

THE FISCAL YEAR 2011 BUDGET FOR VETERANS' PROGRAMS

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FRIDAY, FEBRUARY 26, 2010

United States Senate,  
Committee on Veterans' Affairs,  
Washington, D.C.

The Committee met, pursuant to notice, at 9:32 a.m., in Room SR-418, Russell Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Committee, presiding.

Present: Senators Akaka, Begich, Burr, and Johanns.

OPENING STATEMENT OF CHAIRMAN AKAKA

Chairman Akaka. The hearing will come to order, and aloha to all of you this morning, this hearing on the fiscal year 2011 budget for the Department of Veterans Affairs. I want to extend a warm welcome to Secretary Eric K. Shinseki. Secretary Shinseki, I look forward to our continued work together on behalf of our Nation's veterans, and thank you for having your staff here as well, as we discuss the budget for the Veterans Administration.

A strong VA budget moves beyond the rhetoric of supporting veterans and provides actual support by providing the funding to make VA's programs work. The President's budget for VA for the next fiscal year is indeed a strong one. Although many agencies are facing budget cuts, I am pleased that the VA budget--critical for meeting the health

care and benefit needs of so many of this Nation's veterans--is increasing. Many of the initiatives in the President's budget request, such as the commitment to end veterans' homelessness and increase staffing to help eliminate the claims backlog, are designed to make responsible investments now in order to reduce Federal spending.

The President has requested a budget for VA of \$125 billion, including a total discretionary request of \$60.3 billion. For fiscal year 2011, the administration is requesting \$51.5 billion in resources for VA medical care, including collections. This funding level is an increase of \$4.1 billion over fiscal year 2010 levels. It is a good thing, too, since for the first time the number of patients is predicted to exceed 6 million. With this budget, we also see the fruits of our labor in passing the Veterans Health Care Budget Reform and Transparency Act. We have before us a budget that includes a funding request for VA medical care into fiscal year 2012.

Last year, both President Obama and Secretary Shinseki stated their commitment to ending homelessness among veterans--a commitment that I share. With VA's objective to meet this goal in 5 years, it is encouraging to see that this budget calls for nearly \$800 million in additional spending for homeless veteran programs. This represents a significant effort by VA to reduce the number of homeless

veterans and prevent those "at risk" from becoming homeless.

The administration is also requesting nearly \$1.75 billion for construction programs. This includes the cost of initiatives designed to help VA better manage its physical infrastructure. I am pleased to see that VA continues to make health care more accessible for veterans living in rural areas.

On the benefits side of the ledger, timely and accurate adjudication of disability claims and appeals remains a significant problem. I know that the President and Secretary Shinseki are committed to addressing this issue, and I am pleased by the proposal to add significant staff and resources to that effort. The President's budget responds to the rapid rise in the number of disability claims being filed by veterans and prepares for an increased workload due to the recent extension of new Agent Orange presumptive conditions. I hope to hear from VA in detail how it intends to handle these workload increases.

We must be candid about the backlog. It appears that this situation will get worse before it gets better. It can take years for new staff to become skilled at processing complicated claims, and technology and pilot programs can only do so much in the short term. VA must be able to absorb new court decisions, changes in legislation and regulation, and other unforeseen events so that when new

circumstances arise, the system is not paralyzed.

I am encouraged that the administration has included what it believes will be adequate resources to continue to press forward with the prompt and accurate delivery of education benefits under the new GI bill. I know that there have been some difficult moments over the last several months, but I believe that VA has made progress toward improving the payment delivery process. I will continue to do whatever I can to help in this area.

I look forward to working with my colleagues on the Committee and in Congress, the executive branch, and leaders from the veterans' community to adopt a viable budget for veterans and for the system designed to serve them.

And now let me ask our Ranking Member for him to deliver his opening statement. Senator Burr, aloha.

OPENING STATEMENT OF SENATOR BURR

Senator Burr. Aloha, Senator. Thank you. General, welcome. I welcome you this morning as well as your senior leadership team and the representatives of all the various veterans' service organizations that are here.

We are here to review the President's fiscal year 2011 budget for the Department of Veterans Affairs. Each member of the Committee and each Member of Congress will have their own criteria by which they judge this \$125 billion request. My own judgment will be guided by three core principles.

First, we remain a nation at war. We have men and women thousands of miles away from home, away from their families, away from their friends, putting themselves in harm's way on a daily basis. They and their families command our highest obligation. We must have a VA health and benefits system that meets their needs, is responsive to their expectations, and appropriately expresses the gratitude of the Nation for their tremendous sacrifice.

Second, we are a country that values the service of all generations of veterans who have worn the Nation's uniform. We must not forget our obligations to them, their families, and their survivors. We must care for their injuries resulting from service, extend a helping hand during tough economic times, and honor and memorialize the memory of our fallen heroes.

Third, we need to be accountable for what we spend. We have a deficit and a debt of staggering proportions. All Americans--and especially veterans--deserve the assurance that every tax dollar going to the VA is spent to improve the lives of veterans.

With those as my guiding principles, here are my initial thoughts on the President's budget.

The budget represents a 10-percent increase in spending overall and an 8-percent increase in discretionary spending. Significant investments are proposed to end homelessness,

increase mental health treatment access, and care for returning OEF/OIF veterans. I am looking forward to asking you, Mr. Secretary, as to how these investments will translate into improved outcomes for our veterans, and I applaud you for making these priorities.

There are some aspects of this budget, however, that do leave me puzzled. Whether it is throwing more money at a problem like the claims backlog--a strategy that has clearly not worked--or whether it is throwing money at administrative functions that may be nice to have, but may rank low on a priority list, I think that we owe it to the American people to make sure that every dollar we spend translates into improved services for our veterans and their families.

Let me first talk about the backlog issue. Mr. Secretary, your budget proposes to increase permanent staffing for claims adjudication by roughly 4,000 FTEs. If you look at the chart that I had put up, you will see that the claims staffing has exploded in recent years. Every year we have been told that the system needs more staff, but when the resources for staff are provided, clearly productivity goes down.

Let me say that again. As we increase the staffing, productivity goes down per FTE.

Let me talk about a couple of other items that jump

out, and I will just raise these as questions for everyone to consider.

If this budget is approved, there will be a 38-percent increase in the General Administration account since 2009, nearly \$130 million. Now, where is this money going and, in a time of massive deficits and debt, is this responsible? Here are some highlights: a 2-year increase of 65 percent in the Office of Congressional and Legislative Affairs; a 2-year increase of 97 percent in the Office of Policy and Planning; and a 2-year increase of 51 percent for the Office of the Secretary.

Now, are these requests essential? How will they help improve the lives of veterans and their families? How is it that the Office of Inspector General, the office tasked to do the oversight of a \$125 billion Department, is slated for a funding freeze, but these support offices are getting huge bumps?

Just a couple more examples in this budget, Mr. Chairman. How about an initiative to put printers on the desks of all VBA employees, especially when VBA is going paperless? Or the publication of an annual Veterans Law Review containing articles and book reviews?

Mr. Chairman, these line items may seem like pocket change, but these dollars add up, and they have real consequences for whether we will be able to meet some of the

core obligations to our veterans. I for one believe that we must provide more support for our family caregivers of our wounded warriors. It is my hope Congress passes the family caregiver bill as soon as possible. If Congress does, will the VA have the money to fund this program under this budget?

We also have a moral obligation to provide VA health care to veterans and family members who were exposed to contaminated drinking water during their service at Camp Lejeune. Will we do this for our veterans and their families, or will we fritter these dollars away on printers on every desk and book reviews?

I will end on this point: If we waste money on bureaucrats and shopping sprees at Staples, we may not have the funds to follow through on the promises we have made and we need to keep. We should not be giving false hope to the family caregivers of severely wounded veterans or the marines and their families who drank toxic water at Camp Lejeune that the VA is going to be there for them and we are not. They deserve better.

We have got to prioritize the money our taxpayers entrust us with so that veterans and their families will have the benefits and services they need and they earned. I am looking forward to asking several questions in these areas.



Mr. Chairman, I thank you. Mr. Secretary, I applaud your leadership at the Veterans Administration and, more importantly, your service to this country.

I thank the Chair. I yield.

Chairman Akaka. Thank you very much, Senator Burr.

Now I would like to call on Senator Johanns for his statement.

OPENING STATEMENT OF SENATOR JOHANNNS

Senator Johanns. Mr. Chairman, thank you very much. My comments this morning will be relatively brief because I am anxious to hear from the witnesses. Let me, if I might, start out in a very positive vein and offer some words of gratitude.

First, I would like to thank the Chairman and the Ranking Member. Last summer, as we were preparing for the August recess and planning our month's schedule back home, we asked for the opportunity to do a hearing in Omaha at the VA hospital, and, Mr. Chairman, you granted that request, and we had an excellent hearing. It was excellent because the VA staff really, really stepped up and tried to do everything they could to make sure that we made a very, very positive record. So I thank you for that opportunity. It meant a lot to the people back home in Nebraska.

Mr. Secretary, I also want to compliment you on your leadership. As you know, you have many fans on my staff,

including a former adjutant general who heads up my military affairs issues. We think you are the right guy to do the job that you are doing, and you have surrounded yourself with very good people.

Dr. Petzel, a special thanks to you. You helped us organize our thinking and our efforts as we tried to figure out what to do about the VA hospital in Omaha and how best to proceed. I just cannot express enough how we feel that process was handled very fairly, in a very open way, and in a very transparent way. I think that is in large part because of your leadership.

So that brings me to something in the budget that I do want to acknowledge, and that is that we are starting to take some initial steps on that hospital in Omaha, which is in pretty dire condition, as you know. And I just think that is a step in the right direction. During my questioning I will probe a little bit more as to other needs across the country and how those will be addressed.

I do not think we have had a hearing where I have not raised the issue of mental health and trying to do all we can to provide the services necessary for our veterans as they return home. The mental health issues are every bit as real as the physical issues that some of our veterans face, and so I really applaud the efforts to deal with that and to try to address those issues. And, again, I will probably be

asking some questions on what we are doing there, what difference will that make, is it a good investment, and where do we go from here.

The final thing I just wanted to highlight--and then I will wrap up--is this: All of us have been very, very concerned about the claims backlog. At times, as I have listened to the testimony and tried to get my head around the size of this backlog, it almost seems like it is insurmountable. But it is not. It can be addressed, and this budget, I think, does a number of very positive things. The important thing about it, though, is that it sends the message to those who have been waiting for us to get to their claim that we are serious about dealing with the backlog, we are going to do everything we can to address it.

In that vein, I was very pleased to see that this is not just about muscling our way through it, you know, throwing staff in the midst of it. Mr. Secretary, as you know, you stopped by my office, and you talked about some of the innovative things that you are doing. And I have great optimism that we can learn from some of the positive things that are happening out there.

As I mentioned to you and as General Lemke mentioned to you during that meeting, we think there are some good things happening in Lincoln, Nebraska, and at least our experience in my office there, my Senate office, is this is a focused,

determined group who has a tremendous amount of spirit and orientation toward providing first-class quality services in working with the VA and--or working with the veterans. And so I would just ask again that you take a look at some of the things they are doing there. It is very possible that we will see they are doing some very positive, innovative things.

I will wrap up with those comments and say that we are all going to look at these budgets with close scrutiny. We should. That is why we are here. But, on the other hand, what I have really enjoyed about this Committee and the Chairman's leadership is that at the end of the day we are focused on one thing, and that is, how do we care for the veterans. They have given us a lot, and we want to do everything we can to try to make sure that not only are we providing the resources, but that we are handling those resources in a smart way, in an efficient way, and in a way that we can justify to our constituents and the taxpayers.

So I look forward to our continued work in that vein, and, Mr. Chairman, thank you for the opportunity to say a few words. Thanks.

Chairman Akaka. Thank you very much, Senator Johanns. I am glad you mentioned about mental health, that we have had hearings on that, and just to let you know, we are planning to have a hearing on mental health next week.

Senator Johanns. Good.

Chairman Akaka. Thank you so much.

Senator Begich, your opening statement.

OPENING STATEMENT OF SENATOR BEGICH

Senator Begich. Mr. Chairman, I really do not have any opening. I am looking forward to the presentation of the budget. I will just say one quick thing, and I want to thank the Secretary. We had a great conversation yesterday, and some of your folks were at some field hearings, which, again, thank you, Mr. Chairman, and your staff, for allowing us to do that in Alaska on employment issues, but also we had a lot of discussion about the VA and VA health care. I will probably ask you, as we talked yesterday, kind of re-emphasizing those points of rural health care and the importance of that.

So, again, I just appreciate your being here and your leadership within the VA, and as a couple folks have mentioned, in Alaska Ray Jefferson from the Department of Labor, Under Secretary for Veterans Employment and Training, said you have a hefty job by moving a large ship, a large budget of \$100 billion plus, you know, tons of employees, to move that in a new direction and becoming more and more responsive to our veterans. So you have a big task ahead of you, and I know you have only been there a year, as I have only been here a year. And I am just looking forward to

your presentation, and then some additional follow-up, as we talked yesterday, on rural health care and the unique situation in Alaska.

Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Begich.

I would like to welcome back to the Committee Secretary Eric Shinseki. I thank you for joining us today to give your perspective on the Department's fiscal year 2011 budget. I look forward to your testimony.

Secretary Shinseki is accompanied by Dr. Robert Petzel, who was just sworn in as Under Secretary for Health. And we have also here Michael Walcoff, Acting Under Secretary for Benefits; Steve Muro, Under Secretary for Memorial Affairs; Roger Baker, Assistant Secretary for Information and Technology; and W. Todd Grams, Acting Assistant Secretary for Management. Thank you very much for being here.

Mr. Secretary, your prepared statement will, of course, appear in the record of the Committee. Will you please begin with your statement?

STATEMENT OF THE HONORABLE ERIC K. SHINSEKI,  
SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS;  
ACCOMPANIED BY THE HONORABLE ROBERT A. PETZEL,  
M.D., UNDER SECRETARY FOR HEALTH; MICHAEL WALCOFF,  
ACTING UNDER SECRETARY FOR BENEFITS; STEVE L.  
MURO, ACTING UNDER SECRETARY FOR MEMORIAL AFFAIRS;  
THE HONORABLE ROGER W. BAKER, ASSISTANT SECRETARY  
FOR INFORMATION AND TECHNOLOGY; AND W. TODD GRAMS,  
ACTING ASSISTANT SECRETARY FOR MANAGEMENT

Secretary Shinseki. Well, thank you very much, Mr. Chairman, Ranking Member Burr, other distinguished members of the Committee. Good morning. Good to see all of you.

Mr. Chairman, thank you for introducing the members on the panel with me, all great VA leaders who are very happy to be here to participate in the testimony.

Thank you for this opportunity to present the President's 2011 budget and the advance appropriations request for the Department of Veterans Affairs. I am pleased to report a good start in 2009, and I have covered some of that with you as I came around to make my office calls. I think we have a tremendous opportunity here in 2010 and the President's continued strong support of veterans and veterans' needs in 2011 and 2012. I regret that the intervention of some bad weather precluded my visiting all the members of the Committee, as I like to do.

But these opportunities are always valuable for me, and I appreciate the generosity of time of those members I was able to call on.

Let me also acknowledge, as Senator Burr did, the representatives from some of our veterans' service organizations who are in attendance today. Their insights for the year that I have been here have been very helpful in helping us to meet our obligations to veterans and framing our thoughts and understanding of what the needs were.

Mr. Chairman, thank you for accepting my written statement for the record. I appreciate that.

This Committee's longstanding commitment to our Nation's veterans has always been unequivocal and unwavering. That is the reputation of this Committee. Such commitment and the President's own steadfast support of veterans resulted in a 2010 budget that provides this Department the resources to begin renewing itself in fundamental and comprehensive ways. And some of this goes to some of the questions you posed, Senator Burr, and I would be very happy to elaborate on that in questioning.

We are well launched on that effort. As I remind all of us in VA, 2009 was a congressionally enhanced budget, and so well launched for us was on the basis of that set of resources provided to us. And that effort continues, and we are determined to continue transforming VA in 2011 and 2012,



well begun this year, and the next 2 years are important.

We have crafted a new strategic framework organized around three governing principles, principles that I have mentioned for the past year now. It is about transforming VA, and to do that, nothing magical here. Take a good, hard look at your mission, understand what your mission is, focus on that, and then fundamentally and comprehensively go back and challenge all the assumptions on how you are doing that. Go back and review how you do this.

So in doing that, we are looking at being people-centric, and that is both veteran-centric and also developing the workforce to better serve those veterans. It is about results-driven. A lot of promises made. We do not get graded until the results are in. So that is what--we intend to have metrics and be able to measure our progress. And then forward-looking. We know there is a history here where we have had some problems, and claims may be, you know, a good example to talk about. How do we take what we know and then transform ourselves for the future?

So this new strategic plan delivers on President Obama's vision for VA. It is in the final stages of review. Its strategic goals will do several things:

- Improve the quality of and increase access to VA care and benefits, while optimizing their value for veterans;
- Heighten readiness to protect our people, both our

clients, our veterans, as well as our workforce, and our resources day to day and in times of crisis;

Enhance veteran satisfaction with our health, education, training, counseling, financial, and burial benefits and services. It is a very large charter that goes with VA.

And, finally, invest in our human capital, both in their well-being and in their development as leaders to drive excellence over the long term in everything we do, everything day to day, and towards the objectives we are trying to achieve, from management to IT systems to support services. This goal is vital to mission performance. If we are to attain being, our goal, a model of governance in the next 4 years.

These goals will guide our people daily and focus them on producing the outcomes veterans expect and have earned through their service to our country.

To support our pursuit of these goals, the President's budget provides \$125 billion, Mr. Chairman, as you pointed out, in 2011--\$60.3 billion in discretionary resources, \$64.7 billion in mandatory funding. Our discretionary budget request represents an increase of \$4.2 billion, or a 7.6-percent increase over the President's 2010 enacted budget, which was the largest budget in 30 years.

VA's 2011 budget focuses primarily on three critical

concerns that are of significant importance to veterans--at least I hear about them as I travel: better access to benefits and services; reducing the disability claims backlog and wait time for the receipt of earned benefits; and, finally, ending the downward spiral that often enough results in veterans' homelessness.

Let me just touch on access. This budget provides the resources required to enhance access to our health care system and to our national cemeteries. We will expand access to health care through the activations of new and improved facilities; by honoring the President's commitment to veterans who were exposed to the toxic effects of Agent Orange 40 years ago; by delivering on President Obama's promise to provide health care eligibility to more Priority Group 8 veterans; and by making greater investments in telehealth to extend our health care deliveries into the most remote communities and, where warranted, even into veterans' homes, which we are already doing. And, finally, we will increase access to our national shrines by establishing five new national cemeteries.

The backlog. We are requesting an unprecedented 27-percent increase in funding for VBA, our Veterans Benefits Administration, primarily for staffing, to address the growing increase in disability claims receipts. That is the initial investment. But even as we re-engineer our

processes and develop what we intend to achieve as a paperless system, integrated with a virtual lifetime electronic record that the President has mandated that both Defense and VA go to work on.

Ending homelessness. We are also requesting a substantial investment in our homelessness program as part of our plan to eliminate veterans' homelessness in 5 years through an aggressive approach that includes housing, education, jobs, and health care. In this effort, we partner with the Department of Housing and Urban Development, probably our closest collaborate, but as well with the Departments of Labor, Education, Health and Human Services, Small Business Administration, among others. Taken together, these initiatives are intended to meet veteran expectations in each of these three mission-focused areas: increase access, reduce the backlog, and homelessness.

We will achieve these objectives by developing innovative business processes and delivery systems that not only better serve veterans' and families' needs for many years to come, but which will also dramatically improve the efficiency and cost control of our operations.

While our budget and advance appropriations request for 2011 and 2012 provide the resources necessary to continue our aggressive pursuit of the President's two overarching

goals for the VA Department, transform and ensure client access to timely, high-quality care and benefits without fail.

We still have much work to accomplish. Our efforts are well begun, and I am very proud of the steps we have taken the past year and where we are thus far in 2010. Well begun. But there is still much, as members of this Committee know, much yet to be accomplished if we are going to meet our obligations to those who have defended the Nation.

Again, thank you for this opportunity to appear before the Committee and for your continued and unwavering support of our mission on behalf of veterans, and I look forward, we all look forward to your questions.

[The prepared statement of Secretary Shinseki follows:]

DRAFT

Chairman Akaka. Thank you very much, Secretary Shinseki.

At the outset I am delighted to see an increase in staffing for regional offices. However, we need to be vigilant that the quality of decisions will not suffer. Committee oversight has identified errors which appear to be caused by the emphasis on production rather than the product.

For example, critical evidence from Government records is simply not obtained or evidence in the file is not properly addressed in the decision.

I am also concerned that the addition of new claims personnel faced with thousands of new Agent Orange claims could make the situation worse.

My question to you is: What steps can the Department take to avoid errors while training a new workforce of claims processors?

Secretary Shinseki. Mr. Chairman, thank you for that question. Let me ask Secretary Walcoff to begin answering on the training piece since that is something he works with closely, and then I will try to address the broader issues you posed.

Chairman Akaka. Thank you.

Secretary Walcoff?

Mr. Walcoff. Thank you, Mr. Chairman. We share with

you your concern that, in adding a lot of inexperienced claims examiners, this would have a negative impact on the quality of the work that is being produced. It is certainly something that we are very aware of and very concerned about. There are several things that we do to try to make sure that this does not happen.

First of all, we require every new employee who is going into a decisionmaking position to go to a centralized training course where they learn the fundamentals of adjudicating a claim the same way so that we do not have it where they are learning it differently in 57 places. We feel that is a very important part because that foundation is what everything is built on.

Secondly, when they go back to their regional offices, we make sure that the rest of their training is done with a standardized curriculum that is developed in Washington by the CMP service. That way they are not--it does not vary because of the individual instructing them at their particular regional office so that we do not have different people learning different things just because of the place that they happened to be at. Everybody is learning from the same book, so to speak.

Thirdly, before any adjudicator would be able to work a case without any review, we make sure that we have had an experienced adjudicator reviewing every case that is

produced by the new employee, and that is not changed until the supervisor is convinced that the work of this new employee has reached the level where certain types of actions can be done on single signature. But that is not an automatic thing, and it is something that we keep a very close eye on.

And, fourthly, in the past, we have not expanded our quality assurance program, the overall review of quality done in Nashville by our STAR group, as much as we have increased the number of new employees. We are committed to making a significant increase in that quality assurance program to make sure that we are identifying trends in the work where maybe that consolidated training, that foundation that we talked about, is not enough in terms of making sure that the work is done correctly. So that STAR group will be increased, and they will increase the oversight of the work done by the new employees and then have a feedback to the original offices to make sure that these issues are addressed.

Secretary Shinseki. Mr. Chairman, may I just add to this, and this sort of touches a little bit on the question that was posed by Senator Burr. So if I might, let me just try to touch on both of these because they in part touch on the chart as well. And then if there are other follow-ups, I will be happy to address them.



This is an interesting chart, and, you know, I always look at charts like this, and they are instructive. They are instructive to where we are. This is a projection. It goes out--we are not done with 2010. It is projecting my effectiveness in 2011, and I would just ask the Senator to give me 2010 and 2011 to at least challenge the chart by performance, and I will do that.

When you go back to 2005, the high productivity here, 101 claims, I think part of what I learned in the last year is you can push a lot of claims through. You know, in some cases--and not to be pejorative about our workforce, but if you have got a stack of work and you have got to get it out, we also have to look at the quality. And I find that there are a lot of cases that have been recirculated over time because they were pushed so quickly to meet a time standard to get an answer out. But it did not serve the veteran. So I want to be sure that as we work this process, both for the Chairman and the Ranking Member, that I can explain to you what we are doing with the increased workload.

Inside the VA, we have two anomalies. One, in the Health Administration, we have the country's--I will say that--and maybe the world's best electronic health record. And then in our Benefits Administration, we are paperbound.

Now, it is difficult for me to explain why resourcing was not equally distributed so that the benefits processing

to get people through that gate also automated at the same time to provide them access to health care. Something happened. I cannot go back and revisit it. And so right now, without electronic tools, we are sort of brute force exercise, and that involves hiring more people.

If you want to go faster at quality, you have to hire more people and train them, and I think Senator Burr's suggestion, there is an investment there in time to get people to the point where you are comfortable about their ability to hit the quality marks we are looking for. I accept that.

What we do not want is to artificially suppress the workforce to get claims out but not meet that quality, and we are trying to find the balance here, Senator.

Four other things we are doing. As I have mentioned, hugely complex process. Spent a year looking at this. I am convinced this is a complex--not to use the term pejoratively, but convoluted in some ways. What we have done is pulled the processing of claims apart and created four pilots to go after the pieces. We want to refine what we are doing in each of those pieces and then put them back together again.

I will not go into detail, but as members know, there is a pilot in Pittsburgh intending to build the best high-quality claim possible, to win an argument on behalf of the

veteran. And in this case, the claim is ours. We work with the veteran, with the VSOs, to put together this claim that we submit and expect a high outcome--for the single pass through the system, high potential good on behalf of the veteran. Business process re-engineering in Little Rock, automated tools being worked on in Providence. And we can talk more about what those tools are intended to do. And then, finally, in Baltimore, the fourth pilot, how do we bring all of this together to create the new virtual regional office of the future that has fully automated tools, electronic tools, a new relationship with veterans, re-engineered business processes, but allows us to do what Secretary Walcoff is describing, is manage the quality across the entire VA disability benefits spectrum.

We have 57 regional offices, and I can tell you there is a number 1, there is a 57. What we want to do is have all 57 sort of massed around 29-30, so that we have a standard across VA, a veteran being--a typical case being adjudicated in San Diego getting the same outcome and we can see it, we can manage it because we have the tools to do that, the same outcome in Charleston, West Virginia. We need these tools, and we will get after increasing productivity and not slipping on quality.

Chairman Akaka. Thank you very much, Mr. Secretary. Let me now pass it on to our Ranking Member for his

questions.

Senator Burr. Thank you, Mr. Chairman, and thank you for that explanation, Mr. Secretary. I would say for the record that the numbers used in the chart were, in fact, reflective of the estimates provided in the VA budget submission. So I plead with your budget staff as well to provide you the ability to prove them wrong, too.

Secretary Shinseki. I am going to prove them wrong.

Senator Burr. I hope you would agree with me that if you were in theater and you saw a trend line that alarmed you, it would be something you would take very seriously. I think you see that trend line on productivity. I know it alarms you that you want to figure out how to drive that in the opposite direction, so I think we share the same end goal.

A couple of questions, if I could, Mr. Secretary. Staying on the claims, the American Recovery and Reinvestment Act added 1,800 temporary employees. The budget proposes additional claims staff of 2,000. Again, in the past few years, we have seen a trendline on productivity that is alarming. And, in fact, a recent IG report found that the VA expects Recovery Act employees to adjudicate four claims per adjudicator in 2010.

Are you expecting the claims in individual or overall productivity with this massive hiring in 2011? Or do you

think that the IG's trend estimate--I heard the comments from Mr. Walcoff of what we have to go through. I agree with your sentiments on accuracy. What should we expect?

Secretary Shinseki. I will go back and look at what the IG's estimates are based on. The increase in budget, a 27-percent increase to VBA, is intended to fix some longstanding issues, and right now if I want to increase productivity, it is people because I still do not have the tools. They are coming.

Part of the anticipated increased workload is the Agent Orange decision that was made last October. I am not sure whether the IG was able to calculate that into his figures, but I will go check.

We expect there are going to be 200,000, roughly 200,000 additional cases--and that is an estimate--that will come in with Agent Orange; in year one, something on the order of 185,000 in year one; and then perhaps 40,000 to 50,000 in year two. So we see a huge surge. We need to get ready to take that one and then adjust ourselves as that plays out.

We are trying to fast-track Agent Orange, as I explained, and not let that compound the complex work we are doing with the claims that already exist--fast-track in the sense that we need to validate the veteran was in Vietnam, has a disease, and the extent to which the disease is

advanced, one of the critical bits of information to make decisions and be able to extend benefits to veterans who have been waiting for a long time.

So part of the estimate for the budget in 2001, the increase, 27 percent, is factoring in Agent Orange as well.

Senator Burr. Well, let me say you covered in depth with me personally what you intend to do to expedite the Agent Orange claims, and I agree with the strategy that you have undertaken. These individuals should have some type of expedited process.

Mr. Secretary, in 2008, Congress passed a law that directed the Secretary of Veterans Affairs to submit a report to Congress regarding the compensation of veterans for the loss of earning capacity, quality of life as a result of service-connected disabilities and on long-term transition payments to veterans undergoing rehabilitation due to such disabilities. The law gave the VA 210 days, until May of 2009, to submit their plan and the compensation table to Congress. VA submitted a study, but the study did not include any recommendations or proposed compensation table. The recommendations are way overdue. In September of last year, I asked Admiral Dunn about it in a hearing and he said that the VA needed further--it needed further study and would get back to me. He has not gotten back to me. He did not get back to me. No one has provided a satisfactory

answer.

I would just like to read something to you. This is verbatim a letter that I received from the American Legion Post Commander in one of my North Carolina posts. He states, and I quote, "This lack of response should not be acceptable to the Veterans' Affairs Committee. I am sure it is not. Why isn't other action taken to resolve the issue, such as requiring the VA Secretary to appear with answers? Why can't the VA Secretary be held in contempt of Congress for not following the law of 210 days?"

How should I answer him?

Secretary Shinseki. Well, Senator Burr, in your earlier remarks you had some concerns about some of the growth that is occurring in my office, the Office of Legislative Liaison. I will tell you, when I arrived a year ago, people--and some on this Committee--described to me some of the challenges that they had with responsiveness, getting complete reports on time. And I would say there is no good reason why that suspense date was not met fully. I will assure you I will get on it today. But I will also tell you that is part of the reason why you see the growth in my headquarters to address some of these longstanding issues to take care of being responsive not just to members of this Committee but other members of Congress and to the VSOs when they ask questions of us.

I would just tell you last year we were called upon to participate in 107 congressional hearings; 293 briefings, 80 visits with staff to various locations; and, frankly, we did not have enough staff to cover all of that and do it well. And here is another example of, you know, a dropped ball. Right now we are scheduled for 120 hearings this year.

So we will do better, and on this particular issue, I will have you an answer next week where we are.

Senator Burr. I appreciate that, and I will work with my friend next to me to make sure that we do not overtask your folks coming up here. I think we can do a much better job of consolidating and not requiring your leadership team to spend more time on the Hill than they spend in the office trying to solve veterans' issues. And I think that goes across the full scope of the agencies. It is not limited just to the VA.

Secretary Shinseki. This was not a complaint about this Committee. This is just a fact of life.

Senator Burr. My time is almost up, but I have got to ask this question. The budget request includes a \$13.4 billion supplemental appropriations, again, 2010, for the disability benefits of three new Agent Orange-related presumptions. And I understand what you have told me yesterday and what you have said about that today, and I understand the unknown factor of how many that we are going



into.

But in 2009, there were significant carryover funds that were used for personal staff, and I guess I would have to ask: Did you ever consider, with the imminent need of Agent Orange presumptions, that the carryover funds might go to that so that we minimized the size of the emergency supplemental?

Secretary Shinseki. Senator Burr, I look at these things--I assure you I look at these things very hard. I cannot tell you I sat down and looked at carryover and compared Agent Orange versus personal staff. And they are not personal staff. They work in the Office of the Secretary, but they answer to a lot of requirements.

I would just tell you that, you know, what I have learned is that the VA is much more than just a large--the second largest Federal Department, usually described as about 300,000 people who come to work every day. VA is also second only to the Department of Education and educational loans, \$9 billion a year. We underwrite \$1.3 trillion in insurance for 7.2 million clients, and we have a 96-percent satisfaction rating amongst those clients. Many of those clients--most of those clients are active-duty military personnel.

We hold \$175 billion in guaranteed mortgages for veterans and service members. We have the lowest

foreclosure rate of any financial institution in the country. We run the largest cemetery system, 131 cemeteries. And, frankly, to make sure we got this right, to get the value of the dollar that taxpayers provide to us turned in ways that veterans benefit, I just thought this was the right set of circumstances to deal with at this time. You know, a year from now, if you were to ask me that same question, I might have a slightly different answer, but I will be happy to answer it then.

Senator Burr. Well, my time has run out. I thank you for reminding us of the things typically we are not focused on up here that VA does day in and day out and does it pretty damn well.

Secretary Shinseki. Thank you, sir.

Senator Burr. Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Burr.

Now I would call on Senator Begich for your questions.

Senator Begich. Thank you very much. Mr. Secretary, thank you again for your team to be here and working through the process of your second budget. And I have a few questions. I just want to kind of follow up on our conversation yesterday when we talked about rural health care and the opportunities that are especially in Alaska and how difficult it is to, in some cases, get services or notification of services in a variety of ways. And I was

just glancing at another memo here that I received, and it actually was very good, and it was from someone within our State on the post 9/11 GI bill and all the great benefits that provides.

But one thing in the field hearings that we learned as we talked about employment was the access to the VA in rural Alaska. And I am guessing in other rural States this may be a similar thing. I think we had a similar conversation about this, and I guess I would like you to expand, if you could, on what efforts do you see in the long term as well as in the medium term of how to access where veterans are starting to live more and more, and that is in rural America. In Alaska, it is extreme rural. As you know, in some cases we can only get in by plane, and only weather permitting in some cases.

Could you give me a little bit of your thoughts? Then I have some very specific questions relating to our conversation yesterday.

Secretary Shinseki. Thank you, Senator. I would just say this has always been the challenge. If you go back 15 years, some very bright people who were running things in VA began to change VA's attitude about delivering health care. We used to be 153 large medical centers, and the approach was, "Here we are. Come see us."

We began to change that when we realized that serving

the veteran was not quite what it needed to be, and so we created community-based--or outpatient clinics and then outreach clinics and then mobile clinics. All of that works if you have roads, and what you are describing is a place where there are no roads.

Senator Begich. Right.

Secretary Shinseki. And so we need to find better ways of partnering, and I look forward to working with other great organizations that have health care concerns--the Indian Health Service for one, and there are others--in which we can partner our resources and maybe satellite with them as we go out to do this work and arrange a way to do that.

Telehealth is a huge investment for us. We see this as the next step in the delivery of health care in VA, even the country. And so our ability to link specialists located at medical centers with these remote sites is something that we are interested in. We already have 40,000 veterans, chronically ill veterans, who are living at home and being monitored in their own homes through telehealth back to the medical centers.

I will defer now to Dr. Petzel and let him provide any other insights he might have.

Senator Begich. Thank you very much. Doctor?

Dr. Petzel. Thank you very much, Senator Begich. The

Secretary covered, I think, this topic very well, just to add a couple of things.

In a place like Alaska, which, as you mentioned, is probably the most extremely remote area that we are responsible for, such things as telemedicine and tele-home health and outreach clinics where you bring the providers into the community on a limited basis--that is, they come in, they do a clinic, and they leave--are probably the ways that we are going to have to be looking at delivering care.

Tele-home health allows a chronically ill patient to basically be cared for in their home. The monitoring devices provide information back to the physicians. There is a video connection to the provider, and it is really, I think, going to be the method that we deal with, the most important method that we deal with, with the extensive ruralness. And we are seeing 40,000--we have 40,000 patients on average per day involved in that program, and I am expecting to see this grow exponentially over the next several years.

We also have, as you know, through the generosity of Congress, been granted about \$250 million a year in rural health money, and much of this is being spent in developing our telehealth and tele-home health capabilities.

I do also, as the Secretary said, look forward to working with you to explore innovative and new ways that we

can treat these extremely remote patients.

Secretary Shinseki. Senator, let me just put some numbers here: \$42 million in telehealth is the investment right now, and fee basis, which is another option, where we have competent, qualified capability, medical capability in communities, we are increasing fee basis between 2009 and 2010 20 percent. So this will go up.

Senator Begich. If I can follow up and again extend on our conversation we had yesterday and both of your conversations now, and that is, as we talked about Indian Health Services as well as--oddly enough, later that afternoon, Mr. Secretary, I met with our community health clinic organization. They were primary care clinics which, are you know, federally chartered, very quality, high quality throughout all of Alaska, and I will give you the scenario that we talked about just for the record here. It is the individual who lives in a village who has to get on a plane to go to the hub--in this case Kotzebue, as an example; that is where we did one of the hearings--spends \$230 for a one-way ticket just to get to the hub. And then they have got to go from Kotzebue to Anchorage to get their assessment done. That whole plane trip, by the time they are doing, is about \$1,000. A sizable amount may come out of their pocket because of the way the reimbursement rates work. For an assessment.

Now, in the village, they had a clinic right there that probably could have done the assessment because they are certified clinics that have to go through the rigorous testing of the Indian Health Services, or if they are a community health clinic, through the other methods of the Federal Government, both very quality, high-quality clinics. But also what is very interesting is they have knowledge of all the services that are available, and I know we talked a little bit about that. I called it in my campaign the "Heroes Health Card," where I know some veterans organizations get nervous that, you know, the privatization of the VA. That is not what this is about. It is where a veteran cannot get access to a facility and it is not economical for the VA to go build a brand-new hospital. For example, the Indian Health Services will build what I consider a state-of-the-art hospital starting this March using stimulus money, employing hundreds of people to build it, hundreds of people who will work. It will be a state-of-the-art facility in Nome, Alaska. It seems that there-- and maybe I am just, again, new and naive about this. It seems like there must be a way that we can have that veteran walk through that door. And I know there are a couple pilot programs, but to be honest with you, we have talked a little about it. They have not really--they are just not there. And it seems like there must be a way to allow that veteran

to take a card, walk in there, get their services, then all of us figure out how to make those bills go back and forth and pay for it.

And I know you showed some interest in that, Mr. Secretary, and, Doctor, I am like you. I think there is a way to do it, deliver efficiently, and use this massive Federal system between the Indian Health Services, community health clinics, and the VA to really network and deliver what I consider high-quality, first-stage care. And I say primary care. Some people call it that. I call it first-stage because it may be a little more extensive using telemedicine and others.

Any additional comment on that?

Secretary Shinseki. Just to close out, Senator, I agree with you. We ought to look for every opportunity to get this thing right for veterans. I usually find when there are contending views about why you can or cannot do something, if you focus on the mission, which is care for the veteran, all the rest of it gets sorted out.

Senator Begich. Right. Absolutely.

Secretary Shinseki. If you can focus on that and provide that veteran needs that are right across the street as opposed to having to incur a \$1,000 travel fee to go to the VA medical center, we need to find a way to do this. And we will go to work and see if we can find the right



arrangement here with the Indian Health Service for one, but there may be others. This is part of the fee process.

Senator Begich. Right. And I would also--and I did not do it when we talked yesterday, community health clinics, because they are federally chartered and they have some great relationships that I think between Indian Health Services and VA--they do now--that we could figure it out here. But I really appreciate that.

I had some other questions, but I will submit those for the record, but I really appreciate the--it was just timeliness because we did our veterans hearings, and this was really something that just popped up pretty high in Alaska.

[The questions of Senator Begich follow:]

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Senator Begich. Thank you very much.  
Secretary Shinseki. Thank you, Senator.  
Chairman Akaka. Thank you, Senator Begich.  
Now, Senator Johanns, your questions.  
Senator Johanns. Thank you, Mr. Chairman.

Let me, if I might, just start with me adding my words of support for what Senator Begich is trying to get to here. Even though our States are very different in some respects, in some respects we are kind of the same. We have very large rural areas, and although there are roads there and it is easier than what the Senator is talking about, we still have that challenge--and many States do--of how do you get service to the far reaches of a State like Nebraska or Montana or whatever. So I think you are on the right track there, and I am more than willing to try to help facilitate that.

And I also appreciate the whole idea that there is great concern that we do not want this to evolve into we are just offloading all of our services to somebody else. We have got a good system. We do not want to lose that. But there really are some issues here where, if you put the needs of that veteran as the paramount issue, then there is not any reason why that community health care center cannot provide those services. And, again, I hope we can continue to work in that area, and I want to help.

Let me, if I might, though, return to the backlog question--well, before that, I had something I wanted to ask, and maybe this is a question that really sets some context here. This is not a question to try to cast blame on anybody. It is a question to try to get some context.

It just occurs to me, as I think about just the terrific changes our country has gone through since 9/11, with Afghanistan and Iraq and the needs of those veterans--and then you think about just the existing veterans that were in the system before that--that one of the things that we are trying to do and maybe play a little bit of catch-up here is the system just was not quite ready for all we have had to face.

When I look at the decision to go to war or to engage in Iraq or Afghanistan, for me I look at the whole system. Do we have the right equipment and the right technology to help the men and women in uniform that are on the ground? Are we able to meet their needs when they are injured? When they come back home, can we deal with their mental health issues? Can we deal with their injuries? Do we have the system in place to deal with that?

I would like to hear your thoughts on that. Is part of what we are trying to do with this budget and probably some budgets for the foreseeable future just trying to get the system up to a level where we can meet what turned out to be

some pretty significant needs just because of the size and scope of what we are dealing with in terms of terrorism?

Secretary Shinseki. Well, Senator, that is really a very insightful question. I would offer to you that we probably have always had a longstanding challenge on this level of synchronization. As I say, very little of what we deal with in VA originates in VA, and, therefore, we work very hard to collaborate and coordinate with DOD to make sure that we understand what is going on and we can begin to anticipate things and then find ways to work together whenever we think there is a medical problem that is going to have downstream issues, that we begin the dialogue early so we are not ending up 40 years after Agent Orange was used wrestling with how to care for veterans, or Gulf War illness, the same kind of thing, or, you know, as Senator Burr brought up, Camp Lejeune issues. This requires both DOD and VA to be well joined on these discussions.

To the degree that we may or may not have done this very well in the past, we are now trying to make sure that we invest in the ways that change this for the future, and that is what transformation is intended to do. My argument always is that DOD and VA are, you know, joined in caring for one thing--the youngster who wears the uniform today--is the veteran. If we focus on what is right for that individual, we will come at this properly.

Senator Johanns. My hope is as we think about not just this budget but the future and where we are going from here that that relationship becomes more seamless. Like I said, it is one thing to make a decision, let us go to war. It is quite another thing to recognize that the system is ready for that decision all across, not only from the day that that person wears the uniform to the day of their discharge to what happens next. And it just occurs to me that as we think about the future that seamlessness is critical, terribly important, or you are going to have fraying around the edges everywhere in terms of meeting the needs of the veteran.

Secretary Shinseki. I share your concern here, Senator. If I could just interrupt before you go to your next question, Secretary Gates and I a year ago agreed that we were going to put our heads together to work on this seamless transition. And I use the term with a little caution because we do not have the tools to make that happen. Seamless transition is an electronic, you know, medium that we are both working to bring together, both DOD and VA. We have been mandated by the President to create something called the Virtual Lifetime Electronic Record which will do this seamlessly. So just to assure you, we are working on that.

Senator Johanns. Yes. Now getting to the backlog

issue, the additional people and the effort to try to get to that and the pilot projects, all of those things, as I have said, are just things I think you have got to do to try to deal with these numbers. They are just incredible.

But let me ask you a question about bottlenecks. If we do that, but we have another bottleneck in the system that we cannot force any more through, then we are not going to have much success here.

Talk to me about the court of appeals--and maybe it is not just the court of appeals that I should be focused on. Are there other areas in this system where even doubling the number of people is not going to solve the problem because you just run right into that bottleneck and it is just going to back up?

Secretary Shinseki. Again, a good point. When we talk about looking fundamentally and comprehensively at the way we process claims inside VA, we have a Board of Veterans Appeals, and that is what is in my jurisdiction. So it is not just talking about the Veterans Benefits Administration that Mr. Walcoff is the head of. It is also talking about the Board of Veterans Appeals. They are linked in this discussion about how do we improve the process, because it does not do any good to process things in one portion and have them hit that wall.

When you get to the court, it is a little bit outside

my jurisdiction, and so I will assure you that I will work with the court--in fact, I am going to go give a speech here shortly. Maybe this will be a good topic to raise during that presentation. But you are right, we need to have a full-spectrum look--again, focusing on the veteran--at how that veteran is treated from the moment the claim is submitted until it runs the life cycle.

Senator Johanns. I am seeing I am running out of time here, but here is what I am want to get to with your request and the additional personnel and all of the other things. The worst thing that would happen is if we get 18 months down the road and the veterans' groups are coming to us and saying, you know, the backlog has not improved.

Now, I appreciate Agent Orange, and I think we all do. We understand the additional folks that will come in. But, you know, it is going to be no solace to them that I said, well, my goodness, we approved a big budget increase, we have hired additional people, and they are saying nothing is working right yet.

So my hope is that you can help us identify that, and I do not know if there is a way of charting that or analyzing it so in a kind of quick review the Chairman or I or the Ranking Member or whoever can look at that and say, look, this now is starting to move through the system to a conclusion for the veteran. That is the key issue for me.

It will not help if we bring you back a year from now, and you say, well, we have got all these people, and they are moving paper. We have got to get the veteran to a point where they get finality in that decisionmaking process. Does that make sense?

Secretary Shinseki. It does. I can tell you, as I have said elsewhere, that 2010 is the focus on the backlog for me, so the pilots, automating that process, and I am happy if you have questions about what the automation efforts are, what we need to get done this year.

I am heartened by one thing. We got off to a slow start on the 9/11 GI bill. I will just use that as an example. This is just a separate topic. We started out in August with no students enrolled, and we finished the semester with 173,000 students enrolled, with no automation tools. But what it forced us to do is to go back and challenge the things we were requiring in that justification on the part of the student to receive VA funds. It forced us to refine that process. And then when we automated--and the automation tools are coming this year, one April, one July, November, December, we will be fully automated, but we have gone through challenging the process and, you know, getting the bugs out of it, getting it to a high-level performer. We intend to do the same thing with the backlog this year. I think that we need to provide--be able to see



ourselves--a simple metric like the one that Senator Burr had up that showed productivity. But in it we have to have that quality factor included as well. Where the quality is not there is where you generally see the appeals going through, and that is why we have to address this.

Senator Johanns. Thank you.

Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Johanns.

I am going to do a second round of questions. I am going to limit myself to two questions, and we will submit many of the questions that I have for the record.

Mr. Secretary, for the first time we have before us a budget containing funding for future VA health care spending. That said, I want to be candid about the fact that the fiscal year 2012 budget may need to be enhanced.

Mr. Secretary, would you be willing to ask for more fiscal year 2012 if the demand and other needs demonstrate that more is necessary?

Secretary Shinseki. Senator, to answer your question, I have two strong budgets in 2010 and 2011. We are off to a good set of priorities, achievable priorities. I think here after a couple years, you should expect me to provide return on investment on those two budgets.

I am not concerned at this point on the 5 percent in 2012. I know if you look at it individually, you know, it

grabs your attention. But if you look at 2010, 2011, 2012, together that 3-year period is a 25-percent increase above the 2009 budget. So I am suggesting that I am taking the view over that period, and I expect that I am going to provide results.

Having said that, 5 percent in 2012 is a start point for the deliberation, the dialogue that goes on on building the 2012 budget. And to answer your question, if it is not sufficient, I will provide the compelling arguments that it needs to be adjusted.

Chairman Akaka. Thank you, Mr. Secretary.

Now, what is your strategic vision regarding the future of VA construction projects? How do you plan on balancing large inpatient facilities, a long backlog of projects currently underway, and smaller clinics as well?

Secretary Shinseki. Part of the piece that I did not add in there when I was explaining to Senator Burr so that the span of responsibilities that go along with the VA, 153 hospitals, something in the neighborhood of 780 outpatient clinics, 232 vet centers, and 50 mobile vans, 1,400 points of care. The average age of our facilities is 60 years. The design is generally about 50. That is a design. There are lots of Government buildings that are older than their design. And so my responsibility is to ensure that we are properly footprinted, that we are where veterans are and we

are providing the care and services that veterans need.

And so we are going to have a strategic look at our infrastructure. We have some infrastructure that is not fully utilized today, and we need to understand whether they can be used for other purposes, things like homeless programs, things like long-term care for those veterans who have given so much, but we are going to have to care for them for a long time.

We have got to be looking at ways we recycle our facilities, and when we do that, then we need to bring them up, not to adequacy but to the high standard that those veterans deserve.

Having said that, this major construction request in 2011 is not much different than the request in 2010. In 2010, we requested and were granted \$1.19 billion. The 2011 request is \$1.15 billion. So, you know, a small decrease. But it funds three ongoing medical facility projects, two new projects for design, medical facilities, three cemetery expansions.

The minor construction budget, if you look at 2010 and 2011, you could criticize the 2011 budget for being a 30-percent decrease. I would just offer that the 2010 budget was such a huge plus-up, it was the President's first budget. It was scored at \$600 million. And so while the 2011 minor construction budget is 30 percent smaller, it is

still at \$468 million. It is the second largest minor construction budget requested. And so taking those 2 years together, we have done well.

The 2011 non-recurring maintenance request is \$1.1 billion to get after the things that you are concerned about, which is the facility and the footprint and the upkeep. Between 2000 and 2008, the average non-recurring maintenance budget submission was about \$550, \$555 million. So at \$1.1 billion, we have put a lot of energy into restoring our house, bringing it back to order, and it is the largest request by a President for non-recurring maintenance for VA facilities.

I say that and I also tell you that we have about \$9 billion of backlog non-recurring maintenance. It has been there for years. If I am able to put--if we are able to put \$1 billion at it every year, it still a long-term investment. So we need to find ways to go after this, and I am hopeful that VA might be a candidate for the jobs bill.

Chairman Akaka. Thank you, very much, Mr. Secretary. I will, again, I will repeat, submit my questions for the record.

[The questions of Chairman Akaka follow:]

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Chairman Akaka. Senator Burr, do you have any comments or questions?

Senator Burr. Mr. Chairman, I want to thank you. I am going to submit all my further questions for the record. I want to thank the Secretary and his leadership staff for being here.

[The questions of Senator Burr follow:]

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DRAFT

Senator Burr. Mr. Chairman, I want to take this opportunity to say to the second panel that I am sorry I cannot be here for that panel. As the Chairman knows, this was rescheduled because of the weather, and, unfortunately, I could reschedule part of my day, but I have got to return to North Carolina, and I have got a 5-minute window to do it in. So I would also say to the second panel that I will submit my questions to you for the record and look very forward to the input you can give.

[The questions of Senator Burr follow:]

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DRAFT

Senator Burr. Thank you, Mr. Secretary.

Secretary Shinseki. Thank you, Senator.

Chairman Akaka. Thank you very much, Senator Burr, and I wish you a safe trip. Thank you.

Senator Begich, any comments or questions?

Senator Begich. No additional question. I do have some for the record I will submit. I just again want to thank the panel and the Secretary and the doctor. Thank you all for being here, and I look forward to working with you on the rural issues of health care.

Senator Johanns, thank you very much for your interest, too. I know we have commonality on rural issues, and it seems between here and Commerce and others, we are finding some joint efforts. So, again, thank you for your comments and thank you all for being here today.

[The questions of Senator Begich follow:]

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Chairman Akaka. Thank you very much, Senator Begich.  
Senator Johanns?

Senator Johanns. I will wrap up here, too. I just again want to express my appreciation for what you are doing for veterans. That really is the bottom line. We dig into these things, and they concern all of us. But at the end of the day, I have just never doubted that, Mr. Secretary, your team and this Committee are really trying to figure out how to solve these problems. And some of them are just--we work on them from a constituent standpoint. Lost records, they are such a huge issue for the veteran. You know, Agent Orange is a perfect example. We have veterans, they come back from Vietnam. They go on with their life. And then all of a sudden, it is just health problem after health problem after health problem. And I think finally we have an opportunity to make some success there. But that is just an example of what we deal with out there and what you deal with.

So I appreciate your commitment, and there is a lot of work to do, but I just get a sense that we have got a pretty good start. Thanks.

Thanks, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Johanns.

Mr. Secretary and your staff, I want to say mahalo, thank you so much for your testimony and what you are



looking forward to do for our veterans across the country. I look upon your goals of increasing access and reducing the claims backlog as well as taking care of the homeless in 5 years as huge goals to meet, but I want you to know we want to work together with you in trying to accomplish that. And with the increased funding that we are expecting as well as increased FTEs or employees that you will be taking on and training, we look forward to this working out so that, without question, this will benefit every veteran that comes forward and asks for service from our country. And, without question, we owe our veterans so much, and what we are doing, really the bottom line is to help every veteran who needs that service. And so that is where we focus, and I am glad we are all together, and we will continue to do that as we move on.

We have done, I would tell you, unexpectedly, pretty well as far as fundings are concerned and with our advanced funding program, and what you are doing for it, I think we are moving real well. But we want to see that it goes all the way down to the veterans as quickly as we can.

Thank you very much. If you have any final comments, Mr. Secretary, we will do that and then excuse the panel.

Secretary Shinseki. Mr. Chairman, just to say thank you again for the opportunity for the VA team to appear before the Committee, and I thank all the Committee members

collectively and individually for tremendous support to veterans. Thank you.

Chairman Akaka. Thank you very much. Thank you, panel.

Let me call a 5-minute recess at this time.

[Recess.]

Chairman Akaka. This hearing will again come to order. I want to welcome our second panel. First, I welcome the witnesses who are here on behalf of the Independent Budget: Carl Blake, the National Legislative Director of the Paralyzed Veterans of America; John Wilson, Assistant National Legislative Director for the Disabled American Veterans; Raymond Kelley, the National Legislative Director of AMVETS; and Eric Hilleman, the National Legislative Director for Veterans of Foreign Wars.

I also welcome Steve Robertson, Director for the National Legislative Commission of the American Legion; and Rick Weidman, Director of Government Relations of the Vietnam Veterans of America.

A very warm welcome and aloha to each of you. Mr. Blake, will you begin? And we will then move down the table in order. The Independent Budget witnesses will have 20 minutes total to make their presentation. The American Legion and Vietnam Veterans of America will be recognized for 5 minutes each. Your prepared remarks will, of course,

be made a part of the record.  
Mr. Blake, will you please begin?

DRAFT

STATEMENT OF CARL BLAKE, NATIONAL LEGISLATIVE  
DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. Blake. Thank you, Mr. Chairman.

Chairman Akaka, Senator Begich, on behalf of the co-authors of the Independent Budget and Paralyzed Veterans of America, I am pleased to be here today to present our views regarding the funding for the Department of Veterans Affairs health care system for fiscal year 2011.

Despite the fact that Congress has already provided advance appropriations for fiscal year 2011, the Independent Budget has chosen to still present budget recommendations for the medical care accounts specifically for fiscal year 2011. Included in Public Law 111-117 was advance appropriations for fiscal year 2011. Congress provided approximately \$48.2 billion in discretionary funding for VA medical care. When combined with the \$3.3 billion administration projection for medical care collections in 2010, the total available operating budget provided by the appropriations bill is approximately \$51.5 billion. Accordingly for fiscal year 2011, the Independent Budget recommends approximately \$52 billion for total medical care, an increase of \$4.5 billion over the fiscal year 2010 operating budget level established by Public Law 111-117. We believe that this estimation validates the advance projections that the administration developed last year and

has carried forward into this year. Furthermore, we remain confident that the administration is headed in a positive direction that will ultimately benefit the veterans who rely on the VA health care system to receive their care.

For fiscal year 2011, the Independent Budget recommends approximately \$40.9 billion for Medical Services. Our Medical Services recommendation includes approximately \$39 billion to maintain current services; \$1.3 billion to address our projected increase in patient workload; \$275 million to address the significant increase in prosthetics expenditures; and, lastly, a \$375 million initiative to restore the VA's long-term care average daily census to the level mandated by Public Law 106-117, the Veterans Millennium Health Care Act.

Finally, for Medical Support and Compliance, the Independent Budget recommends approximately \$5.3 billion, and for Medical Facilities, we recommend approximately \$5.7 billion.

The independent budget recommendation also includes a significant increase in funding for Information Technology. For fiscal year 2011, we recommend that the VA IT account be funded at approximately \$3.55 billion. This amount includes approximately \$130 million for an Information Systems Initiative to be carried out by the Veterans Benefits Administration. We are concerned that the administration is

shortchanging this account for fiscal year 2011 in a budget in which the VA and the Department of Defense are called on to jointly implement the Virtual Lifetime Electronic Record, and in which the administration proposes to automate claims processing to improve the accuracy and timeliness of veterans' benefits, particularly disability compensation and the new post-9/11 GI bill.

Public Law 111-81 required the President's budget submission to include estimates of appropriations for the medical care accounts for fiscal year 2012 and the VA Secretary to provide detailed estimates of the funds necessary for these medical care accounts in his budget documents submitted to Congress. Consistent with the advocacy by the Independent Budget, the law also requires a thorough analysis and public report of the administration's advance appropriations projections by the Government Accountability Office to determine if that information is sound and accurately reflects expected demand and costs to be incurred in fiscal year 2012 and in subsequent years.

We are pleased to see that the administration has followed through on its responsibility to provide an estimate for the Medical Care accounts of the VA for fiscal year 2012. It is important to note that this is the first year the budget documents have included such advance appropriations estimates. The Independent Budget looks

forward to examining all of this new information and incorporating it into future budget estimates.

Lastly, Mr. Chairman, I would just like to say to you and your staff, as well as to Senator Burr's staff, for allowing us the opportunity, as in years past, to get together what was now a month ago to discuss the Independent Budget prior to the administration's budget coming out. It is a useful opportunity that we take advantage of, and we look forward to the opportunity every year.

So, again, Mr. Chairman, I would like to thank you, and I would be happy to answer any questions that you might have.

[The prepared statement of Mr. Blake follows:]

DRAFT

Chairman Akaka. Thank you very much, Mr. Blake.  
Mr. John Wilson.

DRAFT



STATEMENT OF JOHN WILSON, ASSISTANT NATIONAL  
LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Wilson. Thank you, sir. Mr. Chairman and Senator Begich, my testimony addresses a variety of VA benefits programs today in the independent Budget. This Committee has acted favorably on many of our recommendations to improve services to veterans and their families. We ask that you give our recommendations serious consideration again this year.

My oral testimony today will focus on: one, concurrent receipt of compensation and military longevity retired pay; two, the Survivor Benefit Plan to Dependency and Indemnity Compensation offset; three, automobile grants; and, four, the disability claims process.

One, concurrent receipt. Current law still provides that service-connected veterans rated less than 50 percent who retire from the armed forces on length of service will not receive both the VA disability compensation and full military retired pay. The IBVSOs recommend Congress enact legislation to repeal this inequitable requirement.

Two, the offset of SBP compensation to DIC benefits. Under current law, a recipient's SBP income is reduced by an amount equal to any DIC for which they are otherwise eligible. This offset is inequitable because no duplication of benefits is involved. It penalizes survivors of military

retired veterans whose deaths are under circumstances warranting indemnification from the Government which must be separate from the annuity funded by premiums paid by veterans from retired pay. It is the recommendation of the IBVSOs that Congress repeal the offset between DIC and SBP.

Three, automobile grants. The current \$11,000 automobile grant is only 39 percent of the average cost of a new automobile. To restore equity between the cost of an automobile and an allowance based on 80 percent of today's average new vehicle cost, the allowance should be \$22,800. It is the recommendation of the IBVSOs that Congress enact legislation to increase the automobile allowance to 80 percent of the average cost of a new automobile.

Fourth, and last, the disability claims process-- certainly not least. To illustrate, let me recount this story about the disability claims process.

Between August 25th and September 2nd of last, the Roanoke VA Regional Office was visited by the VA's Office of Inspector General. Inspectors looked at 118 of the 901 claims filed between January and March of 2009 and found 29 of those 118 claims contained errors. That is a 25-percent error rate. That is unacceptable.

But it is worse. Not only that, they found nearly 11,000 folders sitting on top of full file cabinets. An engineer stated that the load on floors 10, 11, and 12 of

this 14-story building is double what is considered safe and heavy enough to cause a potential collapse. This story provides a timely illustration of the need to reform the veterans benefits approval system before the very weight of it destroys the structural integrity of the system and it collapses in upon itself.

In March of 2009, VA's Office of Inspector General reported on the overall benefits approval system and found that 22 percent of all veterans' claims for disability compensation were decided incorrectly in the 12-month period they reviewed. Over 200,000 received inaccurate disability compensation decisions. The chart attached to the end of my written testimony portrays the results of the last six VA Office of Inspector General visits.

Today, too many disabled veterans and their survivors must wait too long for disability compensation and pension ratings that are too often wrong or inaccurate. VBA must develop a work culture that emphasizes quality at all steps of the process. It must begin with the development of a management culture that measures and rewards the quality of results not just the quantity and which provides sufficient training of both management and the workforce in order to achieve proper outcomes. We would much prefer to see a claim done right the first time rather than done quickly three times.

VBA must modernize its IT infrastructure and optimize its business processes. The current paper-heavy system must be replaced with a secure and accessible paperless system that rapidly moves and organizes information necessary to rating specialists for them to reach their correct decisions. The new system must optimize both the work flow and the business processes.

Finally, VBA must implement a simpler and more transparent benefits application and approval process. There should be a universal and simple application, not the 28-page document that we have now, and procedures to manage this process more effectively so veterans can see where their claim is as the process moves through the process.

A renewed commitment to and investment in training and quality control will help to ensure that benefits decisions are done right the first time. VA must take action to do it right the first time to save time.

It has been a pleasure to appear before you. I look forward to your questions.

[The prepared statement of Mr. Wilson follows:]

DRAFT

Chairman Akaka. Thank you. Thank you very much, Mr. Wilson.

Now we will receive the statement of Raymond Kelley.

DRAFT

STATEMENT OF RAYMOND C. KELLEY, NATIONAL  
LEGISLATIVE DIRECTOR, AMVETS

Mr. Kelley. Thank you, Mr. Chairman, Senator Begich.

As a partner in the Independent Budget, AMVETS devotes a majority of our time with the concerns of the National Cemetery Administration, and I would like to speak directly to the issues and concerns surrounding NCA.

In fiscal year 2009, \$230 million was appropriated for the operations and maintenance of NCA, \$49 million over the administration's request. NCA awarded 49 of the 56 minor construction projects that were in the operating plan. The State Cemetery Grants Service awarded \$40 million in grants for ten projects. The IB partners also want to recognize and thank NCA for their foresight in reducing the population threshold for the establishment of new cemeteries, as well as understanding this policy needs to be flexible to take into account areas that do not easily fit the model due to urban or geographical phenomena.

The Independent Budget recommends an operating budget of \$274.5 million for the NCA for fiscal year 2011. The Independent Budget is encouraged that \$25 million was set aside for the National Shrine Commitment for 2007 and 2008. In 2006, only 67 percent of headstones and markers in national cemeteries were at the proper height and alignment. By 2009, proper height and alignment increased to 76

percent. NCA has also identified 153 historic monuments and memorials that need repair and/or restoration. With funding from the American Recovery and Reinvestment Act, NCA will make repairs to 32 percent of these monuments and memorials.

The Independent Budget supports the NCA's operational standards and measures outlined in the National Shrine Commitment, and in the past, the Independent Budget advocated for a 5-year, \$250 million National Shrine Initiative to assist NCA in achieving its performance goals. However, over the past few years, NCA has made marked improvements in the National Shrine Commitment by earmarking a portion of its operations and maintenance budget for the commitment. Therefore, the Independent Budget no longer believes it is necessary to implement the National Shrine Initiative program at \$50 million a year for 5 years but, rather, proposes an increase in the NCA's operations budget by \$25 million per year until the operational standards and measures goals are reached.

The State Cemeteries Grant Program faces the challenges of meeting the growing interest from States by providing burial services in areas that are not currently served by national cemeteries. Currently, there are 60 State and Tribal government cemetery construction pre-grant applications, 36 of which have the required State matching funds totaling \$121 million. The Independent Budget

recommends that Congress appropriate \$51 million for the program in fiscal year 2011. This funding level would allow the program to establish 13 new State cemeteries.

Based on accessibility and the need to provide quality burial benefits, the Independent Budget recommends that VA separate burial benefits into two categories: veterans who live inside the VA accessibility threshold model and those who live outside the threshold. For those veterans who live outside the threshold, the service-connected burial benefit should be increased to \$6,160, non-service-connected veterans' burial benefit should be increased to \$1,918, and the plot allowance should increase to \$1,150 to match the original value of the benefit. For veterans who live inside the threshold, the benefit for a service-connected burial should be \$2,793, the amount provided for a non-service-connected burial should be \$854, and the plot allowance should be \$1,150. This will provide a burial benefit at equal percentages, but based on the average cost for a VA funeral and not on the private funeral cost that will be provided for those veterans who do not have access to a State or national cemetery. This model will provide a meaningful benefit to those veterans whose access to State and national cemeteries is restricted as well as provide an improved benefit for eligible veterans who opt for private burial. Congress should also enact legislation to adjust



these burial benefits for inflation annually.

This concludes my testimony, and I look forward to any questions you may have.

[The prepared statement of Mr. Kelley follows:]

DRAFT

Chairman Akaka. Thank you. Thank you very much, Mr. Kelley.

Now we will receive the statement of Mr. Hilleman.

DRAFT

STATEMENT OF ERIC A. HILLEMANN, DIRECTOR, NATIONAL  
LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF  
THE UNITED STATES

Mr. Hilleman. Thank you, Mr. Chairman. On behalf of the 2.1 million men and women of the Veterans of Foreign Wars and our Auxiliaries, I thank you for the opportunity to present our views today on the Independent Budget. The VFW is responsible for the construction portion of the IB, so I will limit my remarks to that portion.

VA's infrastructure--particularly within its health care system--is at a crossroads. The system is facing many challenges, including the average age of buildings, at 60 years or more, and significant funding needs for routine maintenance, upgrades, modernization, and construction of facilities as needed. VA is beginning a patient-centered reformation--or excuse me, an information reformation in the way it delivers care and manages infrastructure to meet the needs of its sick and disabled veterans in the 21st century. Regardless of what the VA health care system of the future looks like, our focus must remain on a lasting and accessible VA health care system that is dedicated to the unique needs of veterans.

VA manages a wide portfolio of capital assets throughout the Nation. According to its latest Capital Asset Plan, VA is responsible for 5,500 buildings and over

34,000 acres of land. This vast capital network of facilities requires significant time and attention from capital asset managers.

CARES--a data-driven assessment of VA's current and future construction needs--gave VA a long-term road map that has helped guide its capital planning in the past fiscal years. CARES showed a large number of significant construction priorities that would be necessary to fulfill the needs of VA into the future, and Congress has made significant inroads in funding these priorities. But it has been a huge and necessary undertaking, and VA has made slow and steady progress on these critical projects.

The challenge for VA in the post-CARES era is that there are still numerous projects that need to be carried out, and the backlog of partially funded projects that CARES has identified is large. This means that VA is going to continue to require significant appropriations for major and minor construction to continue to live up to the promise of CARES.

VA's most recent Asset Management Plan provides an update of the state of CARES projects--including those only in the planning of acquisition process. The top ten major construction projects in queue require \$3.25 billion in appropriations.

A November 17, 2008, letter from then-Secretary Peake

said, "The Department estimates that the total funding requirement for major medical facility projects over the next 5 years would be in excess of \$6.5 billion." It is clear that VA needs a significant infusion of cash for construction priorities. VA's own words and studies state this.

The Major Construction request that the IB estimates is \$1.3 billion with Minor Construction Recommendation at \$785 million.

The IB recognizes much needed money was provided for military and veterans construction under the American Recovery and Reinvestment Act of 2009. We urge this Committee to examine VA's construction accounts and carefully review the administration's requests and weigh them against the priority list of partially funded projects.

I thank you for this time, Mr. Chairman, and I am happy to answer any of your questions.

[The prepared statement of Mr. Hilleman follows:]

Chairman Akaka. Thank you very much, Mr. Hilleman.  
And now we will receive the statement from Steve  
Robertson.

DRAFT

STATEMENT OF STEVE A. ROBERTSON, DIRECTOR,  
NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN  
LEGION

Mr. Robertson. Thank you for the opportunity for the American Legion to comment on the President's budget request for fiscal year 2011. Mr. Chairman, the American Legion would like to express its appreciation for your leadership and the timely enactment of the public law that authorized advance appropriations for the Department of Veterans Affairs medical accounts.

After reviewing the President's budget request, the American Legion share the President's vision to continue the VA's transformation into a 21st century organization. It is a bold paradigm shift that VA has approached to veterans' care, a lifetime initiative from the day the oath of enlistment is taken until the last day when the veteran is laid to rest. Clearly, the budget request appears to direct funding to assure veterans and their families will receive timely access to the highest-quality benefits and services provided by VA. The American Legion sees these benefits and services as earned through honorable military service.

Secretary Shinseki explained that this budget request focuses on three specific concerns that are of critical importance to the entire veterans community: easier access to the benefits and services, reducing the backlog of claims

and the wait before veterans receive their earned benefits, and ending the downward spiral resulting in veterans' homelessness.

The American Legion is pleased with the President's budget request of \$125 billion for the Department of Veterans Affairs. This budget request will meet or exceed most of the funding recommendations offered by the American Legion National Commander last September during our joint hearing with the committees.

VA has identified six high-priority goals as well, and the American Legion supports those initiatives. There are other areas addressed in the budget supported by the American Legion, such as expanding health care eligibility, meeting the needs of women veterans, timely access to quality care for veterans in rural and highly rural areas, and expanding the burial benefits in VA National Cemeteries.

In reviewing the budget request, it is obvious that information technology is going to play an enormous role in achieving the President's vision and many of these goals and objectives.

Mr. Chairman, thank you for the opportunity to participate in this hearing today. That concludes my oral remarks, and I look forward to discussing some issues with you at the end.

[The prepared statement of Mr. Robertson follows:]



Chairman Akaka. Thank you very much, Mr. Robertson.  
And now we will hear the statement from Rick Weidman.

DRAFT

STATEMENT OF RICK WEIDMAN, EXECUTIVE DIRECTOR FOR  
POLICY & GOVERNMENT AFFAIRS, VIETNAM VETERANS OF  
AMERICA

Mr. Weidman. Thank you, Mr. Chairman, for the opportunity to appear here today. I want to join in the thanks to you for your leadership and that of Senator Burr in getting advance appropriations and, over the last 3 years, major strides towards restoring the lost organizational capacity that we experienced in the flat-line years in the latter years of the last decade. We are getting close for the first time, perhaps, in my adult lifetime to something that could be considered full funding for the VA. We are not there yet, but we are getting closer.

We have four things for the 111th Congress and VBA as our legislative priorities. Number one was adequate funding and advance appropriations. Thanks to you and your colleagues, we now have that.

Our number two priority, however, we are a long way from, and that is to achieve much greater accountability for how those funds are used and whether or not we have efficient and effective quality care both at the health care facilities and a fair shake and accurate determination on a claim that a veteran files for service-connected disability in a reasonable time frame. We are a long way from that.

In regard to the President's budget, we commend the administration for continuing strides towards that restoration of organizational capacity, and particularly think that it is necessary to note in the budget document and the appropriations bill the continued emphasis on rural and remote--we would call it remote. Rural is the Northeast Kingdom of Vermont. Remote is the Outer Islands of Hawaii or many places in Alaska. In fact, it was our Alaska State President Ric Davidge who came up with that distinction that we find very helpful in talking about those issues.

It is worth remembering that 40 percent of the active force today come from towns of 25,000 or less. So the planning for the future about how we site and the paradigm that we use all services, whether it be benefits and compensation and pension or medical services, needs to take that into account and achieve that balance that you rather insightfully asked the Secretary about on the first panel.

Secondly, homeless veterans. We have a healthy request. The one thing that we would add to that is we would request that the Committee push for full funding up to the authorized statutory limit on the Homeless Veterans Reintegration Program, which we would argue is the most cost-efficient, cost-effective program administered through the Department of Labor. It has always puzzled us as to why Labor has resisted full funding on that program. Which part

of putting homeless veterans back to work and get them off the tax dole and on the tax rolls don't you understand? I mean, it is just very puzzling to us.

Also, the need to have a much greater emphasis on access to services and quality of services of women veterans needs to be maintained until such time as the coordinators really take hold. It has come to light within the past year that VA is not clear at all as to where they have women's coordinators and who that person is at a particular facility, much less whether they are doing their job of ensuring equal access and equal quality for women.

In general, while we agree with the notation for those special programs and perhaps one or two others, we think it is important that the Committee ensure that in your request to the appropriators, a 3- to 5-percent increase be reserved for the VISN directors and for the hospital directors. For 2009, we have not discovered a single hospital director who had an increase from 2008 to 2009 that was greater than 3 percent. And most of them were at 1 percent, which is effectively a cut. And that was used as an excuse for not hiring PTSD counselors where necessary, and people said it was in special programs when we brought it to the attention of central office. We said, "What special programs?" They said, "Mental health." Puzzling to us, I must say.

The last thing, because I see I am out of time here, is

to mention that VVA feels very strongly we need an Extramural Research Office established and funded at VA. The research budget, 95 percent of it goes towards hanging on to the medical stars, if you will, at the affiliated medical school. We believe that is a legitimate thing to do, and it is important. But that does not address the research that is needed that is not done anywhere else into the wounds, maladies, and injuries of war, and we encourage you to talk with the appropriators and move towards authorization of such an office in the near future. And we will be coming back to you with a separate letter on that, Mr. Chairman.

Once again, I thank you for the opportunity, sir.

[The prepared statement of Mr. Weidman follows:]

DRAFT

Chairman Akaka. Thank you. Thank you very much, Mr. Weidman.

This question is for the representatives of the Independent Budget. The IB makes no specific recommendation for increased staffing at VBA for claims adjusters, and the question is: Should the Committee conclude that the IB groups believe current staffing levels are appropriate? Mr. Blake.

Mr. Blake. I think we could argue--it is arguable whether the staff levels are appropriate. Our position has been, one, that I am not sure we have firm arms all the way around what has been done as far as staffing at VBA in the last couple of years. We do not oppose necessarily the administration's proposal to increase staffing by an additional 4,000. What I will say is in the last, I believe, 3 years, VBA staffing has been authorized an increase of like 7,000 new employees. I am not sure exactly how those are targeted. And our concern remains how has VBA gone about filling those positions and where are those people at and are they still in the VBA and are they being used appropriately and have they been trained properly.

So I think that is--while the Committee obviously has to grasp whether they are going to go along with the idea of increasing staffing an additional 4,000, I think it is important to go back and look at what the VBA has done in

the last 3 years with regards to those staffing hires as well.

Mr. Wilson. If I could add--

Chairman Akaka. Mr. Wilson.

Mr. Wilson. If I could add, we would like to know what the attrition rates have been for the current employees. We would like to know, of those new hires, the 4,200 or 4,300 or so that were hired over the last year, what is their place in training? How does place in training compare to their attrition rates? Have people in training completed training? Have people who were only hired recently been relieved from employment because they were not adequately-- could not adequately meet the requirements of the job? We do not know answers to these questions. We would certainly like to, and we have asked that question. But it has not been answered by the VA.

Chairman Akaka. Any further responses to that?

[No response.]

Chairman Akaka. Well, thank you very much.

My next question is for all the witnesses. What is your view of the administration's incremental approach to allowing more middle-income veterans, the Priority 8 veterans, back into the system? Mr. Robertson.

Mr. Robertson. Mr. Chairman, I think that it is very interesting that we have had this battle going on for quite

a few years, because access to the VA health care system should be for any veteran in need of health care. And I have had discussions with members where they said, "Well, you mean if Ross Perot wanted to come to the VA, we should allow him to come to the VA?" He earned that right, and if that is his best health care option, then we should allow that to happen.

In the midst of all this health care reform debate that is going on, we have seen reactions by the private health care industry where it talked about increasing premium rates at double-digit increases. Yesterday, in my hometown paper, that was one of the front articles, that that was an anticipation from one of the major health care providers in my community. That is going to force a lot of veterans to think about other options that they have, and many of them may drop their private insurance to come to the VA because they feel that that is their best health care option.

This is going to have a double whammy on us. It is going to be more veterans coming into the system and fewer options for us to be able to seek reimbursements for third-party contribution--or reimbursements for care. So it may be a major strain on us, but, again, I go back to the original premise. If that is the veteran's best health care option, we should have the doors open. No veteran should ever be turned away from a VA hospital if they are in need



of care.

Chairman Akaka. Thank you.

Mr. Weidman. It is not working well, bluntly, the incremental approach that they are taking. And we believe they should open it up to Category 8 veterans in a much more rapid way. Part of that has to do with the outreach effort. Last summer, VBA met with the business processes folks in VHA who were working on the campaign about how to get people in. And we said you are going about this all wrong. What you need to do is do media market by media market, get all of us--meaning veterans service organizations and military service organizations--involved so that we can saturate the media and get free media by going on talk shows, by using our post and chapter newsletters, by encouraging our folks to get the word out to people so that when people then get a mailing from VA, it becomes an evoked response as opposed to a learned response.

Once veterans get turned away, they get turned off. And trying to get people back is going to be a real push, and it is going to take all of us to do that.

However, all of that advice, even though we have talked to them three times since, has been ignored, and they have not involved the entire community in trying to get people in Category 8 back into the system before they get sick and get so sick that they lose their job and then they come in as

indigent and that much sicker and that much more expensive to treat.

It just makes no sense to us, and we think that the whole thing needs to be speeded up, number one; and number two, it needs to be coordinated with the involvement of everybody in the community, including you and your distinguished colleagues on this Committee. You have State newsletters that can be used. There are lots of ways that we can get the word out to the average veteran and his or her family that they are now eligible if we will only try and do it as a total group.

VA talks a lot about us being their partners, but when push comes to shove, they freeze us out and do it alone. And they cannot do it alone. That is the problem.

Chairman Akaka. Thank you very much.

Mr. Blake. Mr. Chairman, could I take that question also?

Chairman Akaka. Mr. Blake.

Mr. Blake. Let me say that I think the Independent Budget organizations have previously testified that we believed that as the VA moved towards expanding Priority 8 enrollments, it had to be done in a measured way or you could say incrementally. I think it is almost by necessity because, because the VA system has sort of shrunk by not allowing all those folks to come in starting in 2003, our

feel was that if you opened the system up broadly, you could flood the system without having the capacity to meet their needs.

Now, I will say I agree with Mr. Weidman that I think that it is not going well, at least from the perspective that we have, because there has been very little information that has been provided as to what has actually been done as it relates to that expansion for Priority Group 8 enrollment. I think it was two budget cycles ago, there was the plan that would have allowed \$375 million targeted at an increase of, I think, 10 percent on the income threshold and all of that. And there has been very little information that has been provided. I was kind of disappointed in the budget submission that it did not outline the steps going forward with this continuing larger policy for bringing in 500,000 new veterans.

I would also agree with Mr. Weidman. I think while the VA may have this as an initiative and the leadership may have that as an initiative, I am not sure that at the local level there is very little, if any, outreach going on to bring these folks into the system, because what little bit of information we have received suggests that there has been a slow trickle of new Priority Group 8 veterans coming into the system. And this is where I agree with both what Mr. Robertson and Mr. Weidman said. I think given the current

economic environment, not to say that--depending on what happens with health reform, there are so many factors at plays that we believe that you are going to see an expansion of enrollment into the VA at all different levels.

And so I think we are concerned that there is very little information that has been provided, at least to our community, about what steps the VA has taken to forward that policy.

Chairman Akaka. Thank you very much.

Now let me call on Senator Begich for your questions.

Senator Begich. Thank you very much, Mr. Chairman. I am going to be hopefully brief. I have just been called down. I think I have to do the closeout for the Senate floor. But let me say a couple quick things.

First, to just follow up--mine is going to be on a whole separate issue, but, you know, you are right. What is going to be the impact? You know, when you read an article I read just a week and a half ago, 10 days ago, 2.7 million people are no longer insured through private insurance. The odds are there are veterans there. I am just betting on it. And more than likely, they are going to figure out that they have got to get service, and that is another increase that is not in the mix. So when you mentioned the health care issue, this is a growing concern.

And then there are some that have private insurance,

have been very happy with it, been able to use it as they see fit without maybe even touching the VA system. But because now individuals are seeing rates--and I just saw another sheet that was just given to me this morning, from 20- percent to 38-percent rate increases, again, people will make some decisions, the economic decision versus maybe convenience. Maybe it was not as convenient to go to the VA, and they used their insurance differently. But that option may be more limited.

So your point is very good, that it is not just the 8s, but what else is going to happen in this whole changing economy with our health care system. So I think that is an interesting issue that we have to address.

I want to go, if I can, just very quickly. First, thank you all, as usual, for your attendance and your information. It is very helpful. I was shredding one of the books--not in a negative way, but in pulling out something, that is how I like to get to it.

On the construction backlog, major and minor--and this is my kind of mayor approach to life, as a former mayor. That is, why don't we just figure out what the backlog range is? You know, I have heard it 5 million, 3 million, 7 million, or billion, 9 billion. Why don't we just figure out what that initial requirement is and just do one massive bond and use operating dollars to pay for that for a period

of time so we accelerate this? Because the cost--and I am just assuming here. There is a cost factor here every time they delay or partially start a project. I know this from being a former mayor. You can sit there a pay cash all the time. In this case, we are just paying deficit money anyway. It is borrowed money, so why not limit--and I came up with a number. I was going through the sheet here. But between major and minor construction, it is about \$2 billion a year. I may be wrong about that, but I am just looking very quickly at the numbers here. If you took a portion of that and said we are going to take that to pay debt, bond a sizable, huge bond, you probably can accomplish these things in a much quick way, lower cost. The bond market will absorb these I think very easily because they would be Government-based securities, so forth and so on.

I know that is unusual for the Federal Government to think that way, but maybe that is a way to accelerate this process and actually lower your operating costs, or at least maintain--stabilize your operating costs and accelerate the projects that need to be done, minor and major.

Any comments on that?

Mr. Hilleman. Thank you, Congressman--or Senator. Excuse me. You make a very valid point that the longer the delays continue with any construction project, costs go up. The construction material prices increase. Labor market--

costs for labor increases.

I would say that in tackling the backlog, VA has done a good, steady job of working through the work that is before them, but in constantly identifying new projects based on the needs of veteran populations or the expansion of specific services at a hospital, developing new wings.

It may be feasible to knock out a number of projects all at once with a larger investment, but I--and I believe the Independent Budget would agree with that. It is not going to eliminate the need for ongoing construction throughout the system.

Senator Begich. No. Right, I agree. That is why if you have a \$2 billion allotment right now, approximately, you take a portion of that, that is the debt financed to take care of the future. You keep a strong maintenance--you are kind of getting to ground zero, but you are now forward thinking rather than always--you know, every time you try to step forward in construction, minor and major, you are always going back, because why--you know, the director gets the call. The wing is in deplorable condition. So construction aid project, new project, get pushed a little bit further because they have got to resource it immediately, because if you do not, then you have beds that are going to be vacant because you have got to take those people out of those beds in order to modify the system or

modify the building.

So I guess my thought is that to me it seems you can do both, but the way the Federal Government works is, on construction, they are just not really good about doing what local governments and States do and, that is, bond long term to--that is what you do. It is like when you buy your house. You get debt and you get it now, and then you have a maintenance budget to maintain it. I mean, that is how I run my household, my two houses I have to maintain by being in this job. It saves me a lot of long-term capital expenditures.

So it would just seem like there may be something there. It is unusual for the Federal Government to ever do something like this, but, you know, I would just argue that local government has been doing it for decades very successfully, building schools, building roads, building police stations, fire stations, and it seems to work.

So that is not to take away what you know you are always going to have, but kind of catch up.

Mr. Hilleman. I would welcome the chance to chat with you or your staff more on this, Senator.

Senator Begich. Let me follow up with you on that.

Mr. Hilleman. Thank you.

Senator Begich. Thank you.

Mr. Chairman, I apologize. I have to slip out. But,



again, thank you for the opportunity to ask a quick question, and thank you all very much for your work, and I apologize for shredding this piece out of the book, but that is how I wanted to get it in my hands here. So thank you all very much.

Chairman Akaka. Thank you very much, Senator Begich, and thank you for your active participation in this Committee. I certainly appreciate that.

Mr. Hilleman and Mr. Weidman and Mr. Robertson, do you believe that VA has a truly strategic vision regarding the future of VA construction projects? Is this reflected in the proposed budget?

Mr. Robertson. Speaking for the American Legion, we have looked at projects such as replacement of a hospital in Colorado. That project, if they would have been more progressive in their efforts, would have probably come in a heck of a lot cheaper than what it is going to wind up costing them due to delays.

I think that their construction strategy is kind of an amoeba, that every time you think you have got a good hold on it, something starts leaking out on the other side. I think it is something that seriously needs to be addressed and to plant the vision out there, develop the strategy, and start working towards the goal. Some of it involves, I understand, the local dynamics of making sure that all the

stakeholders in that community have their say and can offer their comments and views. But you really have to set up a plan and move forward on it and try to accomplish it in a timely manner.

The bottom line is that most of these delays, like with the Las Vegas facility, the Colorado facility, and the one in my home State of Louisiana, the longer the delay takes place, the only people that are being penalized are the veterans that need those services.

Mr. Weidman. The strategic plan, if you will, which is really the CARES decision, the CARES formula VVA disagreed with from the outset because it was a civilian formula and did not take into account the shape of medical care that has to be delivered to veterans.

Just one example. The formula they used had average presentations of one to three per individual who came in, which is not unusual in middle-class people who buy PPOs and HMOs, which is what that formula originally was developed for. Veterans hospitals average between five and seven presentations per individual who comes, and it is not unusual in homeless vets to have 12, 13, 14 presentations or things wrong with them, all of which burn resources. So the burn rate of resources and the facilities needed is much higher among veterans than we believe the CARES formula allows for, even with the tinkering and adjustments after

the fact for mental health and for spinal cord injury and for blind and visually impaired--only that, by the way, under significant pressure from the veterans service organizations and the leadership of yourself and others on the Hill, sir.

But it is a plan, and we have recommended for more than 2 years let us speed up the investment. We went almost a decade with no investment, with totally deferred maintenance at all the facilities across the country, and then everybody comes back and says, "Wow, we need to let this go because they are dilapidated buildings." Well, they did not get that way by accident. They got that way because we did not put in the minor construction, and the deferred maintenance was not done, and now it needs to be done. This is the perfect time for the President to come in with ARRA fund type of thing just to get it done and bring us back to ground zero.

As I mentioned earlier about the organizational capacity of the VA health care system, which is coming close to being restored to where it should have been, we need to do the same thing when it comes to the construction budget.

Are the recommendations of CARES necessarily the best from our point of view? The answer is on. But it at least is a logical and reasonable plan to start from.

Chairman Akaka. Mr. Hilleman.

Mr. Hilleman. Thank you for the question, Mr. Chairman. To be quite frank, I do not think we have an answer to what the VA's plan looks like at this point and if it will meet the necessary needs. I know that there is a transition to go away from a large hospital model into more like the super CBOC and focus more intently on outpatient care. I think until we see some more concrete demonstrations of what that plan will look like from a data-driven model, we would withhold judgment, sir.

Chairman Akaka. Thank you.

My next question is for all members of the panel having to do with DOD transition. We know well that discharged Reserve and National Guard service members face challenges as they rapidly transition from active duty to civilian life and are often unaware of their VA benefits. Can each of you comment on how VA should budget for outreach to service members leaving the military? Mr. Blake?

Mr. Blake. I was not raising my hand there, Mr. Chairman.

Chairman Akaka. Oh.

Mr. Blake. I think what you point to is probably the biggest challenge that the VA is facing in bringing new veterans into the system. The Guard and Reserve component also sort of points to the rural component as well. I think the two are very closely tied together. I think we have

really pushed on the VA to be involved in the transition-- not transition, Senator, but the discharge points for active-duty service members. I think the challenge with the Guard and Reserve is the fact that these men and women come home, and then they sort of vanish from the radar. And it is a challenge for the VA in reaching any of those folks, even veterans who are sort of off the radar now.

And so as far as budgeting for it, though, I do not know if I have a good answer for that. I would be glad to defer to some of my colleagues who might have a better answer.

Chairman Akaka. Mr. Robertson.

Mr. Robertson. Mr. Chairman, as a former DVOP in my previous life before coming to Washington, D.C., the DVOP program was specifically designed for outreach, and the mandate at that time for a DVOP was to go where veterans are. There is no secret where guard and reservists are on drill weekends. They are at their armories or whatever military base they are supposed to be reporting to. And it would just--I mean, I do not think it would take a rocket scientist to come up with a schedule to have VA employees arrive at the drill bases or the locations where the units are drilling to give briefings, especially if there are changes in policy that would give more benefits or give more opportunities to guard and reservists to receive medical

care or benefits or whatever.

So I think their most effective tool would be to think about developing an outreach program that actually goes to where the veterans are that need to receive these briefings.

When they are still on active duty and they go through the TAP program, they are a captive audience. But their mind is usually on, "I want to go home," and I do not think everything seeps in. But I think that once they get back to their unit and they start drilling again, to come back and make a presentation at the armories where the service members are located is probably the best solution.

Chairman Akaka. Mr. Wilson.

Mr. Wilson. Thank you, Mr. Chairman. A couple of items come to mind when I think about transition issues, and Mr. Robertson was talking about that. The Transition Assistance Program, established back during the Gulf War, is an interesting concept, but it has not seen a significant change in its funding since then. Also, it is a matter of simply being able to access the service. There are enough opportunities for people leaving the services, active-duty people leaving the services, not counting Guard and Reserve, to even go through the Transition Assistance Program. There are not.

The guardsmen and reservists tend to defer going because they would rather, as Mr. Robertson said, get back

home. And when you have the prospect of being put in administrative hold or medical hold, as opposed to going back home after your second or third deployment, how might you decide? I think I would decide to go home, even though it may not be in my best interest. Not a wise decision that they can make, but they are currently allowed that flexibility.

The solution would be to me, if I were still on active duty and had the opportunity to do so, I would make it mandatory for every single person who is coming off of active-duty orders--that is your Guard and Reserve--to be required to have a physical examination before they leave that at least captures the particular issues that they may be having that affect them. If they do not do so--and many do not--that will harm them for the rest of their time that they are in veteran status because they will have no way to be able to identify that they had a particular condition while on active-duty orders. The services can do this. They simply choose not to do this because of the cost factor.

And the DTAP program and TAP program, if you look at them, the Marines require everyone--every single Marine is required, mandatory, to go through the Transition Assistance Program. Actually, that means they sign the roster: "Yes, I am scheduled to go." But there is, again, not enough

opportunity to go because there are not enough classes for them. And certainly for the other services, they are not required to go, and some can opt out if they wish.

So appropriate funding for Transition Assistance programs would be useful, plussing it up to numbers that are more appropriate. What those numbers I do not know. It has been some time. DTAP is not an effective program. VA should go out and talk to the people who use the program. The 2 hours of assistance that they provide people who are extremely disabled, it is not sufficient. Ask them, VA.

A person who is going through spinal cord injury care, is being seen at a VA facility while on active duty, guardsmen and reservists, may drop through the cracks as well and not even get the assistance they need through BDD or Quick Start or Transition Assistance Programs.

So lots of opportunities for growth for Transition Assistance Programs.

Chairman Akaka. Mr. Weidman.

Mr. Weidman. There basically is no Disabled Transition Assistance Program, even though it is on the books. It just does not exist insofar as anything useful. We have a lot of contact with the young people in Bethesda Naval Hospital and at Walter Reed. And one of the things we always take with us when we go down there or have contact with the young people is the latest copy of the little 5-by-8 book "Federal



Benefits for Veterans and Their Families." And the reason for that is VA swears up and down that every young person has it. They do not. And they are always gone like that.

And so if we had the resources, what we would do is give everyone a thumb drive, because these young people, all of them are on the Internet. One of the most helpful things that will be coming down the line is the establishment of the gateway that is being done as a result of the project with VINS and the Veterans Innovation Center that is privately funded and driven, but it will be extremely useful.

There is another tool coming online, hopefully next year, called the Veterans Benefits Calculator that once again is an online tool. And then what you have got to do is just make people aware about where to go with it and to market it using the Internet marketing systems and devices ranging from tweeting to you name it.

And last, but not least, I have got to touch on this. I was never a DVOP, but I ran the second largest DVOP/LVER program in the country for the State of New York under Governor Cuomo. And I know what has happened to that program since I left. It ain't happening in that program anymore, and it is not happening in the large States. And the primary responsibility for delivering Transition Assistance Programs across the country falls on DVOPs and

LVERs who do not work for the Federal Government. They work for the States. And that is why many of those programs are very truncated, because Ray Jefferson does not have control over those staff even though he is held accountable for it.

It is really past time to federalize the DVOPs and LVERs. In many cases, they can go back into the same local office they were before if the local office is acting correctly. But what it does mean is that the State directors for U.S. DOL can have the best staff go out and do the transition programs to catch people and get them on the right track before they get off on the wrong foot as they return to civilian life, whether they are guard, reservists, or separating active duty.

We can put together a plan. We know the elements of it. We just do not have the resources. And simply sending more money to VETS in its current form without giving the Assistant Secretary additional power and control over the staff that theoretically he has I do not believe is going to be effective, Mr. Chairman.

Chairman Akaka. Thank you very much.

Mr. Kelley?

Mr. Kelley. Thank you, Mr. Chairman. Mr. Kelley from AMVETS. I want to go back to the Benefits Delivery at Discharge Program. It is a great program that allows active-duty service members to file for disability prior to

leaving active service. The issue is that it is run on a local memorandum of understanding at each one of these bases. There are over 150 bases or intake sites that will allow these service members to initiate early.

Local commands either do not understand the MOU, have not seen the MOU, or have not bought into the program to help get the information out to the troops. So one of the big stumbling blocks is not that it is not a good program or it is not an effective program. It is that that communication down to the lowest level on these intake sites has not been received and been disseminated out to the other veterans.

Mr. Blake. Mr. Chairman, if I might offer one positive comment out of all this, I would say that, at least from our perspective, we wholeheartedly support the administration's concept or proposal that it has for this Virtual Lifetime Electronic Record. I would suggest that that is something that has been long overdue in tracking these men and women from the time they enter service until the time they die.

Now, our concern remains that--I think we all agree that is something that needs to be done, but as we have seen in the past, the implementation of that is going to be far more challenging, and it is going to be incumbent upon all of us to press not only the VA but DOD, who has not been exactly the willing partner in all this as well, to make

sure that that happens, because we think that that is a crucial first step in all of this transition process.

Chairman Akaka. Well, thank you. Thank you very much for your responses. I have more questions that I will submit.

[The questions of Chairman Akaka follow:]

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Chairman Akaka. In closing, I again thank all of our witnesses for appearing before this Committee. Your participation in this matter is, without question, very valuable to us and what we are trying to do as we go forward in producing the Committee's recommendation on the budget.

I would also say how much I appreciate that VHA under Secretary Petzel, Assistant Secretary Baker, and Steve Muro of NCA and other members of the Secretary's team have stayed to hear this panel. And I hope there will be some communications with your concerns.

I do want to say that we have before us a very good and strong VA budget, and I thank the administration for recognizing the needs of the veterans and the system that is designed to serve them. And it is being created, it is coming, and it is exciting for me as we continue to push in the right directions to serve our veterans.

I want to wish all of you well in your organizations, and, again, let me personally thank the organizations for your support in what we are trying to do here legislatively. And without question, together we can really move it well.

I am glad that we have a feeling of making progress in restructuring as we see it come forward and also increasing access and making it available to our veterans.

So thank you very much. I wish you well, and this hearing is now adjourned.

[Whereupon, at 12:03 p.m., the Committee was adjourned.]

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