facility to the Veteran—be it virtually through telehealth, by sending Mobile Vet Centers to rural areas where services are sparse, or by using social media sites like Facebook, Twitter, and YouTube to connect Veterans to VA benefits and facilities. Expanding access also means finding new ways to break down artificial barriers so that Veterans are aware of and can gain access to VA services and benefits. Technology is the great enabler of all VA efforts. IT is not a siloed segment of the budget, providing just computers and monitors, but rather the vehicle by which VA is able to extend the reach of its healthcare to rural America, process benefits more quickly, and provide enhanced service to Veterans and their families.

The 2013 budget request includes \$119.4 million for the Veterans Relationship Management (VRM) initiative, which is fundamentally transforming Veterans' access to VA benefits and services by empowering VA clients with new self-service tools. VA has already made major strides under this initiative. VRM established a single queue for VBA's National Call Centers ensuring calls are routed to the next available agent, regardless of geography. Call-recording functionality was implemented that allows agents to review calls for technical accuracy and client contact behaviors. VA recently deployed "Virtual Hold ASAP call-back" technology. During periods of high call volumes, callers can leave their name and phone number instead of waiting on hold for the next available operator, and the system automatically calls them back in turn. The Virtual Hold system has made nearly 600,000 return calls since November 2011. The acceptance rate for callers is 46 percent, exceeding the industry standard of 30 percent, and our successful re-connect rate is 92 percent. Since launching Virtual Hold, the National Call Centers have seen a 15 percent reduction in the dropped-call rate. In December 2011, VA deployed "Virtual Hold Scheduled call-back" technology, which allows callers to make an appointment with us to call them at a specific time. Since deployment, over 185,000 scheduled call-backs have already been processed.

In December, VA deployed a pilot of its new "Unified Desktop" technology. This initiative will provide National Call Center agents with a single, unified view of VA clients' military, demographic, and contact information and their benefits eligibility and claims status through one integrated application, versus the current process

that requires VA agents to access up to 13 different applications. This will help ensure our Veterans receive comprehensive and accurate responses.

Key to expansion of access is the eBenefits portal – one of our critical VRM initiatives. eBenefits is a VA/DoD initiative that consolidates information regarding benefits and services and includes a suite of on-line self-service capabilities for enrollment/application and utilization of benefits and services. eBenefits enrollment now exceeds 1.2 million users, and VA expects enrollment to exceed 2.5 million by the end of 2013. VA continues to expand the capabilities available through the eBenefits portal. Users can check the status of a claim or appeal, review the history of VA payments, request and download military personnel records, generate letters to verify their eligibility for Veterans' hiring preferences, secure a certificate of eligibility for a VA home loan, and numerous other benefit actions. In 2012, Servicemembers will complete their Servicemembers' Group Life Insurance applications and transactions through eBenefits. Also, 2012 enhancements will allow Veterans to view their scheduled VA medical appointments, file benefits claims online in a "Turbo Claim" like approach, and upload supporting claims information that feeds our paperless claims process. In 2013, funding supports enhanced self-service tools for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the Veterans Online Application for enrolling in VA healthcare.

VA and the Department of Defense (DoD) have broken new ground in the development and implementation of the Integrated Disability Evaluation System (IDES). This system supporting the transition of wounded, ill, and injured Servicemembers is fully operational and available to Servicemembers as of October 1, 2011. Because of the complexity of these cases, the Veterans Benefits Administration devotes four times the level of staffing resources to processing IDES cases than claims from other Veterans. VA has reduced its claims processing time in IDES from 186 days in February 2011 to 104 days in December 2011. The 2013 budget requests an additional \$13.2 million and 90 FTE to support IDES enhancements.

The DoD/VA team is further developing programs to enhance the transition of all Servicemembers to Veteran status. Together we are transforming the current Transition Assistance Program (TAP) from a series of discrete efforts to one that uses an outcome-based approach. This approach will be more integrated and, once complete will be mapped to the life cycle of every Servicemember, from recruitment through separation or retirement. In July 2011, VBA launched on-line TAP courseware, which provides the capability for Servicemembers to complete the course without attending the classroom session. VA and DoD also are collaborating on a policy for implementing mandatory TAP participation.

VA will improve access to VA services by opening new or improved facilities closer to where Veterans live. The 2013 medical care budget request includes \$792 million to open new and renovated healthcare facilities, including resources to support the activation of four new hospitals in Orlando, Florida; Las Vegas, Nevada; New Orleans, Louisiana; and Denver, Colorado. These new VA Medical Centers are projected to serve 1.2 million enrolled Veterans when they are operational. This budget also includes an initiative to establish a national cemetery presence in eight rural areas where the Veteran population is less than 25,000 within a 75-mile service area. In addition to expanding access at fixed locations, VA is deploying an additional 20 Mobile Vet Centers in 2012 to increase access to readjustment counseling services for Veterans and their families in rural and underserved communities across the country. These new specialty vehicles will expand the existing fleet of 50 Mobile Vet Centers already in service by 40 percent. In 2011, Mobile Vet Centers participated in more than 3,600 Federal, state, and locally sponsored Veteran-related events. More than 190,000 Veterans and family members made over 1.3 million visits to VA Vet Centers in 2011.

The Board of Veterans Appeals (BVA) leverages video conference technology to increase the capability of, and access to, video hearings to provide Veterans with more options for a hearing regarding their appeal. The VA is currently upgrading this video conference technology both at BVA and at VBA regional offices. In 2011, the number of video hearings increased from 3,979 to 4,355 or 9.4 percent. The Board is also working with VBA and VHA to allow video hearings to be held from more locations in the field, which will be more convenient for Veterans. Initially, the expanded video capability will be used to reduce the backlog of hearings and the time Veterans have to wait for them.

We are working harder than ever to reach out to women Veterans. Women represent about eight percent of the total Veteran population. In recent years, the number of women Veterans seeking healthcare has grown rapidly and it will continue to grow as more women enter military service. Women comprise nearly 15 percent of today's active duty military forces and 18 percent of National Guard and Re-

serves. For the estimated 337,000 women Veterans currently using the VA healthcare system, VA is improving their access to services and treatment facilities. The 2013 budget includes \$403 million for the gender-specific healthcare needs of women Veterans, an increase of 17.5 percent over the 2012 level.

VHA regularly updates its standards for improving and measuring Veterans' access to medical care programs. In 2010, VHA implemented new wait time measures that assess performance meeting the new standard of providing medical appointments within 14 days of the desired date, replacing the previous 30-day desired-date standard. In 2011, 89 percent of medical care appointments for new patients occurred within 14 days of the desired date, an increase of 5 percentage points over the 2010 level of 84 percent. The President's request for 2013 ensures we are able to continue to improve our performance in providing this service.

Access improvements are central to VHAs new Patient-Aligned Care Teams (PACT) model. VA views appointments as a partnership. We are implementing a national initiative to reduce costly no-show appointments. Also, Veterans can manage appointments by visiting MyHealtheVet website, where they can view all of their pending appointments. In another effort to help Veterans make and keep appointments, VA is implementing a pilot program that offers child care to eligible Veterans seeking medical appointments at three VA medical centers in 2012 and 2013. The first of these facilities, the Buffalo VAMC, began providing services in October 2011. Each pilot site will be operated onsite by licensed childcare providers. Drop-in services will be offered free of charge to Veterans who are eligible for VA care and who are visiting a medical facility for an appointment.

VA is taking full advantage of technology to expand access to its medical centers. In 2008, VA established a presence on Facebook with a single Veterans Health Administration (VHA) page. In 2009, VA established the Post-9/11 GI Bill Facebook page to raise awareness about the implementation of this new benefit program. With over 39,000 subscribers ("or fans"), this page serves as our primary "real-time" tool to communicate GI Bill news and directly interact with our clients. VA also launched a general VBA benefits page, which describes all of our services. VBA posts to its followers seven days a week and is followed in 18 different countries and 15 different languages. In June 2011, VA outlined a Department-wide social media policy that provides guidelines for communicating with VA online. By November 2011, VA had established Facebook pages for all 152 of its medical centers. This event marks an important milestone in our effort to transform how the Department communicates with Veterans and provides them access to healthcare and benefits. By leveraging Facebook, VA continues to embrace transparency and engage Veterans in a two-way conversation. VA currently has over 345,000 combined Facebook "fans." As of January 2012, the Department's main Facebook page has over 154,000 fans and its medical centers have a combined following of over 69,000.

Eliminating the Claims Backlog

To transform VA for the benefit of Veterans, we must streamline the claims processing system and eliminate the claims backlog. We are vigorously pursuing a claims transformation plan that will adopt near-term innovations and break down stubborn obstacles to providing Veterans the benefits they have earned.

As we pursue a multi-focused approach to eliminate the claims backlog, workload in our disability compensation and pension programs continues to rise. VA has experienced a 48 percent increase in claims receipts since 2008, and we expect that the incoming claims volume will continue to increase by 4.2 percent in 2013, to 1,250,000 claims from 1,200,000 in 2012. At the same time, Veterans are claiming many more disabilities, with Iraq and Afghanistan Veterans claiming an average of 8.5 disabilities per claim – more than double the number of disabilities claimed by Veterans of earlier eras. As more than one million troops leave service over the next 5 years, we expect our claims workload to continue to rise for the foreseeable future. In 2013, our goal is to ensure that no more than 40 percent of the compensation and pension claims in the pending inventory are more than 125 days old. While too many Veterans will still be waiting too long for the benefits they have earned, it does represent a significant improvement in performance over the 2012 estimate of 60 percent of claims more than 125 days old, demonstrating that we are on the right path.

VA is attacking the claims backlog through an aggressive transformation plan that includes initiatives focused on the people, processes, and technology that will eliminate the backlog. We are implementing a new standardized operating model in all our regional offices beginning this year that incorporates a case-management approach to claims processing. It establishes distinct processing lanes based on the complexity and priority of the claims and assigns employees to the lanes based on

their experience and skill levels. Integrated, cross-functional teams work claims from start to finish, facilitating the quick flow of completed claims and allowing for informal clarification of claims processing issues to minimize rework and reduce processing time. More easily rated claims move quickly through the system, and the quality of our decisions improves by assigning our more experienced and skilled employees to the more complex claims. The new operating model also establishes an Intake Processing Center at every regional office, adding a formalized process for triaging mail and enabling more timely and accurate distribution of claims to the production staff in their appropriate lanes.

VA is increasing the expertise of our workforce and the quality of our decisions through national training standards that prepare claims processors to work faster and at a higher quality level. Our training and technology skills programs will continue to deliver the knowledge and expertise our employees need to succeed in a 21st Century workplace. We are establishing dedicated teams of quality review specialists at each regional office. These teams will evaluate decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. Personnel trained by our national quality assurance staff comprise the quality review teams to assure local reviews are consistently conducted according to national standards.

Using "Design Teams," VBA is conducting rapid development and testing of process changes, automated processing tools, and innovative workplace incentive programs. The first Design Team developed a method to simplify rating decisions and decision notification letters that was implemented nationwide in December 2011. This new decision notification process streamlines and standardizes the development and communication of claims decisions. This initiative also includes a new employee job-aid that uses rules-based programming to assist decision makers in assigning an accurate service-connected evaluation. VBA's Implementation Center, established at VBA headquarters as a program management office, streamlines the process of innovation to ensure that new ideas are approved through a governance process. This allows us to focus on initiatives that will achieve the greatest gains.

VA continues to promote the Fully Developed Claims (FDC) Program. We believe utilization of the FDC Program will significantly increase as a result of the public release last month of 68 more Disability Benefits Questionnaires (DBQs), bringing the total number of DBQs publically available to 71. DBQs are templates that solicit the medical information necessary to evaluate the level of disability for a particular medical condition. Currently used by Veterans Health Administration examiners, the release of these DBQs to the public will allow Veterans to take them to their private physicians, facilitating submission of a complete claims package for expedited processing. VA plans an aggressive communications strategy surrounding the release of these DBQs that will promote the FDC program. We also continue to work with the VSO community to identify ways to boost FDC program participation and better inform and serve Veterans and their advocates.

This year VA is also beginning national implementation of our new paperless processing system, the Veterans Benefits Management System (VBMS). We are implementing VBMS using a phased approach that will have all regional offices on the new system by the end of 2013. We will continue to add and expand VBMS functionality throughout this process. Establishment of a digital, near-paperless environment will allow for greater exchange of information and increased transparency to Veterans, our workforce, and stakeholders. Increased use of state-of-the-art technology plays a major role in enabling VA to eliminate the claims backlog and redirect capacity to better serve Veterans and their families. Our strategy includes active stakeholder participation (Veterans Service Officers, State Departments of Veterans Affairs, County Veterans Service Officers, and Department of Defense) to provide digitally ready electronic files and claims pre-scanned through online claims submission using the eBenefits web portal. VBA has aggressively promoted the value of eBenefits and the ease of enrolling into the system. The 2013 budget invests \$128 million in VBMS.

Ending Veteran Homelessness

The Administration is committed to ending homelessness among Veterans by 2015. Between January 2010 and January 2011 homelessness declined by 12 percent, keeping VA on track to meet the goal of ending Veteran homelessness in 2015. The VA's Homeless Veteran Registry is populated with over 400,000 names of current and formerly homeless Veterans who have utilized VA's Homeless Programs—allowing us to better see the scope of the issues so we can more effectively address them.

In the 2013 Budget, VA is requesting \$1.352 billion for programs that will prevent and treat Veteran homelessness. This represents an increase of \$333 million, or 33 percent over the 2012 level. This budget will support our long-range plan to eliminate Veteran homelessness by reducing the number of homeless Veterans to 35,000 in 2013 by emphasizing rescue and prevention.

To get Veterans off the streets and into stable environments, VA's Grant and Per Diem Program awards grants to community-based organizations that provide transitional housing and support services. VA's goal is to serve 32,000 homeless Veterans in this program in 2013. Transitional housing is also provided through the Healthcare for Homeless Veterans program. Permanent housing is achieved with Housing Choice Vouchers in the Department of Housing and Urban Development (HUD)-VA Supportive Housing (HUD-VASH) Program, and by 2013 VA plans to provide case management support for the nearly 58,000 HUD Housing Choice vouchers available to assist our most needy homeless Veterans.

Culminating two years of work to end homelessness among Veterans, the Building Utilization Review and Repurposing (BURR) initiative helped identify unused and underused buildings and land at existing VA property with the potential for repurposing to Veteran housing. The BURR initiative supports VA's goal of ending Veteran homelessness by identifying excess VA property that can be repurposed to provide safe and affordable housing for Veterans and their families. As a result of BURR, VA began developing housing opportunities at 34 nationwide locations for homeless or at-risk Veterans and their families using its Enhanced Use Lease (EUL) authority (now expired). The housing opportunities developed through BURR will add approximately 4,100 units of affordable and supportive housing to the projects already in operation or under construction, for an estimated total of 5,400 units.

Although the Department's Enhanced Use Lease authority has expired, the Administration will work with Congress to develop future legislative authorities to enable the Department to further repurpose the properties identified by the BURR process. Beyond reducing homelessness among our Veterans, additional opportunities identified through BURR may include housing for Veterans returning from Iraq and Afghanistan, assisted living for elderly Veterans, and other possible uses that will enhance benefits and services to Veterans and their families.

Of all claimants served by the Veterans Benefits Administration (VBA), homeless Veterans represent our most vulnerable population and require specialized care and services. The 2013 budget requests \$21 million for the Homeless Veterans Outreach Coordinator (HVOC) initiative, which would provide an additional 200 coordinators nationwide to expedite disability claims; acquire housing and prevent Veterans from losing their homes; expedite access to vocational training and job opportunities; and resolve legal issues at regional justice courts. These new case managers would significantly improve outcomes on behalf of the Nation's homeless Veterans. For example, the initiative would improve the timeliness of disability claims decisions for homeless and at-risk Veterans by reducing the claims processing times by nearly 40 percent between 2011 and 2015.

In 2011, VHA hired 366 (or 90 percent of 407 total positions) homeless or formerly homeless Veterans as Vocational Rehabilitation Specialists to provide individualized supported employment services to unemployed homeless Veterans through the Homeless Veterans Supported Employment Program. Recent initiatives to increase employment of Veterans in Federal and other public-sector jobs will help to reduce homelessness and also ensure their families are supported. On January 18, 2012, VA hosted a career fair for Veterans in Washington, DC. Over 4,000 Veterans attended this event to explore and apply for thousands of public and private sector job opportunities.

The VA also helps Veterans obtain employment with education and training assistance. The National Cemetery Administration (NCA) is helping to provide employment opportunities for homeless Veterans through a new, paid Apprenticeship Training Program serving Veterans who are homeless or at risk of homelessness. The program will be based on current NCA training requirements for positions such as Cemetery Caretakers and Cemetery Representatives. Veterans who successfully complete the program at national cemeteries will be guaranteed full-time permanent employment at a national cemetery or may choose to pursue employment in the private sector. The Veterans Retraining Assistance Program is a joint effort with VA and the Department of Labor to provide 12 months of retraining assistance. The program is limited to 54,000 participants from October 1, 2012, through March 31, 2014. Education and training assistance are preventive programs.

Other preventive services programs include the Supportive Services for Veteran Families, which provides rapid case management and financial assistance, coordinated with community and mainstream resources, to promote housing stability. In

time, VA will transition its homeless efforts primarily to prevention. Through coordinated partnerships with other Federal and local partners and providers, VA will assist at risk Veterans in maintaining housing, accessing supportive services that promote housing stability, and identifying the resources to rapidly re-house Veterans and their dependents if they should fall into homelessness. This shift to increased preventive efforts will require us to be much more knowledgeable about the causes of Veterans' homelessness, about the details of our current homeless and at-risk Veteran populations, and about creating action plans that serve Veterans at the individual level.

Medical Care Program

The 2013 budget requests \$52.7 billion for healthcare services to treat over 6.33 million unique patients, an increase of 1.1 percent over the 2012 estimate. Of those unique patients, 4.4 million Veterans are in Priority Groups 1–6, an increase of more than 64,000 or 1.5 percent. Additionally, VA anticipates treating over 610,000 Veterans from the conflicts in Iraq and Afghanistan, an increase of over 53,000 patients, or 9.6 percent, over the 2012 level.

Medical Care in Rural Areas

The delivery of healthcare in rural areas faces major challenges, including a shortage of healthcare resources and specialty providers. In 2011, we obligated \$18.8 billion to provide healthcare to Veterans who live in rural areas. Some 3.6 million Veterans enrolled in the VA healthcare system live in rural or highly rural areas of the country; this represents about 42 percent of all enrolled Veterans. For that reason, VA will continue to emphasize rural health in our budget planning, including addressing the needs of Native American Veterans. The 2013 budget continues to invest in special programs designed to improve access and the quality of care for Veterans residing in rural areas. For example, in the remote, sparsely populated areas of Montana, Utah, Wyoming and Colorado, VA has supported the development and expansion of a network-wide operational telehealth infrastructure that supports a virtual intensive care unit, tele-mental health services, and primary care and specialty care to 67 fixed and mobile sites. Again, IT investment is the foundation of our work in all of these areas.

In rural areas with larger populations, funding supports the opening of new rural clinics, such as the one located in Newport, Oregon, which serves over 1,200 Veterans. This clinic is a unique partnership between VA and the local Lincoln County government. The county government provides clinical space, equipment and supplies, while VA funds the salaries for the primary care and mental health providers.

Mental Healthcare

The budget requests \$6.2 billion for mental health programs, for an increase of \$312 million over the 2012 level of \$5.9 billion. VA is increasing outreach opportunities to connect with and treat Veterans and their families in new, innovative ways. In April 2011, VA launched the first in a series of mobile smartphone applications, the PTSD Coach. It provides information about PTSD, self-assessment and symptom management tools, and information on how to get help. VA developed this technology in collaboration with DoD and with input from Veterans, who let the development team know what they did and did not want in the application (app). As of the end of 2011, the app had just over 41,000 downloads in 57 countries. In addition, VA is developing PTSD Family Coach that will complement the Coaching into Care national call center, which provides support to family members of Veterans.

In 2011, VA also launched Make the Connection, a national public awareness campaign for Veterans and their family members to connect with other Veterans to share common experiences, and ultimately to connect them with information and resources to help with the challenges that can occur when transitioning from military service to civilian society. This is an important effort in breaking down the stigma associated with mental health issues and treatment. The campaign's central focus is a website, www.MakeTheConnection.net, featuring numerous Veterans who have shared their experiences, challenges, and triumphs. It offers a place where Veterans and their families can view the candid, personal testimonials of other Veterans who have dealt with and are working through a variety of common life experiences, day-to-day symptoms, and mental health conditions. The Web site also connects Veterans and their family members with services and resources they may need.

Long-term Medical Care

As the Veteran population ages, VA will expand its provision of both institutional and non-institutional Long-Term Care services. These services are designed not just for the elderly, but for Veterans of all ages who have a serious chronic disease or

disability requiring ongoing care and support, including those returning from Iraq and Afghanistan suffering from traumatic injuries. Veterans can receive long-term care services at home, at VA medical centers, or in the community. In 2013, the Long-Term Care budget request is \$7.2 billion. VA will continue to provide long-term care in the least restrictive and most clinically appropriate settings by providing more non-institutional care closer to where Veterans live. This budget supports an increase of 6 percent in the average daily census in non-institutional long-term care programs in 2013, resulting in a total average daily census of approximately 120,100.

Medical Research

Medical Research is being supported with \$583 million in direct appropriations in 2013, an increase of nearly \$2 million above the 2012 level. In addition, approximately \$1.3 billion in funding support for medical research will be received from VA's medical care program and through Federal and non-Federal grants. Projects funded in 2013 will support fundamentally new directions for VA research. Specifically, research efforts will be focused on supporting development of New Models of Care, improving social reintegration following traumatic brain injury, reducing suicide, evaluating the effectiveness of complementary and alternative medicine, developing blood tests to assist in the diagnosis of post-traumatic stress disorder and mild traumatic brain injury, and advancing genomic medicine.

The 2013 budget continues support for the Million Veteran Program (MVP), an unprecedented research program that advances the promises of genomic science. The MVP will establish a database, used only by authorized researchers in a secure manner, to conduct health and wellness studies to determine which genetic variations are associated with particular health issues. The pilot phase of MVP was launched in 2011. Surveys were sent to 17,483 Veterans and approximately 20 percent of those then completed a study visit and provided a small blood sample. By the end of 2013, the goal is to enroll at least 150,000 participants in the program. Like with so much of VA research, the impact will be felt not just through improved care for Veterans but for all Americans, as well.

Veterans Benefits Administration

The 2013 budget request for the general operating expenses of the Veterans Benefits Administration (VBA) is \$2.2 billion, an increase of \$145 million, or 7.2 percent, over the 2012 enacted level. With the support of Congress, we have made great strides in implementing our comprehensive plan to transform the disability claims process. This budget sustains our investments in people, processes, and technology in order to eliminate the claims backlog by 2015. In addition, this budget request includes funding to support the administration of other VBA business lines.

Post 9–11 and other Education Programs

The Post 9–11 GI Bill program provides every returning service member with the opportunity to obtain a college education. As expected, the Post-9/11 GI Bill program has become the most used education benefit that VA offers. Just as with the original GI Bill, today's program provides Veterans with tools that will help them contribute to an economically vibrant and strong America. In 2013, VA estimates that 606,300 individuals will participate in this benefit program. The timeliness and accuracy of processing Post-9/11 GI Bill claims continues to improve. From 2010 to 2011, VA processing times for original and supplemental claims improved by 15 days (from 39 to 24 days) and 4 days (from 16 to 12 days), respectively. Over the last two years, VA has successfully deployed a new IT system to support processing of Post-9/11 GI bill education claims. With improved automation tools in place, VA will be able to begin reducing education benefit processing staff in 2013.

Vocational Rehabilitation and Employment (VR&E)

The VR&E program is designed to assist disabled Service-members in their transition to civilian life and obtaining employment. The budget request for 2013 is \$233.4 million or a 14.2 percent increase from 2012. The number of participants in the program increased to 107,925 in 2011 and is expected to grow to over 130,000 by 2013.

VA is also expanding VR&E counseling services available at IDES sites to assist Servicemembers with disabilities in jumpstarting their transition to civilian employment. In 2012, VA will assign 110 additional counselors to the largest IDES sites, serving an additional 12,000 wounded, ill, and injured Servicemembers. Funds requested in 2013 will support further expansion, adding 90 more counselors to the program.

In 2009, VA established a pilot program called VetSuccess on Campus to provide outreach and supportive services to Veterans during their transition from the military to college, ensuring that their health, education and benefit needs are met. By the end of 2012, the program will be operational on 28 campuses. The 2013 budget includes \$8.8 million to expand the program to a total of 80 campuses serving approximately 80,000 Veterans.

National Cemetery Administration

VA honors our fallen soldiers with final resting places that serve as lasting tributes to commemorate their service and sacrifice to our Nation. The 2013 budget includes \$258 million in operations and maintenance funding for the National Cemetery Administration (NCA). In 2013, NCA estimates that interments will increase by 1,500 (1.3 percent) over 2012. Cemetery maintenance workload will also continue to increase in 2013 over the 2012 levels: the number of gravesites maintained will increase by 82,000 (2.5 percent) and the number of developed acres maintained will increase by 138 (1.6 percent).

The 2013 Budget will allow VA to provide more than 89.6 percent of the Veteran population, or 19.1 million Veterans, a burial option within 75 miles of their residence by keeping existing national cemeteries open, establishing new State Veterans cemeteries, as well as increasing access points in both urban and rural areas. VA's first grant to establish a Veterans cemetery on Tribal trust land, as authorized in Public Law 109-461, was approved on August 15, 2011. This cemetery will provide a burial option to approximately 4,036 unserved Rosebud Sioux Tribe Veterans and their families residing on the Rosebud Indian Reservation near Mission, South Dakota.

NCA provides an unprecedented level of customer service, which has been achieved by always striving for new ways to meet the burial needs of Veterans. In 2011, NCA initiated an independent study of emerging burial practices including "green" burial techniques that may be appropriate and feasible for planning purposes. The study will also include a survey of Veterans to ascertain their preferences and expectations for new burial options. The completed study will provide comprehensive information and analysis for leadership consideration of new burial options.

Capital Infrastructure

A total of \$1.14 billion is requested in 2013 for VA's major and minor construction programs, an increase of 6.3 percent over the 2012 enacted level. VA is also proposing legislation in 2013 that would enhance the ability of the Department to collaborate with other Federal Departments and Agencies, including the Department of Defense (DoD) on joint capital projects. This legislative proposal would allow appropriated funds to be transferred among Federal agencies to effectively plan and design joint projects when determined to be cost-effective and improve service delivery to Veterans and Servicemembers.

Major Construction

The major construction request in 2013 is \$532 million in new budget authority. The major construction request includes funding for the next phase of construction for four medical facility projects in Seattle, WA; Dallas, TX; Palo Alto, CA; and St. Louis (Jefferson Barracks), MO. Additionally, funds are provided to remove asbestos from Department-owned buildings, improve facility security, remediate hazardous waste, fund land acquisitions for national cemeteries, and support other construction related activities.

Minor Construction

In 2013, the minor construction request is \$608 million. It would provide for constructing, altering, extending and improving VA facilities, including planning, assessment of needs, architectural and engineering services, and site acquisition and disposition. It also includes \$58 million to NCA for land acquisition, gravesite expansions, and columbaria projects. NCA projects include irrigation and drainage improvements, renovation and repair of buildings, and roadway repairs.

Information Technology

The 2013 budget requests \$3.327 billion for Information Technology (IT), an increase of \$216 million over the 2012 enacted level of \$3.111 billion. Veterans and their families are highly dependent upon the effective and efficient use of IT to deliver benefits and services. In this day and age, every doctor, nurse, dentist, claims

processor, cemetery interment scheduler, and administrative employee in the VA cannot do his or her jobs without adequate IT support. Approximately 80 percent of the IT budget supports the direct delivery of healthcare and benefits to Veterans and their families.

We have made dramatic changes in the way IT projects are planned and managed at the VA. As described earlier in this testimony, the Project Management Accountability System (PMAS) has reduced risks by instituting effective monitoring and oversight capabilities and by establishing clear lines of accountability. Additionally, we have strengthened security standards in software development and established an Identity Access Management program that allows VA to increase on-line services for Veterans.

The IT infrastructure supports over 300,000 employees and about 10 million Veterans and family members who use VA programs, making it one of the largest consolidated IT organizations in the world. This budget request includes nearly \$1.8 billion for the operation and maintenance of the IT infrastructure, the backbone of VA. A sound and reliable infrastructure is critical to support the VA workforce and all of our facilities nationwide in the effective and efficient delivery of healthcare and benefits to Veterans. It is also critical that we support new facility activations, our major transformational initiatives, and the increased usage of VA services while maintaining a secure IT environment to protect Veteran sensitive information.

Improving services for Veterans and their beneficiaries requires using advanced technologies. For example, VA will continue to utilize MyHealthVet to improve access to information on appointments, lab tests and results, and reduce adverse reactions to medications. The 2013 budget continues an investment strategy of funding the development of new technologies that will have the greatest benefit for Veterans.

The delivery of high-quality medical care to an increasing number of Veterans is highly dependent upon adequate IT funding. VA's health IT investments have, and will continue, to greatly improve the delivery of medical care with regards to quality, patient safety and cost effectiveness. This includes transformation of mental health service delivery through IT enabled self-help, providing data and IT analytical tools for VA's research community, and creating an open exchange for collaboration and innovation in the development of clinical software solutions. Additionally, initiatives focused on "Care at a Distance" are heavily reliant on technology and require a robust IT infrastructure.

The 2013 budget request for integrated Electronic Health Record (iEHR) is \$169 million. The iEHR is a joint initiative with DoD to modernize and integrate electronic health records for all Veterans to a single common platform. We must take full advantage of this historic opportunity to deliver maximum value through joint investments in health IT. When DoD and VA healthcare providers begin accessing a common set of health records, iEHR will enhance quality, safety, and accessibility of healthcare – setting the stage for more efficient, cost-effective healthcare systems. In 2013, we plan to leverage open source development to foster innovation and speed delivery for a pharmacy and immunization solution.

An integral part of iEHR is the Virtual Lifetime Electronic Record (VLER), which is enabling VA transformation. VLER creates information interoperability between DoD, VA, and the private sector to promote better, faster and safer healthcare and benefits delivery for Veterans. The 2013 budget will ensure continued delivery of enhanced clinical and benefits information connections and build increased capability to support women's healthcare. Additionally, we will develop a modern memorial affairs system for the dynamic mapping of gravesite locations. The 2013 budget request for VLER is \$52.9 million.

In addition, the 2013 budget requests \$92 million in the IT appropriation for VBMS. As noted earlier, the VBMS initiative is the cornerstone of VA's claims transformation strategy. It is a comprehensive solution that integrates a business transformation strategy to address people and processes with a paperless claims processing system. Achieving paperless claims processing will result in higher quality, greater consistency and faster claims decisions. Nationwide deployment of VBMS is on target to begin in 2012 with completion in 2013.

This budget also includes funding to transform the delivery of Veterans' benefits. The 2013 IT budget requests \$111 million for the Veterans Relationship Management (VRM) initiative. We will use this funding to improve communications between Veterans and VA that occur through multiple channels—phone, web, mail, social media, and mobile apps. It will also provide new tools and processes that increase the speed, accuracy and efficiency of information exchange, including the development of self-service technology-enabled interactions to provide access to information and the ability to execute transactions at the place and time convenient to the Veteran. In 2013, Veterans will see enhanced self-service tools for the Civilian Health

and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the Veterans Online Application for enrolling in VA healthcare.

Legislative Program

VA has outlined in this budget a strong legislative program that will advance our mission to end Veteran homelessness and help Wounded Warriors by improving our system of grants for home alterations so Veterans can better manage disabilities and live independently. Our legislative proposals would also make numerous other common-sense changes that improve our programs, including provisions that will reduce payment complexities for both our student Veterans and the schools using the Post 9/11 GI Bill.

Summary

VA is the second largest Federal department with over 316,000 employees. Our workforce includes physicians, nurses, counselors, claims processors, cemetery groundskeepers, statisticians, engineers, IT specialists, police, and educators. They serve Veterans at our hospitals, community-based outpatient clinics, Vet Centers, mobile Vet Centers, claims processing centers, and cemeteries. Through the resources provided in the President's 2013 Budget, VA is enabled to continue improving the quality of life for our Nation's Veterans and their families and to completing the transformation of the department that we began in 2009. Thanks to the President's leadership and the solid support of all members of the Congress, we have made huge strides in our journey to provide all generations of Veterans the best possible care and benefits that they earned through selfless service to the Nation. We are committed to continue that journey, even as the numbers of Veterans will increase significantly in the coming years, through the responsible use of the resources provided in the 2013 budget and 2014 advance appropriations requests.

Prepared Statement of Carl Blake

Chairman Miller, Ranking Member Filner, and members of the Committee, as one of the four co-authors of *The Independent Budget* (IB), Paralyzed Veterans of America (PVA) is pleased to present the views of *The Independent Budget* regarding the funding requirements for the Department of Veterans Affairs (VA) health care system for FY 2013.

As the country faces a difficult and uncertain fiscal future, the Department of Veterans Affairs likewise faces significant challenges ahead. Following months of rancorous debate about the national debt and federal deficit during the summer of 2011, Congress agreed upon a deficit reduction measure, P.L. 112-25, that could lead to cuts in discretionary and mandatory spending for VA. The coauthors of *The Independent Budget*—AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars—have serious concerns about the potential reductions in VA spending. While changes to benefits programs and cuts to discretionary programs have unique differences, the impact of these possibilities will be equally devastating for veterans and their families.

Discretionary spending in VA accounts for approximately \$62 billion. Of that amount, nearly 90 percent of that funding is directed toward VA medical care programs. The VA is the best health-care provider for veterans. Providing primary care and specialized health services is an integral component of VA's core mission and responsibility to veterans. Across the nation, VA is a model health-care provider that has led the way in various areas of medical research, specialized services, and health-care technology. The VA's unique system of care is one of the nation's only health-care systems that provides developed expertise in a broad continuum of care. Currently, the Veterans Health Administration serves more than 8 million veterans and provides specialized health-care services that include program specific centers for care in the areas of spinal cord injury/disease, blind rehabilitation, traumatic brain injury, prosthetic services, mental health, and war-related polytraumatic injuries. Such quality and expertise on veterans' health care cannot be adequately duplicated in the private sector. Any reduction in spending on VA health-care programs would only serve to degrade these critical services.

Moreover, *The Independent Budget* veterans service organizations (IBVSOs) are especially concerned about steps VA has taken in recent years in order to generate resources to meet ever-growing demand on the VA health-care system. In fact, the FY 2012 and FY 2013 advance appropriation budget proposal released by the Ad-

ministration last year included “management improvements,” a popular gimmick used by previous Administrations to generate savings and offset the growing costs to deliver care. Unfortunately, these savings were often never realized leaving VA short of necessary funding to address ever-growing demand on the health-care system. We believe that continued pressure to reduce federal spending will only lead to greater reliance on gimmicks and false assumptions to generate apparent but illusory funding. In fact, the Government Accountability Office (GAO) outlined its concerns with this budget accounting technique in a report released to the House and Senate Committees on Veterans’ Affairs in June 2011. In its report, the GAO states:

If the estimated savings for fiscal years 2012 and 2013 do not materialize and VA receives appropriations in the amount requested by the President, VA may have to make difficult tradeoffs to manage within the resources provided.

This observation reflects the real possibility that exists should VA health care, as well as other programs funded through the discretionary process, be subject to spending reductions.

At the same time, Congress once again failed to fulfill its obligations to complete work on appropriations bills funding all federal departments and agencies, including VA, by the start of the new fiscal year on October 1, 2011. Fortunately, as has become the new normal, last year the enactment of advance appropriations shielded the VA health-care system from the political wrangling and legislative deadlock.

In February 2011, the Administration released its budget submission for VA for FY 2012, recommending an overall discretionary funding authority of \$61.9 billion, approximately \$3.6 billion less than *The Independent Budget* recommended last year. The Administration’s recommendation included a revised estimate for total Medical Care of approximately \$53.9 billion for FY 2012, including approximately \$3.1 billion in medical care collections. The budget also included \$509 million in funding for Medical and Prosthetic Research, a substantial decrease of approximately \$72 million below the FY 2011 funding level.

The IBVSOs expressed serious concerns about the downward revision of the Medical Care estimates for FY 2012. While we certainly understood that the Administration revised the estimates for Medical Care down by \$713 million due to the proposed federal pay freeze (a factor not included in the FY 2011 appropriations bill), the revised budget included ideas of greater concern. Specifically, the IBVSOs had reservations about the outline of an ill-defined contingency fund that would provide \$953 million more for Medical Services for FY 2012. Moreover, we were especially troubled that VA presumed “management improvements” of approximately \$1.1 billion to be directed toward FY 2012 and FY 2013. The use of management improvements or efficiencies is a gimmick that has been commonly used in the past to reduce the requested level of discretionary funding; yet rarely did VA realize any actual savings from those gimmicks. This is particularly troubling in light of the fact that we have been told that the VA’s efforts to achieve those efficiencies explicitly outlined in the FY 2012 Budget Request have failed.

Finally, we were concerned about the revised estimate in Medical Care Collections from the originally projected \$3.7 billion (included in last year’s advance appropriations recommendation and supported by Congress) to now only \$3.1 billion. Given this revision in estimates, we believed then, as we do now, that the VA budget request, and ultimately the funding provided through the appropriations process, was insufficient for VA to meet the demand on the health-care system.

For FY 2012, *The Independent Budget* recommended that the Administration and Congress provide \$65.5 billion in discretionary funding to VA, an increase of \$4.9 billion above the FY 2011 operating budget level, to adequately meet veterans’ health-care and benefits needs. Our recommendations included \$55 billion for health care and \$620 million for medical and prosthetic research.

The Administration also included an initial estimate for the VA health-care accounts for FY 2013. Specifically, the budget request called for \$55.8 billion in total budget authority, with \$52.5 billion in discretionary funding and approximately \$3.3 billion for medical care collections. Deeper analysis of the Administration’s budget documents seems to suggest that the VA actually believed then that it needed approximately \$56.6 billion in total funding authority to meet all of the health care demands placed on the system. Given the pressures being placed on VA as a result of deficit and debt reduction, we have serious concerns whether VA will be able to meet new demand with the resources that it is being provided.

Funding for FY 2013

For FY 2013, *The Independent Budget* recommends approximately \$57.2 billion for total medical care, an increase of \$3.3 billion over the FY 2012 operating budget

level provided as an advance appropriation by P.L. 112–10, the “the Department of Defense and Full-Year Continuing Appropriations Act for FY 2011.” Meanwhile, the Administration recommended an advance appropriation for FY 2013 of approximately \$52.5 billion in discretionary funding for VA medical care as a part of its FY 2012 Budget Request. When combined with the \$3.3 billion Administration projection for medical care collections, the total available operating budget recommended for FY 2013 is approximately \$55.8 billion.

The medical care appropriation includes three separate accounts—Medical Services, Medical Support and Compliance, and Medical Facilities—that comprise the total VA health-care funding level. For FY 2013, *The Independent Budget* recommends approximately \$46.0 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate	\$43,855,969,000
Increase in Patient Workload	\$1,510,394,000
Additional Medical Care Program Costs	\$675,000,000
Total FY 2013 Medical Services.....	\$46,041,363,000

Our growth in patient workload is based on a projected increase of approximately 110,000 new unique patients—priority groups 1–8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$1 billion. The increase in patient workload also includes a projected increase of 96,500 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), as well as Operation New Dawn (OND) veterans at a cost of approximately \$349 million. Our recommendations represent an increase in projected workload in this population of veterans over previous years as a result of the withdrawal of forces from Iraq, the drawdown of forces in Afghanistan, and a potential drawdown in the actual number of service members currently serving in the Armed Forces. And yet, we believe that growth in demand for this cohort specifically could be far greater given the changing military policies mentioned above.

Finally, our increase in workload includes the projected enrollment of new priority group 8 veterans who will use the VA health-care system as a result of the Administration’s continued efforts to incrementally increase the enrollment of priority group 8 veterans by 500,000 enrollments by FY 2013. We estimate that as a result of this policy decision, the number of new priority group 8 veterans who will enroll in VA should increase by 125,000 between FY 2010 and FY 2013. Based on the priority group 8 empirical utilization rate of 25 percent, we estimate that approximately 31,250 of these new enrollees will become users of the system. This translates to a cost of approximately \$134 million. When compared to the projections that the Administration had previously made for increased utilization for this Priority Group, we believe that our recommendations are on target for those projections.

Lastly, *The Independent Budget* believes that there are additional projected funding needs for VA. Specifically, we believe there is real funding needed to restore the VA’s long-term-care capacity (for which a reasonable cost estimate can be determined based on the actual capacity shortfall of VA) and to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA’s prosthetics service). In order to restore the VA’s long-term care average daily census (ADC) to the level mandated by Public Law 106–117, the “Veterans Millennium Health Care and Benefits Act,” we recommend \$375 million. In order to meet the increase in demand for prosthetics, the *IB* recommends an additional \$300 million. This increase in prosthetics funding reflects a significant increase in expenditures from FY 2011 to FY 2012 (explained in the section on Centralized Prosthetics Funding) and the expected continued growth in expenditures for FY 2013. Additionally, it is worth noting that the VA has actively implemented the new caregiver program mandated by Public Law 111–163, the “Caregivers and Veterans Omnibus Health Services Act.” However, we believe that still greater funding should be appropriated, above what the VA has currently allocated for this program, in order to more effectively and efficiently operate the program.

For Medical Support and Compliance, *The Independent Budget* recommends approximately \$5.6 billion. Finally, for Medical Facilities, *The Independent Budget* recommends approximately \$5.6 billion. While our recommendation does not include an additional increase for nonrecurring maintenance (NRM), it does reflect a FY 2013 baseline of approximately \$900 million. While we appreciate the significant increases in the NRM baseline over the last couple of years, total NRM funding still lags behind the recommended two to four percent of plant replacement value. In fact, VA should actually be receiving at least \$2.1 billion annually for NRM (Refer to Construction section article “Increase Spending on Nonrecurring Maintenance”).

For Medical and Prosthetic Research, *The Independent Budget* recommends \$611 million. This represents a \$30 million increase over the FY 2012 appropriated level.

We are particularly pleased that Congress has recognized the critical need for funding in the Medical and Prosthetic Research account in the last couple of years. Research is a vital part of veterans' health care, and an essential mission for our national health care system.

Lastly, Mr. Chairman, I would like to note one late change to our IB budget recommendations for State Home Construction Grants which arose after we went to press. Late last week VA finally released the FY 2012 grant priority list for State Home repair, renovation and new construction projects and there was a significant increase in State matching funds certified as available. After reviewing the newly released Priority List for FY 2012, there are now \$321 million worth of Priority 1 State Home projects for which the States have certified matching funds available. As a result, the federal funding required for Priority 1 projects will be at least \$204 million in FY 2013, and that number is likely to rise even higher as States approve additional matching funding this year for a backlog of projects currently estimated at \$400 million. While this recommendation is not reflected specifically in *The Independent Budget*, this change reflects what we believe our recommendation should now be.

Advance Appropriations for FY 2014

As we have noted in the past, P.L. 111–81 required the President's budget submission to include estimates of appropriations for the medical care accounts for FY 2013 and subsequent fiscal years. With this in mind, the VA Secretary is required to update the advance appropriations projections for the upcoming fiscal year (FY 2013) and provide detailed estimates of the funds necessary for the medical care accounts for FY 2014. Moreover, the law also requires a thorough analysis and public report of the Administration's advance appropriations projections by the Government Accountability Office (GAO) to determine if that information is sound and accurately reflects expected demand and costs.

The GAO's responsibility is more important than ever, particularly in light of their findings concerning the FY 2012 budget submission last year. The GAO report that analyzed the FY 2012 Administration budget identified serious deficiencies in the budget formulation of VA. Yet these concerns were not appropriately addressed by Congress or the Administration. This analysis and the subsequent lack of action to correct these deficiencies simply affirm the ongoing need for the GAO to evaluate the budget recommendations of VA.

In the end, it is easy to forget, that the people who are ultimately affected by wrangling over the budget are the men and women who have served and sacrificed so much for this nation. We hope that you will consider these men and women when you develop your budget views and estimates, and we ask that you join us in adopting the recommendations of *The Independent Budget*.

This concludes my testimony. I will be happy to answer any questions you may have.

Information Required by Rule XI 2(g)(4) of the House of Representatives

Pursuant to Rule XI 2(g)(4) of the House of Representatives, the following information is provided regarding federal grants and contracts.

Fiscal Year 2012

No federal grants or contracts received.

Fiscal Year 2011

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation—National Veterans Legal Services Program— \$262,787.

Fiscal Year 2010

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation—National Veterans Legal Services Program— \$287,992.

Prepared Statement of Raymond Kelley

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the more than 2 million men and women of the Veterans of Foreign Wars of the U.S. (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify today. The VFW works alongside the other members of *The Inde-*

pendent Budget (IB) – AMVETS, Disabled American Veterans and Paralyzed Veterans of America – to produce a set of policy and budget recommendations that reflect what we believe would meet the needs of America’s veterans. The VFW is responsible for the construction portion of the IB, so I will limit my remarks to that portion of the budget.

With an infrastructure that is more than 60 years old, the Department of Veterans Affairs (VA) has a monumental task of maintaining and improving its vast network of facilities to ensure the Veterans Health Administration (VHA) can provide accessible, high-quality health care to our nation’s veterans. Currently, VA owns 5,300 buildings and manages more than 800 leases. In 2005, VA began using the Federal Real Property Council (FRPC) Tier 1 performance measures to assess its capital portfolio goals.¹ The two measures that directly affect patient services are utilization and condition. In 2004, VA’s utilization was at 80 percent, well below capacity. That utilization grew to 121 percent in 2010, and is projected to grow even more in the coming years. During the same time period, the condition of VA’s infrastructure decreased from 81 percent to 71 percent.² These trends show that funding for the next few years will be critical for VA to fulfill its mission.

VA has developed the Strategic Capital Investment Plan (SCIP) to address the critical deficiencies in its infrastructure. SCIP uses six criteria to assess deficiencies, or gaps, in its ability to deliver efficient, high-quality, accessible services and care for veterans. The six gap criteria are access, utilization, space, condition, energy, and other (which includes safety, security, privacy, and seismic corrections).³ It was also determined that to close all these gaps it would cost between \$53 billion and \$65 billion.⁴

To determine and monitor the condition of its facilities, VA conducted a Facility Condition Assessment (FCA). These assessments include inspections of building systems, such as electrical, mechanical, plumbing, elevators, and structural and architectural safety; and site conditions consisting of roads, parking, sidewalks, water mains, water protection. The FCA review team can grant ratings of *A*, *B*, *C*, *D*, and *F*. Assessment ratings *A* through *C* conclude the assessed is in new to average condition. *D* ratings mean the condition is below average and *F* means the condition is critical and requires immediate attention. To correct these deficiencies, VA will need to invest nearly \$10 billion.⁵

To close the gaps in access, VA will need to invest between \$30 billion and \$35 billion dollars in major and minor construction and leasing. The remaining \$20 billion is needed to close the remaining nonrecurring maintenance deficiencies.

Major Construction Accounts:

By estimation of the Department of Veterans Affairs, the cost to implement all currently identified gaps in major construction, Congress will have to authorize and appropriate between \$20 billion and \$24.5 billion over the next 10 years. Currently, there are 35 major construction projects that are authorized, dating back as far as 2004. Only three of these projects are funded through completion. The total unobligated amount for all currently congressionally budgeted major construction projects is \$2.8 billion.⁶ Yet the total funding requested for FY 2012 major construction accounts was only \$725 million.

At this level of funding, it will take VA more than 25 years to complete its current 10-year capital investment plan. *The Independent Budget* veterans service organizations (IBVSOs) understand that fiscally difficult times call for spending restraints, but without quality, accessible medical centers, VA will not be able to deliver quality, accessible care. The IBVSOs recommend \$2.8 billion to complete all partially funded and future major construction needs to close all identified gaps by 2021.

Minor Construction Accounts:

To close the minor construction gaps within its 10-year timeline, VA will need to invest nearly \$8 billion in Veterans Health Administration minor construction alone.⁷ Minor construction projects allow VA to address issues of functional space within existing buildings and improve facility conditions at cost less than \$10 mil-

¹ FY 2012 Budget Submission, Construction and 10 Year Capital Plan, February 2011, Vol. 4 of 4, p. 9.3–11, 12

² Ibid, p. 9.3–13, 14

³ Ibid, p. 8.2–4

⁴ Ibid, p. 8.1–1

⁵ Ibid, p. 9.3–14 15

⁶ FY 2012 Budget Submission, Construction and 10 Year Capital Plan, February 2011, Vol. 4 of 4, p. 2–85

⁷ FY 2012 Budget Submission, Construction and 10 Year Capital Plan, February 2011, Vol. 4 of 4, p. 1–4

lion. In past years VA and Congress requested and appropriated nearly 10 percent of the total need to close the minor construction gaps. However, the Administration and Congress decreased funding for minor construction by about \$250 million over the past two years. If this rate of investment is continued, it will take more than 16 years to complete all current minor construction gaps. Congress and VA must put minor construction back on track by investing 10 percent of the total cost to complete the 10-year minor construction plan. With this in mind, The Independent Budget recommends \$969 million in FY 2013 to achieve this goal.

Nonrecurring Maintenance Account:

Even though nonrecurring maintenance (NRM), which is funded through VA's Medical Facilities account and not through the construction account, it is critical to VA's capital infrastructure. NRM embodies the many small projects that together provide for the long-term sustainability and usability of VA facilities. NRM projects are one-time repairs, such as modernizing mechanical or electrical systems, replacing windows and equipment, and preserving roofs and floors, among other routine maintenance needs. Nonrecurring maintenance is a necessary component of the care and stewardship of a facility. When managed responsibly, these relatively small, periodic investments ensure that the more substantial investments of major and minor construction provide real value to taxpayers and to veterans as well. Accordingly, to fully maintain its facilities, VA needs an NRM annual budget of at least \$2.1 billion.

Given the low level of funding NRM accounts have historically received, The Independent Budget veterans service organizations (IBVSOs) are not surprised that basic facility maintenance remains a challenge for VA. In addition, the IBVSOs have long-standing concerns about how this funding is apportioned once received by VA. Because NRM accounts are organized under the Medical Facilities appropriation, it has traditionally been apportioned using the Veterans Equitable Resource Allocation (VERA) formula. This formula was intended to allocate health-care dollars to those areas with the greatest demand for health care, and is not an ideal method to allocate NRM funds. When dealing with maintenance needs, this formula may prove counterproductive by moving funds away from older medical centers and reallocating the funds to newer facilities where patient demand is greater, even if the maintenance needs are not as intense. The IBVSOs are encouraged by actions the House and Senate Veterans' Affairs Committees have taken in recent years requiring NRM funding to be allocated outside the VERA formula, and we hope this practice will continue.

Capital Leasing:

The Department of Veterans Affairs enters into two types of leases. First, VA leases properties to use for each agency within VA, ranging from community-based outpatient clinics (CBOC) and medical centers, to research and warehouse space. These leases do not fall under the larger construction accounts, but under each administration's and staff office operating accounts.⁸

The second type of lease, called enhanced-use lease (EUL), allows VA to lease property they own to an outside-VA entity. These leases allow VA to lease properties that are unutilized or underutilized for projects such as veterans' homelessness and long-term care. Proper use of leases provides VA with flexibility in providing care as veterans' needs and demographics changes.

VA has moved to leasing many of its CBOCs and specialty clinics to increase access of primary and specialty care in local communities as well as a way to be more modular as veterans' demographics change. The Independent Budget veterans service organizations (IBVSOs) see the value in providing quick, accessible health care, but caution a leasing concept that will rely on contracting inpatient care. Not having accessible inpatient care can and has left VA looking for ways to treat veterans in their greatest time of need. As Strategic Capital Investment Planning continues to move forward and more leases are entered into, some of which may have in patient alternatives, the IBVSOs will be continue to be vigilant to ensure that VA has viable contingency plans for inpatient care.

EUL gives VA the authority to lease land or buildings to public, nonprofit, or private organizations or companies as long as the lease is consistent with VA's mission and that the lease "provides appropriate space for an activity contributing to the

⁸FY 2012 Budget Submission, Construction and 10 Year Capital Plan, February 2011, Vol. 4 of 4, p. 8.2-88.

mission of the Department.”⁹ Although EUL can be used for a wide range of activities, the majority of the leases result in housing for homeless veterans and assisted living facilities. In 2013, VA has 19 buildings or parcels of land that are planned for EUL.¹⁰ The IBVSOs encourage VA to continue to improve their transparency of potential EUL properties. Improving dialog with veterans in the communities will reduce the backlash that often occurs when VA property is being repurposed.

Empty or Underutilized Space at Medical Centers:

The Department of Veterans Affairs maintains approximately 1,100 buildings that are either vacant or underutilized. An underutilized building is defined as one where less than 25 percent of space is used. It costs VA from \$1 to \$3 per square foot per year to maintain a vacant building.

Public Law 108–422 incentivized VA’s efforts to properly dispose of excess space by allowing VA to retain the proceeds from the sale, transfer, or exchange of certain properties in a Capital Asset Fund. Further, that law required VA to develop short- and long-term plans for the disposal of these facilities in an annual report to Congress. With this in mind, VA has begun a review of buildings and properties for finding possible reuse or repurpose opportunities. Building Utilization Review and Repurposing or BURR will focus on identifying sites in three major categories; housing for veterans who are homeless or at risk for being homeless; senior veterans capable of independent living and veterans who require assisted-living and supportive services. The three phases planned include identifying campuses with buildings and land that are either vacant or underutilized; sites visit to match the supply of building and land with the demand for services and availability of financing and lastly identifying campuses using VA’s enhanced-use leasing authority. Under the BURR initiative, if no repurposing is identified, VA will begin to assess its vacant capital inventory by demolishing or disposing of buildings that are unsuitable for reuse or beyond their usefulness.

The IBVSOs have stated that VA must continue to develop these plans, working in concert with architectural master plans, community stakeholders and clearly identifying the long-range vision for all such sites.

Program for Architectural Master Plans:

A facility master plan is a comprehensive tool to examine and project potential new patient care programs and how they might affect the existing health-care facility design. It also provides insight with respect to growth needs, current space deficiencies, and other facility needs for existing programs and how they might be accommodated in the future with redesign, expansion, or contraction.

In many past cases VA has planned construction in a reactive manner. Projects are first funded and then placed in the facility in the most expedient manner, often not considering other future projects and facility needs. This often results in short-sighted construction that restricts rather than expands options for the future.

The Independent Budget veterans service organizations (IBVSOs) believe that each VA medical center should develop a comprehensive facility master plan to serve as a blueprint for development, construction, and future growth of the facility; \$15 million should be budgeted for this purpose. We believe that each VA medical center should develop a comprehensive facility master plan to serve as a blueprint for development, construction, and future growth of the facility.

VA has undertaken master planning for several VA facilities, and we applaud this effort. But VA must ensure that all VA facilities develop master plan strategies to validate strategic planning decisions, prepare accurate budgets, and implement efficient construction that minimizes wasted expenses and disruption to patient care.

Preservation of VA’s Historic Structures:

The Department of Veterans Affairs has an extensive inventory of historic structures that highlight America’s long tradition of providing care to veterans. These buildings and facilities enhance our understanding of the lives of those who have worn the uniform, of those who cared for their wounds, and of those who helped to build this great nation. Of the approximately 2,000 historic structures in the VA historic building inventory, many are neglected and deteriorate year after year because of a lack of any funding for their upkeep. These structures should be stabilized, protected, and preserved because they are an integral part our nation’s history.

⁹Title 38, U.S.C., paragraph 8162, as amended through Public Law 112–7, enacted March 31, 2011, printed May 2, 2011.

¹⁰FY 2012 Budget Submission, Construction and 10 Year Capital Plan, February 2011, Appendix 10 Year Capital Plan, p. 10–46 -10–49.

The cost for saving some of these buildings is not very high considering that they represent a part of American history. Once gone, they cannot be recaptured. For example, the Greek Revival Mansion at the VA Medical Center in Perry Point, Maryland, built in the 1750s can be restored and used as a facility or network training space for about \$1.2 million. The Milwaukee Ward Memorial Theater, built in 1881, could be restored as a multipurpose facility at a cost of \$6 million. These expenditures would be much less than the cost of new facilities and would preserve history simultaneously.

The IBVSOs encourage VA to use the tenants of Public Law 108-422, the "Veterans Health Programs Improvement Act," in improving the plight of VA's historic properties. This act authorizes historic preservation as one of the uses of the proceeds of the capital assets fund resulting from the sale or leases of other unneeded VA properties.

Mr. Chairman, this concludes my testimony and I look forward to any questions you and the Committee may have.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2011, nor has it received any federal grants in the two previous Fiscal Years.

Prepared Statement of Joseph A. Violante

Chairman Miller, Ranking Member Filner and Members of the Committee:

On behalf of the Disabled American Veterans (DAV) and our 1.2 million members, all of whom are wartime disabled veterans, I am pleased to be here today to present recommendations of *The Independent Budget (IB)* for the fiscal year (FY) 2013 budget related to veterans benefits, judicial review and the Veterans Benefits Administration (VBA). *The Independent Budget* is jointly produced each year by DAV, AMVETS, Paralyzed Veterans of America and Veterans of Foreign Wars. While there are dozens of recommendations in this year's *Independent Budget* related to VBA's benefit programs and claims processing reform, I will only highlight some of the most critical ones in my testimony, and commend the full text of the *IB* that is now available online.

Mr. Chairman, we are now in the third year of VBA's latest effort to transform its outdated, inefficient, and inadequate claims-processing system into a modern, automated, rules-based, and paperless system. VBA has struggled for decades to provide timely and accurate decisions on claims for veterans benefits, especially veterans disability compensation, and there have been numerous prior reform attempts that began with great promise, only to fall far short of success. Over the next year we will begin to see whether their strategies to transform the people, processes and technologies will finally result in a cultural shift away from focusing on speed and production to a business culture of quality and accuracy, which is the only way to truly get the backlog under control.

RESOURCE RECOMMENDATIONS

Adequate Staffing for the Veterans Benefits Administration

In order to sustain the transformation efforts underway at VBA, *The Independent Budget* for FY 2013 generally recommends maintaining current staffing levels in the Veterans Benefits Administration, with only modest increases for the Vocational Rehabilitation and Employment Service and the Board of Veterans Appeals. Due to substantial support from Congress, VBA's Compensation Service experienced significant staffing increases between fiscal years 2008 and 2010, which supported an increase in the number of claims processed each of those years. Unfortunately, however, an even larger increase in new and reopened claims volume contributed to a rising backlog. Historically, it takes approximately two years for a new Veterans Service Representative (VSR) to acquire sufficient knowledge and experience to be able to work independently with both speed and accuracy. It takes an additional period of at least two years of training to become a Rating Veterans Service Representative (RVSR) with the skills to accurately complete most rating claims. As such, the full productive capacity of the employees hired in recent years are only now becoming evident.

This year VBA will roll out a new operating model for processing claims for disability compensation, which will change the roles and functions of thousands of VSRs and RVSRs at Regional Offices across the country. VBA is also planning to

launch new IT systems, including the Veterans Benefits Management System (VBMS) and expand the functionality of their e-Benefits system. Together these transformations are expected to have a significant effect on the productive capability of VBA's workforce. While these changes are being fully implemented, and the effect on workforce requirements analyzed, the *Independent Budget* veterans service organizations (IBVSOs) do not recommend an increase in staffing for VBA's Compensation Service for FY 2013. However, we do recommend that VBA initiate a scientific study to determine the workforce necessary to effectively manage its rising workload in a manner that produces *timely* and *accurate* rating decisions.

Moving forward, should there be a decline in personnel dedicated to producing rating decisions, an increase in claims or the backlog, or should any of the long-awaited VBA information technology initiatives fail to produce the projected reductions in processing times for claims, Congress must be prepared to act swiftly to intervene with the additional staffing resources.

Staffing Increase for Vocational Rehabilitation and Employment Service

The IBVSOs do recommend that funding for VA's Vocational Rehabilitation and Employment Service (VR&E) be increased to accommodate at least 195 additional full-time employees for the VR&E Service for FY 2013 and at least 9 new full-time employees to manage its expanding campus program.

The Government Accountability Office (GAO) conducted a study in 2009 to assess VR&E's ability to meet its core mission functions. GAO found that 54 percent of VBA's 57 regional offices reported they had fewer counselors than needed, 40 percent said they have fewer employment coordinators than needed and 90 percent reported that their caseloads have become more complex since veterans began returning from Afghanistan and Iraq.

VBA's current caseload target is one counselor for every 125 veterans served; however, feedback received by the IBVSOs from counselors in the field suggested an actual workload as high as one to 145. Based on comparisons with state vocational rehabilitation programs and discussions with VR&E personnel, even the 1:125 ratio may be too high to effectively manage VR&E's workload, particularly in providing service to seriously disabled veterans. However, to reach the 1:125 standard, VR&E needs approximately 195 new staff counselors.

The VA VetSuccess on Campus program places a full time Vocational Rehabilitation Counselor and a part time Vet Center Outreach Coordinator on college campuses to help the transition from military to civilian and student life. The President's 2012 budget submission requested funding to support further expansion of the program beyond the eight existing sites to nine more campuses: the University of South Florida, Cleveland State University, San Diego State University, Community College of Rhode Island, Arizona State University, Texas A&M, Central Texas, Rhode Island College, and Salt Lake Community College. *The Independent Budget* recommends that Congress provide funding for at least nine additional full-time employees in FY 2013 to manage this expanding campus program.

Staffing Increase for the Board of Veterans Appeals

The Independent Budget also recommends a staffing increase at the Board of Veterans Appeals of at least 40 full-time employee equivalents (FTEE) for FY 2013. Based on historical trends, the number of new appeals to the Board averages approximately five percent of all claims received, so as the number of claims processed by VBA is expected to rise significantly, so too will the Board's workload rise commensurately. With the number of claims processed at VBA having risen to over one million, and projected to rise even higher, it is virtually certain that the Board's workload will begin to rise even faster.

The Board is currently authorized to have 544 FTEEs; however, its budget in FY 2011 could only support 532 FTEEs. Expected workload projections by the Board indicate that the authorized level for FY 2013 should be closer to 585 FTEEs. The IBVSOs are concerned that unless additional resources are provided to the Board, its ability to produce timely and accurate decisions will be constrained by an inadequate budget, and either the backlog will rise or accuracy will fall. Neither of these outcomes is acceptable. At a minimum, Congress increase funding to the Board in order to sustain 585 FTEE in FY 2013.

Dedicated Courthouse for the Court of Appeals for Veterans Claims

Mr. Chairman, I would also like to highlight a recommendation in this year's *Independent Budget* concerning the United States Court of Appeals for Veterans Claims. During the 24 years since the Court was formed in accordance with legislation enacted in 1988, it has been housed in commercial office buildings, making it the only Article I court that does not have its own courthouse. The IBVSOs believe that the Veterans Court should be accorded at least the same degree of respect en-

joyed by other appellate courts of the United States. Congress previously acted on this in fiscal year 2008 by allocating \$7 million for preliminary work on site acquisition, site evaluation, preplanning for construction, architectural work, and associated studies and evaluations for the construction of the courthouse. It is time for Congress to provide the funding necessary to construct permanent courthouse in a location of honor and dignity befitting the Veterans Court and the veterans it serves.

VETERANS BENEFITS RECOMMENDATIONS

The Veterans Benefits Administration provides an array of benefits to our nation's veterans, including disability compensation, dependency and indemnity compensation, pensions, vocational rehabilitation, education benefits, home loans, and life insurance. Unfortunately, the failure to regularly adjust benefit rates or to tie them to realistic annual cost-of-living adjustments (COLAs), can threaten the effectiveness of other these benefits. For example, the annual COLAs do not take into account the rising cost of some basic necessities, such as food and energy. In addition to prudent increases in a number of specific benefits programs to meet today's rising costs of living, *The Independent Budget* includes a number of recommendations designed to make several existing benefits more equitable for all veterans, particularly disabled veterans.

Eliminate Remaining Concurrent Receipt Penalties

Today, many veterans retired from the armed forces based on longevity of service must forfeit a portion of their retired pay, earned through faithful performance of military service, before they can receive VA compensation for service-connected disabilities. This is inequitable: military retired pay is earned by virtue of a veteran's career of service on behalf of the nation, careers of usually more than 20 years. Entitlement to compensation, on the other hand, is paid solely because of disability resulting from military service, regardless of the length of service. Most nondisabled military retirees pursue second careers after serving in order to supplement their income, thereby justly enjoying a full reward for completion of a military career with the added reward of full civilian employment income. In contrast, military retirees with service-connected disabilities do not enjoy the same full earning potential.

In order to place all disabled longevity military retirees on equal footing with nondisabled military retirees, there should be no offset between full military retired pay and VA disability compensation. Congress has previously removed this offset for veterans with service-connected disabilities rated 50 percent or greater. Congress should enact legislation to repeal the inequitable requirement that veterans' military longevity retired pay be offset by an amount equal to their disability compensation if rated less than 50 percent.

Repeal the DIC - SBP Offset

The current requirement that the amount of an annuity under the Survivor Benefit Plan (SBP) be reduced on account of and by an amount equal to dependency and indemnity compensation (DIC) for survivors of disabled veterans is inequitable and should be repealed.

A veteran disabled in military service is compensated for the effects of service-connected disability. When a veteran dies of service-connected causes, or following a substantial period of total disability from service-connected causes, eligible survivors or dependents receive DIC from the Department of Veterans Affairs. This benefit indemnifies survivors, in part, for the losses associated with the veteran's death from service-connected causes or after a period of time when the veteran was unable, because of total disability, to accumulate an estate for inheritance by survivors.

Survivors of military retirees have no entitlement to any portion of the veteran's military retirement pay after his or her death, unlike many retirement plans in the private sector, however they may participate in the survivor benefit plan (SBP), which makes deductions from their spouses military retirement pay to purchase a survivors' annuity. Upon the military retirees death, the annuity is paid monthly to eligible beneficiaries under the plan. If the veteran died of other than service-connected causes or was not totally disabled by service-connected disability for the required time preceding death, beneficiaries receive full SBP payments. However, if the veteran's death was a result of military service or after the requisite period of total service-connected disability, the SBP annuity is reduced by an amount equal to the DIC payment. When the monthly DIC rate is equal to or greater than the monthly SBP annuity, beneficiaries lose all entitlement to the SBP annuity.

This offset is inequitable because there is no duplication of benefits since payments under the SBP and DIC programs are made for different purposes. Under the SBP, coverage is purchased by a veteran and paid to his or her surviving beneficiary

at the time of the veterans death. On the other hand, DIC is a special indemnity compensation paid to the survivor of a servicemember who dies while serving in the military, or a veteran who dies from service-connected disabilities. In such cases DIC should be added to the SBP, not substituted for it. Surviving spouses of federal civilian retirees who are veterans are eligible for DIC without losing any of their purchased federal civilian survivor benefits. The offset penalizes survivors of military retirees whose deaths are under circumstances warranting indemnification from the government separate from the annuity funded by premiums paid by the veteran from his or her retired pay. Congress should fully repeal the offset between dependency and indemnity compensation and the Survivor Benefit Plan.

Adaptive Housing and Automobile Grants

Service-connected disabled veterans who have impairments or loss of use of at least one of their hands, feet or eyes may be eligible for several grants to adapt their housing or automobiles, including the Specially Adapted Housing Grant and the Automobile and Special Adaptive Equipment Grants. However when veterans who have already received these grants are forced to move to a new home, or stay temporarily in someone else's home, or need to replace an outdated automobile, they are restricted in accessing the full benefits of this program. To remedy this, Congress should establish a supplementary housing grant that covers the cost of new home adaptations for eligible veterans who have used their initial, once in-a-lifetime grant on specially adapted homes they no longer own and occupy. A separate grant should be provided for special adaptations to homes owned by family members in which veterans temporarily reside. VA should also be authorized to provide a supplementary auto grant to eligible veterans in an amount equaling the difference between their previously used one-time entitlement and the increased amount of the grant.

Compensation for Quality of Life and Noneconomic Loss:

Mr. Chairman, our nation's 3.2 million service disabled veterans rely greatly on VA's disability compensation program as an essential source of financial support for themselves and their families. However, a number of recent studies and commissions have all agreed that VA's disability compensation program does not do enough and should be revised to compensate for the loss of quality of life and other noneconomic losses that result from permanent disabilities suffered while serving in the armed forces.

In 2007, the Institute of Medicine (IOM) published a report entitled, "A 21st Century System for Evaluating Veterans for Disability Benefits," recommending that the current VA disability compensation system be expanded to include compensation for noneconomic loss and loss of quality of life. The IOM report stated that, "... Congress and VA have implicitly recognized consequences in addition to work disability of impairments suffered by veterans in the Rating Schedule and other ways. Modern concepts of disability include work disability, nonwork disability, and quality of life (QOL) ..."

The congressionally-mandated Veterans Disability Benefits Commission (VDBC), established by the National Defense Authorization Act of 2004 (P.L. 108-136), in 2007 also recommended that the, "... veterans disability compensation program should compensate for three consequences of service-connected injuries and diseases: work disability, loss of ability to engage in usual life activities other than work, and loss of quality of life." That same year, the President's Commission on Care for America's Returning Wounded Warriors, chaired by former Senator Bob Dole and former Health and Human Services Secretary Donna Shalala, also agreed that the current benefits system should be reformed to include noneconomic loss and quality of life as a factor in compensation.

The Independent Budget concurs with all these recommendations and calls on Congress to finally address this deficiency by amending title 38, United States Code, to clarify that disability compensation, in addition to providing compensation to service-connected disabled veterans for their average loss of earnings capacity, must also include compensation for their noneconomic loss and for loss of their quality of life. The Canadian Veterans' Affairs disability compensation program and the Australian Department of Veterans' Affairs disability compensation program already do just that. It is now time for our Congress and VA to determine the most practical and equitable manner in which to provide compensation for noneconomic loss and loss of quality of life and then move expeditiously to implement this updated disability compensation program.

CLAIMS PROCESSING REFORM RECOMMENDATIONS

Over the past decade, the number of veterans filing claims for disability compensation has more than doubled, rising from nearly 600,000 in 2000 to over 1.4

million in 2011. This workload increase is the result of a number of factors over the past decade, including the wars in Iraq and Afghanistan, an increase in the complexity of claims and a downturn in the economy causing more veterans to seek VA assistance. Furthermore, new presumptive conditions related to Agent Orange exposure (ischemic heart disease, B-cell leukemia and Parkinson's disease) and previously denied claims, resulting from the Nehmer decision added almost 200,000 new claims this year; leading to a workload surge that will level off in 2012. During this same decade, VBA's workforce grew by about 80%, rising from 13,500 FTEE in 2007 to over 20,000 today, with the vast majority of that increase occurring during the past four years.

Yet despite the hiring of thousands of new employees, the number of pending claims for benefits, often referred to as the backlog, continues to grow. As of February 4, 2012, there were 891,402 pending claims for disability compensation and pensions awaiting rating decisions by the VBA, an increase of more than 114,000 from one year ago, and almost double the 487,501 that were pending two years prior. The number of claims pending over 125 days, VBA's official target for completing claims, reached 591,243, which is a 66% increase in one year and more than twice 185,040 from two years ago.

But more important than the number of claims processed is the number of claims processed correctly. The VBA quality assurance program is known as the Systematic Technical Accuracy Review (STAR) and is now available publicly on VA's ASPIRE Dashboard. The most recent STAR measure for rating claims accuracy for the one-year period ending September 2011 is 84 percent, about the same level as one year prior, and slightly lower than several years earlier. However, the VA Office of Inspector General (VAOIG) reported in May 2011 that based on inspections of 45,000 claims at 16 of the VA's 57 regional offices (VAROs), claims for disability compensation were correctly processed only 77 percent of the time. This error rate would equate to almost 250,000 incorrect claims decisions in just the past year.

Cultural Change Needed to Fix Claims-Processing System:

Under the weight of an outdated information technology system, increasing workload and growing backlog, the VBA faces a daunting challenge of comprehensively transforming the way it processes claims for benefits in the future, while simultaneously reducing the backlog of claims pending within its existing infrastructure. While there have been many positive and hopeful signs that the VBA is on the right path, there will be critical choices made over the next year that will determine whether this effort will ultimately succeed. It is essential that Congress provide careful and continuing oversight of this transformation to help ensure that the VBA achieves true reform and not just arithmetic milestones, such as lowered backlogs or decreased cycle times.

One of the more positive signs has been the open and candid attitude of VBA leadership over the past several years, particularly progress towards developing a new partnership between VBA and veterans service organizations (VSOs) who assist veterans in filing claims. The IBVSOs have been increasingly consulted on a number of the new initiatives underway at VBA, including disability benefit questionnaires (DBQs), Veterans Benefit Management System (VBMS), and many, but not all business process pilots, including the I-LAB at the Indianapolis Regional Office. Building upon these efforts, VBA must continue to reach out to its VSO partners, not just at central office, but also at each of the 57 regional offices.

In order to drive and sustain its transformation strategies throughout such a massive organization, VBA must change how it measures and rewards performance in a manner designed to achieve the goal of getting claims decided right the first time. Unfortunately, most of the measures that VBA employs today are based primarily on production goals, rather than quality. This bias for speed over accuracy has long been VBA's cultural norm, and it is not surprising that management and employees today still feel a tremendous pressure to meet production goals first and foremost. While accuracy has been and remains one of the performance standards that must be met by all employees, new performance standards adopted over the past two years appear to have done little to create sufficient incentives to elevate quality above production.

Over the next couple of crucial years, it will be particularly important for VBA and Congress to remain focused on the principal goal of enhancing quality and accuracy, rather than focusing on reducing the backlog. VBA should change the way it measures and reports progress so that there are more and better indicators of quality and accuracy, at least equal in weight to measures of speed and production. In addition, VBA should develop a systematic way to measure average work output for each category of its employees in order to establish more accurate performance

standards, which will also allow the VBA to better project future workforce requirements.

Implementing a New Operating Model for Processing Claims:

As the Veterans Benefits Administration begins to implement a new operating model for processing claims for disability compensation, it must give priority to “best practices” that have been validated to increase quality and accuracy, not just speed and production. VBA has conducted more than 40 different pilot programs and initiatives looking at new ways of establishing, developing, rating, and awarding claims for benefits. Dozens of other ideas flowed from individual employees and regional offices, leadership retreats, and an internal “innovation competition,” leading to new initiatives such as quick pay, walk-in claims, and rules-based calculators.

In order to test how best to integrate these and other pilots and initiatives conducted over the past two years, VA established the I-LAB at the Indianapolis Regional Office to develop a new end-to-end operating model for claims processing. The I-LAB settled on the segmentation of claims as the cornerstone principle for designing the new operating model. The traditional triage function was replaced at the I-LAB with an Intake Processing Center, staffed with experienced claims processor, whose responsibility was to divide claims along three separate tracks; Express, Core, and Special Ops. The Express lane is for simpler claims, such as fully developed claims, claims with one or two contentions, or other simple claims. The Special Ops lane is for more difficult claims, such as those with eight or more contentions, longstanding pending claims, complex conditions, such as traumatic brain injury and special monthly compensation, and other claims requiring extensive time and expertise. The Core lane is for the balance of claims with between three and seven contentions, claims for individual unemployability (IU), original mental health conditions, and others.

VBA has seen some early indications that productivity could increase through the use of the new segmentation strategy at the I-LAB; however, it may still be too soon to judge whether such results would be reproduced if applied nationally. While the VBA certainly needs to reform its claims-processing system, it must first ensure that proper metrics are in place in order to make sound decisions about the elements of its new operating model.

By the end of 2011, the VBA stood up an Implementation Team to develop a strategy and plan for implementing the new operating model for processing claims. With the Secretary’s ambitious goal of processing all claims in less than 125 days with an accuracy rate of 98 percent by 2015, VBA’s strategy calls for 2012 to be a year of transition; full implementation of the new operating model is planned for 2013; in 2014, the VBA anticipates stabilization and assessment of the new system; and 2015 is planned as the year of “centers of excellence,” an apparent reference to a future state that will centralize some VBA activities or functions.

Critical to the success of this implementation strategy will be the choices made by VBA this year. It will also be absolutely essential for Congress to provide strong oversight to ensure that the enormous pressures on VBA to show progress toward eliminating or reducing the claims backlog does not result in short term gains at the expense of long-term reform.

Stronger Training, Testing and Quality Control

Mr. Chairman, training, testing, and quality control must be given the highest priority within the Veterans Benefits Administration if the current claims processing reform efforts are to be successful. Training is essential to the professional development of individuals and tied directly to the quality of work they produce, as well as the quantity they can accurately produce. However, the IBVSOs remain concerned that under the rising pressure of increasing workload and backlogs, VBA managers and employees often choose to cut corners on training in order to focus on production at all costs. It is imperative that efforts to increase productivity not interfere with required training of employees, particularly new employees who are still learning their job.

Furthermore, after employees have been trained it is important that they are regularly tested to ensure that they have the knowledge and competencies to perform their jobs. A GAO report published in September 2011 found that there did not exist a nationwide training curriculum for VBA’s Decision Review Officers (DROs), despite the fact that 93 percent of regional managers interviewed supported such a national training program, as did virtually every DRO interviewed. We would note that following a recent DRO examination in which a high percentage failed to achieve acceptable results, the VBA required all DROs to undergo a one-week training program to enhance their knowledge and job skills. This is exactly the type of

action that should regularly occur within an integrated training, testing, and quality control program.

In 2008, Congress enacted Public Law 110–389, the Veterans’ Benefits Improvement Act of 2008, which required VBA to develop and implement a certification examination for all claims processors and managers. While tests have been developed and conducted for VSRs, RVSRs, and DROs, the tests for supervisory personnel and coaches have yet to be completed. VBA cannot accurately assess its training or measure an individual’s knowledge, understanding, or retention of the training material without regular testing. The IBVSOs believe it is essential that all VBA employees, coaches, and managers undergo regular testing to measure job skills and knowledge, as well as the effectiveness of the training. At the same time, VBA must ensure that certification tests are developed that accurately measure the skills and knowledge needed to perform the work of VSRs, RVSRs, DROs, coaches, and other managers.

One of the most promising developments over the past year is VBA’s new initiative to stand up Quality Review Teams (QRTs) in every regional office. Developed from a review of the best practices used at certain high-performing regional offices, the QRT program will assign full-time, dedicated employees whose sole function is to seek out and correct errors in claims processing. QRTs will also work to develop in-process quality control measures to prevent errors before decisions are made. The IBVSOs strongly support this program and recommend that VBA make service in a QRT unit a career path requirement for those seeking to rise to senior positions in Regional Offices or at VBA’s headquarters in Washington, DC.

Mr. Chairman, the only way the VBA can make and sustain long-term reductions in the backlog is by producing better quality decisions in the first instance. The only way to institutionalize such a cultural shift within the VBA is by developing and giving priority to training, testing and quality control programs.

New Information Technology Systems

After two years of development, VBA’s Veterans Benefits Management System (VBMS) is planned to be rolled out nationally beginning in June of this year. The VBMS is designed to provide a comprehensive, paperless, and rules-based method of processing and awarding claims for VA benefits, particularly disability compensation and pension. The IBVSOs have been especially pleased with VBA efforts to incorporate the experience and perspective of our organizations throughout the VBMS development process. Understanding the important role that VSO service officers play in the claims process, VBA proactively sought frequent and substantive consultation with VSOs, both at the national VBMS office and at the pilot locations. The IBVSOs are confident that this promising partnership will strengthen VBMS for VBA, VSOs, and most importantly, veterans seeking VA benefits.

As VBA turns the corner on VBMS development leading to deployment, it is imperative that Congress provide full funding to complete this essential IT initiative. In today’s difficult fiscal environment, there are concerns that efforts to balance the federal budget and reduce the national debt could result in reductions to VA programs, including IT programs. Over the next year Congress must ensure that the funding required and designated for the VBMS is protected from cuts or reprogramming, and spent as Congress intended.

Another key IT component is e-Benefits, VA’s online portal that allows veterans to apply for, monitor, and manage their benefits over the Internet. With more than 2 million users registered, e-Benefits provides a web-based method for veterans to file claims for disability and other benefits that will ultimately integrate that information directly into the VBMS to adjudicate those claims. As with VBMS, it is crucial that Congress and the VBA provide e-Benefits full funding in order to support the ongoing transformation of the claims processing system.

Mr. Chairman, the IBVSOs remain concerned about VBA’s plans for transitioning legacy paper claims into the new VBMS work environment. While VBA is committed to moving forward with a paperless system for new claims, it has not yet determined how to handle reopened paper claims; specifically whether, when or how they would be converted to digital files. Because a majority of claims processed each year are for reopened or appealed claims and because files can remain active for decades, until all legacy claims are converted to digital data files, VBA could be forced to continue paper processing for decades. Requiring VBA employees to learn and master two different claims processing systems—one that is paper-based and the other digital—would add unnecessary complexity and could negatively affect quality, accuracy, and consistency.

While there are very difficult technical questions to be answered about the most efficient manner of transitioning to all-digital processing, particular involving legacy paper files, the IBVSOs believe the VBA should do all it can to shorten the length

of time this transition takes to complete, and should provide a clear roadmap for eliminating legacy paper files, one that includes clear timelines and resource requirements. While this transition may require significant upfront investment, it will pay dividends for the VBA and veterans in the future.

Mr. Chairman, that concludes my statement and I would be happy to answer any questions you or other members of the Committee may have.

Executive Summary

VBA AND GOE RESOURCE RECOMMENDATIONS

In order to sustain the transformation efforts underway at VBA, *The Independent Budget* recommends generally maintaining current staffing levels for FY 2013 in the Veterans Benefits Administration, with modest increases for the Vocational Rehabilitation and Employment Service (VR&E) and the Board of Veterans Appeals.

- Increase funding for VR&E to allow 195 new counselors to reach recommended staffing rations and 9 new full-time employees to manage its expanding campus program
- Increase funding to the Board to allow 40 FTEE to keep up with rising workload.
- Provide the funding necessary to construct a permanent courthouse for the United States Court of Appeals for Veterans Claims.

VETERANS BENEFITS RECOMMENDATIONS

- Congress should enact legislation to repeal the inequitable requirement that veterans' military longevity retired pay be offset by an amount equal to their disability compensation if rated less than 50 percent.
- Congress should fully repeal the offset between dependency and indemnity compensation (DIC) and the Survivor Benefit Plan (SBP).
- Congress and VA should determine the most practical and equitable manner to provide compensation for noneconomic loss and loss of quality of life for service connected disabled veterans and move expeditiously to implement this new component.

CLAIMS PROCESSING REFORM RECOMMENDATIONS

- Congress must provide close and continuing oversight of VBA's transformation of their claims processing system in order to ensure that it is built on the principal of enhancing quality and accuracy, rather than simply reducing the backlog by any means.
- Congress must fully fund VBA's new IT systems, particularly the Veterans Benefits Management System (VBMS) and e-Benefits.
- All VBA employees, coaches, and managers should undergo regular training and testing to measure job skills and knowledge, as well as the effectiveness of the training.

Prepared Statement of Diane M. Zumatto

Chairman Miller, Ranking Member Filner, Congressman Walz and distinguished members of the committee, as an author of *The Independent Budget (IB)*, I thank you for this opportunity to share with you the IB's recommendations in what we believe to be the most fiscally responsible way of ensuring the quality and integrity of the care and benefits earned by Americans veterans.

The venerable and honorable history of our national cemeteries spans roughly 150 years and the earliest military graveyards were, not surprisingly, situated at battle sites, near field or general hospitals and at former prisoner-of-war sites. With the passage of the National Cemeteries Act of 1973 (P.L. 93-43), the Department of Veterans' Affairs (VA) became responsible for the majority of our national cemeteries. The single most important obligation of the National Cemetery Administration (NCA) is to honor the memory of America's brave men and women who have selflessly served in this nation's armed forces. Many of the individual cemeteries, monuments, grave stones, grounds and related memorial tributes within the NCA system are richly steeped in history and represent the very foundation of these United States.

With the signing of the Veterans Programs Enhancement Act of 1998 (P.L. 105-368) officially re-designated the National Cemetery System (NCS) to the now familiar National Cemetery Administration (NCA). The NCA currently maintains stewardship of 131 of the nation's 147 national cemeteries, as well as 33 soldiers' lots. Since 1862, when President Abraham Lincoln signed the first legislation estab-

lishing the national cemetery concept, more than 3 million burials have taken place in national cemeteries currently located in 39 states and Puerto Rico. As of late 2010, there were more than 20,021 acres of landscape, funerary monuments, grave markers and other architectural features, much of it historically significant, included within established installations in the NCA.

VA estimates that approximately 22.4 million veterans are alive today and with the transition of an additional 1 million service members into veteran status over the next 12 months, this number is expected to continue to rise until approximately 2017. On average, 14.4 percent of veterans choose a national or state veterans' cemetery as their final resting place. As new national and state cemeteries continue to open and as our aging veterans' population continues to grow, we continue to be a nation at war on multiple fronts. The demand for burial at a veterans' cemetery will continue to increase.

The Independent Budget veterans service organizations (IBVSOs) would like to acknowledge the dedication and commitment demonstrated by the NCA leadership and staff in their continued dedication to providing the highest quality of service to veterans and their families. It is in the opinion of the IBVSOs that the NCA continues to meet its goals and the goals set forth by others because of its true dedication and care for honoring the memories of the men and women who have so selflessly served our nation. We applaud the NCA for recognizing that it must continue to be responsive to the preferences and expectations of the veterans' community by adapting or adopting new interment options and ensuring access to burial options in the national, state and tribal government-operated cemeteries. We also believe it is important to recognize the NCA's efforts in employing both disabled and homeless veterans.

NCA Accounts

In FY 2011, the National Cemetery Administration operated on an estimated budget of \$298.3 million associated with the operations and maintenance of its grounds. The NCA had no carryover for FY 2011. The NCA was also able to award 44 of its 48 minor construction projects and had four unobligated projects that will be moved to FY 2012. Unfortunately, due to continuing resolutions and the current budget situation, the NCA was not able to award the remaining four projects.

The IBVSOs support the operational standards and measures outlined in the National Shrine Commitment (P.L. 106-117, Sec. 613) which was enacted in 1999 to ensure that our national cemeteries are the finest in the world. While the NCA has worked diligently improving the appearance of our national cemeteries, they are still a long way from where they should be.

The NCA has worked tirelessly to improve the appearance of our national cemeteries, investing an estimated \$39 million into the National Shrine Initiative in FY 2011. According to NCA surveys, as of October 2011 the NCA has continued to make progress in reaching its performance measures. Since 2006, the NCA has improved headstone and marker height and alignment in national cemeteries from 67 percent to 70 percent and has improved cleanliness of tombstones, markers and niches from 77 percent to 91 percent. Although the NCA is nearing its strategic goal of 90 percent and 95 percent, respectively, for height and alignment and cleanliness, more funding is needed to continue this delicate and labor-intensive work. Therefore, the IBVSOs recommend the NCA's Operations and Maintenance budget to be increased by \$20 million per year until the operational standards and measures goals are reached.

The IBVSOs recommend an Operational and Maintenance budget of \$280 million for the National Cemetery Administration for FY 2013 so it can meet the demands for interment, gravesite maintenance and related essential elements of cemetery operations. This request includes \$20 million for the National Shrine Initiative.

The IBVSOs call on the Administration and Congress to provide the resources needed to meet the critical nature of the NCA's mission and to fulfill the nation's commitment to all veterans who have served their country so honorably and faithfully.

State Cemetery Grant Programs

The State Cemetery Grants Program (SCGP) complements the National Cemetery Administration's mission to establish gravesites for veterans in areas where it cannot fully respond to the burial needs of veterans. Several incentives are in place to assist states in this effort. For example, the NCA can provide up to 100 percent of the development cost for an approved cemetery project, including establishing a new cemetery and expanding or improving an established state or tribal organization veterans' cemetery. New equipment, such as mowers and backhoes, can be provided

for new cemeteries. In addition, the Department of Veterans' Affairs may also provide operating grants to help cemeteries achieve national shrine standards.

In FY 2011, the SCGP operated on an estimated budget of \$46 million, funding 16 state cemeteries. These 16 state cemeteries included the establishment or ground breaking of five new state cemeteries, three of which are located on tribal lands, expansions and improvements at seven state cemeteries, and four projects aimed at assisting state cemeteries to meet the NCA national shrine standards. Since 1978, the Department of Veterans' Affairs has more than doubled the available acreage and accommodated more than a 100 percent increase in burials through this program.

With the enactment of the "Veterans Benefits Improvement Act of 1998," the NCA has been able to strengthen its partnership with states and increase burial services to veterans, especially those living in less densely populated areas without access to a nearby national cemetery. Through FY 2010, the state grant program has established 75 state veteran's cemeteries in 40 states and U.S. territories. Furthermore, in FY 2011 VA awarded its first state cemetery grant to a tribal organization.

The Independent Budget veteran's service organizations recommend that Congress fund the State Cemetery Grants Program at \$51 million for FY 2013. The IBVSOs believe that this small increase in funding will help the National Cemetery Administration meet the needs of the State Cemetery Grant Program, as its expected demand will continue to rise through 2017. Furthermore, this funding level will allow the NCA to continue to expand in an effort of reaching its goal of serving 94 percent of the nation's veteran population by 2015.

Veteran's Burial Benefits

Since the original parcel of land was set aside for the sacred committal of Civil War Veterans by President Abraham Lincoln in 1862, more than 3 million burials have occurred in national cemeteries under the National Cemetery Administration.

In 1973, the Department of Veterans' Affairs established a burial allowance that provided partial reimbursement for eligible funeral and burial costs. The current payment is \$2,000 for burial expenses for service-connected deaths, \$300 for non-service-connected deaths and a \$700 plot allowance. At its inception, the payout covered 72 percent of the funeral costs for a service-connected death, 22 percent for a non-service-connected death and 54 percent of the cost of a burial plot.

Burial allowance was first introduced in 1917 to prevent veterans from being buried in potter's fields. In 1923 the allowance was modified. The benefit was determined by a means test until it was removed in 1936. In its early history the burial allowance was paid to all veterans, regardless of their service connectivity of death. In 1973, the allowance was modified to reflect the status of service connection.

The plot allowance was introduced in 1973 as an attempt to provide a plot benefit for veterans who did not have reasonable access to a national cemetery. Although neither the plot allowance nor the burial allowance was intended to cover the full cost of a civilian burial in a private cemetery, the recent increase in the benefit's value indicates the intent to provide a meaningful benefit. *The Independent Budget* veteran's service organizations are pleased that the 111th Congress acted quickly and passed an increase in the plot allowance for certain veterans from \$300 to \$700 effective October 1, 2011. However, we believe that there is still a serious deficit between the original value of the benefit and its current value.

In order to bring the benefit back up to its original intended value, the payment for service-connected burial allowance should be increased to \$6,160, the non-service-connected burial allowance should be increased to \$1,918 and the plot allowance should be increased to \$1,150. The IBVSOs believe Congress should divide the burial benefits into two categories: veterans within the accessibility model and veterans outside the accessibility model.

Congress should increase the plot allowance from \$700 to \$1,150 for all eligible veterans and expand the eligibility for the plot allowance for all veterans who would be eligible for burial in a national cemetery, not just those who served during wartime. In addition, Congress should increase the service-connected burial benefits from \$2,000 to \$6,160 for veterans outside the radius threshold and to \$2,793 for veterans inside the radius threshold.

Congress should increase the nonservice-connected burial benefits from \$300 to \$1,918 for all veterans outside the radius threshold and to \$854 for all veterans inside the radius threshold. The Administration and Congress should provide the resources required to meet the critical nature of the National Cemetery Administration's mission and to fulfill the nation's commitment to all veterans who have served their country so honorably and faithfully.

Education, Employment and Training

During this time of persistent unemployment in our country, the veterans' community as a whole has been hit disproportionately hard, but for Iraq and Afghanistan veterans and Reserve Component members, the job prospects are particularly bleak. Estimates as recent as October 2011 suggest that the unemployment rate among veterans returning from Iraq and Afghanistan is at least 3 percent greater than the national average. In consideration of the tremendous sacrifices our veterans have made for this nation, Congress and the Administration must make a concerted effort to guarantee that all veterans have access to education, employment and training opportunities to ensure success in an unfavorable civilian job market.

Assisting those who have honorably served to secure the proper skills, certifications and degrees so that they can achieve personal success is and should always be central to our support of veterans. In addition, disabled veterans often encounter barriers to entry or reentry into the workforce. The lack of appropriate accommodations on the job can make obtaining quality training, education and job skills especially problematic. These difficulties, in turn, contribute to low labor force participation rates and leave many disadvantaged veterans with little choice but to rely on government assistance programs. At present funding levels, entitlement and benefit programs cannot keep pace with the current and future demand for such benefits. The vast majority of working-age veterans want to be productive in the workplace, and we must provide greater opportunities to help them achieve their career goals. Thankfully, Congress passed the VOW to Hire Heroes Act in recognition of these veterans' employment challenges which an important step in improving veterans' job prospects.

Education

In 2008, Congress enacted the Post-9/11 GI Bill and ensured that today's veterans have greater opportunities for success after their years of voluntary service to our nation. *The Independent Budget* veterans' service organizations (IBVSOs) were pleased with the quick passage of this landmark benefit and worked with Congress to quickly correct unforeseen inequities via the "Post-9/11 Veterans Education Assistance Improvement Act of 2010." When it was signed into law, leaders in Congress and in the veterans' advocacy community touted the prospect that the Post-9/11 GI Bill could create a new "Greatest Generation," offering critical job skills and training to a new generation of leaders.

The IBVSOs are concerned that the Post-9/11 GI Bill may be vulnerable to budgetary attacks as the conflicts in Iraq and Afghanistan draw to a close. The benefits of the Post-9/11 GI Bill must continue to remain available to honor the sacrifice of our nation's veterans. To support this request, the Department of Veterans' Affairs must develop the metrics to accurately measure the short- and long-term impacts of these educational benefits. The IBVSOs believe that the Post-9/11 GI Bill is an investment, not only in the future of our veterans but also our nation.

Training and Rehabilitation Services: Vocational Rehabilitation and Employment

Vocational rehabilitation for disabled veterans has been part of this nation's commitment to veterans since Congress first established a system of veterans' benefits upon entry of the United States into World War I in 1917. Today the Vocational Rehabilitation and Employment (VR&E) Service, through its VetSuccess Program, is charged with preparing service-disabled veterans for suitable employment or providing independent living services to those veterans with disabilities severe enough to render them unemployable. Approximately 48,000 active duty, Reserve and Guard personnel are discharged annually, with more than 25,000 of those on active duty found "not fit for duty" as a result of medical conditions that may qualify for VA disability ratings. With a disability rating the veteran would potentially be eligible for Vocational Rehabilitation and Employment services. According to the most recent report from the Government Accountability Office (GAO) on VR&E services, the ability of veterans to access VR&E services has remained problematic.

The task before Vocational Rehabilitation and Employment's (VR&E) VetSuccess program is critical, and the need becomes clearer in the face of the statistics from the current conflicts. Since Sept. 11, 2001, there have been more than 2.2 million service members deployed. Of that group, more than 941,000 have been deployed at least two or more times. As a result, many of these service members are eligible for disability benefits and VR&E services if they are found to have an employment handicap. Specifically, 43 percent may actually file claims for disability. Due to the increasing number of service members returning from Iraq and Afghanistan with serious disabilities, VR&E must be provided the resources to further strengthen its program. There is no VA mission more important than that of enabling injured military personnel to lead productive lives after serving their country. In the face of

these facts, of concern to *The Independent Budget* veterans service organizations (IBVSOs) are the current constraints placed on VR&E as a result of an average client to counselor ratio of 145:1 compared to the VA standard of 125:1. VR&E, working through outside contractors, continues to refine and refocus this important program so it can maximize its ability to deliver services within certain budgetary constraints. Given the anticipated caseload that future downsizing of the military will produce, a more concise way to determine staffing requirements and a more rigorous manpower formula must be developed.

With this in mind, the IBVSOs recommend that VA needs to strengthen its Vocational Rehabilitation and Employment (VR&E) program to meet the demands of disabled veterans, particularly those returning from the conflicts in Afghanistan and Iraq. It must provide a more timely and effective transition into the workforce and provide placement follow-up with employers for a minimum of six months. Congress must provide the resources for VR&E to establish a maximum client to counselor standard of 125:1 and a new ratio of 100:1 to be the standard. VR&E must place a higher emphasis on academic training, employment services and independent living to achieve the goal of rehabilitation of severely disabled veterans. Congress should provide the resources to support the expansion of VR&E's quality assurance staff to increase the frequency of site visits.

Congress must also conduct oversight to ensure that Vocational Rehabilitation and Employment (VR&E) program services are being delivered efficiently and effectively. VR&E must develop and implement metrics that can identify problems and lead to solutions that effectively remove barriers to veteran completion of VR&E programs.

Transition Assistance Programs

The Transition Assistance Program (TAP) was developed to assist military families leaving active service. The Department of Labor (DOL) began providing TAP employment workshops in 1991, pursuant to section 502 of the "National Defense Authorization Act for Fiscal Year 1991" (P.L. 101-510). It is an interagency program delivered in partnership by DOL and the Departments of Veterans Affairs, Defense (DOD) and Homeland Security (DHS). Returning to civilian life is a complex and exciting time for service members. TAP and the Disabled Transition Program (DTAP) will, generally, now be mandatory thanks to the "VOW to Hire Heroes Act" (P.L. 112-56) and will result in the program becoming an even greater benefit in meeting the needs of separating service members as they transition into civilian life.

As part of the new TAP, eligible members will be allowed to participate in an apprenticeship or pre-apprenticeship program that provides them with education, training, and services necessary to transition to meaningful employment. These new TAP classes will also upgrade career counseling options and resume writing skills, as well as ensuring the program is tailored for the 21st century job market. TAP is also available for eligible demobilizing service members in the National Guard and Reserves. The news is that efforts to improve both TAP and DTAP are under way.

The IBVSOs recommend that all Transition Assistance Program (TAP) classes should include in-depth VA benefits and health-care education sessions and time for question and answer sessions. The Departments of Veterans Affairs, Defense, Labor and Homeland Security should design and implement a stronger Disabled Transition Assistance Program (DTAP) for wounded service members who have received serious injuries, and for their families. Chartered veterans service organizations should be directly involved in TAP and DTAP or, at the minimum, serve as an outside resource to TAP and DTAP. The DOD, VA, DOL and DHS must do a better job educating the families of service members on the availability of TAP classes, along with other VA and DOL programs regarding employment, financial stability and health-care resources. Congress and the Administration must provide adequate funding to support TAP and DTAP to ensure that active duty as well as National Guard and Reserve service members receives proper services during their transition periods.

February 13, 2012

The Honorable Representative Jeff Miller, Chairman
U.S. House of Representatives
Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20510

Dear Chairman Miller:

Neither AMVETS nor I have received any federal grants or contracts, during this year or in the last two years, from any agency or program relevant to the February 15, 2012, House Veterans Affairs Committee hearing on the U.S. Department of Veterans Affairs Budget Request for Fiscal Year 2013.

Sincerely,

Diane M. Zumatto
AMVETS National Legislative Director

Prepared Statement of Timothy M. Tetz

Chairman Miller and Members of the Committee:

The American Legion welcomes this opportunity to comment on the President's budget request.

As thousands of troops return from deployments to Iraq and elsewhere in a shifting of our national security focus, it's encouraging to see that President Obama's Fiscal Year 2013 budget for the Department of Veteran Affairs (VA) pivots to meet the needs caused by this reprioritization. On the surface, a double-digit increase in an operational budget would be the envy of any agency during these dire fiscal times. Yet, few agencies would be anxious to be faced by the bulla of thousands of new clients and their corresponding claims and care.

While grateful for this increase, The American Legion remains concerned this increase is not only short of meeting the ultimate need, but also a byproduct of budget and funding gimmickry that will ultimately endanger veteran care if unsuccessful. Moreover, we remain concerned these increases are directed not towards the veteran and his/her care, but rather to the VA's bureaucratic structure that already is unable to meet present needs of veterans.

Advanced Appropriations for FY 2014

Due to the successful passage of the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81) three of the four accounts that make up the Veterans Health Administration (VHA) are funded in advance of the regular budget cycle. Those three accounts – medical services, medical support and compliance, and medical facilities – are funded one year in advance and supplemented as necessary during following year.

While The American Legion supported the advance appropriation model, we remain concerned accurate projections on population and utilization and other challenges still remain.

For example, one challenge came to our attention this year regarding the procurement of medical equipment and Information Technology (IT) products. When IT within the VA was combined together across the entire agency in 2007, it was intended to improve efficiency, contracting, management and other challenges inherent with three disjointed IT management teams. This has proved somewhat successful.

However we hearing that procurement of medical equipment and IT is hampered at medical facilities due to budget implementation failures caused by continuing resolutions. While a VA medical center director would have operational funding beginning October 1 because of advance appropriations, much needed purchases of IT or medical equipment might be delayed due to a budget impasse in Congress. This has a detrimental impact on the enrolled veteran and his/her care.

Medical Services

Over the past two decades, VA has dramatically transformed its medical care delivery system. Through The American Legion visits to a variety of medical facilities throughout the nation during our System Worth Saving Task Force, we see firsthand this transformation and its impact on veterans in every corner of the nation.

While the quality of care remains exemplary, veteran health care will be inadequate if access is hampered. Today there are over 22 million veterans in the United States. While 8.3 million of these veterans are enrolled in the VA health care system, a population that has been relatively steady in the past decade, the costs associated with caring for these enrolled veterans has escalated dramatically.

For example between FY2007 and FY 2009, VA enrollees increased from 7.8 million to 8.1 million. During the same period, inpatient admissions increased from 589 thousand to 662 thousand. Outpatient visits also increased from 62 million to 73 million. Correspondingly, costs to care for these enrolled veterans increased from

\$29.0 billion to \$39.4 billion. This 36 percent increase during those two years is a trend that dramatically impacts the ability to care for these veterans.

While FY2010 numbers seemingly leveled off – to only 3 percent annual growth – will adequate funding exist to meet veteran care needs? If adequate funding to meet these needs isn't appropriated, VA will be forced to either not meet patient needs or shift money from other accounts to meet those needs going forward.

Even with the opportunity for veterans from OIF/OEF to have up to five years of health care following their active duty period, we have not seen a dramatic change in overall enrollee population. Yet The American Legion remains concerned that the population estimates are dated and not reflective of the costs. If current economic woes and high unemployment rates for veterans remain, VA medical care will remain increasingly enticing for a veteran population that might not have utilized those services in different times.

Finally, ongoing implementation of programs such as the PL 111-163 "Caregiver Act" will continue to increase demands on the VA health care system and therefore result in an increased need for a budget that adequately deals with these challenges.

The final FY 2013 advanced appropriations for Medical Services was \$41.3 billion. In order to meet the increased levels of demand, even assuming that not all eligible veterans will elect to enroll for care and keep pace with the cost trend identified above, there must be an increase to account for both the influx of new patients and increased costs of care.

The American Legion recommends increasing the FY 2014 budget for VA Medical Services to \$44 billion.

Medical Support and Compliance

The Medical Support and Compliance account consists of expenses associated with administration, oversight, and support for the operation of hospitals, clinics, nursing homes, and domiciliaries. Although few of these activities are directly related to the personal care of veterans, they are essential for quality, budget management, and safety. Without adequate funding in these accounts, facilities will be unable to meet collection goals, patient safety, and quality of care guidelines.

The American Legion has been critical of programs funded by this account. We remain concerned whether patient safety is being adequately addressed at every level. We are skeptical if patient billing is performed efficiently and accurately. Moreover, we are concerned that specialty advisors/counselors to implement OIF/OEF outreach, "Caregiver Act" implementation, and other programs are properly allocated. If no need for such individuals exists, should the position be placed within a facility? Simply throwing more money at this account, increasing staff and systems won't resolve all these problems.

During the previous budget, this account grew by nearly 8% to \$5.31 billion. While some growth is necessary to meet existing cost increases, The American Legion questions the necessity for that rate to continue at this time.

The American Legion recommends increasing the FY 2014 budget for VA Medical Support and Compliance to \$5.52 billion.

Medical Facilities

During the FY 2012 budget cycle, VA unveiled the Strategic Capital Investment Planning (SCIP) program. This ten-year capital construction plan was designed to address VA's most critical infrastructure needs within the VA. Through the plan, VA estimated the ten-year costs for major and minor construction projects and non-recurring maintenance would total between \$53 and \$65 billion over ten years. Yet during the FY 2012 budget, these accounts were underfunded by more than \$4 billion.

The American Legion is supportive of the SCIP program which empowers facility managers and users to evaluate needs based on patient safety, utilization, and other factors. While it places the onus on these individuals to justify the need, these needs are more reflective of the actuality as observed by our members and during our visits. Yet, VA has taken this process and effectively neutered it through budget limitations thereby underfunding the accounts and delaying delivery of critical infrastructure.

So while failing to meet these needs, facility managers will be forced to make do with existing aging facilities. While seemingly saving money in construction costs, the VA will be expending money maintaining deteriorating facilities, paying increased utility and operational costs, and performing piecemeal renovation of properties to remain below the threshold of major or minor projects.

This is an inefficient byproduct of budgeting priorities. Yet, as will be noted later, the reality remains that the SCIP program is unlikely to be funded at complete levels necessary to deliver on the ten year plan. Therefore, this account must be increased to meet the short term needs within the existing facilities.

With a final FY 2013 Advance Appropriations budget of \$5.74 billion, The American Legion recommends an FY 2014 budget increase to \$6 billion to ensure facilities are maintained to proper levels, particularly in an austerity period where much needed improvements by construction are being neglected and facilities are expected to extend their normal operating life.

The American Legion recommends increasing the FY 2014 Medical Facilities budget to \$6 billion.

Medical and Prosthetic Research

The American Legion has maintained a position that VA research must focus on improving treatment for medical conditions unique to veterans. Because of the unique structure of VA's electronic medical records (EHR), VA research has access to a great amount of longitudinal data incomparable to research outside the VA system. Because of the ongoing wars of the past decade, several areas have emerged as "signature wounds" of the Global War on Terror, specifically Traumatic Brain Injury (TBI), Posttraumatic Stress Disorder (PTSD) and coping with the aftereffects of amputated limbs.

Much media attention has focused on TBI from blast injuries common to Improvised Explosive Devices (IEDs) and PTSD. As a result, VA has devoted extensive research efforts to improving the understanding and treatment of these disorders. Amputee medicine has received less scrutiny, but is no less a critical area of concern. Because of improvements in body armor and battlefield medicine, catastrophic injuries that in previous wars would have resulted in loss of life have led to substantial increases in the numbers of veterans who are coping with loss of limbs.

As far back as 2004, statistics were emerging which indicated amputation rates for US troops were as much as twice that from previous wars. By January of 2007, news reports circulated noting the 500th amputee of the Iraq War. The Department of Defense response involved the creation of Traumatic Extremity Injury and Amputation Centers of Excellence, and sites such as Walter Reed have made landmark strides in providing the most cutting edge treatment and technology to help injured service members deal with these catastrophic injuries.

However, The American Legion remains concerned that once these veterans transition away from active duty status to become veteran members of the communities, there is a drop off in the level of access to these cutting edge advancements. Ongoing care for the balance of their lives is delivered through the VA Health Care system, and not through these concentrated active duty centers.

Many reports indicate the state of the art technology available at DOD sites is not available from the average VA Medical Center. With so much focus on "seamless transition" from active duty to civilian life for veterans, this is one critical area where VA cannot afford to lag beyond the advancements reaching service members at DOD sites. If a veteran can receive a state of the art artificial limb at the new Walter Reed National Military Medical Center (WRNMC) they should be able to receive the exact same treatment when they return home to the VA Medical Center in their home community, be it in Gainesville, Battle Creek, or Fort Harrison.

American Legion contact with senior VA health care officials has concluded that while DOD concentrates their treatment in a small number of facilities, the VA is tasked with providing care at 152 major medical centers and over 1,700 total facilities throughout the 50 states as well as in Puerto Rico, Guam, American Samoa and the Philippines. Yet, VA officials are adamant their budget figures are sufficient to ensure a veteran can and will receive the most cutting edge care wherever they choose to seek treatment in the system.

The American Legion remains concerned about the ability to deliver this cutting edge care to our amputee veterans, as well as the ability of VA to fund and drive top research in areas of medicine related to veteran-centric disorders. There is no reason VA should not be seen at the world's leading source for medical research into veteran injuries such as amputee medicine, PTSD and TBI.

Current VA research also is unduly focused on confirming the effectiveness of treatments for PTSD and TBI already in use within the VA system. The American Legion remains concerned that little to no effort is being expended seeking truly experimental and cutting edge treatment. While there is a wealth of treatments already in use, we cannot know we are truly providing the best care for these veterans without pushing the boundaries of science and truly being a world leader in research.

In FY 2011 VA received a budget of \$590 million for medical and prosthetics research. Only because of the efforts of the House and Senate, was this budget kept at that level during the FY 2012 budget due to significant pressure from The American Legion. Even at this level, The American Legion contends this budget must be increased, and closely monitored to ensure the money is reaching the veteran at the local medical facility.

The American Legion recommends FY 2013 budget for Medical and Prosthetics Research be increased to \$600 million.

Medical Care Collections Fund (MCCF)

In addition to the aforementioned accounts which are directly appropriated, medical care cost recovery collections are included when formulating the funding for VHA. Over the years, this funding has been contentious because the VA budget often included proposals for enrollment fees, increased prescription rates, and other costs billed directly to veterans. The American Legion has always ardently fought against these fees and unsubstantiated increases.

Beyond these first party fees, VHA is authorized to bill health care insurers for nonservice-connected care provided to veterans within the system. Other income collected into this account includes parking fees and enhanced use lease revenue. The American Legion remains concerned that the expiration of authority to continue enhanced use leases will greatly impact not only potential revenue, but also delivery of care in these unique circumstances. We urge Congress to reauthorize the enhanced use lease authority with the greatest amount of flexibility allowable.

However, the collection of fees and insurance payments comprises nearly 98% of the revenue gathered within this account. In the previous budget cycle, this account was budgeted to decrease to \$2.77 billion. The American Legion remained skeptical that the VA was meeting these deadlines even at a reduced level. We were well aware that failure to meet these budgeted amounts equated to a reduction in appropriations and therefore a reduction in services at some level.

In the first quarter of FY 2011, VHA reported a 12.3% decrease below the budgeted collections – an amount totaling nearly \$100 million. They remained below projections for the second quarter of FY 2011 when the Senate Veterans' Affairs Committee shared our concern in a letter requesting detailed plans on how VA was going to improve on MCCF collections. To date, our fears have not been assuaged that VA can actually deliver on projected savings, even when reduced during the previous budget cycle.

In May 2011, the VA Office of Inspector General (OIG) issued a report auditing the collections of third party insurance collections within MCCF. Their audit found that "VHA missed opportunities to increase MCCF by . . . 46%." Because of ineffective processes used to identify billable fee claims and systematic controls, it was estimated VHA lost over \$110 million annually. In response to this audit, VHA assured they'd have processes in place to turn around this trend.

Yet even if those reassurances were met, the MCCF collection would not meet the quarterly loss beneath the budgeted amounts. Without those collections, savings must be garnered elsewhere to meet these shortfalls, thereby causing facility administrators and VISN directors to make difficult choices that ultimately negatively impact veterans through a lack of hiring, delay of purchasing, or other savings methods.

It would be unconscionable to increase this account beyond the previous levels that were not met. To do so without increasing co-payments or collection methods would be counterproductive and mere budget gimmickry. While we recognize the need to include this in the budget, The American Legion cannot support a budget that penalizes the veteran for administrative failures.

The American Legion recommends budgeting \$2.95 billion for Medical Care Cost Collections.

Appropriations for FY 2013

The remainder of the accounts within VA are being allocated funding for FY 2013. These include funding for general operation of VA Central Office (VACO), the National Cemetery Administration (NCA) and Veteran Benefits Administration.

Veteran Benefits Administration (VBA)

Any discussion of the VBA must include discussion of the unconscionable backlog of veterans' benefits claims. Despite improvements to the claims processing system enabling VBA to process claims more rapidly, the backlog has continued to grow as

the influx of claims each year continues to exceed a million claims a year over the past three years. Additional claims resulting from additions to presumptive conditions associated with the aftereffects of the chemical herbicide Agent Orange have contributed to this backlog. The American Legion can further foresee significant increases to claims as more service members return from wars in Afghanistan and Iraq and are assimilated into the veteran population. Further cuts to military manpower will drive more veterans into the civilian populace and as service members transition from active duty to the civilian world, more claims will continue to pour in. Many of these claims arise because DOD fails to conduct appropriate physical examinations upon discharge or retirement of service members.

Despite improvements to claims processing by the beginnings of implementation of the Veterans Benefits Management System (VBMS), the VBA's fully electronic claims processing system, the overall VBA will be strained beyond their already struggling capacity without proper funding to adequately address the backlog. While there have been significant improvements in funding to VBA over the past six years, this trend must continue if there is any hope to stave off disaster. The system is already strained to its limits and is struggling to even "tread water." Further improvements in this area must be made so that veterans can finally receive prompt and accurate service addressing their needs for injuries and conditions sustained during their active duty service, as well as the residual aftereffects of that selfless service.

VBA is also deeply involved in a massive overhaul of the ratings schedule for payment of disability for every major body system. Potential changes to ratings for mental health disorders and major musculoskeletal groups will be rolled out over the coming years, and implementation of these changes will require extensive training of VBA personnel to ensure they are properly administering the benefits system. The American Legion has long been critical of training within VBA, and lack of proper training contributes to high error rates which further tie up the claims systems with lengthy appeals that would be unnecessary if the claims had been decided properly, by properly trained personnel, on the claim review.

In other areas of compensation, pension and fiduciary programs administered within VBA have been undergoing consolidation. Whether or not these consolidations contribute to savings and more efficient operation is a matter of open debate. The American Legion contends consolidation has often created more problems than it has solved, and often necessitated additional personnel at the local level to fix problems created by removing staff to remote areas out of direct contact with the veterans they purport to serve.

Furthermore, by VBA's own admission, consolidation of fiduciary programs has resulted in pulling personnel away from claims processing to be moved to the new fiduciary hubs, thereby creating a vacuum in claims processing, an area already tasked to the limit. Given the lengthy training period necessary to bring new claims processing hires up to speed and effectiveness this only portends more problems in the already troubled claims processing arena.

Increased funding in this area is necessary to provide for a surge of new employees to handle the massive caseload, more extensive and better organized training targeted to address key areas of deficiency in claims processors, and to ensure personnel adequate for full use of the VBMS system. Furthermore, as the proliferation of pilot programs to solve the challenges of the claims systems continues to evolve, more funding will be needed to ensure the more advanced and effective business models can be replicated and implemented on a national level so there is consistency in every Regional Office.

VBA's final FY 2012 appropriation was \$2 billion a reduction from the FY 2011 levels. Given the dire need of enhancements in this area, The American Legion recommends a 10 percent increase in this budget for FY 2013 to account for the many areas of need, including increased staffing and training. As with all areas of VA budgeting, The American Legion is concerned that any increases in funding actually reach down to the regional level, rather than be swallowed up by an endlessly expanding VACO bureaucracy. Congress has shown good faith recognizing the dire need for funding to ensure veterans receive timely access to benefits, but oversight must be exercised to ensure this money actually reaches the veteran on the street.

The American Legion recommends budgeting \$2.2 billion for the Veteran Benefits Administration (VBA).

Information Technology

Like the VBA budget, the Information Technology (IT) budget was slightly pared back in FY 2012. The American Legion was unable to gauge the progress gained on the 76 IT projects proposed during that budget cycle. In addition to the imple-

mentation and launch of the VBMS system, the greatest long awaited project is the launch of the joint VA and Department of Defense (DOD) lifetime record – Virtual Lifetime Electronic Record (VLER).

The American Legion remains a strong advocate for the implementation of such recordkeeping, yet we are pessimistic the VA and DOD are making sufficient progress towards that end. As of right now, VA can only point to a hopeful deadline of five years to implement VLER, and The American Legion does not believe this was the will of Congress when the proposal of a records system to follow a veteran from induction through the rest of the life was passed into law.

During the previous budgeting, VA was unable to provide information on the overall cost of creating such a system, but assured veteran advocates there was enough flexibility to address any costs associated with the project. In the meantime, several releases and announcements have been issued by VA towards the continued evolution of this project, but there is little to demonstrate we are any closer to producing a ready model. The American Legion calls upon Congress to continue to pressure VA and DOD to move towards this system as expeditiously as possible. With the development and launch of VBMS nearly complete, the entire IT focus should center on VLER.

The American Legion's System Worth Saving Task Force focus on rural health care this year also recognizes significant challenges to IT infrastructure in the field of telehealth benefits. VA is expanding the use of telehealth as a means to reach rural veterans, yet obstacles remain, and the IT budget must reflect overcoming these challenges. Telehealth scheduling is still not fully integrated into VA health care scheduling solutions. Furthermore, significant questions about necessary bandwidth for providing telehealth in rural region remain to be answered.

In order to provide the necessary resources for the nationwide rollout of VBMS, increase IT infrastructure to meet the needs of rural veterans through telehealth programs, and still maintain efforts towards development of VLER, The American Legion believes a small increase is justified within IT.

The American Legion recommends budgeting \$3.3 billion for Information Technology.

Major and Minor Construction

After two years of study the Department of Veterans Affairs (VA) developed the Strategic Capital Investment Planning (SCIP) program. It is a ten-year capital construction plan designed to address VA's most critical infrastructure needs within the Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, and Staff Offices.

The SCIP planning process develops data for VA's annual budget requests. These infrastructure budget requests are divided into several VA accounts: Major Construction, Minor Construction, Non-Recurring Maintenance (NRM), Enhanced-Use Leasing, Sharing, and Other Investments and Disposal. The Fiscal Year (FY) 2012 VA budget identified more than 5,000 capital projects needed to close all the identified infrastructure gaps over the ten year period. The VA estimated costs were between \$53 and \$65 billion.

The American Legion is very concerned about the lack of funding in the Major and Minor Construction accounts. In FY 2012 The American Legion recommended to Congress that the Major Construction account be funded at \$1.2 billion and the Minor Construction account be funded at \$800 million. However, Congress only appropriated \$589 million and \$482 million respectively to those accounts. Based on VA's SCIP plan, Congress underfunded these accounts by approximately \$4 billion in FY 2012. Clearly, if this underfunding continues VA will never fix its identified deficiencies within its ten-year plan. Indeed, at current rates, it will take VA almost sixty years to address these current deficiencies.

The American Legion also understands there is a discussion to refer to SCIP in the future as a "planning document" rather than an actual capital investment plan. Under this proposal, VA will still address the deficiencies identified by the SCIP process for future funding requests but rather than having an annual appropriation, SCIP will be extended to a five year appropriation, similar to the appropriation process used by the Department of Defense as its construction model. Such a plan will have huge implications on VA's ability to prioritize or make changes as to design or project specifications of its construction projects. The American Legion is against this five year appropriation model and recommends Congress continue funding VA's construction needs on an annual appropriations basis.

The American Legion recommends Congress adopt the 10-year action plan created by the SCIP process. Congress must appropriate sufficient funds to pay for needed VA construction projects and stop underfunding these accounts. In FY 2013 Con-

gress must provide increased funding to those accounts to ensure the VA-identified construction deficiencies are properly funded and these needed projects can be completed in a timely fashion.

The American Legion recommends budgeting \$5.3 billion for Major Construction and \$1.2 billion for Minor Construction projects within VA.

State Veteran Home Construction Grants

Perhaps no program facilitated by the VA has been as impacted by the decrease in government spending than the State Veteran Home Construction Grant program. For the past two fiscal years, Congress has appropriated \$85 million towards the construction, upgrade, and expansion of long term care facilities operated by the states.

This program is essential in providing services to a significant number of veterans throughout the country at a fraction of the daily costs of similar care in private or VA facilities. Yet, in order to qualify for the federal grant, states must put forward a percentage of the overall planning and construction costs. With a downturn in the economy, a majority of the states have been unable to leverage state funding for these projects. That coupled with a significant increase NCA funding to meet the backlog in 2009 helped eliminate the backlog that had been building.

As the economy rebounds and states are pivoting towards resuming essential services, taking advantage of depressed construction costs, and meeting the needs of an aging veteran population, greater use of this grant program will continue. The American Legion encourages Congress to maintain the funding level of this program.

The American Legion recommends budgeting \$85 million for State Veteran Home Construction Grant program.

National Cemetery Administration (NCA)

No aspect of the VA is as critically acclaimed as the National Cemetery Administration (NCA). In the 2010 American Customer Satisfaction Index, the NCA achieved the highest ranking of any public or private organization. This was not a one-time occurrence; it has been replicated numerous times in the past decade. In addition to meeting this customer service level, the NCA remains the highest employer of veterans within the federal government and remains the model for contracting with veteran owned businesses.

The NCA is comprised of 131 national cemeteries. NCA was established by Congress and approved by President Abraham Lincoln in 1862 to provide for the proper burial and registration of graves of Civil War dead. Since 1973, annual interments in NCA have increased from 36,400 to over 117,426 in 2011.

While NCA met their goal of having 90 percent of veterans served within 75 miles of their home, their aggressive strategy to improve upon this in the coming five years will necessitate funding increases for new construction. Congress must provide sufficient major construction appropriations to permit NCA to accomplish this goal and open five new cemeteries in the coming five years. Moreover, funding must remain to continue to expand existing cemetery facilities as the need arises.

The average time to complete construction of a national cemetery is 7 years. The report of a study conducted pursuant to the Millennium Bill concluded that an additional 31 national cemeteries would be required to meet the burial option demand through 2020. In order to adequately fund these five new cemeteries, Congress must be prepared to appropriate the resources now.

The American Legion recommends budgeting \$200 million for major and minor construction projects within NCA in order to expand existing facilities and begin procurement, planning, and construction of new cemeteries.

While the costs of fuel, water, and contracts have risen, the NCA operations budget has remained nearly flat for the past two budgets. Some of these expenses have been a result of efficiency transformations within the cemetery. Others have been due to the thriftiness of cemetery superintendants.

Unfortunately recent audits have shown cracks beginning to appear because of these savings. Due predominantly to poor contract oversight, several cemeteries inadvertently misidentified burial locations. Although only one or two were willful violations of NCA protocols, the findings demonstrate a system about ready to burst.

To meet the increased costs of fuel, equipment, and other resources as well as ever-increasing contract costs, The American Legion believes a small increase is nec-

essary. In addition, we urge Congress to adequately fund the construction program to meet the burial needs of our nation's veterans.

The American Legion recommends budgeting \$260 million for National Cemetery Administration Operating Budget.

State Cemetery Grant Program

The NCA administers a program of grants to states to assist them in establishing or improving state-operated veterans' cemeteries through VA's State Cemetery Grants Program (SCGP). Established in 1978, this program funds nearly 100% of the costs to establish a new cemetery, or expand existing facilities. For the past two budgets this program has been budgeted at \$46 million to accomplish this mission.

In 2007, the Dr. James Allen Veteran Vision Equity Act of 2007 (Public Law 110-157) authorized VA under the SCGP to provide additional federal assistance to states for the operation and maintenance of state veterans cemeteries. Prior to passage of this law, VA could only provide federal funds for the establishment, expansion, and improvement of state veterans cemeteries. VA could not fund the operation or maintenance of state veterans cemeteries.

The new authority granted by the Act authorizes VA to fund Operation and Maintenance Projects at state veterans cemeteries to assist states in achieving the national shrine standards VA achieves within national cemeteries. Specifically, the new operation and maintenance grants have been targeted to help states meet VA's national shrine standards with respect to cleanliness, height and alignment of headstones and markers, leveling of gravesites, and turf conditions. The Act authorizes VA to award up to a total of \$5 million for such purposes each fiscal year to ensure state veterans cemeteries meet the highest standards of appearance and serve as national shrines to honor the Nation's military service members with a final resting place.

In addition, this law allowed VA to provide funding for the delivery of grants to tribal governments for Native American veterans. Yet after the passage of this act, we have not seen the allocation of funding increased to not only meet the existing needs under the construction and expansion level, but also the needs from operation and maintenance and tribal nation grants. Moreover, as these cemeteries age, the \$5 million limitation must be revoked to allow for better management of resources within the projects.

State cemetery grants are managed through an intricate list of priority groups, assigning rank and priority to projects based on burial need, matching funds from the state or tribal government, and other factors. The 2012 priority list has over 100 applications for grants valued at over \$250 million. Sixty applications, totaling over \$150 million already have matching funds necessary to leverage the grant money from NCA. In order to meet this growing need, the grant funding must be increased.

The American Legion recommends budgeting \$60 million for State Cemetery Grant Program.

Conclusion

In conclusion, The American Legion questions whether the increased budget will be adequate to meet the needs of the one-million returning service members from the Global War on Terror in addition to those 22 million veterans from previous eras. We are hopeful savings generated through downsizing of the military are leveraged against the need of thousands of servicemembers who will be discharged to create the savings. Yet, we are more than pessimistic these will be accomplished without budget gimmickry such as carryover funds, lofty collection goals, and other schemes.

As we've seen in previous years, when these sleights-of-hand are used, it almost always negatively impacts the care and benefits afforded to our nation's veterans. Too often while veteran advocates celebrate dramatically increased budgets, the veteran patient, claimant, or widow is left wondering where the money went. We must not do so again.

Our nation's veterans deserve adequate and responsible funding to the fullest level possible. After over a decade of service, our newest era of veterans will join the ranks of generations of their brothers and sisters who are owed a great debt.

Our debt is incurred by the sweat in the ungodly heat of Iraq. Our liability was predicated by the young Marine trudging up and down the rugged mountains of Afghanistan. This obligation was earned in the darkened cockpit of a medical evacuation flight jetting over the Atlantic. It is a debt of tears, blood and sacrifice and deserves to be repaid in honest true money.

Statements For The Record**Prepared Statement of Association of the United States Army**

Mr. Chairman and Members of the Committees:

Thank you for the opportunity to present the views of the Association of the United States Army (AUSA) concerning veterans' issues. Both in personal testimony and through submissions for the record there exists a long-standing relationship between AUSA and the House Committee on Veterans' Affairs. We are honored to express our views on behalf of our members and America's veterans.

The Association of the United States Army is a diverse organization of almost 100,000 members – active duty, Army Reserve, Army National Guard, Department of the Army civilians, retirees and family members. An overwhelming number of our members are entitled to veterans' benefits of some type. Additionally, AUSA is unique in that it can claim to be the only organization whose membership reflects every facet of the Army family.

Each year, the AUSA statement before the committee stresses that America's veterans are not ungrateful. Much of the good done for veterans in the past would have been impossible without the commitment of those who serve on the committee and the tireless efforts of its professional and personal staff.

The inherently difficult nature of military service has never been more self-evident than during the current conflicts. While grateful for the good things done for veterans, AUSA reminds our elected representatives that we consider veterans benefits to have been duly earned by those who have answered the nation's call and placed themselves at risk.

AUSA is heartened that Congress has expressed a commitment to support America's veterans. Despite this, many are concerned that the declining number of veterans in Congress might in some way lessen the value this institution places on veterans and their service to the nation. We, at AUSA, do not share this opinion. AUSA is confident that you - well-intentioned, patriotic men and women – will faithfully represent the interests of America's veterans during fiscal deliberations.

As elected representatives, you must be responsible stewards of the federal purse because each dollar emanates from the American taxpayer. AUSA emphasizes that the federal government must remain true to the promises made to her veterans. We understand that veterans' programs are not above review, but always remember that the nation must be there for the country's veterans who answered the nation's call.

Veterans seldom vote in a block, despite their numbers. This is one reason AUSA seeks this forum to speak for its members about veterans' issues. Our veterans have lived up to their part of the bargain; the Congress must live up to the government's part.

Those who have volunteered to serve their country in uniform deserve educational benefits that support their transition to civilian life. AUSA applauds Congress for enacting the Post-9/11 Veterans Educational Assistance Act of 2008 and the more recent Post-9/11 Veterans Improvement Act of 2010. These landmark pieces of legislation are helping educate a new generation of veterans by allowing them to enroll as a full-time students and to focus solely on education.

With the Committee's support, the Department of Veterans' Affairs has implemented the largest increase in education benefits for our fighting men and women since World War II. AUSA has long endorsed a 21st century GI Bill that is built on the principles of simplicity, equity and adequate reimbursement of the cost of education / training. As we work to fully realize Congressional intent for the program, AUSA believes consideration should be given to having hearings regarding a unified architecture for all GI Bill programs for active duty, Guard and Reserve under the principle of awarding benefits according to the length and type of duty performed.

Because of Congress' establishment of the Gunnery Sergeant John D. Fry Scholarship program, children of an active duty member who died in the line of duty after September 10, 2001 are eligible for substantially the same benefits as the Post-9/11 GI Bill when they reach age 18. However, surviving spouses are eligible only for Survivors and Dependents Educational Assistance (DEA) (Chapter 35, 38 USC) benefits, which for many means college or vocational training is unaffordable.

For college attendance, DEA pays even less than the Montgomery GI Bill stretched out over 45 monthly payments (instead of 36 months for the MGIB). For full-time college enrollment, a surviving spouse receives just \$936 per month. When Congress established the Post-9/11 GI Bill in 2008, it authorized a one-time 20%

rate hike to the MGIB, but overlooked DEA. Today, the potential total DEA benefit is \$42,120 compared to \$51,336 under the MGIB. So surviving spouses receive substantially reduced benefits under DEA and are not eligible for a housing allowance or book stipend under the program. For many survivors with children, college or vocational training is beyond their reach.

Therefore, AUSA urges Congress to authorize Post-9/11 GI Bill benefits for surviving spouses of the current conflict, the same educational benefit available to their children under the Gunnery Sgt. John D. Fry Scholarships, in lieu of Dependents and Survivors' Educational Assistance (DEA) benefits. As an interim measure, if resources are not available to raise DEA reimbursement to the Post-9/11 GI Bill level, authorizing survivors of the current conflicts the Post-9/11 GI Bill housing allowance and book stipend under DEA.

Also, AUSA is concerned about the rising unemployment of Army and other veterans and believes additional full time counseling staff is needed for the Vocational Rehabilitation and Employment (VRE) program to support the increasing demand among the rising number of disabled veterans. VRE helps equip disabled veterans to transition back into the work force.

AUSA strongly encourages Congress to raise education benefits for National Guard and Reserve service members under Chapter 1606 of Title 10. For years, these benefits have only been adjusted for inflation. Currently, Reserve GI Bill benefits have fallen to less than 25 percent of the active duty benchmark giving them much less value as a recruiting and retention incentive. This also sends a signal to Reserve Component personnel that their service is undervalued. Further, a transfer of the Reserve MGIB-Select Reserve authority from Title 10 to Title 38 will permit proportional benefit adjustments in the future.

Members of the National Guard called to active duty under Title 32 in support of the current crisis do not receive veteran's status for their active duty military time. Those called to active duty under Title 10 do receive veteran's status. Similarly, Army Reserve personnel who are not called to active duty can complete a full reserve career and yet not be entitled to be called veterans. This inequity must be addressed. Your support in allowing Guard and Reserve members to earn veterans' status on equal footing with their active duty counterparts will send the message that Reserve Component personnel are part of the Total Force.

Veterans' medical facilities must remain expert in the specialties which most benefit our veterans. These specialties relate directly to the ravages of war and are without peer in the civilian community. We are grateful for the significant increase in resources and appropriations, as well as the advanced appropriations process, provided by the Congress to the veterans' health care. That said, a way must be found to build on the inclusion of more Category 7 and 8 veterans this year, so that ultimately all Category 7 and 8 veterans can receive care from the VA.

AUSA applauds the unprecedented and historic legislation which authorized the unconditional concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent and the legislation that removed disabled retirees who are rated as 100 percent from the 10-year phase-in period. However, we cannot forget about the thousands of disabled retirees left out by this legislative compromise. The principle behind eliminating the disability offset for those with disabilities over 50 percent is just as valid for those 49 percent and below. AUSA urges that the thousands of disabled veterans left out of previous legislation be given equal treatment and that the disability offset be eliminated completely.

Another critical area needs to be addressed. For chapter 61 (disability) retirees who have more than 20 years of service, the government recognizes that part of that retired pay is earned by service, and part of it is extra compensation for the service-incurred disability. The added amount for disability is still subject to offset by any VA disability compensation, but the service-earned portion (at 2.5 percent of pay times years of service) is protected against such offset.

AUSA believes that a member who is forced to retire short of 20 years of service because of a combat disability must be "vested" in the service-earned share of retired pay at the same 2.5 percent per year of service rate as members with 20+ years of service. This would avoid the "all or nothing" inequity of the current 20-year threshold, while recognizing that retired pay for those with few years of service is almost all for disability rather than for service and therefore still subject to the VA offset.

Fortunately, legislation provided in previous defense bills extends Combat Related Special Compensation (CRSC) to retirees with less than 20 years of service with combat or operations-related disabilities. Unfortunately, retirees with non-combat disabilities forced to retire short of 20 years of service still have to fund their VA compensation dollar-for-dollar from their disability retirement from DoD, and this

year funding of concurrent receipt for these Chapter 61 medical retirees is not included in the administration's budget.

AUSA supports legislation that establishes a presumption of service connection for veterans with Hepatitis C (HCV).

The rules for interment in Arlington National Cemetery (ANC) have never been codified in public law. Twice the House has passed legislation to codify rules for burial in Arlington National Cemetery. However, the legislation has not passed in the Senate. AUSA supports a negotiated settlement of differences between the House and Senate concerning codification of rules for burial in Arlington National Cemetery. Further "gray area" reservists eligible for military retirement should be included among those eligible for interment at Arlington National Cemetery.

AUSA remains opposed to the imposition of an annual deductible on veterans already enrolled in VA health care and any increase in the co-payment charged to many veterans for prescription drugs. AUSA urges Congress to continue to oppose such fees.

AUSA supports continuing congressional efforts to help homeless veterans find housing and other necessities, which would allow them to re-enter the workforce and become productive citizens.

Terminally ill veterans who hold National Service Life Insurance and U.S. Government Life Insurance should, upon application, be able to receive benefits before death, as can holders of Servicemembers Group Life Insurance and Veterans Group Life Insurance. AUSA supports legislation to amend the U.S. Code appropriately.

Much more needs to be done to ensure that returning combat veterans, as well as all other service men and women who complete their term of service or retire from service receive timely access to VA benefits and services. This issue encompasses developing and deploying an interoperable, bi-directional and standards-based electronic medical record; a "one-stop" separation physical supported by an electronic separation document (DD-214); benefits determination before discharge; sharing of information on occupational exposures from military operations and related initiatives. AUSA strongly recommends accelerated efforts to realize the goal of "seamless transition" plans and programs.

We encourage the positive steps toward mutual cooperation taken recently by the Department of Defense (DOD) and the VA. The closer we can come to a seamless flow of a servicemember's personnel and health files from service entry to burial, the more likely it will be that former service members receive all the benefits to which they are entitled. AUSA supports closer DOD-VA collaboration and planning including billing, accounting, IT systems, patient records, but not total integration of facilities nor of VA/DOD healthcare systems.

AUSA strongly supports preservation of dual eligibility of uniformed service retirees for VA and DOD healthcare systems. We applaud Congress' opposition to "forced choice" in the past and encourage you to hold the line in the future.

AUSA recognizes that significant progress has been made in reducing the unacceptably high numbers of backlogged disability claims. The key to sustained improvement in claims processing rests on adequate funding to attract and retain a high quality workforce supported by investment in information management and technology.

The committee safeguards the treatment of America's veterans on behalf of the nation. AUSA knows that you take this responsibility seriously and treat this privilege with the gratitude and respect it deserves. Although your tenure is temporary, the impact of your actions lasts as long as this country survives and affects directly the lives of a precious American resource - her veterans. As you make your decisions, please do not forget the commitment made to America's veterans when they accepted the challenges and answered the nation's call to serve.

Thank you for the opportunity to submit testimony on behalf of the members of the Association of the United States Army, their families, and today's soldiers who are tomorrow's veterans.

MODULAR BUILDING INSTITUTE

February 13, 2012

Hon. Jeff Miller
 Chairman, House Veterans' Affairs Committee
 335 Cannon House Office Building
 Washington, DC 20510

Dear Chairman Miller:

On behalf of the Modular Building Institute, I want to thank you for holding a Hearing on the Department of Veterans Affairs Fiscal Year 2013 budget request. The Modular Building Institute (MBI) is a not-for-profit trade association established in 1983 that serves to represent companies involved in the manufacturing and distribution of commercial factory-built structures.

Last year, the Modular Building Institute had the opportunity to testify in front of the House Veterans' Affairs Committee to discuss construction practices within the Department of Veterans' Affairs. We believe that the Department of Veterans' Affairs could greatly increase efficiency and reduce construction cost by adopting changes to their construction practices.

Throughout the construction industry there has been concern with the Department of Veterans Affairs as to the solicitation of construction projects that call for a delivery system referred to as "Design-Bid-Build." This project delivery method is often more costly and less efficient than other delivery methods and its restrictive nature prohibits alternate forms of construction such as permanent modular, tilt-wall and pre-engineered steel construction from being able to participate in the bidding process.

As is explained in greater detail throughout this letter, the Department of Veterans' Affairs could greatly improve the way it procures construction projects if it utilized an alternate project delivery system known as "Design-Build." Over the past decade, the use of Design-Build has greatly increased in the United States, making it one of the most significant changes in the construction industry.

The Design-Build method, which has been embraced by several government agencies, including the United States Army Corps of Engineers (USACE), streamlines project delivery through a single contract between the government agency and the contractor. This simple but fundamental difference not only saves money and time, improves communication between stakeholders, and delivers a project more consistent with the agency's needs, it also allows for all sectors of the construction industry to participate.

I. The Increased Use of a Design-Build Delivery System – How would it benefit the Department of Veterans' Affairs?

The Design-Build project delivery system offers the Department of Veterans Affairs a variety of advantages that other project delivery systems cannot. Typically, under the Design-Build approach, an agency will contract with one entity to both design and construct the project. This is in contrast with Design-Bid-Build, where an agency has to contract with multiple entities for various design and construction scopes during the construction project.

By greater utilization of the Design-Build delivery system, the Department of Veterans Affairs can achieve these goals:

- **Faster Delivery**—collaborative project management means work is completed faster with fewer problems;
- **Cost Savings**—an integrated team is geared toward efficiency and innovation. Furthermore, with Design Build, construction costs are often known far earlier than in other delivery methods. Because one entity is typically responsible for the entire project, they are able to predict costs more accurately than when a Design-Bid-Build system is utilized. The contracting for Design-Build services allows the agency several decision points during design. The decision to proceed with the project is made before substantial design expenditure and with knowledge of final project costs;
- **Quality—Design-Builders** meet performance needs, not minimum design requirements, often developing innovations to deliver a better project than initially foreseen;
- **Single Entity Responsibility**—one entity is held accountable for cost, schedule and performance. With both design and construction in the hands of a single entity, there is a single point of responsibility for quality, cost, and schedule ad-

herence. The firm is motivated to deliver a successful project by fulfilling multiple objectives, such as with the budget and schedule for completion. With Design-Build, the owner is able to focus on timely decision making, rather than on coordination between designer and builder;

- **Reduction in Administrative Burden**—owners can focus on the project rather than managing separate contracts;
- **Reduced Risk**—the Design-Build team assumes additional risk. Performance aspects of cost, schedule and quality are clearly defined and responsibilities balanced. Change orders due to errors are virtually eliminated, because the design-builder had responsibility for developing drawings and specifications as well as constructing a fully-functioning facility.

Just to underscore the benefits of a Design-Build project delivery system, the Construction Industry Institute, in collaboration with Pennsylvania State University performed a study examining the various construction methods and found that:

- **Unit Cost:** Design-Build was typically 6% less costly than a Design-Bid-Build system;
- **Delivery Speed:** Design-Build was 33% faster than Design-Bid-Build;
- **Quality:** Design-Build met and exceeded quality expectations at all levels

Unfortunately, the Department of Veterans' Affairs has been unwilling to embrace the Design-Build construction method as much as other Federal Agencies. According to Department of Veterans Affairs personnel, **only 20% of VA solicitations** call for a Design-Build delivery system, while the rest rely on a Design-Bid-Build delivery method.

As our nation prepares for an influx of returning warriors, it is imperative that we are able to provide them with the services that will help them assimilate into civilian life. Medical clinics, dental facilities, physical rehabilitation facilities, mental health treatment facilities as well as interim veteran housing will need to be provided in an efficient and cost effective manner. By adopting the Design-Build approach, the VA could provide these facilities in a compressed timeframe while ensuring that the product delivered is top quality.

II. Design-Build Utilized by Other Federal Agencies

Over ten years ago, the Federal Acquisition Regulation (FAR) was changed to accommodate the Design-Build project delivery method. Since then, the Design-Build delivery method used by numerous Federal Agencies, including the United States Army Corps of Engineers has been utilized to bring thousands of facilities to completion on time and on budget, thus creating savings for the agencies and the taxpayer.

Most Agencies have adopted the Design-Build method as their primary means of project delivery. While figures vary slightly, most Agencies estimate the overwhelming majority of their projects are solicited with a Design-Build delivery method:

1. **United States Army Corps of Engineers (USACE):** 83–85% Design-Build. According to Paul M. Parsonneault, construction management team leader, U.S. Army Engineers Military Programs Branch, when Congress approved the 2005 Base Realignment and Closure (BRAC) recommendations, the agency had to respond faster than ever before. *"There was no way possible to execute a historically large mission using the traditional delivery system," he said. "We determined that, in terms of the Army, the default delivery system is design-build. We can deliver more quickly, and we can leverage the innovation of industry to provide us with the most cost-effective solutions to our requirements."*

2. **Navy Facilities Engineering Command (NAVFAC):** 75% Design-Build. According to Joseph Gott, Director, NAVFAC, *"The largest reason we select a project for the design-build delivery vehicle is the single point of accountability and responsibility. We have an architect-engineer and a design-build constructor on the same team and have a contract with one company."*

3. **Air Force Center for Engineering & Environment (AFCEE)** 70% Design Build. This number comes from a report done by Mr. Terry G. Edwards (AFCEE).

4. **Federal Bureau of Prisons:** The Federal Bureau of Prisons has relied exclusively on design-build project delivery. *"Design-build shortens the delivery period because it eliminates the procurement phase between the design and the construction phase,"* Pete Swift, deputy chief, Design and Construction Branch.

By greater utilizing the Design-Build delivery system the Department of Veterans' Affairs would experience several time and cost benefits. With a Design-Build delivery method there are fewer unforeseen problems and when problems do arise, they are resolved more quickly. Projects delivered on or before deadline are the rule rather than the exception with the Design-Build delivery method.

III. A Design-Build System Opens Opportunities for Alternative Design Offerings

By utilizing a Design-Build philosophy, the Department of Veterans Affairs could allow for sectors of the construction industry, such as modular construction, tilt-wall and pre-engineered steel to offer products as well as project means and methods that are currently not exercised due to the restrictive nature of Design-Bid-Build project delivery methods.

Numerous permanent modular contractors have performed services for the Department of Veterans Affairs but because of the limited amount of Design-Build solicitations, the opportunities are severely limited.

Recently, the National Institute of Standards and Technology (NIST) released a report identifying modular construction as an underutilized resource and a breakthrough for the U.S. construction industry to advance its competitiveness and efficiency. One of the findings in the NIST report was *“Greater use of prefabrication, preassembly, modularization, and off-site fabrication techniques and processes.*

For those who specialize in alternative construction such as permanent modular, this report simply validated what has been known for a long time: Construction methods such as permanent modular leads to improved efficiency and productivity.

By greater utilizing the Design-Build delivery system into the Department of Veterans Affairs construction policies, the Department of Veterans Affairs could greatly increase the amount of projects that contractors utilizing alternative forms of construction could participate in and therefore experience the benefits as outlined in the NIST report.

It should be noted that alternative construction methods such as permanent modular are not always the solution. There is no one perfect building system for every application. However, by expanding opportunities for them to be part of the process the Federal Government can be assured that it gets the ‘best value’ by seeing all the options before awarding a contract.

IV. Conclusion

Contractors that rely on a Design-Build delivery system have, and continue to overcome obstacles when it comes to working with the Department of Veterans Affairs. Moreover, in an era where the government is looking to trim costs wherever possible, the Department of Veterans Affairs would be able to reduce construction costs, increase efficiency and provide our veterans with the quality facilities they deserve.

The construction industry has seen great advances over the past ten years, and one of those is the Design-Build delivery system. More and more contractors are beginning to utilize Design-Build because of the advantages that are offered. However, until agencies such as the Department of Veterans Affairs decide to solicit more projects using a Design-Build method, these companies will be unable to participate. The members of MBI ask that the Veterans Affairs Committee look into the issues discussed in the hopes of improving the way the VA procures facilities.

On behalf of the Modular Building Institute I thank you for your time and attention to these matters. It is our hope the Committee can continue to rely on MBI as a valuable resource when it comes to issues relating to the construction industry.

Respectfully Submitted,

Tom Hardiman
Executive Director
Modular Building Institute

WARRIOR GROUP, INC

February 15, 2012

Hon. Jeff Miller
Chairman, House Committee on Veterans Affairs
335 Cannon House Office Building
Washington, DC 20515

Dear Chairman Miller:

On behalf of the Warrior Group, Inc. (Warrior), thank you for holding this Hearing examining the Department of Veterans Affairs budget request for Fiscal Year 2013. The Department of Veterans Affairs provides critical services to our nation’s warriors and it is very important that we ensure our veterans receive the best care possible. To that end, we believe the Department of Veterans Affairs could take

steps to improve the method in which they procure facilities by adopting a more efficient project delivery method that reduces agency risk, decreases total project costs and meets and exceeds quality expectations.

The intent of this testimony is to provide a comprehensive overview of the advantages of a Design Build project delivery system. Over the past decade, the use of Design Build has dramatically increased in the United States. Its incorporation into federal procurement was codified in 1996 with the passage of the Clinger-Cohen Act, which allowed for a two-step procurement process. This Act gives agency officials the discretion to choose whether Design Build is an appropriate delivery method for a specific project.

The Design-Build method streamlines project delivery through a single contract between the government agency and the contractor. This simple but fundamental difference not only saves money and time, improves communication between stakeholders, and delivers a project more consistent with an agencies needs.

Currently, the Department of Veterans Affairs publishes the majority of their solicitations with a Design Bid Build delivery method. This project delivery method is often more costly and less efficient than other delivery methods and its restrictive nature prohibits alternate forms of construction such as permanent modular construction from being able to participate in the bidding process.

At a time when Congress is looking to reduce spending wherever possible, the utilization of a Design Build delivery method is a great opportunity to reduce construction costs while at the same time ensuring quality facilities that meet or exceed expectations.

The Increased Use of a Design-Build Delivery System

We have heard directly from agency personnel that the Department of Veterans Affairs solicits only 20% of their construction projects through a Design Build approach. This is in stark contrast to other government agencies that procure the majority of facilities using a Design Build approach.

The Design-Build project delivery system offers the Department of Veterans Affairs a variety of advantages that other construction delivery systems cannot. Typically, under the Design-Build approach, an agency will contract with one entity to both design and construct the project. By greater utilizing the Design-Build delivery system, the Department of Veterans Affairs can achieve these goals:

- Faster Delivery
- Cost Savings
- Quality
- Single Responsibility
- Reduction in Administrative Burden
- Improved Budget Management

Numerous federal agencies benefit from the inherent benefits of Design Build. The United States Army Corps of Engineers (USACE), Navy Facilities Engineering Command (NAVFAC), Air Force Center for Engineering and the Environment (AFCEE), Coast Guard and the Federal Bureau of Prisons issue the vast majority of their solicitations under the Design Build procurement method, and as a result, have benefited from increased efficiency, reduced construction schedules and lower costs.

In contrast, the Department of Veterans Affairs continually resists efforts to adopt Design Build in a greater capacity. Recently, Agency officials were asked why the Department continues to rely on the Design Bid Build method of procurement. The response was *"because that's how we've always done it."* We believe this issue mindset prohibits the consideration of a variety of factors all of which would suggest that a Design Build approach could benefit the Department in a multitude of ways. However, we believe that barring agency action, this issue should be effectively addressed through legislation or other actions that this Committee could undertake and champion on behalf of the construction community.

A recent report by the Construction Industry Institute (CII) in collaboration with Penn State University examined the various construction methods and found that Design Build was typically **6-8% less costly** than a Design Bid Build system; Design Build was **33% faster** than Design Bid Build; and Design Build **met and exceeded quality expectations** at all levels.

In addition to these advantages, a Design Build procurement process allows all sectors of the construction industry to compete. Alternative design offerings such as permanent modular construction, tilt-wall and pre-engineered steel would be able to participate in VA solicitations if the solicitations were issued using a Design Build delivery system. However, because of the limited amount of Design Build solicitations, the opportunities for alternate construction methods to be used on Department of Veterans Affairs are severely restricted.

Admittedly, alternative construction methods such as permanent modular construction are not always the solution. Nevertheless, by expanding opportunities for them to be part of the process the Department of Veterans Affairs can be assured that it gets the 'best value' by seeing all the options before awarding a contract.

Conclusion

It is Warrior's belief that the Department of Veterans Affairs needs to make prompt, meaningful changes to their construction policies in order to enhance participation among all sectors of the construction industry as well as enjoy significant cost reductions and greater efficiency provided by embracing the Design Build project delivery system.

We ask that this Committee look into the issues and recommendations we have presented in this testimony and act upon them promptly. We believe our suggestions will help Congress achieve its desire for greater efficiency and significant cost reductions within the Department of Veterans Affairs. Our recommendation is practical and can be readily implemented if there is the commitment from Department of Veterans Affairs to do so. As the evidence demonstrates, Design Build is an effective, efficient process that many federal agencies have successfully implemented. It is time the Department of Veterans Affairs follows suit.

We thank the Committee for its attention to this important procurement matter.

Respectfully Submitted,

Gail Warrior
President & CEO
Warrior Group, Inc.

Background on Warrior Group:

Warrior is a general contractor that specializes in a form of alternate construction known as Permanent Modular Construction (PMC). Warrior was founded in 1997 and has performed numerous projects including permanent barracks installations at Ft. Sam Houston and Ft. Bliss. By incorporating a Design Build project delivery system with commercial modular design, Warrior Group has been able to increase efficiency, remove administrative issues, decrease construction costs and speed up the delivery and completion of its projects.

Materials Submitted For The Record

PRE-HEARING QUESTIONS AND RESPONSES FROM CHAIRMAN JEFF MILLER TO THE DEPARTMENT OF VETERANS AFFAIRS (VA)

Question 1: The Budget Control Act put in place statutory spending caps on discretionary spending over the next decade. Although the details of how annual appropriations to each Federal agency will fare under those spending caps is yet to be determined, it is probable that VA spending growth will be much more measured in the coming years.

a. Is this an accurate assessment?

Response: The Administration will continue to ensure that budget requests will allow VA to deliver on its promise to provide the services and benefits that Veterans have earned. The 2013 request for discretionary appropriations is an increase of 4.3 percent over the 2012 enacted level. This rate of increase is higher than the 3.8 percent increase in appropriations VA received in 2012 compared to the 2011 level. This clearly demonstrates that our commitment to meet the needs of Veterans and their families is unwavering.

Safeguarding the budgetary resources entrusted to us by the Congress by managing them effectively and spending them judiciously is part of our management culture and business process at VA. We are constantly looking at new ways to enhance our operations and programs to stretch every dollar provided even further and to improve how our programs and services are delivered to Veterans, their families, and survivors. VA officials take these responsibilities very seriously and strive to deliver maximum value for our Nation's Veterans.

b. If so, and assuming that the demands placed on VA's health care system will only increase as a result of an aging population needing more expensive care, as well as the needs of returning war veterans, what strategic policy and administrative changes does VA envision needing to make in order to ensure quality of care does not deteriorate?

Response: VA's commitment to providing high quality accessible health care services will not change. The budget includes an advance appropriations request for FY 2014 to meet the estimated health care demands of all enrolled Veterans as determined by VA's Enrollee Healthcare Projection actuarial model plus requirements for long-term care, CHAMPVA programs, and select initiatives. In order to ensure the continued high quality of VA health care, VA has and will continuously evaluate overall mission requirements through efforts such as: enhanced collaboration and coordination with the Department of Defense; continued refresh of the VA Strategic Plan; execution of planning, programming, budgeting, and evaluation (PPBE) processes through the VA Office of Corporate Analysis and

Evaluation to support strategic decision-making and align resources to achieve VA priorities for Veterans; and leveraging robust data analysis and predictive modeling capabilities through the VA Office of Data Governance and Analysis to support strategic and programmatic planning, as well as policy development, with empirical analysis and appropriately aligning resources to mirror the long term demographic changes of our Veterans.

c. What about funding for VA's aging infrastructure? Will the reality of a tight fiscal climate cause a shift in strategic thinking about meeting construction needs? Is the Strategic Capital Investment Plan (SCIP) still a realistic blueprint, or will funding restraints necessarily bring about a new plan?

Response: The Strategic Capital Investment Planning (SCIP) process is a VA-wide planning tool VA uses to evaluate and prioritize its capital infrastructure needs for the current Budget cycle and for future years. SCIP quantifies the infrastructure gaps that must be addressed for VA to meet its long-term strategic capital targets, including providing access to Veterans, ensuring the safety and security of Veterans and our employees, and leveraging current physical resources to benefit Veterans.

VA infrastructure funding requirements will continue to be balanced against other Department and National priorities. SCIP continues to be a critical and viable data-driven process that identifies all current and future gaps in safety, security, access, utilization and other related areas that most affect the delivery of benefits and services to Veterans. SCIP then evaluates the means, including specific projects (major, minor, non-recurring maintenance, leasing, or non-capital) to efficiently mitigate these gaps. SCIP continues to be a realistic blueprint in that it details a comprehensive methodology to mitigate all currently-identified capital needs. In a tight fiscal climate, this blueprint is an essential tool both this year and into the future, as SCIP projects are prioritized each year to ensure that only the highest priority projects are included in VA's annual budget request.

VA will continue to update this plan in order to capture changes in the environment, including evolving Veteran demographics, newly-emerging medical technology, advances in modern health care delivery and construction technology, and increased use of non-capital means (when appropriate) in a continuous effort to better serve Veterans, their families, and their survivors.

Question 2: What is the Administration's view of how the Affordable Care Act, when and if (pending the Supreme Court's review and/or Congressional intervention) its requirements go into full effect, will impact the VA healthcare system? What is the Administration's forecast on whether heavily subsidized purchases of insurance off of health care exchanges will result in a potential exodus of veterans from the VA healthcare system?

Response: On March 21, 2010, Secretary Shinseki stated "As Secretary of Veterans Affairs, I accepted the solemn responsibility to uphold our sacred trust with our nation's Veterans. Fears that Veterans health care and TRICARE will be undermined by the

health reform legislation are unfounded. I am confident that the legislation being voted on today will provide the protections afforded our nation's Veterans and the health care they have earned through their service. The President and I stand firm in our commitment to those who serve and have served in our armed forces. We pledge to continue to provide the men and women in uniform and our Veterans the high quality health care they have earned."

The national health care reform law, the Affordable Care Act (ACA), has strategic implications for VA; many Veterans will have new options for health care coverage under the new law starting in 2014, although a Veteran's ability to access health care at VA will not be diminished. VA has and will continue to review how the health care reform law may influence VA health care programs. VA will continue to offer the highest quality of health care to Veterans.

Question 3: Based on VA's Enrollee Healthcare Projection Model, what is the total resource requirement for VA medical care in Fiscal Year 2013 and FY2014? Will the appropriation request (when combined with other sources of funding, e.g., carryover from prior years, medical collections, account reimbursements) meet what the Model projected as the resource requirement, or will policy proposals and/or management initiatives reflected in the budget reduce the appropriation request?

Response: The total resource requirement for FY 2013 is \$56.580 billion and for FY 2014 is \$57.929 billion based on the VA's Enrollee Healthcare Projection Model and requirements for Long-Term Care programs, Other Health Programs, Initiatives, Operational Improvements, and Legislative Proposals.

Yes, the appropriation request, when combined with other sources, will meet the total requirement listed above. The details of the other sources is as follows: operational improvements of \$1.284 billion in FY 2013 and \$1.328 billion in FY 2014, collections of \$2.966 billion in FY 2013 and \$3.051 billion in FY 2014, reimbursements and prior year recoveries of \$408 million in FY 2013 and \$416 million in FY 2014, and a carryover of \$500 million in FY 2013. The Administration will review the initial FY 2014 advance appropriations request during the next Budget cycle.

Question 4: The Office of Management and Budget's "Campaign to Cut Waste" requires Federal agencies to reduce spending in certain categories by 20 percent below Fiscal Year 2010 levels. Please detail how VA is complying with this directive. Please outline what level of spending VA envisions in each of these categories in response to the directive and VA's strategy to deal with the funding reductions. What will happen to the savings realized from this effort?

Response: VA is taking action to reduce spending in each of the categories covered in the Campaign to Cut Waste, as well as reducing spending for management support services contracts. On December 23, 2011, VA provided OMB with its proposed plan for reduced spending levels - VA's total reduction target is \$173 million. VA administrations and staff offices have reduction targets for each of the categories in 2012 and 2013, in concert with the overall approved reduction goals. All offices also developed reduction plans detailing how they will meet reduction goals and where these dollars will be applied once realized.

Executive Order 13589, "Promoting Efficient Spending," requires agencies to establish a plan for reducing "the combined costs associated with the activities covered by sections 3 through 7 of the order. Accordingly VA did not set individual reduction targets by category but aggregates our reductions across target categories (travel, printing, IT devices, supplies, and management support services).

VA's Chief Financial Officer CFO monitors monthly financial data related to the Campaign to Cut Waste to ensure planned actions are achieved and reports to OMB quarterly. VA will reinvest realized savings into VA programs.

Question 5: In response to questions for the record submitted prior to the Committee's hearing on the FY 2012/2013 Budget Submission last year, the Department wrote that: "VA has set aside \$132 million in 2011 and \$208 million in 2012 for implementation of all sections of the Caregivers and Veterans Omnibus Health Services Act of 2010 (Public Law 111-163); of these amounts, \$30 million in 2011 and \$66 million in 2012 are for implementation of the enhanced programs for caregivers found in Sections 101-104 of that law." Please provide the following:

a. The total amount spent in FY 2011 to implement the law.

Response: The cost of Sections 101-104 in 2011 was \$30.8 million. This includes \$7.4 million for additional requirements such as the Caregiver Website, and the implementation of other evidence based practices and staffing that is not included in the answer to section d below.

b. The total amount expected to be spent in FY 2012 to implement the law.

Response: The total amount expected to be spent in FY 2012 is \$251 million.

c. The total amount expected to be spent in FY 2013.

Response: The total amount expected to be spent in FY 2013 is \$278 million.

d. Provide a cost breakdown for each of the following services available to primary caregivers under Section 101 of this law, for FY 2011 and FY 2012 to date:

- i. instruction and training
- ii. travel, lodging, and per diem expenses to attend training
- iii. lodging and subsistence for VA appointments
- iv. respite care
- v. ongoing technical support

- vi. counseling
- vii. monthly stipend
- viii. health coverage under the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) if not already covered under existing insurance

Response:

	FY 2011	1st QTR FY 2012
Instruction and Training	\$3,933,563	\$81,422
Travel, lodging, and per diem expensed to attend training	\$141,832	\$24,122
Lodging and subsistence for VA appointments	\$60,784	\$56,284
Respite care	\$1,308,503	\$249,734
Ongoing technical support	\$10,687,172	\$3,146,041
Mental Health	\$6,600	\$9,108
Monthly stipend	\$11,002,530	\$16,568,583
CHAMPVA		\$201,783

Question 6: Does VA have sufficient resources in the FY 2012 budget to implement the provisions of the VOW to Hire Heroes Act of 2011 and has it adjusted its FY2013 budget to properly implement the Act's provisions? How will the Memorandum of Understanding between the Department of Labor and VA required for implementation of the VOW Act affect resource requirements?

Response: VA has sufficient resources in the FY 2012 budget and FY 2013 budget request to implement the Veterans Retraining Assistance Program (VRAP) provisions of the VOW to Hire Heroes Act of 2011. To ensure that VA can effectively implement VRAP, our 2013 budget request reflects the resources to support hiring 166 Veterans claims examiners to process claims. This temporary staffing increase equates to 85 full time equivalent (FTE) in 2012 and 90 FTE in 2013. These resources will allow us to manage increased workload and avoid disrupting current claims processing workload. VA will administer payments under VRAP from amounts appropriated for the payment of readjustment benefits. The Memorandum of Understanding between the Department of Labor and VA is not expected to affect resource requirements.

Question 7: Please detail how VA's budget reflects the needed funding to adjust current IT systems for the Montgomery GI Bill to account for the re-training program added by the VOW to Hire Heroes Act of 2011?

Response: The Veterans Retraining Assistance Program (VRAP) provision was signed into law on November 21, 2011, as part of the VOW to Hire Heroes Act of 2011. The Act authorizes VA to spend no more than \$2 million in information technology expenses from the readjustment benefits account for the administration of this program. This is an in-house development effort and funds from the readjustment benefits account will be used as needed to cover the project.

Question 8: I understand that the funding for the long-term IT solution for the Post 9/11 GI Bill was decreased by \$50 million. That reduction prevents development and fielding of the phase that fully automates the adjudication and payment system. What is VA's plan for this project? Will this project be a priority within IT funds requested in FY 2013?

Response: The Consolidated Appropriations Act of 2012 (P.L. 112-74) provides \$52 million for continued development of an automated claims processing system for the Post 9/11 GI Bill, known as the Long Term Solution (LTS). The initial end-to-end technology solution for automation of Post 9/11 GI Bill claims is expected in July 2012. FY 2013 planning will focus on expanding the automated claims processing capabilities of the LTS system.

Question 9: What is the negative impact, if any, of the expiration of VA's authority to pool mortgages under section 3720 of title 34 U.S.C.?

Response: Please note that the authority cited above is included under section 3720 of title 38 U.S.C., not 34 U.S.C. It expired on December 31, 2011.

VA, in cooperation with OMB, is currently conducting a review of options relating to managing the Vendee Direct Loan Portfolio, including the potential of an extension of this authority. The review will focus on both the direct and indirect costs associated with Vendee loan sales.

Question 10: Please provide a list of each Medical Center and Veterans Integrated Service Network (VISN) Director position vacant, by location, and the total number of days the positions have been vacant.

Response: VA's SES positions are essential to fulfilling the Department's mission to care for the Nation's Veterans, their families and survivors. Upon Secretary Shinseki's appointment, President Obama directed him to transform the Department into a 21st century organization. Fulfilling this mandate requires that VA keeps executive positions filled and prioritizes filling them.

When the Secretary arrived, he realized that transforming VA required him to change the way VA managed senior executives. In the fall of 2009, he centralized management of the entire executive cadre and established a corporate office to do so. In early 2010,

VA hired a new director for the corporate office and began laying the foundation for corporate management. Since then, we have made vast improvements in the effectiveness of VA's executive cadre.

We have revamped the SES performance management system into an effective tool for developing our strategic leaders to provide the best possible care and service to Veterans. Top VA leadership is involved in this process, and every executive's performance is rated by 2 levels of management. VA is preparing to implement the new government-wide SES performance appraisal system in FY 2012 and fully incorporate performance management into executive life cycle management and development.

VA has developed a robust executive development program designed to ensure each executive is prepared for success. VA conducts executive on boarding to ease an executive's assimilation into VA's leadership cadre. VA develops an individual, tailored transition plan for each new executive that identifies specific actions or experiences the executive needs to fulfill within a specified time period. VA mentors each executive and assigns a coach to new executives. All VA executives are attending an executive training program that focuses on strategic leadership. We accomplish succession planning for executive cadre positions by moving executives to positions of greater scope and responsibility and developing replacements through VA's SES Candidate Development Program. VA also recruits executives from outside VA and outside the Federal government to ensure VA's executive cadre is diverse in the broadest sense.

To attract and retain the best leaders, we use all the tools available to us including recruitment, relocation, and retention incentives, as well as, performance awards to recognize our highest performers.

VA is aggressively managing executive recruitment and has reengineered the process to reduce the time required to fill jobs. For VA's executive cadre as a whole, the average time to fill jobs has been reduced from 102 days in FY 2009 to 83 days in first quarter FY 2012.

There are past examples of individuals who were placed in complex or challenging medical center director positions for which they were not yet well prepared. The Secretary recognized this and instituted an enterprise approach to filling these key leadership positions – focusing on strategic leadership competencies and VA-wide needs. The selection process now requires greater senior leader engagement. Interviews are conducted at multiple levels and nominations are endorsed by 2 or more levels of management. The Secretary approves every SES selection.

VA is focused on hiring the right person for the right position and investing in each executive's development. VA leadership has prioritized filling senior executive positions with the right people in a timely manner. This is critical to improving delivery of services to the Nation's Veterans.

Of the 152 Medical Center Director positions, 19 (12 percent) are vacant as of February 2, 2012 for an average of 156 calendar days. Breakdown follows:

- 8 of the 19 (42 percent) were vacated after 11/1/11, and have been vacant for an average of 33 days.
- 7 of the 19 (37 percent) vacancies have nominations awaiting approval from the Office of Personnel Management (required) or an established start date within the next 30 days.
- 6 of the 19 (32 percent) vacancies have nominations pending approval.

- 6 of the 19 (32 percent) have interviews underway.
- 5 of the 19 have been announced more than once because of the difficulty finding acceptable personnel with the right skills and competencies.

Of the 21 VISN Director positions in VA, 4 (19 percent) are vacant as of February 2, 2012 for an average of 29 calendar days.

- Three of the 4 were vacated on December 31, 2011; one on January 14, 2012.
- Permanent VISN Directors for two of the vacancies will be placed on March 11, 2012.
- Candidates for the other two positions are under review.

VA Medical Center and Veterans Integrated Service Network (VISN) Director positions vacant, by location, and total number of days vacant (as of 2/2/2012)

Medical Centers			
Location	Vacant	Number of Days Vacant	Comments
Bath, NY	6/5/2011	242	Candidate identified
Buffalo, NY	7/29/2011	188	Candidate selected
Altoona, PA	9/25/2011	130	Candidate selected
Butler, PA	7/31/2011	186	Candidate selected
Clarksburg, WV	1/31/2012	2	Candidate identified
Augusta, GA	11/20/2011	74	Candidates under review
Montgomery, AL	9/2/2011	153	Candidates under review
Bay Pines, FL	4/1/2011	307	Candidates under review
Miami, FL	1/3/2012	30	Candidates under review
Danville, IL	1/2/2012	31	Candidate selected
Tomah, WI	6/3/2011	244	Candidate selected
Poplar, MO	12/18/2011	46	Candidates under review
Jackson, MS	1/29/2011	369	Candidate identified
Harlingen, TX	9/25/2011	130	Candidates under review
Phoenix, AZ	6/18/2011	229	Candidate selected
Boise, ID	7/3/2011	214	Candidate identified
Spokane, WA	11/3/2011	91	Candidate selected
San Diego, CA	5/22/2011	256	Candidates under review
Minneapolis, MN	12/31/2011	33	Candidates under review
		Vacancy average: 156 days	
VISN Directors			
VISN 7, Atlanta, GA	12/31/2011	33	Candidate identified
VISN 15, Kansas, MO	1/14/2012	19	Candidates under review
VISN 16, Jackson, MS	12/31/2011	33	Candidate selected
VISN 19, Denver, CO	12/31/2011	33	Candidate selected

VA Medical Center and Veterans Integrated Service Network (VISN) Director positions vacant, by location, and total number of days vacant (as of 2/2/2012)—Continued

Medical Centers			
Location	Vacant	Number of Days Vacant	Comments
		Vacancy average: 29 days	

Question 11: What does the VA Acquisition Academy provide that the Federal Acquisition Academy doesn't? Please explain why these two Academies are not duplicative in their purpose.

Response: This response was prepared under the impression that the reference to the "Federal Acquisition Academy" was intended to be the "Federal Acquisition Institute (FAI)." VA believes that its VA Acquisition Academy (VAAA) both compliments and supplements the trainings offered by FAI.

As described by FAI, this program was established in 1976, under the Office of Federal Procurement Policy Act, FAI is charged with fostering and promoting the development of a federal acquisition workforce. FAI facilitates and promotes career development and strategic human capital management for the acquisition workforce. In conjunction with its partners, FAI seeks to ensure availability of exceptional training, provide compelling research, promote professionalism, and improve acquisition workforce management.

VAAA was created in 2008 to train and recapitalize VA's acquisition workforce who are responsible for approximately \$16 billion in acquisitions annually. The VAAA tailors its courses to VA and civilian agency education requirements while still meeting FAI's Federal Acquisition Certification standards. To our knowledge, the FAI provides approximately 1,400 seats for all Federal Contracting Officers (CO) and Contracting Officer Representatives (COR) annually. In contrast, VAAA annually provides over 3,300 seats to COs and over 2,000 seats to CORs. To date, VA's Acquisition Academy has delivered more than 6,700 seats of training to COs and more than 3,700 seats to COR training. VAAA is a fully staffed and functional training organization that can also be leveraged across all Federal agencies. In addition to providing training to VA employees, the academy has served more than 200 students from eight other Cabinet-level agencies.

Since February 2010, VAAA has also been delivering Program Management training supporting Federal Acquisition Certification for Program/Project Management with over 10,000 seats delivered. VAAA's current program includes an on-the-job application component; a comprehensive performance based certification exam; and a robust effectiveness evaluation and continuous improvement process. The trainings described above are offered through the VAAA's Acquisition Internship School, Contracting Professional School, and Program Management School.

Question 12: Please detail the total number of SES performance bonuses awarded in the preceding 12 month period and the total dollar amount of those awards.

Response: For the 12-month period beginning February 1, 2011, and ending January 31, 2012, VA granted 244 SES performance awards and spent \$2,823,922 on these awards. This includes 1 bonus deferred from the FY 2010 performance cycle. Performance awards are based on Fiscal Year performance and are normally awarded at the end of the calendar year.

**POST-HEARING QUESTIONS FROM CHAIRMAN JEFF MILLER TO THE
DEPARTMENT OF VETERANS AFFAIRS (VA)**

1. In responses to pre-hearing questions VA stated that the Affordable Care Act (ACA) has “strategic implications for VA.” VA also stated in response to pre-hearing questions that it “has and will continue to review how the health care reform law may influence VA health care programs.”

a. What are the strategic implications?

b. Please provide the results of any review VA has conducted to date regarding the influence the ACA may have on VA health care programs.

2. VA’s appropriation request is based, largely, on VA’s Enrollee Health Care Projection Model (Model) estimates. Key components of the Model include the enrollee population and utilization.

a. Recognizing the difficulty of forecasting utilization behavior, how were the “strategic implications” of the ACA on potential enrollment and utilization factored into the FY 2014 advance request?

b. Going forward, how will the strategic implications of the ACA influence resource requests in subsequent budget submissions?

3. What is the current backlog of non-recurring maintenance projects?

4. The following questions are based on information provided to Committee staff on February 24, 2012, explaining the overestimation of resources in FY 2012 and FY 2013:

a. When did VA first learn that it had significantly overestimated resource requirements for FY 2012 and FY 2013?

b. When was the decision made to reallocate those overestimated resources in the “initiative” areas outlined in the February 24, 2012, briefing materials?

c. Who made that decision?

d. When were the resources actually provided to the field for each of those initiatives?

e. It appears that VA made significant downward adjustments from what the Model suggested was necessary for non-recurring maintenance (NRM). Please explain what the Model’s original estimate was based on and, given the backlog of NRM projects, why VA decided to significantly reduce money allocated for NRM. Is it that a large number of NRM projects that comprise the backlog aren’t deemed critical, i.e., maintenance can be deferred because healthcare to veterans or employee safety won’t be compromised? Please explain VA’s decision making process in this area.

f. One of the initiatives VA reallocated overestimated money for was “Improving Mental Health.” Please describe that initiative.

5. What changes in law are required (e.g., extended or increased authorizations, etc.) to allow the resources requested in the FY 2013 budget to be spent? Please list the dollar amounts that, if appropriated, VA will not have authority to spend absent Congressional authorization.

6. What is the 3-year average expenditure on VA’s bonus program (performance, retention, and relocation)?

7. At a recent Congressional staff briefing on VA’s major medical lease program it was revealed that delays associated with 7 health care centers authorized in Public Law 111–82 were largely attributable to an internal debate among senior VA leaders about the wisdom of moving forward with them at all. Who were the senior VA leaders responsible for holding these projects back from their original schedule? When was the decision made to ultimately move forward with them? Please provide documentation of when the decision was made to ultimately move forward with these projects.

8. Please provide information on how the FY 2012 budget will/has changed to fully implement the VOW to Hire Heroes Act and how the budget request for FY 2013 will satisfy requirements to fully implement this Act.

a. How much will the FY2013 outreach budget be used to promote the retraining program of the VOW to Hire Heroes Act?

b. Will VA's outreach plan for the VOW to Hire Heroes Act contain ways to partner with agencies like DoD, IRS, DOL, and others to provide information to eligible veterans?

c. Does the outreach plan include funding for a national advertising program?

9. VA's response to the Committee's pre-hearing questions indicated that it was planning to hire additional FTE for the Education Service to process applications for the retraining provision of the VOW to Hire Heroes Act of 2011. However, the budget request for FY 2013 shows a reduction in the number of FTE at the education service.

a. Can you please describe this apparent variance?

b. Would keeping these additional FTE on staff reduce processing times for the Retraining assistance provided under the VOW to Hire Heroes Act of 2011?

NCA Questions

10. Please provide an update on NCA's efforts to reconcile cemetery placement maps and headstones at all VA cemeteries.

a. How many cemeteries have completed this review?

b. How many cemeteries are still in need of this review?

c. How many misidentified graves were found?

d. What steps were taken to notify families and correct these errors?

e. What is the department going to do to ensure these types of mistakes never happen again?

11. Please describe the reason behind increases in both of NCA's "personal services" and "other accounts"?

12. Please provide more information on how VA will choose the two new cemeteries or plots of land to be open to new burial under NCA's new rural commitment and how VA would provide upkeep at these cemeteries and if this upkeep will be contracted out.

13. The Millennium Study identified a significant number of one-time repairs required at NCA cemeteries. In response, Congress has increased NCA's budget for these and other identified repairs over the last decade.

a. How many projects did VA confirm as needing repairs following the Millennium Study and what was the cost of addressing those repairs?

b. Which projects have been addressed with funding provided, and how many remain (and how much will it cost to address them)?

VBA Mandatory Account Questions

14. There has been rapid growth of Compensation and Pension obligations, going from \$53.9 billion in FY2011 to an estimated \$64.7 billion FY 2013.

a. What are the symptoms of this growth?

b. Why do you believe we are seeing an increase in the average payment to veterans by almost \$1,000 per payment?

c. Do you believe that VA's current compensation system provides compensation that is directly related to a servicemember's disability and quality of life?

15. Please expand on VA's legislative proposal to have Chapter 33 tuition and fee payments paid directly to students instead of schools?

a. What impact will this have on overpayments by VA to students when they change their rate of pursuit of study or drop out entirely?

b. Will VA provide the tuition and fee payments in a lump sum or in monthly installments as is done under the Chapter 30 program?

c. What fraud prevention measures would be instituted if this provision were to become law?

16. One of VA's legislative proposals is to increase the funding for the contracting of educational and vocational rehabilitation counseling under chapter 36. What has

been the utilization of the current funding and what improvements do you believe need to be made to improve participation in this program?

17. In VA's response to the Committee's pre-hearing questions VA stated that OMB was currently reviewing what the impact will be on VA's home loan program if Congress does not re-authorizing the pooling authority for VA mortgages. This authority expired on December 31, 2011. When do you expect this review to be completed?

VBA GOE Questions

18. On page 2A-8 of Volume 3 of the budget submission, VA announced that its obligations for contract medical examinations will increase by 11.8 million, or approximately 55,000 additional contract examinations. In what circumstances is VA relying on contract examinations rather than examinations provided by VHA?

(a) At 4B-18, VA states that it is using three companies for contract examinations. What are the three companies?

(b) What training mechanisms are in place to ensure that contract examinations meet the required adequacy standards?

19. At 2A-13, VA states that the number of veterans in receipt of a total disability rating based on individual unemployability (TDIU) is gradually increasing. What portion of this increase is OIF/OEF Veterans?

(a) Similarly, with regard to the increase in special monthly compensation (SMC) funding, are these numbers also going up because of the types of injuries seen in OIF/OEF Veterans or other factors?

(b) Although VA's total number of claims increased by about 3 million (at 2A-22), its overall benefits obligations increased by approximately \$10 billion. What portion of this is due to:

1. New claims from OIF/OEF Veterans?
2. TDIU/SMC for OIF/OEF Veterans?
3. Number/types of injuries seen in OIF/OEF Veterans?

20. Throughout the budget, mention is repeatedly made that VA will track metrics for the number of claims that remain pending after VA's target processing time of 125 days. What is VA's planned response if these numbers are not being met?

(a) Other than tracking through VBMS, is VA planning on utilizing any new strategies to reach this target goal?

(b) What type of improved metrics/methodology is VA using to keep track of these statistics?

21. At 4A-3, VA reiterates that "our employees are the key to our success." Please elaborate on this assertion, as it appears that hiring many new employees since 2007 has not greatly contributed to reducing the backlog.

(a) What actions are you taking to decrease training time? What is the basis for the frequently cited assertion that it takes 2 years to fully train an examiner?

(b) Has VA made any recent updates to its training procedures?

22. At 4A-4, how did you arrive at the case-management approach/processing lanes?

(a) Where is this system being tested?

(b) Do you have initial results you can share?

23. At 4A-4, what initial feedback have you received from the use of Disability Benefit Questionnaires?

(a) Do you have any procedures in place to follow up with private physicians in compliance with the CAVC's decision in *Savage v. Shinseki*?

(b) Does the use of DBQ's have the potential to save VA money on using contract examinations?

24. At 4A-14; 4F-5 – you note that you are already using an entirely paperless process for insurance claims. Is this the same platform as VBMS?

a. How is the scanning for insurance claim documents handled?

b. Are there any data showing that this paperless system increases processing times or quality?

c. Have there been any unforeseen costs associated with using this paperless processing or the insurance self-service website?

25. At 4B–8 you mention a study by George Washington University on earnings loss and Musculoskeletal system. Please elaborate on the specifics of this study, including its intended completion date and its intended effect on the ongoing modernization of VA's rating schedule.

26. At 5C–2, with regard to the newly authorized FTEs, how many will be attorneys and how many will be support staff?

a. What training procedures does the Board have in place to handle so many new FTEs?

b. What else is the Board looking at to address its backlog besides additional FTEs?

27. Please describe what the budgetary impact will be on the recent expansion of T–SGLI for loss of reproductive organs? How will this decision impact future budget requests and what other injuries is VA considering adding for coverage under the TSGLI program?

28. The budget documents stated that there are nearly 3,800 appeals still being processed for payments from the Filipino Veterans Compensation Fund and that over half of the 42,800 claims filed for compensation have been denied.

a. When do you expect the remaining appeals to be resolved?

b. Is there any idea of how much of the remaining appropriation will be left at the conclusion of the decisions on these appeals?

c. What is your opinion on the potential for fraud in this program and what steps has the Department taken to ensure the correct adjudication of these claims?

d. What is the status of the two ongoing law suits involving this account?

29. Please provide more information about the rules-based process job aide that will be included in the first “design team” and if this system will be integrated with VBMS?

a. What other type of rules-based systems will be part of the final VBMS system?

b. What is VA's plan for scanning documents for the VBMS system? Will this be done with private contractors?

c. Where will the scanning take place and what is the long-term scanning plan?

d. Are you partnering with Veteran Service Organizations and other interested stakeholders as you develop the VBMS system?

e. When do you expect all regional offices to use VBMS and not rely on other legacy systems?

f. How will VBMS be integrated with the eBenefits and other VBA systems?

g. VA's budget states that the nationwide deployment of VBMS will begin in FY2012 and be completed by the end of FY2013. Please provide a detailed schedule of this rollout.

h. How has the functional requirements for VBMS evolved since the program was originally developed and funded? Has there been a reduction in the system requirements or functions from when VBMS was originally developed?

30. The contracted Fast Track system is used to expedite the processing of presumptive Agent Orange claims. This system is being funded by VA Innovations Initiatives. Can you give some figures that reflect the cost of this system and its estimated long term usability?

a. Using this system, how much oversight do you have on the medical evidence used in these claims and will this system provide communication between the medical evaluator and the person processing the claims?

b. Could this result in an assembly line of Agent Orange claims approvals with little to no oversight of the origin and condition of the actual presumptive diagnosis?

31. The budget states that VA's disability claims production has increased. That should be expected after such a large staffing increase over the last decade. What I'm interested in is the level of individual productivity of VA employees.

- a. What is the productivity level of each claims examiner?
- b. How many claims should each examiner be responsible for accurately deciding in a given year?
- c. Are you concerned about the continued reports by the Office of Inspector General that show major quality issues at the Regional Offices that they have visited?
- d. What steps will VBA take with this budget to improve overall quality production?

32. VBA and AFGCE recently modified article 67 of their master contract on skills certification. While I appreciate VA and AFGCE's apparent move to meet the requirements of H.R. 2349, as amended, a bill passed by House last fall, I do have to question why an employee would not be held accountable under this modification for failure to pass this skills certification test as required by P.L. 110-389.

- a. While I understand this test is in place so a claims processor can move up a GS level, why does VA not administer testing to test current knowledge and competence?
- b. Will all employees and managers be required to take the skills certification test as required under both P.L. 110-389 and the modified article 67 of the master contract?
- c. Are you at all concerned that current certification testing shows only a 57% pass rate? What steps has VA taken to address issues surrounding this test and involve union partners in developing this test as required by P.L. 110-389?

33. What statistical analysis was completed on the effectiveness of the 6.0 release of the Long Term Solution for Post 9/11 GI Bill Claims to justify the shifting of close to 200 FTE from the Education Service to the Compensation Service? How was the impact of the re-training provisions of the VOW to Hire Heroes Act taken into account and what is the target for the average days to process these type of claims?

34. One of the largest complaints that we receive from veterans is the lack of customer satisfaction and consistent answers to questions provided by the GI Bill call center. What efforts have you undertaken to improve the dropped call rate and improve customer satisfaction at the call center?

35. Please explain why there is a planned FTE reduction in the Loan Guaranty Service while the personal services line has a request for a \$2.4 million increase?

36. How much will the appraisal management services and the automated valuation management services cost and how will it add value to training and other benefits?

37. What measures are in place to review the performance of the Vet Success on Campus program?

38. Please provide more information about the Voc Rehab Service's plan to improve employment-based rehab by 15%.

39. Please provide the justification for reducing the FTE for the Insurance Service by 21.

GOE, General Administration Questions

40. What is the justification for the additional funding of 20 FTE for the Enterprise Program Management Office of the Office of Policy and Planning?

41. What portion of the Office of Public and Intergovernmental Affairs budget is used on providing national advertising campaigns to inform veterans and the public about services and benefits provided by VA?

42. The budget documents state that the National Veterans Outreach Office of the Office of Public and Intergovernmental Affairs is working to develop a system to track the performance of VA's outreach programs. When do you expect this tracking system to be complete and what type of data will it collect?

43. Please provide more information about the Homeless Veteran Supportive Employment Program and what type of jobs and wages/salary the 360 homeless or formally homeless veterans are doing as part of this program.

44. How does the Office of Public Affairs and Intergovernmental Affairs measure what percent of news coverage is positive or neutral in tone as listed in the office's performance measures?

45. The performance measures for the Office of Congressional and Legislative Affairs tracks the percentage of testimony submitted to Congress within the required timeframe, percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe, and the percentage of title 38 reports that are submitted to Congress within the required timeframe. What is the definition of the "required timeframe" for each of these measures and who sets this definition?

POST-HEARING RESPONSES FROM THE DEPARTMENT OF VETERANS AFFAIRS (VA) TO CHAIRMAN JEFF MILLER

Question 1: In responses to pre-hearing questions VA stated that the Affordable Care Act (ACA) has "strategic implications for VA." VA also stated in response to pre-hearing questions that it "has and will continue to review how the health care reform law may influence VA health care programs."

- a. What are the strategic implications?
- b. Please provide the results of any review VA has conducted to date regarding the influence the ACA may have on VA health care programs.

Response: VA's assessment of ACA examined a number of different areas including:

- New health care coverage options for Veterans via Medicaid expansion;
- Premium tax credits and exchange eligibility;
- Reliance on VA by Veterans who are enrolled in or use multiple systems of care;
- Maintaining affiliations with academic medical centers;
- Ability to attract and maintain a highly skilled health care workforce; and
- Impact of Accountable Care Organizations (ACOs) and other payment reforms on VA costs, care coordination, and information sharing.

VA has been proactive in understanding the potential impacts of ACA and in ensuring that VA health care programs remain responsive to Veterans' needs.

Question 2: VA's appropriation request is based, largely, on VA's Enrollee Health Care Projection Model (Model) estimates. Key components of the Model include the enrollee population and utilization.

- a. Recognizing the difficulty of forecasting utilization behavior, how were the "strategic implications" of the ACA on potential enrollment and utilization factored into the FY 2014 advance request?
- b. Going forward, how will the strategic implications of the ACA influence resource requests in subsequent budget submissions?

Response: In 2010, VA worked with its consulting health actuary, Milliman, to assess Veteran health care enrollment and reliance in the Commonwealth of Massachusetts before and after the implementation of universal health care mandate there. This analysis demonstrated no measurable impacts on either enrollment or reliance in the short term. Although the experience in Massachusetts may not mirror that of the country as a whole, there is insufficient evidence at this time to warrant any material change in the Model assumptions for the 2014 advance appropriations request related specifically to ACA.

VA is collaborating with other federal agencies to understand their activities regarding health reform to ensure a coordinated approach to implementing the law as currently enacted. This collaboration includes efforts to clarify Veteran eligibility related to the premium tax credit provided in the legislation as this will also impact VA's analysis.

Based on updated analysis, VA will reassess potential changes to the 2014 advance appropriations request as a result of the ACA in the 2014 Budget.

Question 3: What is the current backlog of non-recurring maintenance projects?

Response: The VA 2013 Long Range Capital Plan identifies 2,789 NRM projects with an estimated cost of \$9.2 billion. The 2013 request includes \$710 million to address the design needs for 180 of these projects.

Question 4: The following questions are based on information provided to Committee staff on February 24, 2012, explaining the overestimation of resources in FY 2012 and FY 2013:

a. When did VA first learn that it had significantly overestimated resource requirements for FY 2012 and FY 2013?

Response: VA's FY 2012 President's Budget estimates for FY 2012 and the FY 2013 advance appropriation assumed that Federal employees would receive pay raises in those years. Prior to submission of the FY 2013 President's Budget, the President imposed a freeze on Federal employee pay for Calendar Years 2011 and 2012. The FY 2013 President's Budget adjusted the FY 2012 and FY 2013 estimates to reflect that action, accounting for the majority of the revised estimate. Other adjustments in the FY 2013 President's Budget included updates to Long-Term Care and other utilization factors, as well as updates to morbidity and aging assumptions about the enrolled Veteran population.

b. When was the decision made to reallocate those overestimated resources in the "initiative" areas outlined in the February 24, 2012, briefing materials?

Response: During the summer of 2011, VA officials reviewed and validated the revised estimates and their impact on the 2012 budget estimates and 2013 request. During the fall of 2011, VA worked with OMB to review budget requirements, the updated model projections, and VA's request to reinvest available funding from the updated estimates to programs that have been a priority to Veterans, VA, and the Congress, including activations of new or replacement medical facilities, implementation of the Caregivers and Veterans Omnibus Health Services Act of 2010, and eliminating Veteran homelessness. The results of those deliberations were released with the annual budget request in February 2012.

c. Who made that decision?

Response: The decision occurred as part of the Administration's process that produced the President's 2013 Budget.

d. When were the resources actually provided to the field for each of those initiatives?

Response: For the FY 2012 appropriation, resources were provided to the field for these initiatives in October and November 2011. Resources for the FY 2013 advance appropriation have not yet been distributed to the field these funds will be distributed at the start of the fiscal year this October.

e. It appears that VA made significant downward adjustments from what the Model suggested was necessary for non-recurring maintenance (NRM). Please explain what the Model's original estimate was based on and, given the backlog of NRM projects, why VA decided to significantly reduce money allocated for NRM. Is it that a large number of NRM projects that comprise the backlog aren't deemed critical, i.e., maintenance can be deferred because healthcare to veterans or employee safety won't be compromised? Please explain VA's decision making process in this area.

Response: The model projects NRM based on what was obligated in the base year (in this case 2010) and adjusts the future years based upon cost trends and the changes in patient workload. Beginning with the FY 2012 Budget, VA does not use the model estimate to develop its NRM request, but bases its estimate in part upon the Strategic Capital Investment Planning (SCIP) process. VA does an engineering-based review of the condition of all of its buildings on a rotating basis every three years. This process results in the development of VISN-level projects that are annually reviewed and ranked for the overall capital investment process. VA sets the funding level of the NRM program as part of its determination of the overall budget during the final deliberation process.

The NRM decision-making process needs to be viewed within the Department's overall efforts to plan for infrastructure needs. Developed first in the FY 2012 budget process, SCIP is a VA-wide planning tool used to evaluate and prioritize capital infrastructure needs for the current Budget cycle and for future years. SCIP quantifies the infrastructure gaps that must be addressed for VA to meet its long-term strategic capital targets, including providing access to Veterans, ensuring the safety and security of Veterans and our employees, and leveraging current physical resources to benefit Veterans.

VA has dedicated approximately 30 percent of its 2013 Capital Budget Request for NRM projects. The 2013 NRM request is \$710 million. Of the \$710 million requested, \$632 million (89 percent) will fund projects already partially funded by

Congress and projects determined by local needs. Within the spending targets established in the President's 2013 Budget request, VA's allocation for capital projects, including NRM projects, is one that:

- Emphasizes completing prior appropriated projects that provide healthcare, memorial, and benefits delivery services to Veterans;
- Impacts more VA medical centers (VAMC) and corrects more seismic, safety, and security issues in less time through a focus on minor construction projects;
- Completes a large number of grandfathered projects, attacking and reducing the capital backlog; and
- Recognizes the importance of alternative strategies to traditional capital approaches to meet overall needs, such as telemedicine, extended hours, mobile clinics, and fee basis contract care.

f. One of the initiatives VA reallocated overestimated money for was "Improving Mental Health." Please describe that initiative.

Response: The initiative to **Improve Veterans Mental Health (IVMH)** is one of VA's 16 major transformational initiatives. It began in FY 2010 and is operationally aligned under the Office of Healthcare Transformation within the Veterans Health Administration (VHA). The overall goals of IVMH are to:

- Develop the infrastructure necessary to maintain full implementation of the VHA Handbook on Uniform Mental Health Services in VA Medical Centers and Clinics, including the needed IT resources, workforce development, and on-going monitoring and technical assistance;
- Initiate public health outreach and education to support Veterans' mental health in the communities in which they live, work, go to school, raise families, and otherwise contribute to society, including through the use of all available technologies; and
- Complete the 28 strategic actions in the Department of Veterans Affairs (VA)/ Department of Defense (DoD) Integrated Mental Health Strategy and strengthen the partnership between VA and DoD in support of the mental health of Servicemembers and Veterans

Question 5: What changes in law are required (e.g., extended or increased authorizations, etc.) to allow the resources requested in the FY 2013 budget to be spent? Please list the dollar amounts that, if appropriated, VA will not have authority to spend absent Congressional authorization.

Response: VA's complete list of expiring authority appears in Volume I of the fiscal year (FY) 2013 President's Budget: Legislative Authorization of Programs, page 3C-1. New authorities are requested and described on pages 3A-1 – 3A-14 and page 3B-1 of the same volume. The following are authorities which expire over the next year and would affect the VA budget with respect to either the spending of funds or collection of revenue:

Title	Section of U.S.C.- Citation	Public Law (P.L.) Citation	P.L.-Citation (Most Recent Extension)	Expiration Date	Amount
Programs for Homeless Veterans					
Homeless Veterans Reintegration Programs	38 U.S.C. 2021(e)	P.L. 107-95 section 5(a)(1).	P.L. 112-37 section 10(b).	9/30/12	N/A.
Housing Assistance for Homeless Veterans	38 U.S.C. 2041 ...	P.L. 109-461 section 705.	P.L. 112-37 section 10(e).	12/31/12	N/A.
Grant Program for Homeless Veterans with Special Needs	38 U.S.C. 2061(c)	P.L. 107-95 section 5(a)(1).	P.L. 112-37 section 13.	After FY 2012 (for funding)	\$235 million – reverts to \$150 million.

Title	Section of U.S.C.-Citation	Public Law (P.L.) Citation	P.L.-Citation (Most Recent Extension)	Expiration Date	Amount
Financial Assistance for Supportive Services for Very Low-Income Veterans Families in Permanent Housing	38 U.S.C. 2044(e)	P.L. 110-387 section 606.	P.L. 112-37 section 12(a).	After FY 2012	\$300 million.
Medical Care Programs					
Treatment and Rehabilitation for Seriously Mentally Ill and Homeless Veterans - General treatment	38 U.S.C. 2031(b)	P.L. 105-114 section 202(a).	P.L. 112-37 section 10(c).	12/31/12	\$196 million.
Treatment and Rehabilitation for Seriously Mentally Ill and Homeless Veterans – Additional services at certain locations	38 U.S.C. 2033(d)	P.L. 105-114 section 202(a).	P.L. 112-37 section 10(d).	12/31/12	in above.
Co-Payments and Medical Care Cost Recovery					
Co-Payments for Hospital Care and Nursing Home Care	38 U.S.C. 1710(f)(2)(B).	P.L. 111-163, section 517.	P.L. 111-163, section 517.	9/30/12	\$3 million.
Medical Care Cost Recovery Authority (Third-party Billing)	38 U.S.C. 1729(a)(2)(E).	P.L. 111-163, section 518.	10/1/12	\$980 million.
General Operating Expenses, Veterans Benefits Administration					
Philippines Regional Office	38 U.S.C. 315(b)	P.L. 102-83 section 2(a).	P.L. 112-74 section 234.	12/31/12	N/A.
Contract Medical Disability Exams – (Temporary Authority for Performance of Medical Disability Examinations by Contract Physicians)	38 U.S.C. 5101 note.	P.L. 108-183 section 704.	P.L. 111-275 section 809.	12/31/12	\$251 million.
Benefits Programs					
Annual Disability Compensation Cost of living Adjustment	38 U.S.C. 1114 note.	P.L.85-857 section 302.	P.L. 112-53 section 2.	Annually	\$772 million.

Question 6: What is the 3-year average expenditure on VA's bonus program (performance, retention, and relocation)?

Response: The table, below, provides data on all VA monetary awards with effective dates between FY 2009 – 2012. Data are current as of March 31, 2012. SES

performance awards are paid in the fiscal year that follows the fiscal year in which the actual performance occurs. For example, SES performance awards reported in FY 2012 were for FY 2011 performance.

FY 2009	NO. OF AWARDS	TOTAL AWARDS
841 GROUP CASH AWARD	43,316	\$ 22,183,613
845 TRAVEL SAVINGS INCENTIVE	90	\$ 56,224
849 INDIVIDUAL CASH AWARD (NRB)	81,105	\$ 49,421,708
878 PRESIDENTIAL RANK AWARD	15	\$ 616,196
879 SES PERFORMANCE AWARD	166	\$ 2,833,629
840 INDIVIDUAL CASH AWARD (RB)	100,820	\$ 140,573,419
817 STUDENT LOAN REPAYMENT	103	\$ 695,052
825 SEPARATION INCENTIVE	0	\$ -
842 INDIVIDUAL SUGGESTION/INVENTION AWARD	222	\$ 51,492
843 GROUP SUGGESTION/INVENTION AWARD	19	\$ 7,350
844 FOREIGN LANGUAGE AWARD	0	\$ -
848 REFERRAL BONUS	1,425	\$ 712,178
889 GROUP AWARD - OTHER	1,412	\$ 672,846
948 SPECIALTY CERTIFICATION AWARD	690	\$ 856,517
950 EXEMPLARY JOB PERF/ACHIEV AWARD	1,167	\$ 3,511,148
885 LUMP SUM PERF PAYMENT (RB-ILPA)	8	\$ 9,800
886 LUMP SUM PERF PAYMENT(RBNILPA)	15	\$ 14,028
887 LUMP SUM PERF PAYMENT (NRB)	241	\$ 351,896
RECRUITMENT	5,569	\$ 48,554,956
RELOCATION	755	\$ 9,698,672
RETENTION	14,532	\$ 105,995,029
TOTAL	251,670	\$ 386,815,753
AVERAGE EXPENDITURE PER AWARD		\$ 1,537

FY 2010	NO. OF AWARDS	TOTAL AWARDS
841 GROUP CASH AWARD	33,087	\$ 16,219,211
845 TRAVEL SAVINGS INCENTIVE	149	\$ 91,717
849 INDIVIDUAL CASH AWARD (NRB)	69,734	\$ 45,837,752
878 PRESIDENTIAL RANK AWARD	10	\$ 400,510
879 SES PERFORMANCE AWARD	197	\$ 2,856,968

FY 2010	NO. OF AWARDS	TOTAL AWARDS
840 INDIVIDUAL CASH AWARD (RB)	125,029	\$ 175,450,691
817 STUDENT LOAN REPAYMENT	271	\$ 1,962,845
825 SEPARATION INCENTIVE	0	\$ -
842 INDIVIDUAL SUGGESTION/INVENTION AWARD	182	\$ 43,394
843 GROUP SUGGESTION/INVENTION AWARD	43	\$ 5,385
844 FOREIGN LANGUAGE AWARD	0	\$ -
848 REFERRAL BONUS	860	\$ 506,987
889 GROUP AWARD - OTHER	2,948	\$ 1,177,164
948 SPECIALTY CERTIFICATION AWARD	998	\$ 1,268,761
950 EXEMPLARY JOB PERF/ACHIEV AWARD	1,585	\$ 2,308,593
885 LUMP SUM PERF PAYMENT (RB- ILPA)	13	\$ 25,647
886 LUMP SUM PERF PAYMENT(RBNILPA)	51	\$ 57,036
887 LUMP SUM PERF PAYMENT (NRB)	327	\$ 323,085
RECRUITMENT	3,456	\$ 34,215,756
RELOCATION	762	\$ 9,107,085
RETENTION	15,430	\$ 110,919,319
TOTAL	255,132	\$ 402,777,907
AVERAGE EXPENDITURE PER AWARD		\$ 1,579

FY 2011	NO. OF AWARDS	TOTAL AWARDS
841 GROUP CASH AWARD	33,307	\$ 15,417,012
845 TRAVEL SAVINGS INCENTIVE	118	\$ 78,733
849 INDIVIDUAL CASH AWARD (NRB)	78,976	\$ 51,546,813
878 PRESIDENTIAL RANK AWARD	12	\$ 460,861
879 SES PERFORMANCE AWARD	238	\$ 3,457,762
840 INDIVIDUAL CASH AWARD (RB)	140,486	\$ 182,847,647
817 STUDENT LOAN REPAYMENT	471	\$ 3,351,101
825 SEPARATION INCENTIVE	7	\$ 175,000
842 INDIVIDUAL SUGGESTION/INVENTION AWARD	165	\$ 47,880
843 GROUP SUGGESTION/INVENTION AWARD	83	\$ 42,030
844 FOREIGN LANGUAGE AWARD	0	\$ -
848 REFERRAL BONUS	641	\$ 355,678

FY 2011	NO. OF AWARDS	TOTAL AWARDS
889 GROUP AWARD - OTHER	4,119	\$ 1,457,712
948 SPECIALTY CERTIFICATION AWARD	1,034	\$ 1,311,418
950 EXEMPLARY JOB PERF/ACHIEV AWARD	1,949	\$ 2,557,099
885 LUMP SUM PERF PAYMENT (RB-ILPA)	5	\$ 7,648
886 LUMP SUM PERF PAYMENT(RBNILPA)	921	\$ 1,800,686
887 LUMP SUM PERF PAYMENT (NRB)	824	\$ 858,781
RECRUITMENT	2,477	\$ 28,858,378
RELOCATION	789	\$ 10,294,345
RETENTION	14,376	\$ 104,801,988
TOTAL	280,998	\$ 409,728,572
AVERAGE EXPENDITURE PER AWARD		\$ 1,458
3 YEAR AVERAGE (2009 - 2011)		\$ 1,525

FY 2012 YTD	NO. OF AWARDS	TOTAL AWARDS
841 GROUP CASH AWARD	4,125	\$ 2,055,677
845 TRAVEL SAVINGS INCENTIVE	60	\$ 33,136
849 INDIVIDUAL CASH AWARD (NRB)	15,335	\$ 9,627,059
878 PRESIDENTIAL RANK AWARD *	0	\$ -
879 SES PERFORMANCE AWARD	245	\$ 2,778,856
840 INDIVIDUAL CASH AWARD (RB)	140,251	\$ 124,640,960
817 STUDENT LOAN REPAYMENT	48	\$ 348,080
825 SEPARATION INCENTIVE	33	\$ 809,185
842 INDIVIDUAL SUGGESTION/INVENTION AWARD	47	\$ 13,814
843 GROUP SUGGESTION/INVENTION AWARD	15	\$ 9,733
844 FOREIGN LANGUAGE AWARD	0	\$ -
848 REFERRAL BONUS	177	\$ 85,665
889 GROUP AWARD - OTHER	370	\$ 191,309
948 SPECIALTY CERTIFICATION AWARD	449	\$ 569,834
950 EXEMPLARY JOB PERF/ACHIEV AWARD	1,112	\$ 1,171,759
885 LUMP SUM PERF PAYMENT (RB-ILPA)	0	\$ -
886 LUMP SUM PERF PAYMENT(RBNILPA)	1,432	\$ 856,001
887 LUMP SUM PERF PAYMENT (NRB)	114	\$ 75,082

FY 2012 YTD	NO. OF AWARDS	TOTAL AWARDS
RECRUITMENT	1,171	\$ 10,380,721
RELOCATION	418	\$ 4,237,774
RETENTION	11,058	\$ 47,649,479
TOTAL YTD	176,460	\$ 205,534,123
AVERAGE EXPENDITURE PER AWARD YTD		\$1,165

Question 7: At a recent Congressional staff briefing on VA's major medical lease program it was revealed that delays associated with 7 health care centers authorized in Public Law 111-82 were largely attributable to an internal debate among senior VA leaders about the wisdom of moving forward with them at all. Who were the senior VA leaders responsible for holding these projects back from their original schedule? When was the decision made to ultimately move forward with them? Please provide documentation of when the decision was made to ultimately move forward with these projects.

Response: In a briefing to the HVAC Committee staff on March 22, 2012 on construction topics, Department staff extensively discussed several reasons for the delay in the leasing of Health Care Centers (HCCs) authorized in fiscal year 2010. These included difficulties in securing sites; making final determinations on the space and functional composition of the clinics; retaining support from private sector design teams; and a revalidation of VA HCC projects, among other reasons. In that discussion, on the topic of revalidation, Department staff advised the Committee staff that a Departmental revalidation of the concept of large HCCs was one of the factors that contributed to the delay but that the Department concluded that all seven clinics should continue moving forward. This decision was made in January of 2011.

Question 8: Please provide information on how the FY 2012 budget will/has changed to fully implement the VOW to Hire Heroes Act and how the budget request for FY 2013 will satisfy requirements to fully implement this Act.

a. How much will the FY2013 outreach budget be used to promote the retraining program of the VOW to Hire Heroes Act?

Response: VA has sufficient resources in the FY 2012 budget and FY 2013 budget request to implement the Veterans Retraining Assistance Program (VRAP) provisions of the VOW to Hire Heroes Act of 2011. To ensure that VA can effectively implement VRAP, our 2013 budget request reflects the resources to support hiring 166 Veterans claims examiners to process claims. This temporary staffing increase equates to 85 full-time equivalents (FTE) in 2012 and 90 FTE in 2013. These resources will allow us to manage increased workload and avoid disrupting current claims processing workload. VA will administer payments under VRAP from amounts appropriated for the payment of readjustment benefits. Although the outreach communication plan is currently under review by VA and DOL, we anticipate that the final plan will include a national advertising program. VA is still evaluating how much of the FY 2013 outreach budget will support outreach efforts associated with VOW to Hire Heroes Act for FY 2013.

b. Will VA's outreach plan for the VOW to Hire Heroes Act contain ways to partner with agencies like DoD, IRS, DOL, and others to provide information to eligible veterans?

Response: Yes, VA's plan will focus on communications required to support the governance, adoption, and success of the VOW to Hire Heroes Act. VA and Department of Labor (DOL) are working jointly in developing an effective communication plan. The strategies within the plan are designed to guide VA, DOL, Department of Defense (DoD), and other stakeholders (i.e., Veterans service organizations and public/private sector organizations) in delivering key messages to Servicemembers, Veterans, family members, and caregivers about the value of VOW to Hire Heroes Act programs. The plan also includes the development of the VOW to Hire Heroes Act web site that will be a one-stop shop for Veterans and stakeholders to obtain information related to VOW to Hire Heroes Act. The utilization of social media is another critical component within the outreach plan. Ultimately, VA's outreach

strategies are designed to increase awareness of and enrollment in the VOW to Hire Heroes Act programs.

c. Does the outreach plan include funding for a national advertising program?

Response: Although the communication plan is currently under review by VA and DOL, we anticipate that the final plan will include a national advertising program. VA is still evaluating how much of the FY 2013 outreach budget will support outreach efforts associated with VOW to Hire Heroes Act for FY 2013.

Question 9: VA's response to the Committee's pre-hearing questions indicated that it was planning to hire additional FTE for the Education Service to process applications for the retraining provision of the VOW to Hire Heroes Act of 2011. However, the budget request for FY 2013 shows a reduction in the number of FTE at the education service.

a. Can you please describe this apparent variance?

Response: While VA's FY 2013 budget request shows a net reduction of FTE due to the attrition of temporary claims examiners hired to support the Post-9/11 GI Bill, our request includes additional FTE required to implement the Veterans Retraining Assistance Program (VRAP) of the VOW to Hire Heroes Act of 2011.

b. Would keeping these additional FTE on staff reduce processing times for the Retraining assistance provided under the VOW to Hire Heroes Act of 2011?

Response: VA's 2013 budget request reflects the resources to support hiring 166 Veterans claims examiners to process VRAP claims in FYs 2012 and 2013. This temporary staffing increase equates to 90 FTE in 2013. These resources will allow us to manage the increased workload and maintain current claims processing.

NCA Questions

Question 10: Please provide an update on NCA's efforts to reconcile cemetery placement maps and headstones at all VA cemeteries.

a. How many cemeteries have completed this review?

Response: NCA is conducting the gravesite review in two phases. Phase I was initiated to review all gravesites involved in a raise and realign project. A second phase has been initiated to review all remaining gravesites. During Phase 1, NCA fully audited 22 national cemeteries and 1 soldiers' lot.

b. How many cemeteries are still in need of this review?

Response: Phase II involves review of all remaining burial sections in 109 national cemeteries as well as all soldiers lots administered by the Department of Veterans Affairs.

c. How many misidentified graves were found?

Response: During Phase 1, 1,588,372 gravesites were audited. NCA identified a total of 251 corrective actions for Phase 1 which included 243 headstones or markers that needed to be reset or ordered, and 8 caskets or urns that needed to be relocated.

d. What steps were taken to notify families and correct these errors?

Response: All NCA employees are the custodians of a sacred trust and strive to be the model of excellence in the delivery of burial benefits. We have created a culture of accountability in which errors are addressed immediately and openly. NCA regrets the grief and emotional hardship our errors cause and seeks to correct errors in consultation with family members. Where an error occurred, NCA corrected the error and contacted the affected families, wherever possible, to extend our sincerest apologies. NCA also ensured VA's congressional committees and the local congressional offices were notified of the issues.

e. What is the department going to do to ensure these types of mistakes never happen again?

Response: In April 2011, NCA implemented new procedures to strengthen internal controls and further enhance the accountability of remains interred in VA national cemeteries. These procedures require cemetery personnel to verify each gravesite location for second interments by checking the numbers and inscriptions of the gravesites in front of, behind, and to the left and right of the second interment. This step will alert the site crew to the potential for misaligned markers, either at the interment site or in an adjacent row.

Additional procedures are being implemented to prevent these types of errors from occurring in the future. Contracts to raise and realign headstones and markers will require contractors to keep headstones or markers at the gravesite during the renovations. Such control measures will reduce the likelihood of inaccurate replacement of headstones and markers upon project completion. Also, NCA will hire certified contracting officer representatives at each of its Memorial Service Network offices to oversee future gravesite renovation projects. If employees or contractors need to move a headstone or marker for any reason, NCA will use its new process to track temporary movement or replacement of any headstone or marker within a national cemetery. NCA can accomplish these actions within the 2013 budget request.

Question 11: Please describe the reason behind increases in both of NCA's "personal services" and "other accounts"?

Response: The increase in personal services is a result of the addition of 4 FTE for interment workload increases, increased benefits costs, and pay and staff composition changes. The increase in "other services" reflects higher maintenance cost due to more gravesites and developed acres.

Question 12: Please provide more information on how VA will choose the two new cemeteries or plots of land to be open to new burial under NCA's new rural commitment and how VA would provide upkeep at these cemeteries and if this upkeep will be contracted out.

Response: The location of the two new National Veterans Burial Grounds is dependent on the availability of land for these rural facilities. NCA will be looking for small tracts of land (2-5 acres) in already established public or private cemeteries in which to establish the new national cemetery presence. NCA plans to contract the grounds maintenance of these cemeteries under the oversight of the nearest national cemetery to ensure adherence to our National Shrine Standards. Burial operations will be conducted and supervised by NCA personnel.

Question 13: The Millennium Study identified a significant number of one-time repairs required at NCA cemeteries. In response, Congress has increased NCA's budget for these and other identified repairs over the last decade.

a. How many projects did VA confirm as needing repairs following the Millennium Study and what was the cost of addressing those repairs?

Response: At the completion of the Millennium Study in 2002, a total of 929 projects at an estimated repair cost of \$280 million were identified.

b. Which projects have been addressed with funding provided, and how many remain (and how much will it cost to address them)?

Response: To date, 401 projects with an estimated cost of \$99 million were completed at an actual cost of \$135 million. NCA is evaluating the remaining 528 identified projects estimated at \$180 million to determine how they will be best addressed. Since the Millennium Study was conducted, new projects that require immediate attention have been identified. These emerging requirements will be addressed along with previously identified projects within the annual budget process.

VBA Mandatory Account Questions

Question 14: There has been rapid growth of Compensation and Pension obligations, going from \$53.9 billion in FY2011 to an estimated \$64.7 billion FY 2013.

a. What are the symptoms of this growth?

Response: The growth in compensation and pension obligations is primarily attributable to estimated increases in compensation benefit payments to Veterans and survivors. Compensation benefit payments to Veterans account for approximately 82 percent of total compensation and pension program costs.

Driving the growth in total compensation and pension obligations is the estimated increase in the number of Veterans and survivors added to the compensation rolls and their average payments. The average growth in the number of Veteran beneficiaries is 120,000 per year and average payment increases 6 percent each year. We expect these trends to continue. Another factor contributing to the increase in obligations is retroactive payments to Veterans and survivors with pending claims.

b. Why do you believe we are seeing an increase in the average payment to veterans by almost \$1,000 per payment?

Response: The following factors contribute to the increase in annual average payments to Veterans: the average degree of disability continues to increase yearly as

Veterans claim more disabilities and their disabilities progress; the average number of dependents included on Veterans' awards has increased 7 percent over the last four years the impact of enacted legislation or regulations, including new presumptive disabilities; the number of Veterans receiving special monthly compensation continues to increase; the increased number of Veterans receiving Individual Unemployability (IU); the number of retroactive payments released; and the fluctuation in the numbers of accessions and terminations resulting in net increases. Deviations in these factors alter average payments and historically increase compensation and pension obligations.

c. Do you believe that VA's current compensation system provides compensation that is directly related to a servicemember's disability and quality of life?

Response: VA disability compensation is a monthly benefit paid to a Veteran who is disabled by injuries or illnesses incurred or aggravated in military service. The intent of disability compensation in 38 U.S.C. § 1155 is to compensate individuals for the "average impairments of earning capacity" resulting from the disability.

There have been various commissions and studies that have examined the effectiveness and fairness of the disability compensation program.

The 2007 Veterans' Disability Benefits Commission (VDBC) report, *Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century*, included survey results by the Center for Naval Analyses (CNA) on disability compensation as a replacement for the average impairment in earning capacity. This study found that compensation is generally adequate in replacing earned income losses due to service-connected disabilities.

Although the statute requires that VA compensate for earnings loss, VA does address quality of life for certain disability patterns (e.g., amputations) by paying special monthly compensation above and beyond the schedular evaluation.

In October 2009, VA began a comprehensive revision and update of all 15 body systems contained in the rating schedule. This modernization effort includes a more detailed analysis to determine if conditions are adequately compensated based on current associated evaluation levels.

Question 15: Please expand on VA's legislative proposal to have Chapter 33 tuition and fee payments paid directly to students instead of schools?

Response: Under the Post-9/11 GI Bill, VA issues payments for tuition and fees directly to schools on behalf of the student. Although the student does not directly receive the amount paid, the payment is made on the student's behalf, and the student is therefore considered to have received such payment. Sending payments directly to students would allow them to personally manage their financial obligations with the school and minimize some of the confusion created by having a third party (school) involved.

a. What impact will this have on overpayments by VA to students when they change their rate of pursuit of study or drop out entirely?

Response: Currently, when students change their rate of pursuit or withdraw from courses, VA reduces the amount of tuition and fees previously paid to the school and the student is held liable for any debt created. The schools have been directed by VA to follow their own refund policies. Frequently, the school refund policies will not coincide with the amount the student owes to VA, which causes confusion for the student when working with VA's Debt Management Center to settle outstanding debts. This legislative proposal would simplify the payment process, which will in turn aid the student in identifying the debt owed to VA. Additionally, it will eliminate the school's role in returning funds to either VA or the student, thereby streamlining the payment and debt collection processes.

b. Will VA provide the tuition and fee payments in a lump sum or in monthly installments as is done under the Chapter 30 program?

Response: The intent of this legislative proposal is to direct the tuition and fee payments from the schools to the students. As a result, the lump sum tuition and fee payments would go directly to the students.

c. What fraud prevention measures would be instituted if this provision were to become law?

Response: VA does not anticipate an increase of fraud if the tuition and fee payments are issued to the students as opposed to the school. Payment amounts will still be determined based on information received from the schools regarding net charges for tuition and fees. Additionally, VA will continue to require schools to report any changes to enrollments and will create any debts accordingly. VA will then

be able to collect on debts established under the Post-9/11 GI Bill in the same manner as all other VA education benefits.

Question 16: One of VA's legislative proposals is to increase the funding for the contracting of educational and vocational rehabilitation counseling under chapter 36. What has been the utilization of the current funding and what improvements do you believe need to be made to improve participation in this program?

Response: In accordance with 38 United States Code (USC) § 3697, chapter 36 contract counseling is paid out of funds appropriated to VA. Payments may not exceed \$6 million in any fiscal year. Please see the chart below for historical utilization.

Fiscal Year	Obligations	New Ch. 36 Applicants
2009	\$5,473,711	20,034
2010	\$3,609,488	14,533
2011	\$3,474,418	17,113

FY 2010 and FY 2011 expenditures were lower following the termination of the National Acquisition Strategy contracts late in FY 2009, leaving no contract vehicle available for Chapter 36 counseling except where regional offices were able to implement interim local contracts. The VetSuccess national contracts were awarded in late FY 2011. VR&E continues to perform early outreach to Veterans to encourage participation in Chapter 36 services through job fairs as well as VR&E Coming Home to Work and Yellow Ribbon Reintegration Program events. The Coming Home to Work Program is VR&E's primary early intervention and outreach program where Servicemembers and Veterans work with a Vocational Rehabilitation Counselor to determine eligibility and entitlement to VR&E services. The Yellow Ribbon Reintegration Program is a DoD-wide effort to promote the well-being of National Guard and Reserve members, their families, and communities, by connecting them with resources, including VR&E benefits, throughout the deployment cycle. Recently, VR&E Service enhanced marketing strategies to reach more Veterans through the VetSuccess.gov site, which can be used by all Veterans, not only Veterans with disabilities. VBA is also modernizing the Transition Assistance Program and Disabled Transition Assistance Program, placing greater emphasis Chapter 36 services for transitioning Servicemembers.

Question 17: In VA's response to the Committee's pre-hearing questions VA stated that OMB was currently reviewing what the impact will be on VA's home loan program if Congress does not re-authorizing the pooling authority for VA mortgages. This authority expired on December 31, 2011. When do you expect this review to be completed?

Response: In cooperation with OMB, VA's review of options relating to managing the Vendee Direct Loan Portfolio is ongoing. The review focuses on both direct and indirect costs associated with vendee mortgage trusts and it will be completed in time to inform the Mid-Session Review report to Congress. Vendee loans continue to accumulate in the existing portfolio. However, volume suggests that another securities offering would not be viable until sometime in early FY 2013.

VBA GOE Questions

Question 18: On page 2A-8 of Volume 3 of the budget submission, VA announced that its obligations for contract medical examinations will increase by 11.8 million, or approximately 55,000 additional contract examinations. In what circumstances is VA relying on contract examinations rather than examinations provided by VHA?

Response: VBA contracts with private vendors in areas across the country where VHA is unable to support the volume of examination requests being submitted, and in rural areas where Veterans have to travel greater distances to attend VA examinations. Specifically, VBA has a contract in place to provide Integrated Disability Evaluation System (IDES) examinations at multiple facilities nationwide.

a. At 4B-18, VA states that it is using three companies for contract examinations. What are the three companies?

Response: VBA has contracted with QTC Medical Services, VetFed, and Veterans Evaluation Services to conduct medical disability examinations.

b. What training mechanisms are in place to ensure that contract examinations meet the required adequacy standards?

Response: All contracted physicians are required to complete the same level of training that VA physicians complete prior to conducting medical disability examinations. Each contract specifically requires each physician to complete training on the VA disability examination protocol. Additionally, they are required to complete VA-specific training courses directly related to the type of disability examinations that are being conducted. Completed examinations undergo quality review by both the contractor and VA.

Question 19: At 2A-13, VA states that the number of veterans in receipt of a total disability rating based on individual unemployability (TDIU) is gradually increasing. What portion of this increase is OIF/OEF Veterans?

Response: At the end of FY 2011, there were 18,749 Veterans with service after September 11, 2001, receiving TDIU. However, they are not all OIF/OEF Veterans. Budget forecasts are based on combined degrees of disability, not by period of service; therefore, VBA does not project total compensation funding associated with OIF/OEF Veterans.

The 18,749 Post 9/11 Veterans represent 6.5 percent of the total Veteran population (287,133) in receipt of TDIU. Additionally, approximately 2.5 percent of all Post 9/11 Veterans in receipt of disability compensation are receiving TDIU.

a. Similarly, with regard to the increase in special monthly compensation (SMC) funding, are these numbers also going up because of the types of injuries seen in OIF/OEF Veterans or other factors?

Response: Since the end of FY 2009, the number of Post 9/11 veterans in receipt of SMC has grown by one percent, while the overall percentage of veterans receiving SMC has grown 1.6 percent. The amount of SMC funding may be in part due to the types of injuries seen in OIF/OEF/OND Veterans and the increased survival rate after serious injury. Another reason driving SMC rates in Veterans of prior conflicts is likely attributable to presumptive Agent Orange disabilities.

b. Although VA's total number of claims increased by about 3 million (at 2A-22), its overall benefits obligations increased by approximately \$10 billion. What portion of this is due to:

1. New claims from OIF/OEF Veterans?
2. TDIU/SMC for OIF/OEF Veterans?
3. Number/types of injuries seen in OIF/OEF Veterans?

Response: The chart on page 2A-22 is the total number of Veterans and survivors on the rolls who are receiving compensation benefit payments and the total dollars associated with the benefit payments. Compensation payments are based on combined degree of disability and Veterans often receive compensation for multiple injuries or diseases. Budget forecasts are based on combined degrees of disability not by period of service; therefore, VBA does not project total compensation funding associated with OIF/OEF Veterans.

Question 20: Throughout the budget, mention is repeatedly made that VA will track metrics for the number of claims that remain pending after VA's target processing time of 125 days. What is VA's planned response if these numbers are not being met?

Response: Based on current projections, VBA is currently on track to reach this goal in 2015. However, as our environment over the next few years changes, we may face new challenges that impact our ability to reach our goal. Historically, unexpected events have created a surge in VBA workload. New presumptive conditions, court decisions, and legislative requirements add unexpected volume. We will continue to monitor these issues.

a. Other than tracking through VBMS, is VA planning on utilizing any new strategies to reach this target goal?

Response: VBA's Transformation Plan is based on more than 40 initiatives in the areas of People, Processes, and Technology, selected from ideas submitted from employees and stakeholders. Transformation is not a "one and done," flip-of-the-switch proposition – it is a dynamic process of intaking, researching, testing, and launching new ideas and initiatives. This process requires that VBA initiatives become more structured projects with a Program Manager/Team Lead and a standardized way of measuring the initiative's impact, schedule, and costs.

VBA is using a Transformation Governance Framework to evaluate projects that directly impact our transformation goals. Existing and future transformation initiatives will progress through the Transformation Governance Framework, providing a formal review process for evaluating and implementing systemic improvements to VBA operations. Under this process, designated VBA teams, or “Design Teams,” are designing and testing initiatives through pilots and documenting results through a standard set of analytical reports and project management documents.

b. What type of improved metrics/methodology is VA using to keep track of these statistics?

Response: VBA established the Implementation Center Program Management Office at headquarters in September 2011 to plan and carry out the implementation of its Transformation Plan using program management principles, incorporating an integrated work-breakdown schedule that captures all dependencies, resourcing the implementation with field and corporate headquarters representatives, managing the rollout of the Veterans Benefits Management System (VBMS) and Veterans Relationship Management (VRM) technologies, preparing the regional offices with change management personnel and training, and effectively communicating the entire plan with a well-structured communications strategy to inform our workforce and our stakeholders of the implementation details. The Implementation Center is in the process of developing performance measures that will track the impact of the Transformation Plan initiatives.

Question 21: At 4A-3, VA reiterates that “our employees are the key to our success.” Please elaborate on this assertion, as it appears that hiring many new employees since 2007 has not greatly contributed to reducing the backlog.

Response: VBA’s employees are integral in the successful implementation of our new operating model and achieving our 2015 strategic goals. VBA’s transformation plan is based on 40+ initiatives that are a product of more than 600 stakeholder and employee ideas. VBA’s transformation plan requires highly skilled, motivated, and inspired employees who are Veteran-centric and work each day to provide Veterans, Servicemembers, their family members, and survivors the full range of benefits, support, and services. VBA is organizing its workforce into “case management” teams, managing work in the most efficient, effective ways possible, leveraging proven automated workflow tools. VBA is also increasing the expertise of its workforce through the use of national training standards and the Challenge training program that prepares employees to work faster at a higher quality level. VBA’s training and technology skills programs will continue to deliver the knowledge and expertise VBA employees need to succeed in a 21st-Century workplace.

a. What actions are you taking to decrease training time? What is the basis for the frequently cited assertion that it takes 2 years to fully train an examiner?

Response: Training for new claims processors previously consisted of six months of combined centralized and “home-station” training. VBA has compressed this training into four weeks for Veterans Service Representatives and eight weeks for Rating Veterans Service Representatives. The centralized program utilizes practical application by working live claims under the supervision of subject matter experts.

Upon returning to their home stations, employees work simple claims, have their work reviewed by mentors, and continue to receive training based upon their experience level.

The two-year period of training includes on-the-job training that allows employees to acquire the many legal and medical skills required by the position, to include a working knowledge of Court decisions, learning the complexity of Parts 3 and 4 of the Regulations, and familiarizing themselves with the multitude of Rating Job Aids. As their knowledge and skills increase, employees receive training at the intermediate-level and progress to processing more complex claims such as diabetes, traumatic brain injury and their complications/secondary conditions, as well as SMC.

b. Has VA made any recent updates to its training procedures?

Response: Yes, the training for new claims processors has been completely revamped in the past year. VBA developed and delivered national training on the Quality Review Teams (QRT) and Simplified Notification Letters (SNL) transformation initiatives. VBA and VHA jointly developed mandatory training for all employees who process Military Sexual Trauma (MST) claims.

This updated training includes several new virtual learning products that will be available for field use by the end of fiscal year 2012 such as a “Traumatic Brain

Injury Training and Performance Support System (TPSS)” module and Medical TPSS modules focusing on the body systems.

Question 22: At 4A–4, how did you arrive at the case-management approach/processing lanes?

Response: VBA’s Transformation Plan is based on more than 600 ideas solicited from its employees, Veterans Service Organization partners, and other stakeholders, including this Subcommittee and your staffs. After evaluating a multitude of innovative ideas, VBA focused on the 40 most promising, tested, and measured initiatives for inclusion in its Transformation Plan. The case management and processing lanes approaches have been incorporated into VBA’s new transformation process model, which includes the intake processing center, segmented lanes, and cross-functional teams initiatives. The new model allows VBA employees to manage work in the most efficient and effective way possible, leveraging proven automated workflow tools. The intake processing center enables quick, accurate claims triage. Segmented lanes will improve the speed, accuracy, and consistency of claims decisions by organizing claims work into distinct categories, or lanes (Express, Core, and Special Operations), based on the amount of time required to process the claim. The cross-functional teams initiative consists of teams of cross-trained decision makers co-located to reduce rework time, increase staffing flexibility, and better balance workload by facilitating a case-management approach to completing claims.

a. Where is this system being tested?

Response: VBA initially implemented the new process model at the Indianapolis Regional Office (RO). The Wichita, Kansas; Fort Harrison, Montana; and Milwaukee, Wisconsin, ROs were selected as the three sites to pilot the new process model being implemented as part of the VBA Transformation Plan. The intake processing center, segmented lanes, and cross-functional teams initiatives were rolled out to Wichita on February 21, Fort Harrison on February 27, and Milwaukee on March 5. National deployment is expected by the end of fiscal year 2013.

b. Do you have initial results you can share?

Response: It is too early to report actual results of the performance of these initiatives. However, we project that the new operating model (including cross-functional teams, intake processing centers, and segmented lanes) has the potential to save 40 days in the processing of a claim, which currently stands at 246.1 days as of April 30, 2012. The VBA Implementation Center will use dedicated resources to oversee the implementation of the Transformation Plan using a governance process that achieves standardization and sustainability. The Implementation Center is identifying and developing performance measures to track the impact of these initiatives.

Question 23: At 4A–4, what initial feedback have you received from the use of Disability Benefit Questionnaires?

Response: Generally, we have received favorable feedback on Disability Benefits Questionnaires (DBQs). The question and answer format of DBQs eliminates the need for examiners to prepare lengthy narratives and efficiently focuses on the specific evaluation criteria needed for a given disability. We have received much feedback on ways to improve content and format of the DBQs so that they more readily elicit information from examiners and better apply findings for accurate and consistent rating decisions. VBA continues to work closely with the Veterans Health Administration to make these improvements and updates.

a. Do you have any procedures in place to follow up with private physicians in compliance with the CAVC’s decision in *Savage v. Shinseki*?

Response: The Court of Appeals for Veterans Claims (Court), in *Savage v. Shinseki*, held that if a private examination report reasonably appears to contain information necessary to properly decide a claim but it is “unclear” or “not suitable for rating purposes,” and the information reasonably contained in the report otherwise cannot be obtained, VA must either (1) ask the private examiner to clarify the report, (2) ask the claimant to obtain the necessary information to clarify the report, or (3) explain why such clarification is not needed.

VA provided the field offices with an analysis of the decision, informing them of the Court’s holding and impact of the decision. VA is amending its regulations and adjudication procedures to comply with the Court’s holding.

b. Does the use of DBQ’s have the potential to save VA money on using contract examinations?

Response: DBQs change the way medical evidence is collected, giving Veterans the option of having their private physician provide the medical information necessary to process their claim. VHA and VA-contract physicians will be completing DBQs as well as private physicians.

The medical disability examination contracts pay for each examination contractors complete. The potential for savings is based on exam avoidance, which means getting fully completed DBQs from VA primary care and private providers. Because the DBQs have just been released to the public, we do not have data on exam avoidance yet. However, we will monitor exam avoidance as part of our oversight efforts.

Question 24: At 4A-14; 4F-5 – you note that you are already using an entirely paperless process for insurance claims. Is this the same platform as VBMS?

Response: No, the Insurance Center is using a paperless platform that was uniquely designed for it in 1996. This platform is not compatible with other VBA benefit programs.

a. How is the scanning for insurance claim documents handled?

Response: The US Postal Service delivers mail to the Insurance Center four times a day. All mail and Veteran-related documents are immediately taken to the imaging unit where they are classified, scanned, and automatically routed to an Insurance Specialist to process them. The scanned items are immediately available for viewing on every Insurance desktop. The document imaging and routing processes are completed within two hours of each mail delivery.

The insurance document imaging system currently contains over 16 million documents.

b. Are there any data showing that this paperless system increases processing times or quality?

Response: The paperless system has significantly improved the timeliness and quality of disbursements. Payments of death claims, policy loans, and cash surrenders are the most important services the Insurance program provides to Veterans and beneficiaries.

Before the paperless initiative, the average processing time for Insurance disbursements exceeded four days. Paperless processing has helped Insurance consistently reduce that time to less than two days while maintaining a 99 percent accuracy rate. The current 12-month average processing time for disbursements is 1.5 days.

Paperless processing has also significantly improved Insurance's ability to provide information to policyholders. Before imaging, Insurance could only answer questions about beneficiary designations by retrieving the insurance folder, which could take two to three workdays. Since all beneficiary designations are now imaged, policyholders calling the Insurance Center now receive current beneficiary information in minutes, contributing to the 85 percent first-call-resolution rate.

c. Have there been any unforeseen costs associated with using this paperless processing or the insurance self-service website?

Response: There have been no unforeseen costs associated with these initiatives. The comprehensive use of imaging and automated procedures allowed the Insurance Center to retire its 2.5 million folders to the Federal Records Center in January 2002, saving \$1 million annually in clerical and other charges.

Question 25: At 4B-8 you mention a study by George Washington University on earnings loss and Musculoskeletal system. Please elaborate on the specifics of this study, including its intended completion date and its intended effect on the ongoing modernization of VA's rating schedule.

Response: The study will evaluate the effectiveness of VA's rating schedule in compensating Veterans for average earnings impairment resulting from musculoskeletal service-connected disabilities. The findings of this study will provide the data necessary to determine whether current compensation rating levels reflect the average impairment in earning capacity for specific conditions in the current rating schedule. The expected completion date for the musculoskeletal body system earnings loss study is December 2012.

Question 26: At 5C-2, with regard to the newly authorized FTEs, how many will be attorneys and how many will be support staff?

a. What training procedures does the Board have in place to handle so many new FTEs?

b. What else is the Board looking at to address its backlog besides additional FTEs?

Response: The increase in BVA funding in Fiscal Year (FY) 2012 was to enable BVA to sustain its FY 2011 level of FTE with base funding, rather than through carryover funding. Therefore, while the increase was critical to maintain BVA's level of operations, the organization saw no increase in FTE for FY 2012. In this fiscal year, BVA has limited hiring to attrition hiring in both its attorney and administrative staffs.

BVA has a robust training program in place for all newly hired attorneys, led by its Office of Learning and Knowledge Management (OLKM). Each new attorney is paired with an attorney mentor for a period of six months, during which time the mentor provides one-on-one training and reviews and provides feedback on draft decisions. OLKM has established a standardized methodology for mentors to follow in providing this direction. Additionally, OLKM organizes approximately 24 hours of classroom training for new attorneys over the course of their first month to convey the basic substantive requirements of the law.

Substantive trainings are provided for the entire Veterans Law Judge (VLJ) and attorney staff on an on-going basis. OLKM has created targeted training based, in part, on trends gleaned from BVA's quality review process, as well as based on outcomes in cases heard before the Court of Appeals for Veterans Claims and the Court of Appeals for the Federal Circuit. In addition, BVA has expanded medical training for its staff to address the increasing complexity of disability compensation appeals.

Specifically, in FY 2011, BVA's VLJs and attorneys attended courses on topics such as Evaluating Lay Evidence & Making Credibility Determinations; Recent Significant CAVC and Federal Circuit Decisions; Speculation & Medical Opinions; Recent Trends in the Duty to Assist; Supervisory Training; Medical Training on the Back, Heart Disease, Knee, and Psychiatric Disorders; VA's Core Values & Characteristics; Women Veterans Issues; Disability Benefit Questionnaires; and ongoing Medical Advisor and Quality Review small group chat sessions.

Newly hired employees within the Management, Planning, and Analysis Directorate (MPA) receive one-on-one coaching and training from an experienced mentor during their first 90 days on the job. Each employee also completes a new employee orientation, MPA-wide training, and VA/BVA database systems training. Employees continue to receive task-specific training conducted by the Branch Team Leads and Coach throughout the first year on the job.

MPA conducts annual functional refresher training which allows for expansion or enhancement of an employee's current job duties and abilities. In addition, MPA-wide cross training enables an employee to perform additional duties outside of his or her current job function at the same level of responsibility, allowing MPA to meet organizational needs in response to human resource needs, re-engineering, restructuring, and/or program changes.

For a cohesive approach to personal training goals, MPA's Training and Development Plan offers a series of "training tracks" that incorporate existing resources, both internal and external. Courses are built around job-specific tracks to provide a clear training plan for employees and managers. Training tracks are available in the following areas: Administrative Service Division, Decision Team Support Division, Financial Management Division, Supervisory and Management Development, and General Career Development. For off-site training the following resources are used for developing new and existing employees: Graduate School, Human Resources Institute, Office of personnel Management, VA Learning University, Talent Management System and VA Central Office Human Resource Service.

To meet the challenge of the growing appeals workload, BVA has implemented efficiencies in two key areas: hearings and remands. The Department also submitted several legislative proposals to improve the appeals process. These initiatives are discussed more fully below.

With respect to hearings, approximately 25 percent of appellants before BVA request a hearing before a VLJ. The majority of appellants request an in-person hearing (e.g., 66 percent in FY 2011). An average of 75 percent of scheduled in-person hearings in FY 2011 took place, meaning that 25 percent of those Veterans scheduled for hearings did not appear for the hearing. Data confirms that over the past five years, the national average show rate for field hearings is 73 percent. This leaves the VLJ who traveled to the field station with substantial blocks of time without scheduled activity, and thus, a loss of productive time to decide appeals.

The annual hearing schedule depends on demand, and slots are allocated to field stations well in advance of the beginning of each fiscal year. In planning for the FY 2012 hearing schedule, BVA decreased the number of available field hearings offered by 25 percent in favor of increasing video teleconference (VTC) hearings,

which take place between the VLJ in Washington, DC and the Veteran at his or her local Regional Office (RO). This results in both monetary and time savings for VA. VLJs will gain time in the office, with an anticipated increase in decisional output (ranging from 2 percent to 5 percent) over the next few years. Additionally, VA will save an estimated \$864,000 in travel costs through 2015.

Remands generate a substantial amount of rework for both VBA and BVA, which increases workload, while also greatly increasing the delay for Veterans. In FY 2011, BVA remanded 44 percent of appeals before the Board (21,464) to the Agency of Original Jurisdiction (AOJ), generally VBA. Historically, approximately 75 percent of all remands return to the Board. VLJs determined that 40 percent of FY 2011's remands (8,585) could have been avoided if the RO properly processed and reviewed the case in accordance with existing laws and regulations.

BVA has analyzed the data from its Remand Reasons Database (collecting reasons for remands since 2004) and determined that the top reason for remand is inadequate medical examinations and opinions. To reduce the number of remands that are returned to the Board, BVA has partnered with the Veterans Health Administration (VHA) to develop training tools and provide direct training to VA clinicians to improve VA compensation and pension examinations. Additionally, BVA and VBA have agreed to a mandatory joint training program to aid in standardizing adjudication across the system, driven by the most common reasons for remand. BVA has established an interactive training relationship with VBA's key organizations involved in the appellate process, i.e., the Systemic Technical Accuracy Review (STAR) staff, Decision Review Officers, and the Appeals Management Center staff. The goal of these efforts is to reduce the number of avoidable remands in the system.

VA has submitted legislative proposals to Congress that would streamline the appellate process. Specifically, VA has proposed a provision that would allow BVA to determine the most expeditious type of hearing for those appellants who request a hearing before a VLJ. The proposal includes a "good cause" exception for those appellants who do not desire a video conference hearing. VA has also proposed an automatic waiver provision, establishing a presumption that an appellant, or his or her representative, has waived RO consideration of any evidence he or she files after filing the Substantive Appeal to the Board. This would eliminate readjudication of the appeal by the RO in some cases, in favor of the Board directly addressing the evidence. Additionally, VA has proposed reducing the time period to file a Notice of Disagreement (NOD) from 365 days to 180 days, to ensure timely processing of appeals and less rework due to stale evidence.

Question 27: Please describe what the budgetary impact will be on the recent expansion of T-SGLI for loss of reproductive organs? How will this decision impact future budget requests and what other injuries is VA considering adding for coverage under the TSGLI program?

Response: The Insurance Center estimates a cost of \$11.7 million for 260 retroactive claims resulting from the expansion of TSGLI for genitourinary (GU) losses.

After completing an outreach mailing in February 2012 to Veterans identified as having sustained GU injuries, we expect to see most of the retroactive GU claims filed and paid during the second half of FY 2012. We are projecting that about 65 claims (one-fourth of the projected total retroactive claims) will be filed in FY 2013 for an estimated cost of

\$2.9 million. For FY 2014 and future years, we expect 35 claims per year attributable to GU losses for an annual cost of \$1.6 million.

These payments will have no impact on VA's future budget requests. The branches of service cover the cost of TSGLI claims in excess of premiums received for the TSGLI program, this includes funding for the GU claims.

At the present time, VA is not considering adding additional payable losses to the TSGLI program.

Question 28: The budget documents stated that there are nearly 3,800 appeals still being processed for payments from the Filipino Veterans Compensation Fund and that over half of the 42,800 claims filed for compensation have been denied.

a. When do you expect the remaining appeals to be resolved?

Response: As of April 11, 2012, 963 appeals were pending at the Manila VA Regional Office (VARO). Of those, 217 were Notices of Disagreement and 746 have filed a formal appeal. Of the 746 formal appeals, 70 are currently pending at the Board of Veterans' Appeals.

We are unable to provide a completion date at this time as these cases are in various stages of the appeals process. While there are many variables involved in re-

solving the 963 appeals, the Manila VARO considers these appeals one of their highest priorities.

b. Is there any idea of how much of the remaining appropriation will be left at the conclusion of the decisions on these appeals?

Response: We estimate an unobligated balance of \$39.5 million at the end of FY 2013.

c. What is your opinion on the potential for fraud in this program and what steps has the Department taken to ensure the correct adjudication of these claims?

Response: While the possibility for fraud in this program is high due to the problem of fraudulent or improper documentation from the 1940s, the Manila VARO has mitigated this risk by:

- Training employees to identify potentially fraudulent claims;
- Utilizing its fiduciary unit to personally deliver payments if any type of fraud is suspected; and
- Using an ID Verification System that allows VARO employees to identify Veterans by photograph when they visit the VARO.

Upon receipt of a claim for benefits based on service with the Philippine Commonwealth Army, a recognized guerrilla organization, or the Special Philippine Scouts, Manila VARO personnel conduct a search to determine if the claimant previously forfeited entitlement or should be considered for forfeiture of benefits by reason of fraudulent action on another claim.

d. What is the status of the two ongoing law suits involving this account?

Response: The two lawsuits are *De Fernandez v. U.S. Department of Veterans Affairs* and *Recinto v. U.S. Department of Veterans Affairs*. Both were filed in the U.S. District Court for the Northern District of California. Although in April 2011 the district court granted VA's motion to dismiss Recinto, the plaintiffs appealed the district court's decision to the U.S. Court of Appeals for the Ninth Circuit. That appeal has been fully briefed, but is still pending. The Government's motion to dismiss *De Fernandez* has been fully briefed in the district court, but not yet argued. It remains pending in the district court.

Question 29: Please provide more information about the rules-based process job aide that will be included in the first "design team" and if this system will be integrated with VBMS?

Response: As part of the first Design Team, VBA created a standardized and simplified rating notification letter that goes to Veterans using more clear language. The simplified notification letter (SNL) standardizes and streamlines the decision-notification process and helps integrate essential information into one simplified notification, while reducing complexity and time. SNL reduced complexity and time by 10–20 percent in testing. This initiative was fully implemented nationally on March 12, 2012. This process has also begun to incorporate rater decision support tools that establish more consistent rater performance. These rules-based tools are currently being integrated into the Veterans Benefits Management System (VBMS).

a. What other type of rules-based systems will be part of the final VBMS system?

Response: Once more structured data is in place, VBMS will use rules to recommend decisions and create Veterans Claims Assistance Act (VCAA) letters. Additional rules-based functionality may be identified as feedback from end users is captured.

b. What is VA's plan for scanning documents for the VBMS system? Will this be done with private contractors?

Response: VBMS is taking a "point forward approach" to transitioning offices to fully functional paperless centers. All paper claims currently pending will continue to be processed in paper. Once VBMS is launched at an office, all new claims received will be processed in VBMS as paperless claims. However, end users will use VBMS to make decisions on both paper and paperless claims.

VA is currently evaluating several scanning options, including the use of private contractors to conduct scanning operations.

c. Where will the scanning take place and what is the long-term scanning plan?

VBA Response: VBA's Transformation Plan includes a strategy for conversion to a paperless system that provides a combination of scanning and electronic or web-based submission of documents. The transition to a paperless system may take an

extended period of time as we continue to encourage Veterans, Servicemembers, their families, and their representatives to take advantage of our web-based and electronic systems. As VBA pursues these advances and expands its strategy for converting to a paperless system, it will still continue to process paper claims.

d. Are you partnering with Veteran Service Organizations and other interested stakeholders as you develop the VBMS system?

Response: Throughout VBA's development and implementation of our Transformation plan, we have partnered with Veterans Service Organizations (VSOs) and other stakeholders. For example, in April 2011, a subject matter expert from Disabled American Veterans participated in requirements-gathering sessions during a 30-day detail with VA. VA continues to involve VSOs and interested stakeholders on a regular basis to ensure that their interests are considered in VBMS development.

e. When do you expect all regional offices to use VBMS and not rely on other legacy systems?

Response: VBMS is expected to be deployed to all regional offices by the end of calendar year 2013. Once VBMS demonstrates the capability to process all claims end-to-end in an electronic environment without reverting to legacy systems, VA will evaluate retiring its legacy systems.

f. How will VBMS be integrated with the eBenefits and other VBA systems?

Response: Currently, VA is exploring Veterans On-Line Application (VONAPP) Direct Connect (VDC) as one of the integration points between VBMS and eBenefits. Claims filed through eBenefits will use VDC, and the information and data received will be loaded into VBMS. Requirements to integrate with other VBA systems are being identified and prioritized.

g. VA's budget states that the nationwide deployment of VBMS will begin in FY2012 and be completed by the end of FY2013. Please provide a detailed schedule of this rollout.

Response: VBMS began national deployment in March 2012, and is expected to be completed by the end of calendar year 2013. VBMS's rollout schedule follows:

**VBMS Rollout Schedule
Regional Offices - FY 2012**

1	Wichita	3/26/2012
2	Ft. Harrison	3/26/2012
3	Hartford	7/16/2012
4	Huntington	7/23/2012
5	Houston	7/30/2012
6	Cleveland	8/6/2012
7	New Orleans	8/13/2012
8	Milwaukee	8/20/2012
9	Boise	8/20/2012
10	Portland	8/27/2012
11	Phoenix	8/27/2012
12	San Juan	9/3/2012
13	Des Moines	9/10/2012
14	Atlanta	9/17/2012

VBMS Rollout Schedule—Continued
Regional Offices - FY 2012

15	Newark	9/24/2012
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Please note that the schedule for FY 2013 is still pending.

h. How have the functional requirements for VBMS evolved since the program was originally developed and funded? Has there been a reduction in the system requirements or functions from when VBMS was originally developed?

Response: VBMS requirements development and delivery have evolved from the VBMS proof-of-concept, referred to as the Virtual Regional Office. The current process elicits business requirements information from regional office SMEs every three weeks and systematically captures information in “use cases” utilizing narratives, process models, information models, decision models, and business acceptance criteria. Once complete, each use case is delivered to system developers, where it is broken down into user stories and corresponding story points, ready to be consumed by development teams in accordance with an agile-like methodology.

Not only has the VBMS program not experienced a reduction in the system requirements or functions, the number of requirements developed and delivered have increased over the past five months.

Question 30: The contracted Fast Track system is used to expedite the processing of presumptive Agent Orange claims. This system is being funded by VA Innovations Initiatives. Can you give some figures that reflect the cost of this system and its estimated long term usability?

Response: The Fast Track claims processing system is jointly funded by VA Innovation Initiatives (VAI2) and the Office of Information and Technology (OI&T). Fast Track was developed, certified, accredited, and deployed within 120 days for under \$4 million and released Veterans Day 2010. Subsequent enhancements were made totaling \$3.5 million. The annual sustainment/operation and maintenance investment was under \$2 million. The year-to-date investment in Fast Track as of April 2012 is \$11 million. On March 30, 2012, VA exercised option year 1, which begins July 1, 2012.

a. Using this system, how much oversight do you have on the medical evidence used in these claims and will this system provide communication between the medical evaluator and the person processing the claims?

Response: All documents submitted as part of Fast Track are reviewed by a Veterans Service Representative (VSR) and a Rating Veterans Service Representative (RVSR) for completeness and evidence of fraud or tampering. A sample of claims are also reviewed by the Quality Review Team. There is no direct communication between the VA person(s) processing the claim and the medical evaluator. If clarification is needed, a request is sent to the medical evaluator in writing.

b. Could this result in an assembly line of Agent Orange claims approvals with little to no oversight of the origin and condition of the actual presumptive diagnosis?

Response: There are currently very few diagnoses being received through the public-facing automated system. All incoming digital documents can be traced back to the originating IP address. The claims received through the Fast Track system receive the same level of development and oversight as claims received through any other means. All evidence received with the claim is reviewed, all evidence identified by the Veteran is developed, and the claims file is reviewed prior to making a disability determination. In addition, VBA conducts a monthly validation review of a random sample of disability benefits questionnaires received with claims both in paper and through the Fast Track system.

Question 31: The budget states that VA’s disability claims production has increased. That should be expected after such a large staffing increase over the last decade. What I’m interested in is the level of individual productivity of VA employees.

a. What is the productivity level of each claims examiner?

Response: VBA claims examiners are classified into two categories: Veterans Service Representatives (VSRs) and Rating Veterans Service Representative (RVSRs). VSRs and RVSRs must consistently and conscientiously exercise sound,

equitable judgment in applying laws, regulations, policies, and procedures to ensure accurate information is disseminated to Veterans and accurate decisions are provided on all benefit claims administered by VA. Claims examiners are evaluated on two major criteria: production and quality. Production is captured by a points-based system, rather than a case-based system. The goal of the points-based system is to allow consistency in measuring an employee's production, as cases can often vary in complexity and require different lengths of time to complete. The national daily productivity goals for VSRs in association with their grade levels are as follows: GS-7 (4.5), GS-9 (5), GS-10 (5.5), and GS-11 (6).

Due to the complexity of the position, RVSRs are not considered to be fully productive (i.e., journeyman) until they have reached 24 months of experience. The associated weighted actions per day are 3.5 for a journeyman RVSR. The national daily productivity goal for RVSRs in association with their experience levels are as follows: 7- 12 months (1), 13-18 months (2), and 19-24 months (3).

b. How many claims should each examiner be responsible for accurately deciding in a given year?

Response: The national daily productivity goals for VSRs in association with their grade levels are as follows: GS-7 (4.5), GS-9 (5), GS-10 (5.5), and GS-11 (6). The quality goals for VSRs are: GS-7 (80 percent), GS-9 (85 percent), GS-10 (90 percent), and GS-11 (91 percent). The national daily productivity goal for RVSRs in association with their experience levels are as follows: 7-12 months (1), 13-18 months (2), and 19- 24 months (3). The rating decision accuracy goal for RVSRs with 0 to 24 months of experience is 80 percent. The associated quality goal for a journeyman RVSR (over 24 months experience) is 85 percent.

At the end of February, the national rating accuracy was 85.5 percent for compensation claims. This is an increase from the fiscal year 2010 rating quality of 83.8 percent.

c. Are you concerned about the continued reports by the Office of Inspector General that show major quality issues at the Regional Offices that they have visited?

Response: VBA continues to focus on improving the quality of claims decisions. However, a major component of the cases reviewed by the OIG during their recent regional office audits were claims that had been decided over a period of many years (going back at least as far as 1999). In these cases, VA had awarded temporary 100 percent disability evaluations for Veterans whose conditions had not stabilized, and these Veterans should have been scheduled for follow-up disability examinations. However, in many cases the follow-up examinations were not scheduled, due in significant part to a national computer problem that caused correctly established future diaries to drop out of our claims processing system. This issue was identified in a separate and focused nationwide OIG audit of temporary 100 percent disability evaluations, the report of which was released in January 2011. OIG accepted VA's corrective action plan in response to this report and recommendations, which included fixes to our information technology system and reviews of all of these cases by our regional offices. Inclusion of these temporary 100 percent cases with known deficiencies in the overall quality findings for the regional offices does not give a true picture of the quality of the work being performed by VBA employees.

Nevertheless, VBA recognizes that there is room for improvement in the service provided to Veterans, their families, and survivors. VBA's Transformation Plan will improve and standardize processes to improve quality, eliminate the claims backlog, achieve efficiencies, and reallocate capacity. VBA's Transformation initiatives such as Quality Review Teams (QRTs), Simplified Notification Letter (SNL), and Challenge training will help VA achieve its goal of 98 percent accuracy for benefits delivery. QRTs have been established at each regional office to bridge the gap between local and national quality metrics and foster consistency. The SNL initiative standardizes and streamlines the decision-notification process and helps integrate essential information into one simplified notification, while reducing complexity and time. The national-level Challenge training provides a standardized curriculum to new claims processors to help ensure high quality and productivity.

VBA continually reviews all quality error trends and works closely with numerous VA entities, such as the Office of General Counsel, the Board of Veterans' Appeals, and the VHA's Disability Examination Office, to provide additional training and quickly identify, clarify, or correct policies, procedures, and processes that impact quality.

d. What steps will VBA take with this budget to improve overall quality production?

Response: The funding requested for FY 2013 budget, both for VBA and the Office of Information and Technology, which supports all of VBA's crucial IT investments, will support the ongoing phased implementation of VBA's Transformation Plan, which will improve the quality and timeliness of claims processing. VBA's initiatives are being implemented through a deliberate process and rolled out to regional offices (ROs) in a multi-year, phased approach that will ensure success and minimize risk. The successful execution of the plan is expected to result in a 14-point increase in quality in 2015 from FY 2011.

VBA has requested a total of \$18 million in GOE funds to support the development, oversight, and implementation of transformation initiatives. While the \$18 million requested includes implementation and oversight activities, the direct labor FTE and associated training funds for initiatives such as Quality Review Teams (QRTs), Simplified Notification Letter (SNL), and Challenge training are within the funds requested to support payroll and training for the 14,520 FTE requested in the Compensation and Pension programs.

Question 32: VBA and AFGE recently modified article 67 of their master contract on skills certification. While I appreciate VA and AFGE's apparent move to meet the requirements of H.R. 2349, as amended, a bill passed by House last fall, I do have to question why an employee would not be held accountable under this modification for failure to pass this skills certification test as required by P.L. 110-389.

a. While I understand this test is in place so a claims processor can move up a GS level, why does VA not administer testing to test current knowledge and competence?

Response: P.L. 110-389, section 225 requires that an employee take, rather than pass, the skill certification test. Claims processor positions are complex in nature, and requiring time and training in order to become proficient. By the time an employee is eligible to take the test, the expectation is that they will have obtained a certain level of job competence. This knowledge is tested through the skills certification process. According to Article 67, employees will now be required to sit for periodic recertification as long as they remain in the position.

b. Will all employees and managers be required to take the skills certification test as required under both P.L. 110-389 and the modified article 67 of the master contract?

VBA Response: VBA is developing skills certification tests for all positions that are involved in the claims process, to include certain supervisory positions. Currently, there is a test for VSRs, RVSRs, Decision Review Officers (DROs), and Coaches. Other tests are currently being designed, such as for Senior VSRs. According to Article 67, eligible employees are required to take the skills certification test within a year from the article implementation.

c. Are you at all concerned that current certification testing shows only a 57 percent pass rate? What steps has VA taken to address issues surrounding this test and involve union partners in developing this test as required by P.L. 110-389?

Response: VBA is dedicated to improving the skills certification process. Work groups for each position were established that includes subject matter experts, union representatives, and other pertinent members. The work groups perform such tasks as, reviewing previous test results, working with contractors to re-design certain aspects of the test (i.e., improve test questions that may not be clear), and performing job assessments to ensure the right questions are being asked to best measure a participant's job skills.

Question 33: What statistical analysis was completed on the effectiveness of the 6.0 release of the Long Term Solution for Post 9/11 GI Bill Claims to justify the shifting of close to 200 FTE from the Education Service to the Compensation Service? How was the impact of the re-training provisions of the VOW to Hire Heroes Act taken into account and what is the target for the average days to process these type of claims?

Response: VA does not plan to shift FTE from Education Service to Compensation Service. In FY 2009, VA used funds made available by the American Recovery and Reinvestment Act to hire temporary claims processors to address the Post-9/11 GI Bill workload surge. VA retained the temporary surge claims processors, and in 2012, VA will hire additional temporary claims processors to address additional workload resulting from Public Law 112-56, the Vow to Hire Heroes Act of 2011, and Public Law 111-377, the Post-9/11 Veterans Educational Assistance Improvements Act of 2010. The deployment of release 6.0 of the Long Term Solution for the

Post -9/11 GI Bill will automate several segments of claims processing that are currently manual or only semi-automated. We are evaluating both the impact of LTS and emerging initiatives, such as VRAP, potential legislative changes, and workload increases on future FTE requirements.

VA does not expect that the VRAP provisions of the VOW to Hire Heroes Act will have an impact on the Post-9/11 GI Bill Long Term Solution. VA plans to utilize the Benefits Delivery Network, a payment processing system used to process Montgomery GI Bill and other education benefits, to process all VRAP claims. VA estimates the average days to process these claims will be 23 days for original claims and 12 days for supplemental claims in FY 2012.

Question 34: One of the largest complaints that we receive from veterans is the lack of customer satisfaction and consistent answers to questions provided by the GI Bill call center. What efforts have you undertaken to improve the dropped call rate and improve customer satisfaction at the call center?

Response: Providing clear, courteous, and accurate information to Veterans, their families and survivors is a priority for VA. VA has implemented a Virtual Hold call back system to improve the dropped call rate during periods of peak call volumes, such as the beginning of school terms. When wait times exceed three minutes, VA offers callers the ability to hold their place in line and receive a call back, rather than holding on the phone. In addition, the Virtual Hold system allows callers to schedule a return call by providing their name and telephone number. All appointments are scheduled on average within 48 hours. Additionally, during enrollment periods, the Education Call Center deploys senior agents and case managers to assist with high call volume.

VA records all incoming and outgoing calls at the call centers. Each month call recordings for each agent are evaluated to assess overall call quality. All calls are reviewed for technical proficiency, security identification protocol, client contact behaviors, and first-call resolution. Through the second quarter of FY 2012, the overall monthly quality score for Education Call Center agents was 98 percent.

We have a survey measurement system, known as the "Voice of the Veteran", that a caller completes after speaking with an agent. This survey assesses attributes such as knowledge of the agent, agent's concern for caller needs, and usefulness of information provided by VA employees to the Veteran. The surveys allow VA to monitor customer satisfaction and establish improvement plans as needed. The "Voice of the Veteran" satisfaction score for FYTD 2012 is 755 for Education. The service industry benchmark satisfaction score is 765.

VA is piloting a new Client Relationship Management Unified Desktop that will provide contact history and a consolidated view of the Veteran's information in one location to enhance the service experience provided by VA employees. In addition, VA is developing an enhanced knowledge management system for call center agents that will ensure accurate and consistent information is provided to the caller and increase client satisfaction.

Question 35: Please explain why there is a planned FTE reduction in the Loan Guaranty Service while the personal services line has a request for a \$2.4 million increase?

Response: While the number of FTE for the Loan Guaranty Program declines by 28, increases to salary and benefits from 2012 to 2013 result in a net increase of \$2.4 million in personal services. Salary and benefit increases are a result of the cost of living adjustment, changes in staff composition including grade and step, as well as increases to employee benefits such as health care, the government's share of employee retirement, and thrift savings contributions.

Question 36: How much will the appraisal management services and the automated valuation management services cost and how will it add value to training and other benefits?

Response: The Appraisal Management Service/Automated Valuation Model (AMS/AVM) initiative is being pursued as a contract for services. As of April 12, 2012, the Request for Proposals has not been published; therefore, the contract has not been awarded. Actual lifecycle costs are not yet available, but the FY 2013 budget estimates \$4.2 million will be obligated for AVM/AMS.

The combined project goals anticipate the refined analysis of VA fee appraiser and lender staff appraisal reviewer performance (scoring), which will allow VA to target both appraisers and lender personnel for training based on their actual performance. This risk-based approach will allow VA to concentrate on those individuals placing VA at the highest risk while minimizing expenditures in training. As this risk-based performance measurement matures over time, VA expects the actual

quality of the appraisal products to increase, benefiting both Veterans and taxpayers.

Additional benefits of AVM/AMS include a standardized appraiser scorecard that provides data and reporting on deficiencies and improves the quality of the appraisal product being delivered; a streamlined, standardized, and improved appraisal review process that allows more timely, higher quality review completion; capacity for more detailed oversight; a reduction in risk of fraudulent/invalid valuations; and industry comparison metrics which allow VA to benchmark its program and performance against the conventional market.

Question 37: What measures are in place to review the performance of the Vet Success on Campus program?

Response: Performance measures for VetSuccess on Campus (VSOC) include retention rates, graduation rates, and Veteran-students' satisfaction. These measures will be used to determine effectiveness of the VSOC program at specific sites. In addition, VBA is considering the development of a Veteran-student survey to determine Veteran satisfaction with VSOC services. The survey results would provide information on ways to better meet the changing needs of Veterans in an effort to continue to increase graduation rates and employment of Veterans.

Currently, VSOC counselors are required to complete and submit to VBA Central Office a recurring monthly report identifying and tracking the number of Veteran-students seeking VSOC services, the number of Veterans enrolled in VA education benefits, statistics on student activities, and details on networking and outreach activities. These reports are designed to gather pertinent information about services provided to Veterans on campus.

Question 38: Please provide more information about the Voc Rehab Service's plan to improve employment-based rehab by 15 percent.

Response: To address the need to assist more Veterans in obtaining employment and decrease unemployment rates among Veterans, VR&E Service developed a plan to increase employment-based rehabilitations 15 percent by FY 2014. This plan includes strategies to increase employment at the national level with actions to be implemented at the local level. The plan includes:

- An eight-member workgroup to brainstorm ideas and implement best practices of employment coordinators;
- Quarterly training webinars to focus on stations with high unemployment rates;
- Participation in virtual career fairs to reach Veterans across the Nation, including rural areas;
- Sponsored employer forums to provide annual training to human resource personnel and hiring managers on special hiring authorities, tax credits, and special employer incentive programs;
- Enhanced annual employment coordinator training conference with a new curriculum and certificates for completion;
- National memberships with Chamber of Commerce, the Society of Human Resource Managers, the National Federation Executive Board, the National Association for Colleges and Universities, and the Governors' Board; and
- Continued enhancements to VetSuccess.gov, in coordination with VA for VETS, to increase employer registrations and connect Veterans to employers.

Question 39: Please provide the justification for reducing the FTE for the Insurance Service by 21.

Response: The reduction in FTE from FY 2012 to FY 2013 for the Insurance Center consists of 17 direct and four management support personnel. The direct FTE reduction is attributed to a projected decline in the workload associated with the Agent Orange presumptive conditions that were recently added, which we assumed to mostly impact FY 2012. In addition, Insurance expects a decline in the general workload for all other administered programs that are closed to new issues. The management support FTE reduction is based on the decline in direct Insurance personnel.

GOE, General Administration Questions

Question 40: What is the justification for the additional funding of 20 FTE for the Enterprise Program Management Office of the Office of Policy and Planning?

Response: The Office of Policy and Planning (OPP) is not requesting an additional 20 FTE or additional funding, simply a different source of funding. In FY 2012 OPP had funded the enterprise Program Management Office (ePMO) through reimbursements from the Administrations and Office of Information and Tech-

nology. In FY 2013, the budget requests a direct appropriation for that office. OPP's actual funding level remains the same as in fiscal 2012.

The VA established the ePMO in late FY 2010 to ensure successful transition of the Department's major initiatives into operational status and foster the implementation of program management discipline, standards, and doctrine throughout the Department. Since its inception, the ePMO has executed a number of important actions including:

- Set the conditions for and implemented a world class program management organization, transforming Department-wide business processes, and fostering accountability throughout the Department;
- Mandated and executed detailed reviews and lockdowns of major initiatives to provide independent assessment of progress, identify barriers to success, and define solutions to ensure collective execution;
- Led cross-cutting teams to develop and complete overdue acquisition packages in support of the 16 major programs; and
- Provided program management support and operational planning direction to the 16 major initiatives deemed critical by the Secretary to transform VA into a 21st century organization.

Question 41: What portion of the Office of Public and Intergovernmental Affairs budget is used on providing national advertising campaigns to inform veterans and the public about services and benefits provided by VA?

Response: The 2013 budget for OPIA does not include funding for national advertising campaigns to inform veterans and the public about services and benefits provided by VA. OPIA leads Departmental efforts to develop advertising campaigns. For example, OPIA worked with VHA in the production and placement of public service announcements for the National Veterans Awareness Campaign.

Question 42: The budget documents state that the National Veterans Outreach Office of the Office of Public and Intergovernmental Affairs is working to develop a system to track the performance of VA's outreach programs. When do you expect this tracking system to be complete and what type of data will it collect?

Response: VA created the National Veterans Outreach Office (NVO) within the Office of Public and Intergovernmental Affairs (OPIA) in FY 2010 to coordinate outreach throughout VA, and to standardize outreach-related activities. We are working diligently towards being able to track the costs of outreach VA-wide. Among other approaches, this requires a proposal to build a universal system to track outreach across VA. This could potentially require IT funding and other resources and support. The NVO has made considerable progress in researching and analyzing VA's outreach programs and activities in 2011, and has already developed a framework for an effective approach to tracking outreach in support of VA's major initiatives. The final plan includes building a process for VA's administrations (VHA, VBA and NCA) and staff offices to:

- provide Veterans with high-quality products and information on activities that are consistent;
- provide trained outreach coordinators to assist Veterans;
- evaluate and develop metrics to measure the effectiveness of outreach programs; and
- track costs associated with outreach programs.

Recognizing the need for centralized outreach management, NVO has developed the first resources that provide critical and consistent information to VA's Outreach community:

- An intranet site that houses important information to enhance how VA Outreach coordinators execute outreach including policies and procedures, the National Veterans Outreach Guide, links to the Congressionally mandated 2010 Biennial Report to Congress on the VA's outreach activities, and other links. An online National Veterans Outreach Guide that provides best business practices, expert recommendations, proven examples of successful VA outreach activities in serving Veterans, and lessons learned. This guide outlines processes for how to conduct outreach events, track expenditures, measure the success of activities and tap into key VA resources and contacts, plus so much more.
- Next steps include finalizing a proposal, mentioned above, for a robust National Veterans Outreach System (NVOS) which will allow VA Outreach leaders to populate a series of fields with information about planned outreach activities. The NVOS will be an interactive tool that allows users to systematically and uniformly enter, store, organize, view, retrieve and report outreach-related data

easily. The goal of the database is to provide a more advanced, easy-to-use tool that may either be used in concert with existing data collection methods or replace less efficient and effective approaches. It would also provide the data necessary to extract any number of data pulls including the costs associated with outreach in a fiscal year and the number of events executed.

Question 43: Please provide more information about the Homeless Veteran Supportive Employment Program and what type of jobs and wages/salary the 360 homeless or formally homeless veterans are doing as part of this program.

Response: The Homeless Veteran Supported Employment Program (HVSEP) is a collaborative effort between the Compensated Work Therapy (CWT) and the Veterans Health Administration (VHA) Homeless Programs. Homeless, formerly homeless, or at-risk of homelessness Veterans were hired as Vocational Rehabilitation Specialists (VRSs) at the GS-1715-5, 7, or 9 levels; the exact amount of these salaries are dependent on the geographic location of the position. The VRSs are administratively assigned to and supervised by the CWT Program Manager and functionally assigned to work within the various homeless teams. These VRSs provide vocational assistance, customized job development, competitive community placement, and on-going employment supports designed to improve employment outcomes among the homeless Veterans that they serve. As of March 30, 2012, 366 (91 percent) of the 402 approved full-time equivalents (FTE) VRS positions were filled by homeless or formerly homeless Veterans in HVSEP.

Question 44: How does the Office of Public Affairs and Intergovernmental Affairs measure what percent of news coverage is positive or neutral in tone as listed in the office's performance measures?

Response: VA contracts with a private sector company to provide the Department's daily news clippings for senior leadership. That contract includes characterizations by the contractor of the tone of each news story. Tone is expressed as one of three categories: positive, neutral, or negative.

Question 45: The performance measures for the Office of Congressional and Legislative Affairs tracks the percentage of testimony submitted to Congress within the required timeframe, percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe, and the percentage of title 38 reports that are submitted to Congress within the required timeframe. What is the definition of the "required timeframe" for each of these measures and who sets this definition?

Response: The definitions of "required timeframe" for testimony and questions for the record are set by the Committee. As per the Committee rules, written testimony is due 48 hours in advance of the hearing. The specific due date for questions for the record is set in the Committee letter transmitting the questions for the record to the Department. There are times when a due date is amended based on mutual agreement between committee and VA staff. If the due date is amended, the new date is used to compute the performance metric. The "required timeframe" for Title 38 reports is set by the applicable statute requiring the submission of the report.

POST-HEARING RESPONSES FROM THE DEPARTMENT OF VETERANS AFFAIRS (VA), SUBMITTED BY THE HON. BOB FILNER, RANKING DEMOCRATIC MEMBER

Question 1: The budget request contains "operational improvements" that total \$1.3 billion dollars.

a. How is VA tracking the success of those operational improvements?

Response: VA is tracking progress of each of the six operational improvements on a monthly basis with status reports from the field and the responsible program office.

b. Who at VA is responsible for tracking the savings?

Response: Each of the six operational improvements is assigned to a specific program office to track and report the monthly progress of each initiative as listed below. The VHA Office of Finance is responsible for consolidating the tracking of these savings.

1.) Fee Care Payments Consistent with Medicare (VHA Business Office)

- 2.) Fee Care (VHA Business Office)
 - 3.) Clinical Staff & Resource Realignment (VHA Office of Finance & VHA Office of Health Operations & Management)
 - 4.) Medical & Administrative Support (VHA Office of Finance & VHA Office of Health Operations & Management)
 - 5.) Acquisition Improvements (VHA Office of Health Operations & Management)
 - 6.) VA Real Property Cost Savings & Innovation Plan (VA Office of Management)
- c. The Committee would like mid-year fiscal year 2012, and 2013 reports that delineate in detail, these savings.

Response: VA will provide the mid-year data for FY 2012 when it is available. There is a time lag in reporting for some of the initiatives and we do not currently have the first full six months of data available for all six initiatives. Also, as identified in a recent GAO report (GAO-12-305, February 2012) and VA's response to that report, initiatives 3, 4, and 5 (listed in answer # 1b above) are being revised and are not anticipated to be completed until the end of May. The following is the current status for FY 2012:

Operational Improvements

Dollars in Millions

Description	FY 2012 as of:
Fee Care Payments Consistent with Medicare	(\$230) March 2012.
Fee Care Savings	(\$109) February 2012.
Clinical Staff and Resource Realignment (1)	\$0 January 2012.
Medical & Administrative Support Savings (2)	(\$69) December 2011.
Acquisition Improvements (3)	\$45 March 2012.
VA Real Property Cost Savings & Innovation Plan (4)	(\$66) March 2012.
Total Operational Improvements	(\$519).

(1),(2),(3) Methodology under revision
 (4) Updated quarterly

Question 2: The Caregivers and Veterans Omnibus Health Services Act of 2010 significantly expanded benefits for caregivers and increased services for women and rural veterans. Your request for 2013 and 2014 is \$278 million, respectively.

- a. Have all of the sections of this law been fully implemented? If not, why not?
- b. Please provide to the Committee a full accounting of expenditures and a time line for the full implementation of the Caregivers Act to date.

Response: Response: Many of the provisions of the Caregivers and Veterans Omnibus Health Services Act of 2010 have been implemented. The table below provides a status of each of these sections as of April 26, 2012 and the narrative that follows provides an explanation of terms and an update on those provisions that are still in development. The "Amount Spent" column refers to funds used to comply with Public Law 111-163, not for the broader program referenced.

Title or Section	Summary	Status*	Date Completed or Target Completion	Amount Spent (if applicable) (000s)**	Date Amount Spent was Pulled
Title I	Family Caregiver Program	IO	May 5, 2011 (Interim Final Rule Published).	\$36,219	2/29/12
201	Study on Women Veterans	IO	Awarded contract February 1, 2012	\$52	4/4/12

Title or Section	Summary	Status*	Date Completed or Target Completion	Amount Spent (if applicable) (000s)**	Date Amount Spent was Pulled
202	Training for MST/PTSD	IO	MST Coordinators and VISN-level Points of Contact completed training by June 30, 2011; Directive establishing the training as mandatory for all mental health and primary care providers approved January 23, 2012. First annual report submitted January 4, 2012.	\$765	Data was pulled for from the beginning of FY2011 through FY2012. Some of the listed \$765,000 has been obligated but not spent - but it will be spent by the end of this year.
203	Women Veterans Retreats	IO	First retreat held June 6, 2011.	\$265	4/9/2012
204	Women and Minority Advisory Committees.	FI	May 5, 2010 (already in compliance).	\$0	
205	Child Care Pilot	IO	First site began offering services October 2, 2011.	\$966	2/10/2012
206	Newborn Care	IO	Initial Guidance provided August 18, 2010. Final Rule published December 19, 2011.	\$4,334	5/10/2012
301	Education Debt Reduction Program.	ID	Estimated publication of updated policy by September 2012.	\$0	
302	Visual Impairment Scholarship.	ID	Regulations in development; estimated publication of final rule by January 1, 2014.	\$0	
303	Rural Health Pilot Programs.	NI	This is a permissive authority and not a statutory mandate. VA believes numerous interagency pursuits with IHS and HHS make use of this authority unnecessary. Notified Committee on May 17, 2012..	\$0	
304	Peer Outreach for Veterans	IO	Will begin hiring support specialists in fourth quarter FY 2012; continue hiring through FY 2013 (target completion: end of FY 2013).	\$0	

Title or Section	Summary	Status*	Date Completed or Target Completion	Amount Spent (if applicable) (000s)**	Date Amount Spent was Pulled
305	Travel/Reimbursement Benefits.	ID	Beneficiary Travel Handbook re-published. July 23, 2010; estimated publication of final rule by December 1, 2013.	\$0	
306	Physician Incentive Pilot ...	NI	Notified Committee of inadequate physician interest to proceed with the pilot on January 4, 2012.	\$0	
307	VSO Transportation Grants	IO	Proposed rule published December 30, 2011; estimated publication of final rule by February 1, 2013.	\$0	
308	Amendment to P.L. 110-387, Section 403 (Project ARCH).	FI	Federal Register notice published August 15, 2011.	\$0	
401	Servicemember Eligibility for Readjustment Counseling.	ID	Proposed rule published March 12, 2012; estimated publication of final rule by February 1, 2013.	\$0	
402	Vet Center Referrals	IO	Proposed rule published March 12, 2012; estimated publication of final rule by February 1, 2013.	\$0	
403	Veteran Suicide Study	IO	Data on suicide/mortality received or committed to by 49 states; Advisory Board meeting targeted third quarter FY 2012.	\$0	
501	Elimination of Annual Reports.	N/A	Not applicable	\$0	
502	Gulf War Research Report	N/A	Not applicable	\$0	
503	CHAMPVA Payments	IO	Estimated publication date of final rule by December 31, 2014.	\$0	
504	Patient Information Disclosure.	FI	Final rule published February 8, 2011. Published revised VA Form 10-0137 in September 2011.	\$0	
505	Quality Management	IO	Quality management officers in place; report provided to Congress on December 21, 2010.	\$0	

Title or Section	Summary	Status*	Date Completed or Target Completion	Amount Spent (if applicable) (000s)**	Date Amount Spent was Pulled
506	Outreach Pilot	ID	Developing regulations; estimated publication of final rule in First Quarter FY 2013.	\$75	4/8/2012
507	Residential TBI Care	IO	VA began pilot program on assisted living October 6, 2009; VA is continuing this pilot program and will use the results to determine best use of section 507 authority.	\$39	4/9/2012
508	IOM Project SHAD Study	IO	Study began June 1, 2011	\$2,215	5/18/2012
509	Non-VA TBI Care	IO	Written guidance distributed to field on October 1, 2010.	\$335	05/17/2012
510	Dental Insurance Pilot	ID	Proposed rule published March 1, 2012; estimated publication of final rule by January 1, 2013.	\$0	
511	Prohibition of Copayments	IO	Information Technology changes partially implemented September 19, 2011; additional changes to be made in May, 2012. Final rule published August 22, 2011.	\$0	
512	Medal of Honor Eligibility	FI	Final rule published August 22, 2011.	\$0	
513	Herbicide and Gulf War Veteran Eligibility.	FI	Final rule published August 22, 2011.	\$0	
514	Physician Assistant Director.	FI	Position filled on February 27, 2011.	\$0	
515	Special Committee on TBI	FI	First committee meeting held June 2011.	\$0	
516	HISA Grant Increase	IO	Payments being made; estimated publication of final rule by September 1, 2014.	\$32	4th Quarter FY 2010 – 2nd Quarter FY 2012
517	Extension of Nursing Home and Hospital Copayments Authority.	N/A	Not applicable	\$0	
518	Health Plan Repayment	N/A	Not applicable	\$0	

Title or Section	Summary	Status*	Date Completed or Target Completion	Amount Spent (if applicable) (000s)**	Date Amount Spent was Pulled
601	Health Care Retention	ID	VA Handbook 5007 revisions completed on March 12, 2012. Retroactive premium payment for registered nurses pending; disbursement is pending modification of DFAS (estimated completion second quarter FY 2013).	\$0	
602	Nurse Working Hours	ID	Developing policies for Handbook 5011; estimated publication on October 31, 2012.	\$0	
603	Health Professional Scholarship.	ID	Regulations in development; estimated publication by January 1, 2014. Anticipate awarding scholarships beginning summer 2014 semester.	\$0	
604	Clinical Research Scholarship.	ID	Regulations in development; estimated publication by fourth quarter FY 2014.	\$0	
701	GPD for Non-Conforming Entities.	NI	This is a permissive authority and not a statutory mandate. VA believes it will not be of practical use and would be inefficient to pursue. Notified Committee on May 17, 2012..	\$0	
Title VIII	Non-Profit Research Corporations.	FI	Published updated Handbook 1200.17 on December 8, 2010.	\$0	
Title IX	Construction/Facility Naming.	FI	Last facility held renaming ceremony on September 11, 2010.	\$0	
1001	Expanded Authority for VA Police.	ID	Pending Department of Justice (DoJ) approval; VA defers to DoJ on the timing of this approval.	\$0	
1002	VA Police Officer Allowance.	ID	Payments to begin Third Quarter FY 2012.	\$0	

* Status refers to fully implemented (FI), implemented and ongoing (IO), not implementing (NI), in development (ID), or not applicable (N/A). Fully implemented provisions are those where VA has completed all elements of the law and no further action is required. Implemented and ongoing are those provisions where VA is continuing to administer programs, benefits, or services as required by law. Provisions VA is "not implementing" refer to those where authority is permissive or where VA has notified the Committees that, after taking steps to implement the program, further implementation became unfeasible or inadvisable. Provisions that are "in development" are still undergoing necessary preparations (usually developing regulations) before the Department can begin administering benefits or services. "Not applicable" (NA) provisions refer to those sections where no Departmental action was required.

** Some entries in the "Amount Spent" column reflect \$0. This may be for several reasons. First, the Department may have already been in compliance with the requirements of the law, and therefore no additional funds were needed. Second, there may have been no action called for by the Department (such as an extension of authority or an elimination of a report), or the law may have only modified VA's internal organization resulting in negligible costs (such as Title VIII's provisions regarding non-profit research corporations or the renaming of a facility). Third, the Department may be opting to not exercise a permissive authority in the law, in which case no additional funds were needed. Fourth, the Department may be working to execute a program but it has not yet begun to deliver the benefits (for example, if regulations are required and a final rule has not yet been published). Finally, the Department may not have a mechanism to reliably separate out the costs from a change required by the law and identify the additional resources allocated for a specific provision (for example, VA cannot calculate the actual increase in costs resulting from enrolling Medal of Honor recipients in a higher priority group).

Status of Provisions "In Development":

Section 301 (Education Debt Reduction Program): On June 13, 2011, the Under Secretary for Health authorized implementation of the changes permitted in P.L. 111-163 while the revisions of VHA Directive 1021 and VHA Handbook 1021.01 were undergoing revision. VA anticipates the revised Directive and Handbook to be published by September 2012.

Section 302 (Visual Impairment Scholarship Program): VA is drafting regulations and anticipates publication of a final rule by January 1, 2014. VA is aiming to provide the first 30 Visual Impairment Scholarships for the summer semester of 2014.

Section 305 (Travel/Reimbursement Benefits): VA is currently developing regulations to implement a broad update to VA's beneficiary travel program and is including the statutory revisions from section 305 as part of that package. Beneficiary Travel benefits for family caregivers were implemented under current, existing authority. VA expects the remaining changes will be published by December 1, 2013.

Section 401 (Servicemember Eligibility for Readjustment Counseling): VA published a proposed rule on March 12, 2012, and the period for public comment closed on May 12, 2012. At that time, we will draft a final rule to address any public comments and submit a proposed final rule to the Office of Management and Budget for a 90-day review period. We anticipate publication of a final rule by February 1, 2013.

Section 506 (Outreach Pilot): VA is developing regulations to establish a pilot program and anticipates publication by the first quarter of FY 2013. The pilot program would be conducted through grantees during fiscal years 2013 and 2014 before ending in 2015, when VA will submit a report to Congress on the results of the program.

Section 510 (Dental Insurance Pilot): The proposed rule was published March 1, 2012. The public comment period closed April 30, 2012. At that time, we will draft a final rule to address any public comments and submit a proposed final rule to the Office of Management and Budget for a 90-day review period. We anticipate publication of a final rule by February 1, 2013. The Request for Proposal for the dental contracts will be issued to coincide with the publication of the final rule.

Section 601 (Health Care Retention): VA has implemented all provisions of section 601 except subsection (k), which changes the rate of premium pay for registered nurses retroactive to May 5, 2010. VA is calculating the hours that are creditable as premium pay and will make these payments to eligible nurses when modifications to Defense Financing and Accounting Services (DFAS) are completed. VA expects this to be complete by the second quarter of FY 2013.

Section 602 (Nurse Working Hours): VA has disseminated information about the statutory changes to its facilities; VA has proposed policy revisions regarding the restrictions on overtime duty for nurses and other occupations. Currently, a review is ongoing to compare proposed language with union contracts. VA would prefer to provide situational guidance as advisory supervisory guidance, rather than publishing a formal policy. This guidance would identify specific situations and provide advice on how to handle these scenarios, including when overtime remains appropriate. VA anticipates this guidance will be completed by October 31, 2012.

Section 603 (Health Professional Scholarship): VA is developing regulations with a projected publication date by November 2013. VA anticipates providing the first 100 scholarship awards for the summer semester of 2014.

Section 604 (Clinical Research Scholarship): VHA's Healthcare Retention and Recruitment Office is working with VHA's Office of Regulatory Affairs and Office of Research and Development to prepare draft regulations. VA estimates publication of these regulations by fourth quarter FY 2014.

Section 1001 (Expanded Authority for VA Police): VA has developed a proposed policy defining the use of this expanded authority and has submitted it to the Department of Justice (DoJ) for review. When DoJ approves the policy, VA will begin implementing it.

Section 1002 (VA Police Office Allowance): VA has updated specific uniform requirements in VA Handbook 0730 and completed a survey of costs. VA has also obtained policy approval from the VA administrations and its labor partners. VA will implement the new allowance beginning third quarter of fiscal year 2012.

a. Please provide to the Committee a full accounting of expenditures and a time line for the full implementation of the Caregivers Act to date.

Response: The table in the previous response includes an account of when each provision of the bill was fully implemented or when we anticipate it will be.

Question 3: Please provide the Committee with a detailed timeline of the steps that led to the formulation of the FY 2013 budget request and FY 2014 advance appropriation recommendation.

Response: The following is a timeline for formulation of the FY 2013 budget request and FY 2014 advance appropriation request:

Department of Veterans Affairs
Timeline of Formulation of 2013 Budget

April 2011	VA issues internal call letter for 2013/2014 budget proposals.
May 2011	VA Administrations develop 2013 budget, program, and legislative proposals; and the 2014 Advance Appropriation (AA) request for medical care.
June 2011	VA construction budget proposals for 2013 prioritized through Strategic Capital Investment Planning (SCIP) process.
July 2011	VA leadership considers the 2013/2014 budget proposals.
August 2011	VA prepares OMB budget submission.
September 2011	VA submits 2013 budget to OMB with the 2014 AA request.
November 2011	VA receives OMB Passback of 2013/2014 budget decisions.
December 2011	VA and OMB reach agreement on budget levels.
January 2012	VA prepares 2013 Congressional Budget Justifications.
February 2012	President's 2013 Budget transmitted to Congress, including the President's 2014 AA request for medical care.

Question 4: You have asked for \$119.4 million for the Veterans Relationship Management (VRM) initiative. Please provide more detail on what VRM is and how this initiative will fundamentally transform veterans' access to VA benefits and services. In addition to providing more detail please answer the following questions:

Response: The Veterans Relationship Management (VRM) initiative provides Veterans and VA clients with secure, on-demand access to comprehensive VA services and benefits. These enhancements ensure that VA clients have a direct path to consistently accurate information and can perform multiple, self-service transactions. VRM also provides VA employees with up-to-date tools to better serve Veterans and their families. VRM's accomplishments to date include:

- 41 Self-Service Features Accessible via eBenefits: Examples of these features include: access to the Post-9/11 GI Bill application; the ability to generate letters such as service verification letters and preference letters for hiring; access to 10-10EZ form to apply for VHA services; and the ability to apply for a Veteran's Group Life Insurance policy or view and update information for an existing policy.
- Improvements to Veterans On-Line Application (VONAPP) Direct Connect (VDC): VDC moves VBA closer to a paperless model by allowing users to securely submit and track claims for benefits electronically through the eBenefits portal. VDC presents pre-populated, interview-style questions to users and navigates them through the entire online claim submission process. Currently, VA is exploring VDC as one of the integration points between the Veterans Benefits Management System (VBMS) and eBenefits. Claims filed through eBenefits will use VDC, and the information and data received will be loaded into VBMS.
- Enhanced Telephone Features: Callers to VBA's line are now routed to the best skilled agent through a national queue. Callers can also choose to be called back automatically rather than wait on hold, or pick a date and time to be called

back. All calls are recorded for quality assurance to identify training needs, and select calls are included in a best quality call library.

- Customer Relationship Management/Unified Desktop (CRM/UD): Pilots have been conducted to provide VA call center employees a view of VA clients' information through one integrated application rather than up to 13 applications during a single phone call. CRM/UD improves call center business processes, provides the capability to capture and track caller history, improves information presentation to facilitate first-contact resolution, and aids in personalizing call service to Veterans.

In FY 2013, the VRM initiative will accomplish the following strategic business objectives:

- Expand access to information and services available online that promote Veteran self-service, including the capability to apply for benefits (electronic interview process) via the eBenefits portal;
- Expand CRM and telephone capabilities to provide clients with a higher quality of customer service and enhanced self-service options via interactive voice response;
- Identify and grant access to VA's external stakeholders, including VSOs, business partners, and service providers, through a stakeholder enterprise portal;
- Implement a personal identity management framework, allowing Veterans and their authorized representatives a standard and consistent way to verify their identity across VA, whether interacting by phone, e-mail, internet, or other access channels; and
- Expand upon information available to VA staff and communicated to clients.

a. How are you tracking the accuracy of the answers provided once the veteran is either called back from the virtual hold or has a scheduled call back?

Response: All calls are recorded. Each month, call recordings are evaluated locally for each agent and nationally by a quality assurance group. All calls are reviewed for technical proficiency, security identification protocol, client contact behaviors, and first-call resolution. We also use a Voice of the Veteran customer satisfaction survey in which callers assess attributes such as the agent's concern for caller needs and usefulness of information provided. This customer satisfaction survey system allows VA to monitor customer satisfaction and make improvements as needed.

b. How are you tracking the accuracy of what the veteran is told?

Response: Calls are tracked by technical proficiency, security identification protocol, customer service-client contact behaviors, and first-call resolution. Quality evaluations are consistently performed on a monthly basis, to include reviews of system data available at the time of the call, to ensure completeness of answers.

Question 5: In the 2013 budget you request \$433 million for the Patient-Centered Care initiative, a new model of patient-centered care, that is organized under the Enhancing the Veteran Experience and Access to Healthcare (EVEAH) initiative.

a. What are the three major differences in this initiative that will help VA support the culture change necessary to become a more patient-centered health care system? Please be specific.

b. How do you propose to establish a partnership among the primary care team, veteran patients, and their families or caregivers? What elements are in the plan and do you have a proposed timeline?

c. You also state in your budget request that every one of our transformation efforts embody some component of patient-centered care. Please explain that statement and how it relates to the EVEAH.

d. How many transformation efforts are currently underway and what are they?

Response: The \$433 million requested in the President's budget was for New Models of Care. These efforts to change the way we deliver health care for Veterans, as you note, all embody patient-centered concepts. We have a specific initiative in the Major Initiative called "Enhancing the Veteran Experience and Access to Health care" (EVEAH) which contains a specific Patient Centered Care (PCC) sub-initiative focused on a more systematic change in VHA business and clinical practices. We have requested \$120 million for EVEAH in FY 2013 and budgeted \$55 million to support PCC.

a. What are the three major differences in this initiative that will help VA support the culture change necessary to become a more patient-centered health care system? Please be specific.

Response: The Office of Patient Centered Care (PCC) has responsibility for VA's effort to transform our clinical and business processes to be more Veteran centric. This fundamental change in our systems will allow VA to engage patients and their families in mutually beneficial and respectful health care partnerships that improve health outcomes and patient satisfaction. The office will work directly with Network and medical center leadership to bring about these changes. To accomplish this goal they have created a virtual office with field-based experts capable of assisting medical center leadership with this transformation.

A literature review suggested that some private sector organizations that have adopted similar patient care principles have realized economic returns on that investment. For example, some studies have found that patients tend to have shorter hospital stays. After reviewing the evidence, we felt that there was not enough specific data to do a formal return on investment analysis. That said, patient centered care approaches are rapidly becoming the norm in private health care. The Joint Commission has recently published proposed standards that will be incorporated into their accreditation requirements. Recognizing the evolving industry standards and the needs of Veterans, VA has undertaken this initiative to craft standards and programs that are best aligned with our very unique mission and patient population. We do expect many of the necessary changes at the patient care level can easily be accomplished within existing resources and will improve patient satisfaction and quality outcomes.

Much of the resources for the New Models of Care initiative have been used to fund pilot projects at medical centers. These projects are designed to help facilities with local innovations. We have also established 5 (and plan 4 more) Centers of Excellence to adapt, test, evaluate, and refine patient centered care concepts. The new PCC office will also be responsible for developing, evaluating, and implementing broad strategies to change current practices and organizational culture consistent with our patient-centered care goals. They will have a major role in ensuring that all these efforts are integrated and aligned with operational plans.

b. How do you propose to establish a partnership among the primary care team, veteran patients, and their families or caregivers? What elements are in the plan and do you have a proposed timeline?

Response: Over the last three years, our efforts to transform primary care into a patient centered medical home model (our Patient Aligned Care Teams or PACT) have focused on staffing and building the necessary infrastructure. A major training effort has been underway for the last two years to train all PACT teams across the country and to assist teams to change their clinical practices to meet the goals of this transformation. This training has included information on relationship-based care.

One of the underlying principles of the medical home model is active patient engagement. We intend that patients will be able to develop a personal plan for their health and health care. As part of this initiative, we are acquiring and adapting for the Veteran population a web-based Health Risk Assessment tool that patients will complete. Teams will be able to use those results to help patients develop a personalized health plan. We have hired Health Promotion and Disease Prevention Coordinators and Behavioral Health Coaches at every medical center. A significant part of their job is to provide training and support to PACT teams to help them gain the skills to be able to actively partner with patients, families or caregivers to improve health outcomes. Enhancements to MyHealthVet, the deployment of secure messaging, and through our mobile application development will allow patients greater access to health information and to their caregivers.

c. You also state in your budget request that every one of our transformation efforts embody some component of patient-centered care. Please explain that statement and how it relates to the EVEAH.

Response: All of our Major Initiative efforts are aimed at improving the experience patients have when accessing VHA health care services. If we improve the access to care, coordination of services, and find meaningful and effective ways of personalizing health services to better engage patients and their families in their health and health care, we expect to be able to improve health outcomes. Our EVEAH Major Initiative contains our plans to develop a broad patient centered culture – redesigning all our clinical and business activities around specific patient centered principles. For example, we have worked over the last several years to re-

wise facility design guides to incorporate patient centered design elements that will be used to remodel or build new space. EVEAH also contains our System Redesign sub-initiative that is working with both outpatient and inpatient teams to reengineer clinical and business processes.

d. How many transformation efforts are currently underway and what are they?

Response: There are 16 Major Initiatives in VA’s Strategic Plan Refresh for FY 2011–2015. These cross-cutting and high-impact priority efforts were designed to address the most visible and urgent issues in VA. These initiatives are on track for completion by 2015; many of them are now transitioning toward sustainment. They will strengthen VA’s ability to meet the evolving needs of Veterans and their families. VHA’s efforts are focused on transforming our care to be more Veteran centered, more coordinated, more accessible, and more efficient.

For each of the six transformation initiative related to health care, VHA has created operating plans, which outline the goals, means, milestones, and resources required to achieve the initiatives outlined in the VA Strategic Plan. These are the VHA FY 2011–2013 Operating Plans. Collectively, these efforts transform VA healthcare to be the patient-centered, integrated system that this plan envisions. Leadership, creativity, prudent risk taking, and a disciplined effort to learn from our effort will be required to successfully make this journey. When we do this well, we not only will transform our system of care, but the lives of those who nobly served this Nation.

Major Initiative	Brief Description
New Models of Health Care (NMOC)	<ul style="list-style-type: none"> • Design a Veteran-centric health care model to help Veterans navigate the health care delivery system and receive coordinated care. • NMOC is a portfolio of initiatives created to fundamentally improve the experience for America’s Veterans when accessing VA healthcare services. This initiative is aimed at transforming our Primary Care services into a medical home model (our Patient Aligned Care Teams or PACT), aligning our specialty care services to better support PACT teams and their patients, and improving access by adopting various eHealth technologies. <p>Initiatives included under NMOC:</p> <ul style="list-style-type: none"> • Patient Aligned Care Teams • Specialty Care • eHealth
Enhancing the Veteran Experience and Access to Health Care (EVEAH)	<p>The EVEAH Initiative includes:</p> <ul style="list-style-type: none"> • Patient Centered Care - a specific plan to support the culture change necessary to become a more patient centered healthcare system, Every one of VHA’s transformation efforts embody some component of patient centered care. • Personalized Patient Handbook - developing the ability to provide each Veteran a customized handbook that describes those healthcare benefits to which he or she is entitled and where and how to access them. • Point of Care Self Service Kiosks - Our kiosks currently allow patients to check into their clinic appointments by swiping their Veterans Identification Card. They can update administrative information as they check in. While this is a significant advancement, these kiosks will ultimately be capable of collecting valuable clinical data prior to the patients visit with their healthcare provider. • Rural Health and Systems Redesign Efforts - aligning the efforts of the Office of Rural Health with both our EVEAH and NMOC goals
Eliminate Veteran Homelessness	<ul style="list-style-type: none"> • VA has developed a Plan to End Homelessness that will assist every eligible homeless Veteran willing to accept services. VA will help Veterans acquire safe housing; needed treatment services; opportunities to return to employment; and benefits assistance.
Improve Veterans’ Mental Health	<ul style="list-style-type: none"> • VHA must provide Veterans with meaningful choices among effective treatments, balancing biological and biomedical approaches to care with psychological and psychosocial strategies. Knowing that mental health is not only a function of medical care, VHA must work to connect Veterans with support services through technology and in their communities. VHA must also partner with the Department of Defense (DoD) to identify and develop the most effective practices for addressing mental health issues associated with military service, and provide the appropriate mental health services throughout the full continuum of service delivery.

Major Initiative	Brief Description
<p>Perform research and development to enhance the long-term health and well-being of Veterans</p> <p>Health Care Efficiency: Improve the quality of health care while reducing cost</p> <p>Transform health care delivery through health informatics</p>	<ul style="list-style-type: none"> • Two long-term transformative programs that the Office of Research and Development is undertaking are genomic medicine and point of care research. Genomic medicine, also referred to as personalized medicine, uses information on a patient's genetic make-up to tailor prevention and treatment for that individual. Point of care (POC) research is an intermediate strategy between randomized clinical trial (RCT) and observational studies. • Through this initiative VHA will begin to reduce operational costs and create more streamlined deployment of targeted program areas to enhance program efficiency across VHA. • These new initiatives will shape the future of VHA clinical information systems through deliberate application of health IT and informatics to deliver solutions that transform health care delivery to Veterans, and directly improve quality and accessibility, while optimizing value.

Question 6: Is the Patient Centered Community Care (PC3) part of the Patient-Centered Care (PCC) initiative mentioned in the budget request?

a. If it is not part of the PCC, please explain the difference between the two initiatives.

Response: The Patient-Centered Care initiative is how VA intends to change the care VA delivers. Patient-Centered Community Care (PC3) is a new vehicle that will be used to purchase care if/when required. The Patient-Centered Care initiative is working to evaluate and redesign its primary care delivery system to a patient-centered model of care focused on shared decision-making processes, patient-guided treatment, and population management.

PC3 is an effort to improve the management and oversight of the health care purchased for Veterans when VA facilities are not geographically accessible, services are not available at a particular facility, or when care cannot be provided in a timely manner. PC3 is intended to standardize the overall processes, performance metrics and outcomes for these services. It is not intended to replace VA health care (managed within our Patient-Centered Care initiative). VA is in the process of leveraging lessons learned from Project HERO and other Purchased Care pilot programs to develop contracts that will ensure Veterans receive coordinated, evidence-based care from non-VA providers. We intend to apply the patient-centered focus of the initiative to the care we purchase through the PC3 contract.

Question 7: Please explain the intent and rationale for the Non-VA Care Coordination (NVCC) pilot program. Is VA coordinating the implementation of NVCC with PC3? For example, has NVCC influenced the development of the PC3 program?

Response: Non-VA Care Coordination (NVCC) is now in the implementation phase. As identified during program improvement reviews of the NVCC Program, VA determined that a more streamlined and standardized process would assure better patient outcomes for Veterans. NVCC was developed to meet that need. VA considers the NVCC standard operating procedures (SOPs) integral to purchasing any community health care services and will utilize these standardized processes in any effort, including PC3. PC3 will not develop new procedures, but will utilize the NVCC SOPs to assure that purchased care is appropriately utilized, that VA care is considered prior to use of non-VA care and that appropriate controls are in place to continually monitor and oversee these services.

Question 8: When VA authorizes Fee care for veterans, it is critical that VA does not lose track of these veterans and is able to monitor them continuously as they receive care from both VA and non-VA providers.

a. How will this be accomplished with the seemingly stove-piped NVCC and PC3 initiatives?

Response: The NVCC program and PC3, both sponsored by VHA's Chief Business Office (CBO), are efforts focused on ensuring Veterans receive high quality and well-coordinated care from non-VA providers.

NVCC is intended to improve the efficiency and standardize the processes for purchasing Fee care whether provided through a formal contract or through traditional methods of utilizing an authorization as the contract/negotiated agreement. PC3 is one vehicle we intend to utilize to provide that care, approved, managed and monitored via the processes implemented under the NVCC initiative. PC3 is an effort

to bring centrally supported contracts throughout VHA so that when the decision is made to purchase care from the community, purchasing vehicles are in place that include the quality, timeliness, and services we need to support our Veterans. The two programs will work hand in hand. NVCC front end processes will be in place for care coordination, fee program standardization and improved efficiency within VHA, and when it is determined the care must be purchased, PC3 contracts will be in place for obtaining the services. Both include elements to ensure Veterans' care is well-coordinated and patient centered.

To ensure proper care coordination, NVCC and PC3 utilize processes that include a referral from a VA provider documenting the specific care requested. The appointment process includes NVCC team coordination with the Veteran and non VA provider, whether that is with a contracted network (such as PC3) or directly with a community provider. The appointment is tracked, monitored and managed by VA staff with appropriate follow up procedures. Once the care is provided, the non-VA provider will return supporting medical documentation to VA, so that it can be scanned into the patient's electronic medical record (EMR) and reviewed by the ordering VA provider. Any additional treatment requests will be approved and coordinated by VA before the treatment is provided.

a. What is VA's overall vision and intended outcome for NVCC and PC3?

Response: NVCC and PC3 are efforts focused on ensuring Veterans receive high-quality, well coordinated care from non-VA providers, when VA cannot otherwise provide that care. The intended goals are:

- NVCC – to optimize and standardize non-VA care coordination processes and tools across VHA's service networks, supporting program consistency and equitable delivery of non VA care services.
- PC3 – to provide enterprise-wide contracts to purchase community-based care that meets VA standards.

b. What assurance can you provide that this vision and strategy will help VA achieve the intended outcomes?

Response: NVCC was piloted at four VAMCs, ensuring the model was tested and obtains the intended results. Lessons learned and feedback from the pilot sites, metric data, and patient satisfaction serve as the foundation for development of the enterprise deployment plan. Based on the success of the pilot, it is currently being rolled out nationwide.

The PC3 contracts are being developed based on lessons learned from the Congressionally-mandated Project HERO and other purchased care pilot programs. VA has purchased care through the Project HERO contracts since 2008, providing years of data and experience to understand what works well and what does not work well in contracting for care.

Question 9: Your operational improvements are vague and it is unclear how these changes will generate savings. For example, Fee Care savings are expected to be \$200 million dollars by using an electronic re-pricing tool, using contract and blanket ordering agreements, decreasing contract hospital average daily census, decreasing duplicate payments, decreasing interest penalty payments, and increasing revenue generation through the use of automated tools.

a. Please explain the re-pricing tool that you are going to use. Is it currently in place or is this a tool that is still being developed or deployed and therefore not in use system wide?

Response: Claims repricing provides the VA Non-VA Care (Fee) Program with access to economical community-based vendor contracts that complement the VHA system of care. Since the program's inception, the claims repricing program has reduced VA Fee Program expenditures by millions of dollars, allowing VAMCs to achieve greater value from their health care dollars. In FY 2011, this process was automated and is currently in use system-wide. The automation resulted in an increased number of claims submitted for repricing. From FY 2010 to FY 2011, the number of submitted claims tripled.

b. How do you plan on decreasing contract hospital average daily census? Do you have a timeline to do that? Is there guidance out in the field to reduce the ADC in the contract hospitals? How will you track these savings?

Response: VA identified the contract hospital "bed days of care" as an initiative intended to assess opportunities to reduce, when appropriate, non-VA hospital stays. This initiative is not intended to apply to all VA locations as some utilization of non-VA inpatient services is required to provide timely and accessible care to Veterans.

This includes urgent services not readily available at a VA (such as a CBOC referral to a local community hospital). VISNs are given broad authority to determine when it is clinically appropriate to reduce bed days of care, assuring that Veterans health care is not negatively impacted. VA tracks these data by reviewing prior-year bed days of care and comparing with current-year bed days of care. There is not a reduction target but an effort to assuring stringent monitoring and oversight of these services.

c. Please explain what automated tools you will be using to increase revenue generation. Revenue from where and how will you be tracking this?

Response: The VHA's CBO utilizes a number of automated tools to improve revenue generation. These tools include insurance card scanners for enhancing the accuracy of Insurance Capture; a workflow management tool used to optimize revenue cycle activities conducted by VA's Consolidated Patient Account Centers in areas such as billings, accounts management follow-up, and cash posting; an Enterprise Wide Denials Management system used to minimize Third Party Payer denials; a coding software system that supports billing activity; and Fee Basis Claims System Software used to identify 3rd party collection opportunities when patients are referred to the private sector for health care.

VHA's CBO also operates several business intelligence tools to track, analyze and improve revenue cycle performance. These tools allow VHA to develop automated data queries and analytical reports that present performance metrics in a context that enables meaningful analysis and performance-driven decision making. Increases in revenue generation occur when problems and issues are discovered, analyzed and resolved through the business intelligence process.

Question 10: I understand that the provision of dialysis services is one of the biggest costs to the VA system. According to estimates provided by the VA, over 27,000 veterans have End Stage Renal Disease and approximately 16,500 of those veterans receive dialysis from the VA either on contract with a provider or on an outpatient basis from a VA facility. Many studies demonstrate that home-based dialysis therapies, including peritoneal dialysis and home hemodialysis, are less costly than in center hemodialysis, while providing equal, if not better, patient outcomes. One analysis looking at the cost of dialysis to the Medicare program found that a 5 percent increase in peritoneal dialysis would generate savings to the Medicare program of up to \$295 million a year. It is my understanding that the utilization of home dialysis in the VA is fairly low, even lower than the national average. What is the VA doing to increase the use of home dialysis by veterans in the VA system?

Response: Since 2001, VA has engaged in the following activities related to home dialysis:

- Completed a VA home dialysis capacity and needs assessment of nephrology field;
- VA home dialysis benefits guidance issued to field and executive leadership;
- Clarified VA home dialysis program to ensure compliance with Joint Commission review standards;
- Developing novel VAi2 sponsored chronic kidney disease patient education tool, enriched for home dialysis as the preferred modality of dialysis;
- Assembled home dialysis task force and drafted charter;
- Developing a Make-Buy model for VA home dialysis programs;
- Policy reviews planned for: Caregiver support, Logistics, Telehealth Guidance; and
- Veteran and care partner Focus Groups to be conducted to identify patient perceived barriers and mitigation strategies.

a. How many VA facilities offer home dialysis as a outpatient service?

Response: Currently, 37 VA medical centers directly offer home dialysis services. All VAMCs can offer home dialysis indirectly through fee basis.

b. Please provide a financial impact analysis to the committee of every 1% increase in the utilization of home dialysis in the VA.

Response: VHA has tasked a working group to conduct a financial impact analysis of every 1 percent increase in the utilization of home dialysis in VA. At this time, the estimated completion date is early FY 2013.

Question 11: Do you have a plan in place and implemented to realign clinical staff and resources that you say will save you \$151 million?

Response: The objective is to have clinical staff working at the “top of their license”. That is, duties that require a registered nurse or a license practical nurse should not be performed by a physician and duties that require a license practical nurse should not be performed by either a physician or a registered nurse. To achieve this long term objective will require an assessment of clinical staff positions as they become vacant to ensure that they are filled with the appropriate clinical personnel. At the current time VA does not have a process for tracking the actual savings and this was addressed by the GAO in their report (GAO–12–305, February 2012). In response to the GAO report, a method for tracking these savings should be completed by the end of May 2012.

a. Is this part of the patient centered care initiative?

Response: Yes. Proper alignment of clinical staff to perform at the “top of their license” is one of the desire components of this initiative.

b. If you do have a plan, what is the timeline to realign these resources and how are you tracking the effectiveness and efficiency of this realignment?

Response: At the current time, VA does not have a process for tracking the actual savings in the area of realigning clinical staff and resources; this was addressed by the GAO in their report (GAO–12–305, February 2012). In response to the GAO report, a method for tracking these savings should be completed by the end of May 2012.

Question 12: Please explain how you will provide oversight and account for the medical and administrative support savings in your budget of \$150 million by “employing the resources in various medical care, administrative, and support activities at each medical center and in VISN and central office operations.”

Response: The objective of this initiative is to reduce the controllable indirect cost for all VHA operations. Initially it was designed to measure the difference between the actual and expected percent of controllable indirect cost to total cost nationally and at each facility. The recent GAO report (GAO–12–305, February 2012) indicated that this approach may overstate such savings. VA is currently revising the methodology used for this initiative and that work is expected to be complete by the end of May 2012.

a. Do you have a plan in place?

Response: In response to the GAO report (GAO–12–305, February 2012) a method for tracking these savings is being developed and should be completed by the end of May 2012.

b. How are you tracking the savings?

Response: On a monthly basis using the method described in # 12 above, which is currently being revised.

Question 13: Acquisition improvements are projected to save \$355 million dollars in 2013 and 2014. The eight bulleted statements in the budget justification are vague regarding how you are implementing and tracking these changes that should have associated savings attached to them. In light of the recent Full Committee Hearing on the Pharmacy Prime Vendor program and the subsequent numerous violations of the Federal Acquisition Regulation (FAR) and the Veterans Affairs Acquisition Regulation (VAAR) that were admitted to in the hearing:

a. What is the status of the 8 initiatives that you cite in the budget justification and how are you tracking them? Who is responsible for ensuring that these get done? The eight are:

- i. Consolidated Contracting
- ii. Increasing Competition
- iii. Bring Back Contracting In House
- iv. Reverse Auction Utilities
- v. MED PDB/EZ Save
- vi. Reduce Contracts
- vii. Property Re-utilization
- viii. Prime Vendor

Response: In its FY12 budget submission, VA identified \$1.2B in operational improvements, of which \$355M was identified as savings resulting from acquisition improvements. Initial FY12 roll-out included initiatives carried over from the OMB-mandated FY10–11 Acquisition Savings program (OMB Memorandum M–09–25, Improving Government Acquisition, July 29, 2009). These included:

- i. Consolidated Contracting
- ii. Increasing Competition
- iii. Bring Back Contracting In House
- iv. Reverse Auction Utilities
- v. MED PDB/EZ Save
- vi. Reduce Contracts
- vii. Property Re-utilization
- viii. Prime Vendor

VHA convened an interdisciplinary Tiger Team in late Q1 of FY12 to review and revise the VHA-specific acquisition savings initiatives based, in part, on input received from GAO and OIG. That group was chartered with providing recommendations to improve the program. Specifically, the group was charged with proactively addressing anticipated issues from the OIG report; providing more rigorous definitions, methodology, documentation, review/internal auditing for the program; identifying new initiatives; identifying other savings/avoidance areas not previously captured; removing any carry-over initiatives that risk double counting with other operation improvement initiatives; and consolidating initiatives as necessary to ensure more rigorous methodology. The revised and new initiatives recommended by the team are identified below along with their definitions and methodologies.

Initiative	Definition	Calculation(s)
FedBid*	Dollar Value of savings realized through utilization of FedBid.	IGCE-award price.
NAC Consolidation	Dollar value of savings realized through the consolidation of high-tech equipment at the National Acquisition Center (NAC).	Calc 1: (Benchmark Quote from Facility - Award Price) - NAC surcharge. Calc 2 (additional savings): Orig Quote - Benchmark Quote.
Medical Sharing Office	Dollar value of savings related to the negotiation with affiliated institutions.	Proposal Price - Final Award Amount (for current FY only).
Strategic Sourcing/FSSI	Savings realized through the use of FSSI Vendors for toner cartridges.	OEM less Remand price multiplied by utilization.
Consolidated Contracting	Savings resulting from the use of VISN and Regional contractual vehicles (including vehicles such as contracts, BPAs, and basic ordering agreements). Do not include facility only contracts..	(Previous Price - Price of Contractual Vehicle) x # Units
Increased Competition	Dollar value that can be attributed to increased competition from contracts that had been previously awarded sole source.. Ex: Construction or service contracts previously sole sourced.	(Previous Price - Current Price) X units if applicable.
Reverse Auction (Utilities)	Dollar savings attributable to the reverse auction of utility contracts by GSA..	(Price of Utility unit before auction - Price of Utility unit after auction) x usage.
Contract Reduction	Dollar Value of savings related to the cancellation of contracts. Includes contracts that are no longer required due to some administrative action such as in sourcing.. Includes clinical contacts (Scarce Medical; Nursing); Must offset savings by any increased in-house costs..	In-sourced contract cost - A-76 Total.
Property Reutilization	Dollar value of cost savings that results from the need to no longer procure new supplies or equipment due to the reutilization of property..	Depreciated Value - Shipping Costs.
Negotiation	Dollar value of savings realized through negotiation with vendors..	(Previous Price - New Price) x utilization.
Contractor Background Check Fee Reimbursement	Dollar Value of reimbursement of fees associated with contractor background checks..	Value of Fees Reimbursed by contractors less any administrative costs associated with obtaining those fees..

* Reverse Auctions Other than Utilities (current vendor is FedBid)

The team's recommendations were then provided to senior leadership in March 2012, and subsequently communicated and rolled out to front-line staff for execution in FY12 and into FY13-FY14. Six (6) training sessions were provided to frontline

staff on the new methodologies between March 26 and April 9, 2012 with over 300 employees attending. As of April 10, 2012, VHA has reported preliminary savings of \$47M. Frontline staff has been directed to review previous savings reports to ensure that previous reports comply with the revised methodologies and to identify any previously unreported savings from new initiatives.

Responsibility for capturing data, calculating savings, and reporting are shared between Network Contracting Organizations, Networks, and VHA Procurement & Logistics Office (P&LO). Monthly savings reports are consolidated by P&LO and provided to the Office of Acquisition and Logistics (OAL) for high level review and to the Office of the VHA Chief Financial Officer for consolidation in the Monthly Performance Report.

Question 14: The military has opened up and expanded some “combat roles” to women. While VA has made great strides in their efforts to embrace women veterans of all eras into the system, it took several years to actually make that change – some of it due to lack of recognition and failure to strategically plan for such a shift.

a. To what extent is VA preparing to anticipate and then address the possible different health effects and exposures that may come with this change?

Response: Women serving in Iraq and Afghanistan face combat activity similar to their male counterparts. Therefore, women will incur many of the same service-related physical and mental disabilities. VA is prepared to address the increase in combat related service-connected disabilities for women Veterans through increased nationwide outreach efforts. For example, VA has a Women Veterans Coordinator (WVC) at each VBA regional office. WVCs advocate on behalf of women Veterans concerning gender-specific issues. Additionally, WVCs collaborate with Women Veterans Program Managers (WVPM) at local Veterans Health Administration facilities to assist women Veterans access VA benefits and healthcare services. VBA further maintains a public website devoted to the unique issues associated with women Veterans. As the role of women in the military continues to change, VBA remains dedicated to keeping pace with the changing needs of women Veterans and is prepared to ensure women Veterans’ needs are met.

In recognition of the needs of the growing numbers of women Veterans, Secretary Shinseki called for a Women Veterans Task Force to develop a comprehensive VA plan that will focus on key issues facing women Veterans and the specific actions needed to resolve them. In developing this action plan, the Task Force examined a broad set of issues affecting women Veterans and VA’s current efforts to close these gaps.

In 2009, VA started The Long Term Health Outcomes of Women’s Service During the Vietnam Era study. This comprehensive study of the mental and physical health of women Vietnam Veterans was initiated to shape future research to plan for appropriate services for women Veterans. VA has recognized the potential for increased exposures and has added specific questions to several scientific studies of Veterans. For example, The National Health Study for a New Generation of U.S. Veterans has oversampled female Veterans and has posed specific questions concerning female health and reproductive issues. These questions include any history of sexual trauma, birth and miscarriage information, and changes in gynecological health such as cessation of menstruation. Other studies of traumatic brain injuries specifically investigate any additional adverse health outcomes in female Veterans. These and other studies will allow VA to fully understand the impact of combat deployments, to include the potential for adverse health effects related to environmental exposures, on female Veterans.

The number of women Veterans using VA health care services has doubled since 2000, from almost 160,000 to more than 337,000 in FY 2011. While the overall Veteran population is declining, the number of women Veterans is on the rise. Among women Veterans of Operation Iraqi Freedom, Operation Enduring Freedom and Operation New Dawn, 55.5 percent have enrolled for VA care; of this group, 89.2 percent have used VA regularly.

Since FY 2010, VA has trained over 1,200 providers in women’s health, and now has designated women’s health providers at every medical center and at 60 percent of community based outpatient clinics (CBOCs). In addition, VA has staffed 144 full-time WVPMs at VA facilities nationwide.

Finally, VA has made significant strides in strategically planning for health care delivery for women Veterans of all eras. The Women Veterans Health Strategic Health Group (WVSHG) has strategically addressed health care improvements by focusing on policy, education and training, outreach to women Veterans and internal culture change.

Question 15: This budget proposal requests an additional \$312 million for mental health care, bringing the total to \$6.2 billion. The Secretary said during questioning that if the VA's budget for mental health care from 2009 to 2013 was examined, there was actually a 39 percent increase in funding, which provided the "firepower to go out and hire" mental health professionals.

a. For the period of 2009–2013 please provide the Committee with amount, per year, spent specifically for hiring mental health professionals.

b. Of the monies not spent for hiring mental health professionals, please provide, for the period 2009–2013, a detailed breakdown of expenditures by activities.

Response: For questions 15a and b please see below table.

Mental Health Obligations by Categories (\$000s)

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Estimated	FY13 Estimated
FTEE	35,197	36,756	38,282	39,886	41,460.
Salary Cost	\$3,226,914	\$3,525,036	\$3,721,335	\$3,954,822	\$4,191,429.
Other					
Travel (BOC 21)	\$106,529	\$152,165	\$163,595	\$188,506	\$195,676.
Utilities et. al. (BOC 22–BOC 24)	\$146,841	\$187,154	\$196,471	\$222,119	\$227,475.
Contracts (BOC 25)	\$349,613	\$428,509	\$464,495	\$538,641	\$561,605.
Supplies (BOC 26)	\$180,071	\$228,116	\$235,011	\$261,577	\$264,846.
Grants (BOC 41)	\$92,122	\$132,677	\$151,218	\$183,764	\$200,672.
Capital and Equipment (BOC 31 and 32)	\$344,120	\$507,022	\$502,217	\$522,306	\$542,394.
Total	\$4,446,211	\$5,160,678	\$5,434,343	\$5,871,735	\$6,184,097.

Question 16: During the hearing, Dr. Robert A. Petzel, the Under Secretary for Health, stated that the VA had hired "20,500 clinical professionals" to meet the needs of veterans' mental health.

a. Please provide a complete and detailed break-down of that population of 20,500 individuals, by specialty and by years of experience.

b. How many are psychiatrists?

c. How many are psychologists?

d. How many are licensed professional counselors?

e. How many are marriage and family therapists?

f. Of those 20,500, how many of these hires have more than 3 years of clinical experience as a licensed mental health professional?

Response: Please see below for a detailed table which provides the number of mental health staff by discipline as of December 31, 2011. Please note that the table does not denote individuals; it reflects the total of full time equivalent (FTE) employees that is dedicated to providing direct clinical care. The current staff is only able to be broken down into the following categories: nurses, physician extenders, physicians, psychologists, social workers, and therapists. There are not categories for licensed professional counselors and marriage and family therapists in our current datasets, these positions are reflected under Therapist. We are not able to provide years of experience as that information is stored in local personnel files.

Mental Health Discipline	FY2012, Quarter 1 FTEE
Nurse	8,122.53
Physician Extender	1,375.43
Physician	2,516.74

Mental Health Discipline	FY2012, Quarter 1 FTEE
Psychologist	3,009.62
Social Worker	3,723.97
Therapist	1,842.18
Grand Total	20,590.47

* Physician Extender is a term used to describe a health care provider that is not a physician but performs medical activities that is typically performed by a physician; including, Clinical Nurse Specialist, Nurse Practitioner Psychiatric and Physician Assistant.

Question 17: With the VA expending more resources on publicizing the importance of accessing mental health services to veterans through your “Make the Connection” campaign and the “PTSD Family coach,” what is the VA doing to ensure that it has enough staff to take care of the influx of veterans who are seeking mental health treatment?

Response: VA has increased its mental health staff that provides direct clinical care by 52 percent since 2005 from 13,567 to 20,590. During this same period, Veterans using mental health services have increased by 49 percent (from 897,643 to 1,338,482). VA has provided \$12M in funding to facilities and VISNs in fiscal year 2012 to hire staff to expand the use of telemental health for the treatment of Post Traumatic Stress Disorder (PTSD).

On April 19, 2012, VA announced the department would add approximately 1,600 mental health clinicians – to include nurses, psychiatrists, psychologists, and social workers as well as nearly 300 support staff to its existing workforce of 20,590 mental health staff as part of an ongoing review of mental health operations. VA’s ongoing comprehensive review of mental health operations has indicated that some VA facilities require more mental health staff to serve the growing needs of Veterans. VA is moving quickly to address this top priority. Based on this model for team delivery of outpatient mental health services, plus growth needs for the Veterans Crisis Line and anticipated increase in Compensation and Pension/Integrated Disability Evaluation System exams, VA projected the additional need for 1,900 clinical and clerical mental health staff at this time. As these increases are implemented, VA will continue to assess staffing levels.

On April 24, 2012, VA announced that it has expanded its mental health services to include professionals from two additional health care fields: marriage and family therapists (MFT) and licensed professional mental health counselors (LPMHC).

The two fields will be included in the hiring of an additional 1,900 mental health staff nationwide mentioned above. Recruitment and hiring will be done at the local level. The new professionals will provide mental health diagnostic and psychosocial treatment services for Veterans and their families in coordination with existing mental health professionals at VA’s medical centers, community-based outpatient clinics, and Vet Centers.

VA has developed qualification standards for employment as LPMHCs and MFTs and has announced the appointments of mental health and health science professionals to serve on professional standards boards. The boards will review applicants for LPMHC and MFT positions in the Veterans Health Administration (VHA) to determine eligibility for employment and the government grade level appropriate for the individual in the selected position. The boards will also review promotions in these positions.

Question 18. The Independent Budget recommends that VA add 40 FTEs to the Board of Veterans Appeals. As you know, the BVA has its own backlog, with appeals averaging 883 days (over two years). Yet, VA’s budget flat funds the General Administration account under which BVA receives its funding.

a. In light of the CAVC’s recent *Freeman v. Shinseki* decision, which allows a beneficiary to appeal to the BVA the appointment of the fiduciary selected by VA (resulting in even more potential appeals), what is VA doing to address the backlog of appeals at the Board of Veterans’ Appeals in its budget.

Response: VA acknowledges the fiscal constraints facing all agencies in 2013 and appreciates Congress’ approval of an increase in 2012 funds to address the appeals claims workload. BVA historically receives an average of 5 percent of all compensation claims that VBA receives. In FY 2011, BVA issued approximately 90 decisions per FTE, which includes Veterans Law Judges (VLJ), attorneys, and administrative

support staff, for a total of 48,588 decisions. In FY 2012, BVA projects issuing 47,600 decisions based on the current level of FTE supported. While additional FTE would result in additional decisions, VA must allocate its resources with consideration of needs across the entire Department.

To meet the challenge of the growing appeals workload, BVA has implemented efficiencies in two key areas: hearings and remands. The Department also submitted several legislative proposals to improve the appeals process. These initiatives are discussed more fully below.

With respect to hearings, approximately 25 percent of appellants before BVA request a hearing before a VLJ. The majority of appellants request an in-person hearing (e.g., 66 percent in FY 2011). An average of 75 percent of scheduled in-person hearings in FY 2011 took place, meaning that 25 percent of those Veterans scheduled for hearings did not appear for the hearing. Data confirms that over the past five years, the national average show rate for field hearings is 73 percent. This leaves the VLJ who traveled to the field station with substantial blocks of time without scheduled activity, and thus, a loss of productive time to decide appeals.

The annual hearing schedule depends on demand, and slots are allocated to field stations well in advance of the beginning of each fiscal year. In planning for the FY 2012 hearing schedule, BVA decreased the number of available field hearings offered by 25 percent in favor of increasing video teleconference (VTC) hearings, which take place between the VLJ in Washington, DC and the Veteran at his or her local Regional Office (RO). This results in both monetary and time savings for VA. VLJs will gain time in the office, with an anticipated increase in decisional output (ranging from 2 percent to 5 percent) over the next few years. Additionally, VA will save an estimated \$864,000 in travel costs through 2015.

Remands generate a substantial amount of rework for both VBA and BVA, which increases workload, while also greatly increasing the delay for Veterans. In FY 2011, BVA remanded 44 percent of appeals before the Board (21,464) to the Agency of Original Jurisdiction (AOJ), generally VBA. Historically, approximately 75 percent of all remands return to the Board. VLJs determined that 40 percent of FY 2011's remands (8,585) could have been avoided if the RO properly processed and reviewed the case in accordance with existing laws and regulations.

BVA has analyzed the data from its Remand Reasons Database (collecting reasons for remands since 2004) and determined that the top reason for remand is inadequate medical examinations and opinions. To reduce the number of remands that are returned to the Board, BVA has partnered with the VHA to develop training tools and provide direct training to VA clinicians to improve VA compensation and pension examinations. Additionally, BVA and VBA have agreed to a mandatory joint training program to aid in standardizing adjudication across the system, driven by the most common reasons for remand. BVA has established an interactive training relationship with VBA's key organizations involved in the appellate process, i.e., the Systemic Technical Accuracy Review (STAR) staff, Decision Review Officers, and the Appeals Management Center staff. The goal of these efforts is to reduce the number of avoidable remands in the system.

VA has submitted legislative proposals to Congress that would streamline the appellate process. Specifically, VA has proposed a provision that would allow BVA to determine the most expeditious type of hearing for those appellants who request a hearing before a VLJ. The proposal includes a "good cause" exception for those appellants who do not desire a video conference hearing. VA has also proposed an automatic waiver provision, establishing a presumption that an appellant, or his or her representative, has waived RO consideration of any evidence he or she files after filing the Substantive Appeal to the Board. This would eliminate readjudication of the appeal by the RO in some cases, in favor of the Board directly addressing the evidence. Additionally, VA has proposed reducing the time period to file a Notice of Disagreement (NOD) from 365 days to 180 days, to ensure timely processing of appeals and less rework due to stale evidence.

Question 19. A recent NCA audit concluded in January 2012, revealed numerous misplaced headstones and several inaccurate burials.

a. What is being done to correct these errors and does this budget allow sufficient increases to prevent these types of errors from occurring in the future?

Response: All employees at the National Cemetery Administration (NCA) are the custodians of a sacred trust and strive to be the model of excellence in the delivery of burial benefits. NCA has created a culture of accountability in which errors are addressed immediately and openly. NCA regrets the grief and emotional hardship errors cause and seeks to correct errors in consultation with family members. Where an error occurred, NCA has corrected the error and contacted the affected families,

where possible, to extend our sincerest apologies. NCA has also ensured VA's congressional committees and the local congressional offices were notified of the issues.

To prevent these types of errors from occurring in the future, contracts to raise and realign headstones and markers will require contractors to keep headstones or markers at the gravesite during the renovations. Such control measures will reduce the likelihood of inaccurate replacement of headstones and markers upon project completion. Also, NCA will hire certified contracting officer representatives at each of its Memorial Service Network offices to oversee future gravesite renovation projects. If employees or contractors need to move a headstone or marker for any reason, NCA will adopt a new process to track temporary movement or replacement of any headstone or marker within a national cemetery. NCA can accomplish these actions within the 2013 budget request.

Question 20: Even with the NCA's efforts in this budget to try to ensure that rural and urban veterans are better served with burial options the uptick in those served by a government national cemetery falls short of the target goal of 94 percent of veterans served with a VA cemetery option.

b. When will this long-standing target be achieved? (note, no part "a" to the question was provided)

Response: NCA's Strategic Target is to ensure that 94 percent of Veterans have reasonable access to a burial option in a national or state cemetery. (Reasonable access defined as a first interment option within 75 miles of their residence.) The addition of five new national cemeteries, the establishment of new state cemeteries through the cemetery grant program, and the implementation of the Rural Veterans Burial Initiative will result in reasonable access to 95 percent of our Nation's Veterans. Under the Rural Veterans Burial Initiative, NCA will seek to serve rural Veterans by establishing relatively small (3–5 acres) NCA-managed Veterans sections (i.e., National Veterans Burial Grounds) within existing public or private cemeteries in rural areas where Veterans have no national or state Veterans cemetery option within 75-miles of their residence. Construction funding in future budget requests will allow achievement of this target.

Question 21: Will VA continue to use the Fast Track system for Agent Orange claims?

a. If so, how much will it cost during this budget cycle?

Response: Yes, VBA will continue to use the Fast Track system for Agent Orange claims. The budget request is \$1.8 million annually for operations and maintenance.

Question 22: Please elaborate on the claims processing initiatives involving the use of private contractors.

a. What are the costs associated with these initiatives, particularly the contract with ACS for claims development?

Response: The Veterans Benefits Management Assistance Program (VBMAP) contract is for \$18.6 million for claims development, eBenefits enrollment, and training to VBA employees on change management and Lean Six Sigma. \$16.4 million is focused on the claims development task.

VBMAP is a one-year professional services contract to perform disability claims development. This effort was developed and awarded on a firm-fixed price basis that pays the contractor only for claims returned at a 100 percent accuracy rate. The contractor is not paid for claims not meeting acceptance criteria, and the work is returned to normal VBA channels for correction or additional follow-up as necessary. The VBMAP contract also focuses on process automation, expedition, and transition/maintenance in the electronic (vice paper) environment.

The VBMAP contract was issued as a means to address the current backlog in VBA claims development workload. Secondary purposes included increasing enrollment in eBenefits, and providing training to VBA employees on change management and Lean Six Sigma.

b. How many claims will ACS develop or process?

Response: The maximum volume of claims will be 357,600.

c. What will happen to current FTEs under the applicable C&P accounts?

Response: There will be no changes to FTE as a result of the VBMAP contract.

Question 23: What is the status of the Expedited Claims processing initiative mandated in P.L. 110–389?

Response: The Fully Developed Claim (FDC) program was piloted in 2009 at ten regional offices. Because of the pilot's favorable results, the FDC program was implemented nationwide beginning in May 2010. VA received 2,883 and 19,241 claims in the FDC program in FY 2010 and FY 2011, respectively. VA estimates that we will receive 29,400 and 48,529 claims in the FDC program in FY 2012 and FY 2013, respectively. Please note that a claim submitted under the FDC program may be removed from the program for various reasons during subsequent processing. Examples of reasons for removal from the FDC program include receipt of evidence from the claimant that requires further development and a claimant's failure to report for a VA examination. VA is increasing awareness of the FDC program requirements to better educate claimants. Information and fact sheets on the FDC program can be found online at <http://benefits.va.gov/transformation/fastclaims>.

a. Will it require any additional funding?

Response: VA does not anticipate the need for additional funding to continue the FDC program.

Question 24: How much funding is VBMS expected to receive this budget cycle?

Response: VBMS' funding request is \$128 million for FY 2013.

a. When is national roll-out slated and completed roll-out expected to conclude?

Response: National deployment is scheduled to begin in July 2012 and will be completed by the end of calendar year 2013.

b. Have all of VA's claims processing legacy systems been properly interfaced?

Response: VBMS currently interfaces with the Corporate Database and VA's legacy claims processing system, the VETSNET suite of applications. VA will evaluate interfaces with systems for other VBA benefits as systems development and requirements-gathering continue.

c. How will VBMS interface with the Fiduciary Program's case management system?

Response: VBMS is initially focused on the establishment, development, and rating sections of the claims process. We will evaluate interfaces with Fiduciary and other programs as systems development and requirements gathering continue.

d. Why would the VA reduce the funding by \$59 million?

Response: Funding for most of the IT systems development for VBMS was requested in FY 2011 and FY 2012. The development is being accomplished through an inter-agency agreement (IAA) with the Space and Naval Warfare Systems Command through March 2013. Although a majority of systems development work will be performed through the IAA and completed prior to FY 2013, VA will continue to develop additional features throughout FY 2013. The reduced funding request reflects this reduction in IT systems development.

Question 25: If the purpose of the VBMS Phase 2 is to validate and refine the technology solution from Phase 1 will a decrease in funding affect the deployment of Phase 2? What about Phase 3?

Response: Phase 2 was completed in November 2011. Phase 3 is scheduled for completion prior to national deployment in July 2012. Any decrease in the FY 2013 funding request will affect national deployment and the ability to deploy VBMS to all regional offices.

a. What happens if the deployment of VBMS is unsuccessful? Will a decrease in funding affect any needed fix?

Response: VBMS is following a prescribed deployment schedule, which aligns with VA's transformation efforts. To ensure successful deployment, lessons learned and best practices have been captured from VBMS stations and will be implemented prior to deploying VBMS at subsequent stations. In addition, VA continues to engage its Veteran Service Organizations' partners through requirement gathering sessions. VBA continues to evaluate people, process, and technology solutions to improve timeliness and quality for claims processing. A decrease in the FY 2013 funding request for VBMS (\$128 million) would have significant impact on our ability to deploy VBMS to regional offices on schedule, scan claims for electronic processing, enhance the system, and repair defects.

Question 26: At a recent hearing, many stakeholders complained about the inadequacies of VA's Fiduciary Program, including questioning the effectiveness of Western Hub centralization effort and the efficacy of VA's audit process.

a. What is the funding level for VA's Fiduciary Program?

Response: The fiduciary program is part of the compensation and pension programs. In 2013, approximately \$76 million will support 693 fiduciary program FTE.

b. Is this figure broken out like compensation and pension, and if not should it be?

Response: The fiduciary program is part of the compensation and pension programs; however, pension and fiduciary policy and oversight functions were separated from the compensation service in April 2011, as part of a VBA reorganization, to address the critical need for greater oversight of pension and fiduciary program administration. This headquarters operational realignment also allows VBA to give greater focus to the complex and challenging workload and policy issues in our compensation program while giving greater attention to our most vulnerable Veterans in our fiduciary program. Fiduciary responsibilities and workload distributions encompass both compensation and pension beneficiaries.

c. What are the performance measures for the VA Fiduciary Program?

Response: Key performance indicators and outcomes for FY 2011 for the fiduciary program are listed in the following table along with targets for FY 2012 and FY 2013.

Measure	FY 2011 Target	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Accuracy	90%	88%	92%	94%
Follow-up appointments pending <= 120 days	90%	62%	90%	90%
Follow-up appointments processed <= 120 days	92%	83%	92%	92%
Initial appointments pending <= 45 days	90%	64%	90%	90%
Initial appointments processed <= 45 days	92%	78%	92%	92%
% accountings reviewed within 14 days	94%	93%	94%	94%
% accountings not seriously delinquent	95%	96%	95%	95%

Question 27: VA requested funding for additional IDES employees for FY 2013.

a. Is this request level adequate given the amount of resources you disclose this process requires?

Response: VA is staffed to support the current level of separations, which is now estimated to be over 27,000 claims per year. VA and DoD continue to assess the impact of troop movement and drawdown of forces to the IDES program. We will monitor resource needs as part of our overall evaluation of the program, and address shortfalls as appropriate.

b. Is it adequate given the expected influx of new veterans returning from war and expected to file claims?

Response: VA's estimate of claims receipts is based on available information. VA and the DoD will continue to assess the impact of the drawdown of forces, as well as the impact of the recent VOW to Hire Heroes Act of 2011.

Question 28: What is the status of the Virtual Lifetime Electronic Record Initiative?

Response: VLER enables VA and its partners to proactively provide the full continuum of services and benefits to Veterans through Veteran-centric processes made possible by effective, efficient, and secure standards-based information sharing. VLER is neither an IT program nor an information service provider. VLER is a multi-faceted business and technology initiative that includes a portfolio of health,

benefits, and personnel information sharing capabilities, with four over-arching goals that align to VA Strategic Plans. They are:

- Empower Veterans to securely access and control the use and dissemination of their health, benefits, and personnel information;
- Eliminate material and non-material barriers to information sharing across the VA enterprise and with external partners;
- Exploit information sharing innovations to ensure that the VA proactively delivers services and benefits; and
- Ensure that Veterans, their families, and other stakeholders are engaged to better understand their needs and increase participation in the development and use of VLER-enabled services.

To achieve its goals, VLER efforts are managed in four VLER Capability Areas (VCAs):

- VCA 1 – Exchange health information required to support clinical healthcare between VA, DoD and private providers;
- VCA 2 – Expand the exchange of health, benefits, military personnel and administrative data in order to support disability claims adjudication;
- VCA 3 – Exchange additional health, benefits, military personnel and administrative information required to proactively deliver the full spectrum of benefits and services including, but not limited to, compensation, housing, education, pension, insurance and memorials; and
- VCA 4 – Provide Service members and Veterans the ability to securely access and control the use and dissemination of their health, benefits, and personnel information via the eBenefits portal.

a. What is the funding level requested?

Response: VA's FY 2013 budget request for VLER is for \$52.939 million.

b. When is roll-out and implementation expected?

Response: Each VLER capability area includes multiple projects in different stages of development. Some projects are in the early stages of development and will be implemented in FY 2013 and FY 2014. However, other VLER projects are already delivering valuable benefits. The following is a sample of VLER projects which have already made major impacts for millions of Servicemembers and Veterans in numerous ways:

- More than 800,000 Servicemembers and Veterans use the VLER eBenefits portal (VCA-4) to manage their Servicemembers Group Life Insurance, obtain GI Bill Certificates of Eligibility and access more than 40 capabilities made available via eBenefits; new capabilities are being added to eBenefits on a quarterly basis.
- “Blue Button” has been implemented, providing online self-service downloads for on-demand access to personal health information to 750,000 active users.
- More than 1.6 million Veteran and Servicemember medical records have been shared via the VLER Bidirectional Health Information Exchange (BHIE) and Clinical Data Repository/Health Data Repository (CHDR) projects.
- The VLER Health program has met its milestone goal of obtaining 50,000 Veteran authorizations to exchange their Veteran Health Data with a private provider thru the Nationwide Health Information Network.
- VLER has impacted thousands of disabled Servicemembers, including our most severely wounded, ill, and injured by automating information management and sharing between DoD and VA in support of the Federal Recovery Coordinator and Integrated Disability Evaluation System.

Planned VLER Deliverables:

- Making Blue Button self-service downloads of on-demand personal health information available via eBenefits.
- Expanding NwHIN nationwide starting in July 2012, making health information exchange between VA, DoD, and private sector available to all Veterans.
- Providing VA Compensation and Pension examiners direct access to existing/legacy DoD health record systems (AHLTA & TMDS).
- Incorporating career transition assistance behind eBenefits portal (resume building, job search, entrepreneurship and voc/tech training).
- Completing automation of the transfer of all required claims adjudication information between DoD and the VA.
- Helping reduce the backlog of disability claims, VLER is planning to deliver the following in the latter half of FY 2012 and FY 2013:

—A “TurboTax® like” web-based forms which facilitate the collection of specific disability rating schedule information from DoD, VA and private clinicians performing compensation and pension (C&P) examinations;

—Enabling and automating the electronic sharing of rating schedule information so that systems used by VA to determine a Servicemember’s or Veteran’s eligibility for benefits; and

—Providing VA C&P clinicians access to the information they need (from DoD systems) to make it easier and less time consuming to perform C&P exams for initial applications from active duty and recently discharged Servicemembers (including mobilized national Guard and Reservists).

Question 29: What is the status of the Long Term Solution for the Education division?

Response: VA is currently working to deploy initial end-to-end automation functionality into the Long Term Solution (LTS) that will process some supplemental claims without human intervention. Deployment for LTS release 6.0 is scheduled for July 30, 2012. In addition to the planned release in July, LTS has been updated in FY 2012 with the following releases:

1. LTS release 5.1 was deployed October 17, 2011. This installed the third of three releases of requirements associated with PL 111–377, including those necessary to address the October 1, 2011 legislative mandates.

2. LTS release 5.1.1 was deployed December 31, 2011. This provided student debt management functionality.

3. LTS release 5.2 was deployed February 21, 2012 and provided architectural foundation that will support end-to-end automation of supplemental claims.

4. LTS release 5.2.1 was deployed March 24, 2012. This installed two additional automated letters into the system and fixed minor errors.

Question 30: How much money will VA spend on IT for the Education division in 2013 and 2014?

Response: VA did not initially request funding for Post-9/11 GI Bill system development in the FY 2013 budget. As a result of legislation enacted after the FY 2013 budget request was developed, VA had to redirect IT development funding in FY 2012 to make system changes to support the new legislation and defer development of some previously planned functionality. VA is reviewing Post-9/11 GI Bill development requirements that may require funding in FY 2013. Estimates are not yet available for FY 2014. The budget request for Education Operation and Maintenance funding in FY 2013 is \$11,189,000.

Question 31: What is the current ratio of veterans to counselors in the Vocational Rehabilitation and Employment division?

Response: As of February 2012, the ratio of Veterans to counselors was 140:1.

Question 32: When will the regulations for the Post 9–11 GI Bill be finalized?

Response: VA anticipates publishing the final regulations governing the, Post-9/11 Improvements, Fry Scholarship, and Work-Study by the end of the summer, 2012.

Question 33: According to the universities the VA’s education system went down in January. No university was able to submit information to VA.

a. What caused the problem and does it need an IT fix?

Response: VA’s Online Certification of Enrollment (VAONCE), is the system used by education institutions to submit enrollment certifications on behalf of Veterans. Beginning around January 11, 2012, some VAONCE users began to experience significantly slow response times due to high volume. The high volume caused some institutions’ web browsers to “time out” when trying to connect to the system; at no time was the system actually down. VA does not have information to indicate how many users were affected; however, we continued to receive an above average number of enrollment certifications during the period in question.

On January 13, 2012, coding was completed to “load balance” VAONCE to multiple web servers; testing of this new code was completed the morning of January 17, 2012, and installed in production. The web server load balancing corrected the problem.

b. Is the VA working on any system enhancement for TMS?

Response: VA believes the reference to TMS is a reference to The Image Management System (TIMS), which is the repository for education electronic claims folders. Future TIMS enhancements include:

- April 2012: Addition of a drop down tool to select “benefit type,” accommodating the addition of benefits available under the Veterans Retraining Assistance Program
- June 2012: Mass Folder Transfer capability to allow automation for a large number of folders to be transferred between stations
- August 2012: Microsoft Windows 7/Office 2010 compatibility, which is not currently compatible with TIMS
- December 2013: Reconfiguration to a web/server format to increase the speed and efficiency of the TIMS software and minimize down-time for end-users during upgrades

c. Is VA working on any enhancement for TMS?

Response: Please see the response to question 33b.

Question 34: Some students are complaining about mistakes that the VA or school makes.

a. What is the VA doing to minimize all overpayments?

Response: In FY 2011, VA maintained a payment accuracy rate of 98 percent for Post-9/11 GI Bill benefit payments. As a result of the statutory requirement that VA pay all applicable tuition and fees at the beginning of a student’s term, there is a risk of overpayments to any student who changes his/her enrollment after VA has issued payments. These overpayments differ from “improper payments” resulting from an error by VA or by a school, which are often identified through VA’s compliance review process. Education Service issues “Training Reminders” to VA staff when a pattern of errors are identified. For School Certifying Officials (SCO), we provide information on the SCO resources page when patterns of errors are identified. We continue to try to identify the human errors that can be fixed through IT solutions, such as system validations and automation. Increased automation of entitlement and payment calculations within the LTS reduces the potential for human error by VA processors. Additionally, the FY 2013 President’s Budget includes a legislative proposal that would allow VA to send Post-9/11 GI Bill tuition and fee payments to the student, rather than the school. While this proposal does not minimize all overpayments, it simplifies the payment process that will in turn aid in a student’s ability to identify debts owed to VA. The proposal is described on page 3A-11 of VA’s 2013 Congressional Budget Justification and can be viewed at: <http://www.va.gov/budget/docs/summary/Fy2013—Volume—I-Summary—Volume.pdf>.

Question 35: Why is there a decrease of \$117 million for the 16 major transformational initiatives?

Response: The 2013 Budget requests \$488 million for IT resources in support of the VA’s 16 Major Initiatives, a reduction of \$117 million from the 2012 enacted level of \$605 million. Of the total request, \$377 million is for development and \$111 million is for sustainment. Annual funding requirements for IT systems change as the initiatives mature, and their status shifts from development to sustainment. For example, the 2013 budget includes a reduction of \$60 million below the 2012 enacted level for the VBA system that is being deployed to support the new paperless claims processing system, known as VBMS. Development and sustainment of these systems has a significant impact on the 2013 request for the Major Initiatives.

Question 36: VLER funding was decreased by \$13 million this pilot program is in its infancy stage.

a. With continuing Information Technology (IT) systems developments why would the funding decrease?

Response: The FY 2013 budget request is adequate to meet the planned needs for the VLER initiative.