

THE FISCAL YEAR 2010 BUDGET FOR VETERANS' PROGRAMS

- - -

TUESDAY, MARCH 10, 2009

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

The Committee met, pursuant to notice, at 9:34 a.m., in Room 418, Russell Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Committee, presiding.

Present: Senators Akaka, Rockefeller, Murray, Brown, Tester, Begich, Burr, Sanders, Burr and Graham.

OPENING STATEMENT OF CHAIRMAN AKAKA

Chairman Akaka. This hearing of the United States Senate will come to order.

Aloha and welcome to all.

Today, the Committee begins its review of fiscal year 2010 funding for the Department of Veterans Affairs. When we talk about the VA, we are talking about people. I have had a few chats with the Secretary, and that is what we have been talking about, people and the people in VA, those who have served and the nearly 280,000 VA employees who work on their behalf.

The budget outline presented by the President last month appears to be a good one which reflects many important priorities of this Administration. From my vantage point,

as Chairman of this Committee, I am committed to ensuring that veterans receive quality benefits and quality services. When troops are sent into battle on behalf of our Nation, there is a commitment to care for them when they return home. They must be given the best health care and the best rehabilitation. They must be fairly compensated for their injuries. And now, in this time of war, VA must have the resources it needs to carry out its mission.

The troop surge in Iraq and the increases in Afghanistan will soon be felt at VA. To date, this generation of veterans as a group has been slow to come to VA for benefits and services. VA must be prepared to reach out to those now coming home and bring them into the system.

While many details of the Administration's final budget proposal have yet to be presented, the Committee is required to submit the Views and Estimates to the Budget Committee by the end of this week. I intend to meet that deadline, but doing so will not complete our work on next year's budget. We will evaluate the President's final budget once it is received and make additional recommendations.

One of the most pressing issues facing VA is ensuring timely, sufficient and predictable funding from year to year. Last month, I introduced legislation with bipartisan support to help secure the timely funding of veterans' health care through advance appropriations. Too often,

VHA's budget is subject to delay and uncertainty, hampering planning and threatening health care quality. This situation must end.

Another serious issue is the backlog in VA construction. I am eager to learn how the Committee can help the Department complete pending construction projects so that VA can provide veterans with more access to care in better facilities. There are many other important areas of health care that the Committee is concerned about, such as care in rural areas, the health care needs of women veterans, recruitment and retention of medical providers, research programs, and homelessness among veterans.

On the benefits side of the ledger, timely and accurate adjudication of disability claims and appeals remains a significant problem. Veterans deserve to have their claims addressed fairly and without needless delay. The President's budget proposes to invest in better technology, and I am pleased that the Department will invest in the development of rules-based electronic processes to improve accuracy, consistency and timeliness in claims processing.

As one who knows firsthand the value of education benefits under the GI Bill, I want to hear how VA intends to implement the Post 9/11 GI Bill.

I know that VA shares my commitment to providing a seamless transition from military to civilian life for

today's servicemembers. VA must be an active partner with the Department of Defense to ensure that troops are cared for appropriately when they transition from active service to veteran status. I look forward to learning in more detail how the President's Budget responds to this issue.

I am committed to working with the Secretary and my colleagues in Congress on both sides of the aisle to ensure that the Department gets what it needs to deliver high-quality benefits and services to veterans. We must acknowledge the fact that the needs of veterans are costs of war.

I look forward to our dialogue with Secretary Shinseki as well as the representatives of veterans service organizations here with us today.

And now I would like to call on our Ranking Member, my good friend, Senator Burr.

OPENING STATEMENT OF SENATOR BURR

Senator Burr. Aloha, Mr. Chairman.

Chairman Akaka. Aloha.

Senator Burr. And to my colleagues, welcome, and to our witnesses.

Mr. Secretary, this is the first time you have been before the Committee. Therefore, it is the first time I have been able to address you formally as Mr. Secretary, and I want you to know what a special privilege it is to have

you in this position. As I have said in the past, we are fortunate to have a person of your caliber as the head of the Veterans' Administration, and I am looking personally forward to working with you as you chart the future of VA and the shared mission to save America's veterans. I thank you for being here.

We are here this morning to learn more about the President's fiscal year 2010 budget request. There are very few issues that are more important, in my estimation, than to ensure that the programs and the services for our veterans are adequately funded.

Mr. Secretary, I'm counting on you to be very candid with us and with this budget. More importantly, I am counting on you to make sure that veterans' lives are improved with the resources that we provide the Veterans' Administration.

We have very few details about what is within the budget. In fact, we really only have a 134-page book submitted by the Office of Management and Budget, but only 2 pages of that devoted to the Veterans' budget.

Let me say that for the upcoming fiscal year this budget appears to be a very strong one, with an 11 percent increase in discretionary spending. This is consistent with the increases shown in recent years.

I am especially pleased that the budget appears to fund

legislation I authored and was signed into law last year to help our veterans who are at risk of becoming homeless. This new law, Public Law 110-387, authorized the VA to make grants to nonprofit organizations to provide supportive services to these veterans. I believe that when it comes to dealing with problems of homelessness we must approach it in a proactive and, more importantly, a holistic way. My hope with this new effort is that we can end the cycle of homelessness by ensuring it never begins in the first place. I commend the President for making this a priority of the 2010 budget.

Although the fiscal year 2010 outlook appears promising, I am concerned about what the President's budget tells us for the subsequent years. I am concerned because I believe the President when he says his goal is to bring a new level of transparency to government. In fact, here is what the President had to say about his own budget, "But this Budget does begin the hard work of bringing new levels of honesty and fairness to government. It looks ahead a full 10 years, making good-faith estimates about what costs we would incur."

That is why when I look at the tables in the back of the budget and I see a proposed 2.3 percent increase in fiscal year 2011, 2.6 percent in 2012, 2.7 percent in 2013, 2.8 percent in 2014, I get very concerned. We all know

medical inflation alone has been averaging around 4 to 5 percent per year. On top of that, we are expecting more veterans to enter the system in the near future, especially as 100,000 plus troops are drawn down in Iraq and as our weak economy is leaving many veterans out of work, and, I might also add a goal of absorbing 500,000 Priority 8s over the next several years.

I do not know how these numbers add up to ensure our veterans get the quality of care that they have earned, more importantly, that we have promised. But, again, if indeed these are good-faith estimates, I am confident you will be able to defend these numbers.

In closing, let me also acknowledge the contributions of the veterans service organizations on our second panel. Not only have they given us the benefit of their expertise in determining appropriate funding levels for the VA for the upcoming year, but they have also given us a guide to reform what I think is a broken budget process.

I have joined as an original co-sponsor of the Veterans Health Care Budget Reform and Transparency Act. I believe this bill will start the discussion in Congress on how we can deliver a timely, predictable and sufficient budget for our veterans. It will also lend new transparency to the budget process which I believe is consistent with the President's own goal.

Mr. Chairman, again I thank you for calling this hearing, and I look forward to the testimony of not just the Secretary but of the other veterans organizations.

Chairman Akaka. Thank you very much, Senator Burr, for your opening statement.

And now I would like to call on Senator Rockefeller for his opening statement.

OPENING STATEMENT OF SENATOR ROCKEFELLER

Senator Rockefeller. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. We have chatted on two occasions, and I have expressed to you my profound pride in your selection, and all I can do is repeat that with the same heartfelt feeling. I think it is one of the best selections the President has made. If I were in a veterans service organization, I would be jumping up and down with happiness and with a sense that there is somebody who really cares, who understands, who is humble in nature but steel in spine and who will fight hard for the veterans.

The veterans have so many problems, it is almost difficult to pick one or two out. Senator Burr mentioned homelessness. That is huge.

He also mentioned the five-year running budget which, as we discussed, may not actually work out, it being very unique if we were to do that.

And he mentioned the health care inflation. I have to

leave to go to a Finance Committee meeting on that precise subject.

But let it just be said that the stimulus package gave the veterans an enormous boost. That boost is here to stay.

The question is how do you take the multiplicity of the visible and invisible wounds that veterans bring home with them, will continue to bring home with them, will have living with them for the rest of their lives?

I have not even given up an inch on the Gulf War Syndrome. I think that is still out there, still an active matter of consideration and still more or less denied by the Department of Defense.

But I think a lot of Americans thrive on hope. They see somebody or they see something which is turning the corner, let's say, in the economic crisis. If we could see that, it would be nice.

They see somebody like you, if they are veterans, and their life gets better simply because there is hope, because your integrity, your strength.

I think the bond already you have with each of us on this Committee and with the veterans service organizations.

I congratulate you. I am really looking forward to your being a superb Secretary.

Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator

Rockefeller.

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

OPENING STATEMENT OF SENATOR BROWN

Senator Brown. Thank you, Mr. Chairman.

I echo the words of Senator Rockefeller in saying this is, I believe, one of the President's best choices for Cabinet Secretary.

I also thank the veterans organizations here, particularly the Paralyzed Vets, the DAV, the AMVETS and the VFW for the Independent Budget. I think that helped get us on our way and the President's way and General Shinseki's, Secretary Shinseki's way on a much better VA budget than we have had in years past.

I also thank the Legion and the Vietnam Vets for being with us today and helping us shine a light on the direction we need to go.

I appreciate Secretary Shinseki's already having said in earlier discussions that he has had three meetings with Defense Secretary Gates. I guess having a four-star general as VA Secretary helps get into the Pentagon and understand the Pentagon a little better than others and in the relationship he has had with Secretary Gates, but I think that is so important as we really worked for the last couple of years in trying to integrate the two departments better

and easing the transition from Active Duty to veteran status.

I have done probably a dozen roundtables where I will sit down with 20 vets, similar to what I know Senator Rockefeller does in a different format but the same kind of thing, and just talk to them about their experiences and what they are seeing with the VA and what they are seeing with CBOCs and what they are seeing just generally with their treatment as veterans. One of the most common complaints from veterans service organizations is they cannot find veterans when they come home, the screening for PTSD is not done, all the problems that happen because we sort of lose track and veterans do not always step up because when they get home they want to get integrated back, particularly if they are Guard or Reserve, integrated back into their homes and their neighborhoods and their churches and their work places.

I appreciate especially the work that the VA has done, starting 10 years ago, on IT and the success. I know Secretary Shinseki is going to mention that in his opening testimony, what strides that the VA has made with information technology, how it has made such a difference in cutting down the number of medical errors. That should be instructive to the Finance Committee and to the Health Committee and to the House and Senate on how we do health

care in this Country because the VA really has done better than anybody else in reducing medical errors.

A couple of other points I wanted to make: I did a vets roundtable the other day in Columbus at the Vets Memorial, and a couple of things came out. One is this is a problem unique to Ohio. Ohio has the second lowest average payment for disability compensation. I want to understand that better and make sure that does not continue to happen.

More national in scope is the VA, as it has moved towards privatization of all kinds of services it has moved away from hiring the number of veterans they ought to hire. It has probably meant less diversity too at the VA. But it is so important that there be a focus on hiring of veterans, that I think the VA has lost its way on hiring veterans for a whole host of issues.

I also heard a lot yesterday about dental care, that veterans, that there is a window during which vets have to get dental care. If they do not get inside that window, they lose their option to have VA dental care. I am not sure of that. That was said by several people at this panel.

And, last, the whole issue of mental health. There were several women there that talked passionately about the VA's inability to deal with sexual trauma from veterans who had been assaulted. Men and women veterans, they said, who

had been assaulted. I mean there were soldiers that had been assaulted, and they was not getting the help from the VA in terms of counseling because the mental health counselors typically specialized in alcohol and drug abuse and other kinds of PTSD issues but not a lot about sexual trauma, and that is an issue that we need to raise and work through in the months and years ahead.

I am thrilled that you are the Secretary, General Shinseki, and I look forward to hearing your testimony.

I have another hearing, so I may not get to hear everything today, but I appreciate your being here.

Chairman Akaka. Thank you very much, Senator Brown.

Now we will call on Senator Tester for the opening statement.

OPENING STATEMENT OF SENATOR TESTER

Senator Tester. Thank you, Chairman Akaka, and I want to thank all the distinguished witnesses who are going to testify today on the 2010 budget for veterans' programs.

Secretary Shinseki, it is good to see you again. I want to publicly reaffirm my support and confidence in your leadership. I look forward to the testimony.

As the global war on terrorism enters its eighth year, servicemen and women continue to experience traumatic mental and physical injuries as they are placed in harm's way. Since fighting began, more than 4,914 U.S. servicemembers

have been killed, and more than 40,000 have been injured. The lives of our servicemembers and their families have truly been changed forever.

Suicide rates are at an all-time high. The rates of psychological and neurological injuries are high and rising. According to IAVA, about one in five new veterans are experiencing symptoms of PTSD or major depression.

Nineteen percent of Iraq and Afghanistan veterans have experienced probable traumatic brain injury during their deployment. Tens of thousands of new veterans are coping with both the psychological injuries and TBI, the effects of which can compound each other, but less than half of those suffering from psychological and neurological injuries are receiving sufficient treatment.

Multiple tours and inadequate time at home between deployments are increasing the rates of combat stress.

For me, it is personal. It is serious. Our decisions directly impact the lives of veterans and their families. We have accomplished a lot, but, as just about every member of this Committee said, going around, more needs to be done.

More needs to be done to ensure the care of our veterans and their families. Is the VA adequately prepared to address these issues? What more do we need to do?

There are over 100,000 veterans living in Montana. This number includes a significant number of Native American

veterans. This is an extraordinary group of veterans that is disproportionately affected by service-connected health conditions. Their access to primary and mental health care is further limited by distance and underfunded, often inadequate community health care, IHS services.

Veterans living in rural and highly rural areas deserve better. We have to improve the way we administer and deliver VA services in rural areas. The budget needs to fully support these programs, and, personally, I need to know that the dollars allocated to support rural health initiatives are being appropriately applied.

Overall, as I look at this budget, I think it looks pretty decent. It funds IT infrastructure, telemedicine, upgrades VA facilities, improves health care for rural veterans and extends care to our Priority 8 veterans, something that I have heard a lot about.

However, there is still a big gap, almost \$2 billion, between the VA President's budget and the Independent Budget. As stewards of the taxpayer dollar, we need to reconcile these differences.

Once again, General Shinseki, very, very good to see you. I look forward to your testimony.

I look forward to working on this budget for 2010. Chairman Akaka. Thank you very much, Senator Tester. Senator Sanders, for your opening statement.

OPENING STATEMENT OF SENATOR SANDERS

Senator Sanders. Thank you very much, Mr. Chairman.

General Shinseki, it is great to see you again, and I concur in the feelings of my fellow Senators, that in these difficult times you are the right person for the job, and we look forward to working with you.

Over the last several years, we have made some significant progress in addressing many areas that have been long neglected, and I want to thank, quite sincerely, our Chairman, Danny Akaka, Bill Filner in the House, because we have made some real progress.

We have, among other things, begun the process of bringing our Priority 8 veterans back into the system. That is not a small thing.

We have passed a GI Bill which has the greatest expansion in veterans' educational opportunities since World War II, and, especially in these very difficult economic times, that is a huge step forward for hundreds of thousands of veterans and their families.

At a time when we almost have to rush money into the VA several years ago when the VA ran out of money, we have year after year in recent years proposed record-breaking budgets for the VA, and that is the right thing to do.

We have raised mileage reimbursement rates. That may not seem like a big deal, but when you are in a rural State

like mine the fact that people now can get decent compensation to get to the clinic or get to the hospital is quite a big deal.

So we have made some progress in recent years, but obviously we have a long way to go. And I think, as Senator Brown indicated a moment ago, one of the reasons that we have made progress is we have worked with the service organizations who are on the ground, who know what the problems are, and we have come very close to matching the independent that they have brought forth.

I want to thank the Paralyzed Veterans of America, the DAV, the AMVETS, the VFW, the American Legion, the Vietnam Veterans of America. I thank them very much for their help in making our job easier in terms of allowing us to know what is going on, on the ground.

Now, in terms of this budget, let me talk about very briefly what I see some of the highlights are. This budget will allow 500,000 Priority 8 veterans back into the VA health care system over the next 3 years. As you and I discussed the other day, that is, in my view, exactly the right thing to do. It was wrong for the previous administration to throw those people out and deny them admission to our VA system. We are making some progress in bringing them back in.

This budget enhances outreach and other services

related to mental health care, TBI and other areas with a focus on rural areas through increased use of vet centers and mobile health clinics. We can have the best health care in the world for our veterans, but if they do not know how to access it and if they are not brought into the system, it does nobody any good. So I absolutely support and appreciate the effort to increase outreach. We are making some progress in Vermont in that sense, and I am glad that we are doing it around the country.

Clearly, one of the problems, Mr. Secretary, that you have heard over and over again is the backlog in terms of getting benefits to our veterans in a timely manner. I believe that this budget begins the process of addressing that very serious problem, and I know that that is high on your priority list. In an age of sophisticated hardware and all of this computer technology, it makes no sense that veterans have to wait as long as they are currently waiting for the benefits that they are entitled to.

This budget ends the disabled veterans tax by supporting full concurrent receipt. That is something the veterans organizations have fought for, for a long time.

And this budget makes sure that the new GI Bill hits the ground running. Once again, we have a wonderful benefit out there in terms of educational opportunities for veterans. It does not do anybody any good unless they fully

understand the benefits to which they are entitled and know how to access those benefits.

I share some concerns that my colleagues have raised about this budget. We are going to want to work on the amount of money in the budget. I think we can do a little bit better than the President has proposed, and we also want to make some more progress on advance appropriations, something that I think many of us think is the right direction.

So I think the budget is off to a good start. It is going to need some work, and we look forward, Mr. Secretary, to working with you and the veterans organizations on these issues.

Thank you very much.

Chairman Akaka. Thank you very much, Senator Sanders.

And now I call on Senator Burris for your opening statement.

OPENING STATEMENT OF SENATOR BURRIS

Senator Burris. Thank you very much, Mr. Chairman.

And to Secretary Shinseki and to those who will be testifying on the second panel, my congratulations and hopes, wishes and prayers for you to be very, very successful as we undertake this great mission to deal with those individuals who have caused us to be where we are today, and those are our veterans.

You know, Mr. Secretary, we have a person who has joined you from the great State of Illinois, a young lady by the name of Tammy Duckworth, and we are looking forward to bringing her knowledge of what she did for veterans in our State. I understand she has met with you, and you have really given her the green light in putting up some of those programs that we have put into place in Illinois for our veterans, and I think the President has put together a very good team.

As you know, I was hoping and praying I would get on this Committee, Mr. Chairman. Thanks to the leadership, they did put me on the Veterans' Affairs Committee, and all my activities since I have been in office for these 50 days or 60 days has been dealing with our veterans. I have already been to the Great Lakes Hospital. I met with veterans in my office. I met with all the veterans groups that have come here to Washington because we must take care of our veterans. With your leadership and your knowing what that is, I am pretty sure that that will be dealt with.

So, in dealing with the budget, this proposed 2010 budget has the potential to lead the way in the transformation of the VA. It has provisions to improve many different parts of the VA system from homelessness prevention to the expansion of IT capabilities. Secretary Shinseki and his staff have used their considerable

experience and expertise to create this budget, and I commend them for their hard work on behalf of our veterans.

However, as I said last week, veterans advocacy groups like those here today are our eyes and our ears on the ground, and I want to commend each and every one of those groups that are keeping us informed as to what is happening out there with their colleagues. I am to gather from each of you the insight into how we can fully take advantage of the opportunities provided in this budget.

Furthermore, Mr. Chairman, I come here with my own questions. I am also a member of the Homeland Security and Government Affairs Committee, and lately I have been thinking a lot about oversight, transparency and accountability in relation to the Recovery Act.

Well, in fact, I have been thinking about oversight, transparency and accountability for most of my working life, first, as an old Federal bank examiner where I was making sure that the banks were sound--maybe we should do something about that today--and as Comptroller of my State and as the Attorney General of my State and now as a United States Senator from my State.

I do not want to squander the opportunity for change afforded by this budget because of miscalculations or misuse of funds. We have increased the budget to some extent, and we must make sure that those dollars are spent and they are

spent wisely, effectively, for the benefit, Mr. Secretary, of our veterans.

I will have some questions as soon as I have time. I have to go to my other committee, Mr. Chairman, but I will have some questions if I can be at two places at the same time.

Thank you very much.

Chairman Akaka. Thank you very much, Senator Burris.

Now we will hear from Senator Murray.

OPENING STATEMENT OF SENATOR MURRAY

Senator Murray. Well, good morning, Mr. Chairman. Thank you very much to you and Senator Burr for holding this very important hearing on the proposed 2010 VA budget.

I want to extend a warm welcome to the representatives of the veterans service organizations. Every year, you put an incredible amount of time and hard work into producing your own budget estimates and policy recommendations, and every one on this Committee appreciates all the work you do in that regard.

I also want to extend a warm welcome to Secretary Shinseki. As I said at your confirmation hearing, you have one of the most challenging and rewarding positions in our government, and I appreciate what you are doing.

Modernizing our VA into a 21st Century organization is not an easy task. We have a lot of work ahead of us in

improving access and understanding mental health, improving the seamless transition process, fixing the disability claims project, leveraging information technology so we can improve the delivery of services and preparing the VA to care for an increasing number of female veterans. By themselves, none of these is an easy task, and, together, they are very complicated. So we appreciate the tremendous amount of energy you have given, Mr. Secretary, to putting this system to the right.

We have not seen a lot of details on the proposed budget yet, but there are some good things I am seeing, and I want to mention a couple of them.

As the lead sponsor of the Women Veterans Health Care Improvement Act, I was especially glad to see the budget enable the VA to provide additional specialty care for female veterans. Women now make up 14 percent of our Active Duty forces, and they represent one of the fastest growing groups coming into the VA for health care. So getting the VA to be ready for the unique needs of women veterans is a very important task ahead of us, and I appreciate that this budget recognizes that reality.

I was also pleased that the budget provides funding to bring more than 500,000 Priority 8 veterans back into the VA system by 2013. I introduced legislation along with others in the 110th Congress to overturn the Bush Administration's

2003 ban on enrollment of new Priority 8 veterans. I believe that all veterans should be able to get the care they have earned. We have made some progress on this issue, and I look forward to working with the VA to make all Priority 8 veterans again eligible.

Additionally, I want to commend you for including in your budget a pilot program to combat homelessness by providing stable housing for vets who are at risk of falling into homelessness. I chaired an appropriations subcommittee last year on this issue, and the VA testified at that committee, saying that the best strategy with this new generation of veterans is to reach them very early. That was a quote.

In order to start addressing those needs, I included funding for a similar pilot project in the 2009 Transportation and Housing Appropriations Bill which we are on the floor considering now. I hope we send it very quickly to the President. When we pass that, there will be a demonstration program, and it directs HUD to work with the VA and the Department of Labor, all the agencies, to test different strategies to prevent veterans from becoming homeless.

Finally, I do want to mention one concern I have with the budget, and Secretary Shinseki, you and I talked about it last week, and that is the rumored proposal that would

allow the VA to bill a veteran's insurance company for service-connected disabilities and injuries. I believe that veterans with service-connected injuries have already paid by putting their lives on the line for our safety, and when our troops are injured while serving our Country we should take care of those injuries completely. I do not think we should nickel and dime them for their care.

So I know no formal proposal has been made on this, but I can assure that it will be dead on arrival if it lands here in Congress, and I think I shared that with you last week.

But, again, Mr. Chairman, I really appreciate the opportunity to take a look at the budget proposal as we see it so far and have our questions.

So, thank you very much for your testimony today.

Chairman Akaka. Thank you very much, Senator Murray.

Senator Begich, for your opening remarks.

OPENING STATEMENT OF SENATOR BEGICH

Senator Begich. Thank you very much, Chairman Akaka and Senator Burr, for holding this meeting.

Secretary Shinseki, I know we already had our conversation. It was good information we exchanged. As you know, one of the big issues that I have--and I will be looking forward as the budget progresses--is rural health care for veterans and how we bridge that gap especially in a

rural community like Alaska which is very unique. I know there are some great ideas materializing from the local veterans community as well as the Veterans' Administration on what we can do to achieve that.

Mr. Chairman, I am going to keep my comments brief as always. I like to get to the questions and also to the presentation by our guests. So I will end it there.

Thank you very much.

Chairman Akaka. Thank you very much, Senator Begich.

I would like to now welcome with much alohas, Secretary Eric K. Shinseki. I hope this will be the first of many appearances you will have before this Committee as head of the Department of Veterans' Affairs.

I thank you for joining us today go give your perspective on the Department's fiscal year 2010 budget. I think I speak for all of the members of this Committee when I say that we are here to support you in any manner appropriate, but we do need to know that VA is on track for a fair budget based on our needs for the upcoming fiscal year.

I would just state for the record that VA and OMB are still negotiating on specific amounts for various VA programs. As I said in my opening statement, this Committee must still provide input to the Budget Committee.

Your full statement, Mr. Secretary, of course, will

appear in the record of the Committee.

Secretary Shinseki, will you please begin with your statement?

UNCORRECTED COPY

STATEMENT OF THE HON. ERIC K. SHINSEKI, SECRETARY
OF VETERANS AFFAIRS

Secretary Shinseki. Thank you, Chairman Akaka, Ranking Member Burr, other members of this distinguished Committee. Thank you for the opportunity to present an overview of the 2010 budget for the Department of Veterans Affairs.

I appreciate also the opportunity to have had a chance to speak with a number of the Committee members prior to coming to testimony today, and I regret that I was not able to get to everyone, but I will certainly make up for that in the future.

Let me also acknowledge, as many of you have, and thank the leaders of our veterans service organizations who are present here today. We look at each other as partners in this effort to ensure that our veterans remain sort of the center focus of all that we do. So I welcome them, and I thank them for their help and support to the VA as well as to those of you who sit on this Committee.

As I have said before, President Obama has charged me with transforming the VA into a 21st Century organization, not change for the sake of change, not nibbling around the edges, but a fundamental and comprehensive review of all that we do for veterans and then moving boldly to acknowledge new times, new demographic realities, leveraging new technologies to renew our commitment to our veterans

wherever they live.

I have been conducting that comprehensive and fundamental review for nearly seven weeks now, and it is not nearly over, but I would like to share with you sort of a snapshot of what I have gleaned thus far since my last appearance before this Committee.

A new GI Bill: We hired an outside consultant to conduct a quick-look study to validate our plans and procedures for executing this large new program of educational benefits. The quick look was completed on 27 February, and it basically validated all the steps and procedures we are to put into place, what we are doing.

They provided eight additional risk areas, risk factors for us to consider, which we had not thought about. I have accepted them all except for one, and that one was solved internally, and I am satisfied that we will get veterans who apply in time into schools this fall.

I will tell you it remains a high-risk enterprise only because of the very compressed timelines we are working with. But we have mitigated that risk responsibly. I have reviewed it, and at this point I classify the risk as acceptable.

But, as you know, there are milestones that have to be met between now and the execution dates in August. If any of those are delayed or founder, I will have to readjust

that and that risk assessment, but that is something I will do and keep the Committee updated as we progress.

The 2009 plan for this new GI Bill will be a computer-assisted manual system. That is the best I can do at this point, a computer-assisted manual system. We hope to move to a fully automated system in 2010, but we are not able to do that this year.

For 2009, user testing of the interim IT solution was completed, and phase one training for our newly hired 530 employees began yesterday.

The final regulation is at OMB. The contingency plan is finished. Final coordination is underway. My estimation, all is in order to meet the August, 2009 implementation date. We still have multiple milestones to meet, as I have indicated, and I will keep you abreast of how we fare in meeting them.

Paperless: Our goal is to re-engineer the claims process into a fully paperless environment by no later than 2012. Our lead systems integrator has been on board since October of this past year, reviewing all of our business processes and beginning key design deliverables which we expect by August of this year. Application developers will then begin building specific components in early fiscal year 2010, capitalizing on recent successes with VETSNET and leveraging funding that should be available early in next

year's budget.

We are already processing loan guarantees, insurance and educational claims electronically and plan to conduct a business transformation pilot at the Providence Regional Office later this year.

In conjunction with this paperless initiative, DOD and VA have met three times now to address the potential for automatically enrolling all military personnel into the VA upon their entry into the Armed Forces, just a statement of what we are seeking to do. We call this initiative Uniform Registration. We are in agreement about the goodness of such a system and have people working towards making this a reality.

Uniform Registration will push both of us, both the VA and the DOD, to create a single electronic record that would govern how we acknowledge, identify, track and manage each of our clients: those in Active service, those in the Reserve components and when they become veterans, how we continue that same management process.

This automatic enrollment is intended to take place when the first allegiance is sworn by a youngster donning one of our Country's uniforms.

Our management decisions will be better, faster, more consistent and fair and less subject to lost files or destroyed claims. Such electronic records would have a

personnel component and a medical component. We have benefitted from the insights, experience and advice of Secretary Gates and Deputy Secretary Lynn about not trying to build a single large database. So we are committed, both of us, to doing this smartly and differently than from some of our recent past hard lessons learned.

In the VA's experience, the EHR, the electronic health record, has figured prominently in the growth and quality of medical services. In 1997, we rolled out an enterprise-wide update for our EHR. We have had an electronic health record experience for 20 years, but in 1997 we rolled out an enterprise-wide update that, by 1999, provided for us a clinical data repository including privacy protection with real-time data flow across the entire system, with clinical decision support and clinical alert templates, notification systems and disease management features.

Today, it has an imaging capability that allows a tracking of all tests done on any patient, everything from EKGs to studies, procedures, endoscopies, scanned documents. Some international observers, I am told, have called it the Gold Standard in clinical informatics.

What has been the impact of this improved EHR for the VA? Between 1996 and 2004, this updated electronic medical record enabled VA's ability to handle a 69 percent increase in patients, reduce the workload by over 35 percent and hold

the cost of medical treatment steady when the cost of health care across the Country was climbing significantly.

Now some would suggest that the VA's lower cost of treatment was as much a function of its lean budget in some of those years as they were efficiencies that we practiced. But, in reality, I think it is fair to say that lean budgets were just not visited on the VA but other government institutions as well. At Medicare, health costs rose 26 percent at a time when we were able to keep ours under control.

So that is where we are with what we understand the potential for what we can achieve working with DOD in coming to this single electronic record. The challenge for all of us is making health care more accessible to more folks, keeping the costs down and increasing the quality. If we can do those three things, we will have achieved something significant.

Regarding the backlog that some of you have already mentioned, this is the area I have to tell you that I have not made much headway, at least not in seven weeks, in attacking the problem, either in understanding it or solving this dilemma other than to acknowledge that it is a significant obstacle to building trust with veterans and the organizations who represent them.

I am not sure that I personally have a valid working

definition for backlog. When I ask if a claim is initiated today, is it part of the backlog tomorrow, I am told it is. So I need a way to come up with a set of metrics that allow me to solve a problem that right now I cannot address.

But I am personally working this issue. I intend to develop a valid way of defining what the backlog is and not defining myself out of a situation but defining myself into a way to measure it properly and then to set about fixing it. If I cannot do that, I do not think any of us will be able to solve it.

So our efforts to institute uniform registration to create a single electronic record lays the foundation for eventually controlling the inputs to the backlog dilemma, but I must find ways to control and reduce the backlog as it exists today, and I must tell you that is probably a brute force solution which requires a lot of hands on.

Now having provided you this update, let me now report that our proposed 2010 budget is critical to realizing the President's vision for a 21st Century VA, and it is also critical to helping me begin to solve some of the problems I have touched on. The proposal would increase VA's budget to \$112.8 billion, up \$15 billion or 15 percent from the 2009 enacted budget. This is the largest dollar and percentage increase ever requested by a President on behalf of veterans.

Nearly two-thirds of the increase, \$9.7 billion, would go to mandatory programs, up 20 percent. The remaining third, \$5.6 billion would be discretionary funding, up 11 percent. The total budget would be almost evenly split between mandatory funding, \$56.9 billion, and discretionary funding, \$55.9 billion.

The 2010 budget funds the new GI Bill and would allow a gradual expansion of health care eligibility to Priority 8 group veterans who have been excluded from VA care since 2003, an expansion of the latest figure is up to 550,000 new enrollees by year 2013. Further, it contains sufficient resources to ensure that we will maintain our quality of health care for veterans, which sets the national standard for excellence in my opinion, with no adverse impact on wait times for those already being served.

The 2010 budget provides greater benefits for veterans who are medically retired from Active Duty. By phasing in an expansion of concurrent receipt eligibility to military disability retirees, the proposal allow highly disabled veterans to receive both their military retired pay and VA disability compensation benefits.

The budget provides resources to effectively implement the post-9/11 GI Bill and streamline the disability claims system. It supports additional specialty care in such areas as aging, women's health, mental health, homelessness,

prosthetics, vision, spinal cord injury, and it helps to extend VA services to rural communities which lack access to care.

The details of the President's budget are still being finalized, and I expect that it will be available in April. So I lack budgetary detail on specific programs and activities today. I do, however, look forward to your questions and will do my best to answer them.

Thank you, Mr. Chair.

[The prepared statement of Secretary Shinseki follows:]

UNCORRECTED COPY

Chairman Akaka. Thank you very much, Secretary Shinseki.

I would say it is remarkable, and I must commend you for what you have been doing for the last seven weeks, and you have certainly accomplished a lot in dealing with the needs of VA in how you have worked with the Secretary of Defense on some of these issues. So I thank you very much.

I do have questions, but I would like to give my Committee members a chance to ask their questions first. So I will ask Senator Burr to begin with his questions.

Senator Burr. Well, I thank the Chair for his generosity.

Mr. Secretary, thank you for that report.

Let me go right to the meat of it. I am concerned, as I expressed in my opening statement, that though the 2010 budget I think targets a number that is very realistic, I am concerned with the out years: 2011 at 2.3, 2012 at 2.6.

So I guess my question is multi-pronged. If Priority 8s are being considered in the 2010, what number of the Priority 8s have you modeled into the 2010 and is the 2011, is the 2012 reflective of additional Priority 8s of potentially those Active Duty that will be part of the Veterans' Administration by 2011, by 2012, by 2013? Is that modeled into the projections that we see reflective?

Secretary Shinseki. Senator, the figure for 2010 is we

expect about 266,000 Priority 8 group veterans to be registered with us and then, over the period to 2013, building that number up to 550,000 veterans.

I do not have a good figure on the entire population now. Some of that is due to the fact, as you described, we are constantly growing that population. But we are working with trying to get a better estimate, so I can provide a little better detail. But at least for out through 2010, it is we are looking at 266,000 veterans.

Senator Burr. I would like to ask you on the Committee's behalf today, as we go through 2010 and you begin to bring Priority 8, will you regularly make us aware of how many Priority 8s have come into the system?

The pre-enrollment into the VA that you talked about certainly changes the projections for the out years as far as how many veterans would then choose the VA for their home for medicine. Is that policy change also incorporated into these out year budget projections?

Secretary Shinseki. Not at this point. We are still working on an agreement on how to do this.

I think for the vast majority the enrollment will be for identity and tracking purposes. The vast majority of youngsters who leave the service do not enroll with the VA for a variety of reasons but in later years find reasons to come back to us. And the challenge at that point is doing

all the kinds of things we could do now: identify, track and be ready to help with a claims submission in a way that we are not today.

Senator Burr. Many members brought up in their opening statements concerns as it relates to the VA's intent to raise revenue by billing insurance companies and charging them for the VA's care related I think of medical services even for service-connected injuries. Is that policy contained in this budget?

Secretary Shinseki. It is a consideration. A final decision has not been made yet, Senator, but it would fall into the category of what I would describe as risk. It is the risk we carry every year in third party collections.

Senator Burr. I appreciate your candor on this. It is an important matter to be finalized prior to understanding exactly whether the budget allocations are, in fact, correct and certainly as it relies on the out years when you are dealing with such small percentages of projected increase.

If, in fact, you give up a revenue stream as significant as that, and I think I would agree with Senator Murray. I think you will give that up. Then it makes those out years look even more problematic.

Mr. Secretary, I appreciate your commitment to using automation to help improve the disability claims process. I think we can all agree that a paperless claims process would

be a significant improvement, but automation alone may not be enough to significantly reduce the delays and frustrations experienced by many veterans seeking VA benefits. Do you agree that with the Independent Budget that the VA also needs to take steps to improve training, quality assurance and accountability, and, if so, does this budget allow you to accomplish those goals?

Secretary Shinseki. I agree with the comment on training and sustainment training for people who do this, and, yes, that kind of training is included.

Senator Burr. Mr. Chairman, my time is expired.

I challenged the VSOs several weeks ago, General, to start with a clean piece of paper and tell us how to design that process so that we would not have a backlog system, and I say for all of them that are here today I am still waiting for those plans. I know they are all working on them, but time is of the essence right now.

Thank you, General.

Secretary Shinseki. Just, Senator, I have made the same challenge to my people: If we are going to start with a clean slate here, how would you redesign the process? This is sort of trying to paint a moving train, but they owe me some answers as well.

Senator Burr. I think we may all be shocked at how close the ideas come.

Secretary Shinseki. I just would like to make one comment on the third party collections, and I know that the VSOs and I have personally had discussion on this. So I know there is a different perspective on this.

Health care delivery has two pieces. One is financing, and the other is the delivery of quality care.

What is not at issue here is the delivery, timely, highest quality care in the Nation and that we can provide. That is not a question here.

This is about financing, and that is where the dialogue continues.

Senator Burr. General, I believe you on that, and I believe that that is the mission of VA. I know you understand why I have to raise the issue when if you eliminate a built-in revenue stream that has gone into the projections for construction of the budget. You eliminate that.

When the last administration was in with a tremendous amount of liberty, individuals on this Committee questioned the accuracy of the last administration's budget. As a matter of fact, the President at the time talked about budget gimmicks in the last administration.

My attempt is to make sure that all of the items that are there to construct the budget are foundational. They do not go away with the wind. So if we are going to eliminate

some of them, let's eliminate them up front. Let's know what we are going to deal with. Let's have the transparency of the budget process, and I only encourage you to try to get the Administration to come to that conclusion sooner rather than later.

Secretary Shinseki. Okay.

Chairman Akaka. Thank you very much, Senator Burr. Now, Senator Murray, for your questions.

Senator Murray. Yes, thank you, Mr. Secretary. Can you tell us what the revenue impact of the third party billing proposal?

Secretary Shinseki. What the impact is?

Senator Murray. The revenue impact, yes.

Secretary Shinseki. Well, you know I usually have third party collections for non-service-connected. In the past, we have exceeded our targets. In 2008, I think we are at \$2.4 billion, and 2009 looks like it is going to be slightly above, maybe closer to 2.5.

Using that as a general start point, I would guess that something on the order of \$500 million is probably the target that would appear here.

Senator Murray. Right. Then we did have this discussion.

I just, again, tell you that I think our veterans already paid, and proposals that just simply balance the VA

budget on their backs are, you know, as far as I am concerned, dead on arrival. But, again, we will be looking for that, but I question the revenue impacts on that. So I am sure we will have more discussions if that proposal becomes real.

Secretary Shinseki. I am sure we will.

Senator Murray. Let me thank you on the Priority 8 veterans again. I think the best thing to do is to completely overturn the 2003 ban. I appreciate your moving forward with your target of 550,000 by 2013, but I will continue to work with you on that.

Secretary Shinseki. We will look at that en route and just make sure our metrics are right. Again, part of the decision here is to ensure we do not impact any other services we are providing. So if we can go faster, that is fine. If we have to slow down a little, the end state is still clear.

Senator Murray. Okay, very good. I appreciate that.

Let me ask you, the economy is number one on everybody's mind, and people are very concerned about it. I have been concerned, watching our veterans come home. We know that in 2007 the unemployment rate for veterans, 18 to 24, who served in Iraq and Afghanistan was considerably higher than the rate for non-veterans. I am assuming that trend is continuing.

As many of our veterans come home and transition into civilian employment, there is a lot of different Federal agencies that have different support services. The VA does, of course. DOL does, the Veterans Unemployment and Training Service. I am concerned about the complexity of that and wanted to know what your thoughts are on improving the transition for our veterans into civilian jobs and working with these other agencies to address some of the gaps.

Secretary Shinseki. Senator, I will tell you that this is one of those areas where I would describe lots going on, and yet I do not have my fingers around all of it. I am still discovering that there are programs out there, that in fact some of them are doing very well, others less so.

For the transition, I think it is fair to say, and the President has said it, so I will use his words, that veterans lead the Country in joblessness, homelessness, substance abuse, mental health problems. So that is a tall order because it is not one thing. It is a multiplicity of things. Some of them touch, some of them do not touch.

But I think, as was said earlier here, if we prevent homelessness, we have a much better chance of solving some of the other things. So the first order of business here is paying attention to that.

Secretary Donovan and I have met. We have met with the Coalition of Homeless Veterans Organizations,

representatives of some 20 organizations. We have committed to working together, he and I, with his opportunity to provide safe housing and my opportunity to prioritize how we get people in there. We look at that as sort of the first piece.

Once we have them safely housed, and families are included in our discussions, then we can begin the rest of this, talking about getting them off of whatever ailments they may have, substance abuse, get mental health treatments going and then talk about training for either education or jobs. For that, I will have to reach out to other departments much as I have with DOD.

And so, there is a lot of work to be done, but I think, as I say, it is a large issue. Lots going on. I am not sure all of it is well synchronized as we would like, and I intend to get into that.

Senator Murray. I appreciate that. Again, once we get the 2009 bill passed, hopefully tonight, we do have money in there for some pilot projects on homelessness. I agree with you, you got to have home in order to be able to go to work.

But I hope we can really begin to focus on some of the efforts to bring our agencies together to make sure that these young men and women come home and do not end up on unemployment rolls and really look at how we can get them into the job market.

A quick question: You used the words, brute force, on the claims backlog. I assume that means funding and staffing. Do you have adequate money for that brute force that you are going to need?

Secretary Shinseki. For 2009, that is clear. I am still waiting on a report that says we have to increase those numbers. This year alone, we hired another I think 1,100 people, 3,000 in the last two years. And so, we have right now 11,300 people doing this.

If I am going to increase those personnel assets in 2010, I want to see what the return on investment is going to be. Just adding people to this problem may not be the only approach, and so I need to press ourselves for doing this better, not just with more hands.

Senator Murray. Okay. Thank you very much.

Chairman Akaka. Thank you very much, Senator Murray.

And now I would like to call on Senator Graham for his questions.

Senator Graham. Thank you, Mr. Chairman.

General, I appreciate your serving your Country yet again. You have a tough job.

But when it comes to dealing with the claims backlog, there was a initiative I think a year ago or two years ago about looking at providing legal representation to our veterans as they pursue claims. How do you feel about that

proposal?

Secretary Shinseki. Senator, I would never stand in the way of a veteran seeking assistance in putting together the best claim he or she can put together so that we have the best shot of giving a quality decision quickly.

Senator Graham. I tell you what, why do not you, if you could, just have your people look at the proposal a couple years ago and just let me know what you think about that idea?

Secretary Shinseki. I would prefer that that not be on a paid basis.

Senator Graham. That what?

Secretary Shinseki. That that not be on a paid basis. I mean I think I am very comfortable with pro bono support, volunteer support for our veterans. But you know my primary responsibility is to help veterans.

Senator Graham. Would you feel that way about social security? Why should a social security recipient be entitled to paid representation and a veteran not?

Secretary Shinseki. I was not aware of that, Senator. I do not know that I have a good opinion today. But my job is to make sure that veterans have what they are entitled to with the least obstruction, and if they seek a legal advice on it, I think that is fine. I would hope that we could do this in a way that veterans could get what they deserve.

Senator Graham. Thank you.

How can 500,000 people being added to the system not impede care for some people? I mean are we so well staffed that you could add 500,000 Priority 8 veterans and it not hurt someone who has been permanently disabled or a severely paralyzed veteran in terms of the care they would receive?

Secretary Shinseki. I believe that, well, that is our intent. I do not know that I can give you an absolute here, but this is a process by which we grow to 550,000 over a period of time, and we will have to make those assessments as we go.

Senator Graham. And the only reason I raise that is I guess I would be. Well, income-wise I would not be eligible.

But if you believe that organizations cannot be all things to all people and you serve as many as you can, and the military is sort of a triage system here, that we want to make sure that those who have been most severely injured and have the highest medical needs are taken care of. So we will just cross that bridge when we get there.

The one thing about expanding coverage in terms of the people you treat, something usually has to give unless you just continue to increase the size of the organization, and that is something I would like to talk with you as we get into this.

Secretary Shinseki. Sure.

Senator Graham. Have you looked at Senator Dole-Secretary Shalala proposals about how we would go forward in terms of claims and compensation?

Secretary Shinseki. Yes, I have.

Senator Graham. What was your view of that?

Secretary Shinseki. Well, frankly, it was one of several views that are being looked at. We have another, the Scott Commission's views that provided similar recommendations. What I have asked for is a harmonizing of these reports out of multiple studies on the same subject and find where there is common ground.

Senator Graham. But that will be part of the study mix, their proposal?

Secretary Shinseki. That is correct.

Senator Graham. Have you heard of the Charleston model of where the Medical University of South Carolina and the VA hospital in Charleston are trying to build a new hospital in collaboration?

Secretary Shinseki. I am aware, yes.

Senator Graham. Does that sound like a reasonable proposal as we go forward to improve health care for veterans?

Secretary Shinseki. I think, well, we are reviewing all of our major construction initiatives.

Senator Graham. I would really encourage you to do that because there are a lot of teaching hospitals, university hospitals, private organizations that serve veterans, that if you combined the two funding pools you would have a better service for the veteran and get more bang for your buck. The goal is to add to, not take away. So I appreciate your looking at that.

Secretary Shinseki. We do that now, Senator. About 108 of our 153 hospitals are affiliated with the medical centers.

Senator Graham. I am talking about as we construct new ones.

Secretary Shinseki. Right.

Senator Graham. And I think you can get a bigger hospital to help veterans as well as the people in the area.

One last question, you said something to me that was pretty intriguing, that you have been able to manage the health care costs of the veteran population significantly without the inflationary costs associated with Medicare. Medicare has grown in terms of health care inflation much faster than the VA.

What would you say would account for that and would you be willing to go to the Medicare people and talk to them? We will pay your mileage.

Secretary Shinseki. This is an area that has a little

bit of debate because part of the cost factor was some lean budgets. So you can say it was induced, but out of that came some tough decisions on what we could, what we would keep, what we had to sort of put on the back burner or discard. And so, for a variety of reasons, not just the electronic health record, our costs were maintained, slightly reduced in a period of time when others, to include Medicare, were increasing by 26 percent.

What are the things I am talking about?

Prior to 1997, patient records were available to doctors about 60 percent of the time, which mean the other 40 percent either a doctor's time arriving at a patient's bedside nothing could happen or maybe even worse--flying by the seat of our pants. That has changed. A hundred percent of our records are available all the time now.

In 1996, we lagged industry in providing pneumonia vaccine to patients over 65, something around 28 or 29 percent. Today, we are at 94 percent and leading industry.

So, in terms of delivering quality health care when needed, at the appropriate time, without a lot of repeats, without a lot of tests being redone because we did not know what was in the system, we have been able to reduce costs.

Senator Graham. One final comment, I have been following this like most people on the Committee and being a military member myself, pretty closely, and the number of

complaints about veterans' health care, at least in my State, has gone down. I am sure there are problems.

But one thing I want you to tell the people that work for you, particularly in the hospitals and the service organizations and our VSOs, I think we have the best system in the world and do not ever lose sight of that. I would like to make it better, but there are a lot of complaints always talked about in Congress. But to those people working in the VA, I think you do a heck of a job.

And you are the right guy at the right time, I agree with that. Thank you very much.

Secretary Shinseki. Thanks, Senator.

Chairman Akaka. Thank you very much, Senator Graham.

Now we will have questions from Senator Tester.

Senator Tester. Thank you, Chairman Akaka.

And I want to echo those remarks of Senator Graham in that your people do great work. We always need to continue to look for ways to improve the system, as I know you do, but the truth is I get a lot of positive comments from the veterans back in Montana about the health care that they receive.

That being said, just very quickly, could you tell me your perspective on Priority 8 vets as to why you think they should be in the system?

Secretary Shinseki. Well, for one thing, Senator, they

are part of our veterans' programs.

I mean the fact that they have not been serviced for the past eight years does not mean they are not veterans. They are veterans. They are part of our system. They have entitlements based on economics and location. And given the current economic situation, I think the stress on all of our veterans is even greater. Therefore, I look forward to taking care of this part of our responsibility.

Senator Tester. I appreciate your commitment to them. I agree with you wholeheartedly. I guess I am going to push in a little different direction in that the program here talks about a five-year schedule to get the Priority 8s into the system. Is there any way it could be done quicker than that, say two to three years?

Secretary Shinseki. We will certainly look at that, Senator.

I would just say again, bringing Priority 8s on is a function of ensuring that what we do today remains at the high quality for the variety of services we provide. So it is a rheostat. We will do it faster if we can assure these other things remain at high quality.

Senator Tester. I appreciate that, General.

The 2009 VA Appropriations Bill provide about \$250 million for rural health initiatives. We know where some of the dollars are going. Is it possible, and I do not expect

you to do that today unless you know, to get an update on where all the money is going for rural health initiatives?

Secretary Shinseki. Certainly, I would like to provide that once I have more detail.

Senator Tester. That would be good. I am sure, as well as Montana, other rural States including Alaska would love to know that.

Secretary Shinseki. I can certainly provide the 2009 priorities now.

Senator Tester. In how the money is being utilized?

Secretary Shinseki. That is correct.

Senator Tester. That would be great.

You talked about electronic health records pretty extensively in your opening statement and the benefits for moving forward with that with the DOD. I guess the question is have we allocated enough resources to meet the needs of that transition, number one? And, number two, has your conversations with the higher-ups in the DOD indicated a willingness to work with you?

Secretary Shinseki. Yes. Yes, there is agreement that uniform registration makes sense and that a single electronic record is something we need to go to work on. As in all things, the devil is in the details here on exactly what that constitutes. But, yes.

Senator Tester. Okay. Have we fully funded the mental

health diagnosis and treatment to this point to your knowledge?

Secretary Shinseki. I believe so. I can tell you we are doing it, and I would say yes, we have funded it.

Senator Tester. Okay. Kind of along those lines as long as I have about a minute left here, could you give me any indication as to what, if anything, the VA is doing to track mental health concerns amongst our military folks who are in your system?

Secretary Shinseki. You are talking OIF/OEF returnees?

Senator Tester. Yes, specifically, those and if you want to talk more generally, that is fine because there are issues that revolve around the previous wars too.

Secretary Shinseki. I would say that we participate with DOD and have participated with them in assessments that they do since 2005. Through our joint work, over 93,000 referrals have taken place.

Senator Tester. Go ahead.

Secretary Shinseki. We are participating in demobilization enrollment for our Reserve component personnel in terms of these are OIF/OEF transitions.

Senator Tester. Yes.

Secretary Shinseki. And so, we are actively engaged in that. Let me just give you some. For example, we now have 18,000 full-time equivalent staff, \$4 billion going to

mental health programs, and we are interviewing veterans, returnees from Iraq and Afghanistan.

Either when they come in for services from us, we screen them or we have called them, phone calls in the number of 600,000. We have only gotten about 150,000 responses, but we continue to work that. We are outreaching to this population.

Senator Tester. If I just might, Mr. Chairman.

There is a program that deals with Reservists and Guardsmen. It is a pilot program in five States called Beyond the Yellow Ribbon. Are you familiar with that program at all?

Secretary Shinseki. I am, yes.

Senator Tester. Good. Do you think that that program has enough merit to be implemented at least initially with Guardsmen and Reservists throughout all 50 States?

Secretary Shinseki. I will have to look at that, but, yes, I think there is merit to the program. When you say all 50 States--

Senator Tester. Okay. And when you are looking at that, see if you think it has merit for Active Duty too.

The reason I say that is because we had a hearing here two or three weeks ago that the Chairman called that dealt with mental health issues. It requires screening every six months for two years after they are out, and it takes away

the stigma, I think. It really does help folks that serve that could quite honestly get screwed up and helps get them treatment when they need it early and saves money over the long haul.

General, I want to thank you for being here today. I really appreciate your testimony and your perspective and your leadership in the VA. Thank you.

Secretary Shinseki. Okay. Thank you.

Chairman Akaka. Thank you very much, Senator Tester.

Now we will have Senator Begich ask his questions.

Senator Begich. Thank you, Mr. Chairman.

Just a couple, I want to do a little follow-up. I know Senator Graham had some questions regarding the claims, and I thought maybe, I do not know if it was when we were talking about it. But of the claims that are filed for disability and services, what is the percentage of approval rate?

In other words, after they go through a process, maybe the short process. In other words, right when they come in the door or they go through an appeal process, what is it usually?

Secretary Shinseki. Well, I think the stats I have looked at say that of a set of claims that are handled, 90 percent of them are accepted. In other words, whether it was an approval or a declination, 90 percent do not result

in an appeal. About 10 percent do.

Now, of that 90 percent, 2 years down the road someone may have another.

Senator Begich. Additional.

Secretary Shinseki. Yes, another opportunity to reinitiate. That is why the backlog issue is complex because you have all these factors playing in each case.

Senator Begich. I know when we talked, we talked a lot about system changes and system improvements. Is there a process you are going through to not only look at the data of claims, but are there systematic issues that it seems like there is a certain group we are just routinely approving at some point anyway, that maybe there is a front end improvement that could be done so they do not go down this long process? Am I making sense there?

Secretary Shinseki. Right. There are claims that have two or three or there are cases that have two or three or maybe up to five or six cases associated with it, and if one of those claims, would it result in immediate payment, we start that. Then we work through the other issues. We do not do this as well as I would like. We need to continue doing that.

But this whole area of the claims backlog is something that I have taken on, and I will get into it.

Senator Begich. Great. With the GI system, and I know

you have mentioned to me and I know here on the Committee that it is a tight time frame to get to where you need to be?

Secretary Shinseki. Right.

Senator Begich. And you will be a kind of automated/manual combo this year and then next year to try to get to a full automation.

I think you answered yes, but I want to confirm. Does the 2010 budget give you enough resources to get to full automation as you see it or do you think you might have to have an adjustment after you go through this first kind of six months or whatever that period might be where you have the combo?

Secretary Shinseki. Yes. We are setting those numbers now, but, yes, my intent is to have an automation program funded for 2010.

Senator Begich. Okay. So the resource is in the budget itself. That is the hope.

Secretary Shinseki. It will be.

Senator Begich. That is a good attitude.

I do not know the debate, and I am afraid to get to it because it sounds like both Majority and Minority members do not you want to do this. So I am afraid to ask about it, but it is such a big number on the third party collection issue. If I got the numbers right, and I know you were just

kind of ranging them because you did not have the document right in front of you, but you thought it was around \$500 million.

Secretary Shinseki. That is an estimate based on collections I have done in the past. We have been collecting for non-service-connected disabilities for a number of years now. Since 2004, that account has grown from \$1.7 billion to \$2.4 billion last year. So we have exceeded our targets each year.

Senator Begich. Can you give me just a brief, and again I do not want to get into the great debate on this one at this point, but on what some of the discussion might be around it? Why? Because it is hard always in these formats to get that kind of discussion.

If you do not want to do that right now, that is fine.

Secretary Shinseki. Well, it is a consideration. It is under consideration, and I would say the basis is the same for non-service-connected disabilities that are currently approved and we are collecting on, and it is to see whether or not there is a contribution from insurance companies that makes sense.

Senator Begich. In the budget proposal, and you have heard some of the discussion already, I mean will you have some opportunity if you do include this, an option if not included and what kind of service reduction and/or other

revenue sources? I mean will that be part of the discussion if you go down that path?

Secretary Shinseki. I intend for it to be.

Senator Begich. Okay. Great.

I know my time is up, Mr. Chairman, but again thank you very much.

Thank you for your time that you spent with me. Thanks for coming to the Committee meeting and presenting. I know there will be a lot of discussion, especially around rural health care.

Secretary Shinseki. Yes.

Senator Begich. Thanks.

Secretary Shinseki. Thanks, Senator.

Chairman Akaka. Thank you very much, Senator Begich.

Mr. Secretary, I continue to have concerns about the effectiveness of VA's outreach, its outreach efforts especially as it applies to those who suffer from PTSD and TBI. This is especially true for those National Guard and Reserve members who live in rural areas. Will you please explain how the proposed budget addresses improving the effectiveness of VA's outreach efforts?

Secretary Shinseki. Well, Senator, I indicated that we are outreaching to OIF/OEF veterans as they return. Both with DOD and in particular with Reserve component units, we have participated at their demobilization, within their

demobilization process, this contact. We have 27 VHA liaison personnel at DOD hospitals, at 13 of the DOD hospitals to facilitate this outreach and transition.

We in the VA have contacted OEF and OIF veterans who have enrolled with us, and there are a number who have not enrolled with us. But for the ones who have enrolled with us, we put them through a PTSD/TBI screen, so we have some sense of what the impacts from combat are or traumatic experiences are even though they are not carried as PTSD or TBI accounts. We are coming up with patients.

We have also reached out to about 630,000 veterans, as I indicated, and have spoken with about 150,000, trying to get them to come in and talk to us at VA health care.

We have PTSD clinical teams or specialists at each of 153 medical centers and many of our larger community-based outpatient clinics--so, professional people onsite.

We have provided training to over 1,200 providers in evidence-based psychotherapy.

A key element of our treatment has been to move mental health into the primary care area of the hospital to reduce the stigma of folks not wanting to be seen going into the mental health. So, in the primary care area, we have included mental health, and we have included training of primary care personnel in how to get into the discussion here and begin to identify people that may need follow-up

and then get them into the professional care. By and large, other efforts to increase awareness and access to mental health.

For us, PTSD increased. From fiscal year 2009, 120,000 people were carried on our rolls with PTSD issues to 342,000 veterans as of September of last year--so, a significant growth in PTSD.

About 23 percent of returning OEF and OIF veterans who come to VA have received a preliminary diagnosis of PTSD, and about 50 percent of those with any mental health diagnosis. Our standards have been initial evaluation within 24 hours, with immediate urgent care where needed, and a full evaluation and treatment plan initiated within 14 days for people who have been validated for PTSD.

In terms of TBI, we have been involved with TBI for about 15 years and have just learned more as a result of the ongoing operations. Early intervention and specialized care can reduce physical and cognitive impairment. So the sooner we identify and get into this makes a huge difference.

Since April, 2007, any OEF/OIF veteran seen by a VA health care provider is screened. If the screen is positive, again, the veteran is referred for an evaluation by a specialized team.

Through fiscal year 2008, 235,000 OIF/OEF veterans were screened. About 43,000 of them came up with indications for

follow-up, possible TBI; 28,000 received follow-up evaluations; 12,000 confirmed with diagnosis of TBI. About 10,000 were not validated, and we still have about 5,000 follow-ups to do.

So we are doing this, but not as quickly as we would like. We are reaching the veterans who enroll with us, and I cannot give you data for the veterans whom we are not able to contact, which goes back to the earlier discussion about why this automatic enrollment becomes important, and now we have a wider safety net where we can begin to get a better assessment on the larger problem.

Chairman Akaka. Mr. Secretary, you indicated that the quick-look study of VA's plans for implementation of the new GI Bill. I just want to ask a question on that. That was completed at the end of February and identified eight high-risk areas that needed to be addressed. Could you expand on what those areas are and how they are being addressed and, especially, how one of the eight was addressed in-house?

Secretary Shinseki. The eight were: No single executive with authority over the integrated product team, and I have fixed that by appointing. The recommendation was that I hired somebody from outside. I thought the amount of time to take someone from the outside to come in and learn what we were trying to do is probably time I could not afford. So I appointed someone from within my organization

as the expediter here with those authorities.

The other observations were: Regulations were not complete. They are now complete.

No critical path defined for milestones. That is in the process now of laying out. The milestones are clear. It is identifying a critical path.

Training materials, not complete. Training started yesterday. So we completed. In the time between when the survey started and ended, we have now completed our training materials.

Call center telephone structure, inadequate. That, I do not have a final response on, and I will look into that.

The phase one of the front-end tool is compromised due to limited resources, short development time, unstable requirements. All of that is true. But we are where we are, and we are working to improve on those things. Phase one training began yesterday, and so I will no more as training evolves.

Workflow to support BDN changes is inefficient. We will do better.

Not all DOD data required to determine eligibility may be readily available. That is being corrected.

So those were the eight items.

The one was the hire an expediter and put them in charge of the process. I have appointed somebody to do

that.

Chairman Akaka. I was very interested in your comments about your schedule in putting the GI Bill into effect, and we are looking to the fall as you are in trying to implement that.

I have been pleased with the efforts of the joint VA and DOD Senior Oversight Committee, and I am encouraged that you and Secretary Gates have continued these efforts and recently co-chaired the SOC yourselves.

Secretary Shinseki. Yes.

Chairman Akaka. Would you please address how this budget will improve the level of collaboration and cooperation between VA and DOD?

Secretary Shinseki. I am not sure there will be a direct impact on the budget, but I will tell you there is a direct impact of Gates and Shinseki taking responsibility for the SOC. The reason we held the first meeting was that both he and I were without deputies who would normally chair this. I am still without a deputy. And so, we will have the second meeting. He has agreed to co-chair it with me even though his new deputy has arrived.

At some point, we will transition that over to our deputies, but for the time being he and I have accepted responsibility for conducting the SOC, setting the agenda and providing vectors for what we would like to accomplish.

I shared some of those priorities with you.

Chairman Akaka. Secretary, I have no other questions. But let me ask, do you have any further questions?

As we may do, we might put some of these questions in the record for you. So, Secretary Shinseki, once we see the details on the budget, we will have more questions. Perhaps we will submit them in writing or perhaps, who knows, maybe have another hearing on this another time.

So, for now, I want to thank you so much for your testimony, your responses to all our questions. We look forward to continuing to work with you. Of course, we want to wish you well, with much aloha.

Secretary Shinseki. Thank you, Mr. Chairman.

Thank you, Senator.

Chairman Akaka. I welcome our second panel of witnesses.

First, I welcome Carl Blake, the National Legislative Director of the Paralyzed Veterans of America.

I also welcome Kerry Baker, Assistant National Legislative Director for the Disabled American Veterans.

I welcome Raymond Kelley, National Legislative Director of AMVETS.

I would also like to welcome Dennis Cullinan, National Legislative Director for Veterans of Foreign Wars.

We have Steve Robertson, Director of the National

Legislative Commission of the American Legion.

And, finally, we have Rick Weidman, Director of Government Relations of Vietnam Veterans of America.

A very warm welcome to all of you and warm aloha to each of you.

Mr. Blake will begin, and then we will move down the table in order. The Independent Budget will have 20 minutes total to make its presentation. The American Legion and Vietnam Veterans of America will be recognized for five minutes each. Your prepared remarks will, of course, be made part of the hearing record.

So, Mr. Blake, will you please begin?

UNCORRECTED COPY

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

Mr. Blake. Thank you, Mr. Chairman.

Chairman Akaka, Senator Tester, on behalf of the co-authors of the Independent Budget, PVA is pleased to be here today to present our views on the fiscal year 2010 funding requirements for the Department of Veterans Affairs health care system.

First, Mr. Chairman, I would like to say thank you to your staff and also to Senator Burr's staff for affording us the opportunity about a month ago to go through a lot of the nuts and bolts of the Independent Budget already. So we have had a good opportunity to work with them already to begin developing as we go forward the 2010 numbers.

We are pleased to see that the initial information provided by the Administration suggests a very good budget for fiscal year 2010. The discretionary funding levels provide for what would truly be a significant increase. However, we will withhold final judgment on the budget submission until we have much more details about the 2010 budget.

For fiscal year 2010, the Independent Budget recommends approximately \$46.6 billion for total medical care, an increase of \$3.6 billion over the fiscal year 2009 operating budget level.

Our recommendation includes approximately \$36.6 billion for medical services. Our medical services recommendation includes approximately \$34.6 billion for current services, \$1.2 billion for projected increase in patient workload and \$800 million for policy initiatives.

The policy initiatives include \$250 million, approximately, for mental health needs and expansion of that area, \$440 million to bring the long-term care capacity level in the VA up to the mandated level of the Millennium Health Care Act and approximately \$100 million additional for centralized prosthetics funding.

For medical support and compliance, the IB recommends approximately \$4.6 billion, and for medical facilities we recommend approximately \$5.4 billion. This amount includes an additional \$150 million for nonrecurring maintenance for the VA to begin addressing the massive backlog of infrastructure needs beyond those addressed through the recently enacted Stimulus Bill.

And I would like to offer our thanks as well to the Committee and to Congress as a whole for the funding that was provided in the Stimulus Bill directed at infrastructure needs in the VA because it is certainly a critical need.

The IBVSOs contend that despite the recent increases in VA health care funding, VA does not have the resources necessary to completely remove the prohibition on enrollment

of Priority 8 veterans who have been blocked from enrolling in the VA since January of 2003. However, we certainly believe that it is time for the VA and Congress, along with our assistance, to develop a workable solution to allow all eligible Priority Group 8 veterans to begin enrolling in the system.

For medical and prosthetic research, the Independent Budget recommends \$575 million. This represents a \$65 million increase over the fiscal year 2009 appropriated level. We are particularly pleased that Congress has recognized the critical need for funding in the medical and prosthetic research account in the last couple of years. Research is a vital part of veterans' health care and an essential mission for our national health care system.

Mr. Chairman, we would like to express our sincere thanks for your introduction of S. 423, the Veterans Health Care Budget Reform and Transparency Act. Moreover, we would like to extend our thanks to the members of the Committee who have agreed to co-sponsor this important legislation, including Ranking Member Burr. This funding mechanism will provide an option that the IBVSOs believe is politically more viable than mandatory funding and is unquestionably better than the current process.

Finally, Mr. Chairman, I would like to express PVA's serious concerns that we have regarding the policy proposal

that has already been discussed here today, that we have been told may be included in the Administration's budget submission later this year, and that may be one of the factors that allow for the budget increase in the fiscal year 2010 numbers released on February 26.

As mentioned, we have been told that they may be considering a proposal that would allow the VA health care system to bill a veteran's insurance for the care and treatment of a disability or injury that was determined to have been incurred in or the result of the veteran's honorable military service to our Country. I think some of the comments made already here today sort of affirm our worst fears in that respect.

Such a consideration from our community, I think I am free to say, is wholly unacceptable as evidenced, hopefully, by the letter that you received from 11 service organizations including PVA and I believe everyone seated here at the table, outlining our concerns.

This proposal simply ignores the solemn obligation that this Country has to care for those men and women who have served this Country with distinction and were left with the wounds and scars of that service. The blood spilled in service to this Nation is the premium that they have already paid for that care. While we understand the fiscal difficulties this Country faces right now, placing the

burden of those fiscal problems on the men and women who have already sacrificed a great deal for this Country is unconscionable.

We strongly urge you to investigate whether such a proposal is being considered, which I think we have already gone down that road today, and to forcefully reject it if it is brought before you in April.

Mr. Chairman, this concludes my portion of the testimony on behalf of the IB, and I would be happy to take any questions you have.

[The prepared statement of Mr. Blake follows:]

UNCORRECTED COPY

Chairman Akaka. Thank you very much, Mr. Blake.
Mr. Baker.

UNCORRECTED COPY

STATEMENT OF KERRY BAKER, ASSISTANT NATIONAL
LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Baker. Aloha, Mr. Chairman, members of the Committee. It is a pleasure to be here today on behalf of the Independent Budget.

Today, I will focus on issues affecting the Veterans Benefits Administration. On behalf of VBA, we have come before you for many years, requesting additional funding to reverse its chronic history of understaffing. You have answered that call. In just the past few years, VBA has hired over 3,000 additional claims processors. More continue to be hired as we speak.

This year, the IBVSOs recommend that Congress adopt both short and long-term strategies for improvements, strategies focused on VBA's IT infrastructure as well as the claims and appeals process. We are also seeking improvements in training, accountability and quality assurance.

To improve the claims process, VBA must do more to upgrade its IT infrastructure. It must also be given flexibility to manage those improvements.

Despite the growing problems in the claims process, Congress has steadily reduced funding for IT initiatives over the past several years. In fiscal year 2001, Congress provided \$82 million for IT initiatives. By 2006, that

funding had fallen to \$23 million.

Congress has, however, noticed the disconnect between IT and improvements in claims processing. Section 227 of the Veterans Benefits Improvement Act of 2008 places new requirements on VBA to closely examine all uses of current IT and comparable outside IT systems with respect to claims processing. Following that examination, VBA is required to develop a new plan to use these and other relevant technologies to reduce subjectivity, avoid remands and reduce variances in VA regional office disability ratings.

Section 227 will require VBA to examine IT systems that it has been attempting to implement and improve for years. We believe that examination will reveal that progress has been impeded due to lack of directed funding to underwrite IT development.

The IBVSOs believe a conservative increase of at least 5 percent annually in IT initiatives is warranted. VA should give the highest priority to the review required by the Benefits Improvement Act of 2008 and double its efforts to ensure these ongoing initiatives are fully funded and accomplish their goals.

Further, the Secretary should examine the impact of IT centralization under the CIO and, if warranted, shift appropriate responsibility for their management from the CIO to the Undersecretary for Benefits.

Additionally, as long stated by the IBVSOs, the VA must invest more in training adjudicators and decisionmakers. It should also hold them accountable for higher standards of accuracy. The VBA's problems caused by a lack of accountability do not begin in the claims development and rating process. They begin in the training program. The lack of accountability during training reduces or even eliminates employee motivation to excel.

The VA should undertake an extensive training program to educate its adjudicators on how to weigh and evaluate medical evidence and should require mandatory and comprehensive testing by all trainees as well as the claims process and appellate staff.

In addition to training, accountability is a key to quality. However, there is a gap in quality assurance for purposes of individual accountability and decisionmaking. In the STAR program, the sample drawn each month from a regional office workload is simply too inadequate to determine individual quality.

The Veterans Benefits Improvement Act of 2008 requires VA to conduct a study on the effectiveness of the current employee work credit system and work management system. The legislation requires VA to submit a report to Congress which must explain how to implement a system for evaluating VBA employees no later than October 31st, 2009. This is an

historic opportunity for VA to implement a new methodology, a new philosophy by developing a system with a primary focus on quality through accountability. Properly undertaken, the outcome would result in a new institutional mindset across VBA, one that achieves excellence and changes a mindset focused on quantity to one focused on quality.

The IBVSOs believe the VA's upcoming report must concentrate on how the VA will establish a quality assurance and accountability program that will detect, track and hold responsible those employees who commit errors. VA should generate this report in consultation with the veterans Service organizations most experienced in the claims process.

That concludes my oral statement, and it has been an honor to give it to you today.

[The prepared statement of Mr. Baker follows:]

UNCORRECTED COPY

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

UNCORRECTED COPY

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

Mr. Kelley. Good morning, Mr. Chairman. Thank you for inviting AMVETS to testify on behalf of the Independent Budget today.

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

In fiscal year 2008, \$195 million was appropriated for the operations and maintenance of NCA, \$28.2 million over the Administration's request, with only \$220,000 in carryover. NCA awarded 39 of 42 minor construction projects that were in the operating plan. The State Cemetery Grants Service awarded \$37.3 million of the \$39.5 million that was appropriated. Additionally, \$25 million was invested in the National Shrine Commitment.

NCA has done an exceptional job of providing burial options for 88 percent of all veterans who fall within the 170,000 veterans within a 75-mile radius threshold model. However, under this model, no new geographic area will become eligible for a National Cemetery until 2015. An analysis shows that the five areas with the largest veteran population will not become eligible for the National Cemetery because they will not reach the 170,000 threshold.

Lowering the population threshold to 100,000 veterans would immediately make several areas eligible for a National Cemetery regardless of any change of the mile radius threshold, and a new threshold model must be implemented, so more of our veterans will have access to that earned benefit.

The Independent Budget recommends an operations budget of \$241.5 million for NCA for fiscal year 2010, so it can meet the increasing demands of interments, gravesite maintenance and related essential elements of cemetery operations. Congress should include as part of the NCA appropriations \$50 million for the first stage of a \$250 million 5-year program to restore and improve the condition and character of the existing NCA cemeteries.

The Independent Budget recommends that Congress appropriate \$52 million for the State Cemetery Grants program. This funding level will allow the program to establish six new cemeteries that will provide burial options for 179,000 veterans who live in regions that currently have no reasonable access to State or National Cemeteries.

The national average cost for a funeral and burial in private cemeteries has reached \$8,555, and the cost for a burial plot is \$2,133. 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 veterans who live outside the threshold, the service-connected burial benefit should be increased to \$6,160. Non-service-connected veterans burial benefits should be increased to \$1,918, and the plot allowance should be increased 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 will be \$2,793. The amount provided for non-service-connected burial will be \$854, and the plot allowance will be \$1,150.

This will provide a burial benefit at equal percentages based on the average cost for a VA funeral and not on a private funeral cost that will be provided for those veterans who do not have access to a State or National Cemetery. The new model will provide a meaningful benefit to those veterans whose access to a State or National Cemetery is restricted as well as provide an improved benefit for eligible veterans who opt for private burial.

Congress should also enact legislation to address these burial benefits for inflation annually.

This concludes my testimony, and I am happy to answer any questions you may have.

[The prepared statement of Mr. Kelley follows:]

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

UNCORRECTED COPY

STATEMENT OF DENNIS CULLINAN, NATIONAL LEGISLATIVE
DIRECTOR, VETERANS OF FOREIGN WARS

Mr. Cullinan. Aloha, Chairman Akaka.
Chairman Akaka. Aloha.

Mr. Cullinan. It is a pleasure to be here again today. On behalf of the IB group and the men and women of the Veterans of Foreign Wars, I want to thank you for including us in today's most important discussion.

I will be limiting my remarks today to the construction portion of the IB.

VA's most recently asset management plan provides an update of the state of CARES projects including those only in the planning of acquisition process. They show a need for future appropriations to complete these projects of \$2.193 billion. Meanwhile, VA continues to identify and reprioritize potential major construction projects.

In a November 17th, 2008 letter to the Senate Veteran Affairs Committee, then Secretary Peake said the Department estimates that the total funding requirement for the major medical facilities 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 its construction priorities. VA's own words show this.

In light of these things, the IB recommendation for major construction is a total \$1.123 billion, and for minor

construction we are requesting \$827 million for the minor construction portion.

With respect to nonrecurring maintenance, for years, the IB has highlighted the need for increased funding for the nonrecurring maintenance account. Projects in this area are essential because, if left undone, they could really take a toll on a facility, leading to more costly repairs in the future and the potential of need for a minor construction project. Beyond the fiscal aspects, facilities that fall into disrepair can create access difficulties and impair patient and staff health and safety, and if things do develop into a larger construction project because early repairs were not done, it creates an even larger inconvenience and problem for veterans and staff.

With respect to nonrecurring maintenance, the VA must dramatically increase the nonrecurring maintenance in line with a 2 percent to 4 percent total that is the industry standards so as to maintain clean, safe and efficient facilities. That means VA needs an interim budget of at least \$1.7 billion. Portions of the NRM account should continue to be funded outside of VERA as we have recommended in the past and as Congress has done so that funding is allocated to the facilities that actually have the greatest need for maintenance and repair.

Congress should also consider the strengths of allowing

VA to carry over some of the maintenance funding from one fiscal year to another so as to reduce the temptation the some VA hospital managers have of inefficiently spending their nonrecurring maintenance money at the end of the fiscal year. For the past several years, in the last quarter, approximately 60 percent of NRM funds are expended. That is just not very efficient.

VA must also protect against deterioration of its infrastructure and a declining capital asset value. The last decade of underfunded construction budgets has meant that VA has not adequately recapitalized its facilities. Recapitalization is necessary to protect the value of VA's capital assets through the renewal of physical infrastructure. This ensures safe and fully functional facilities long into the future. VA's facilities have an average age of 55 years, and it is essential that funding be increased to renovate, repair and replace these aging structures.

VA must also maintain its critical infrastructure. We are concerned with VA's recent attempts to back away from the original infrastructure blueprint laid by CARES, and we are worried that the plan to begin widespread leasing and contracting for inpatient services would not meet the needs of veterans. To summarize a point here, it comes down to an issue of providing proper services and care to veterans, and

it has been pointed out earlier to maintaining VA's own capacity to maintain cost control.

VA is a very efficient and effective provider of VA health care. That is one of the reasons we believe that the system is certainly not spending out at the rate of Medicare. It is a health care provider, and it provides the bulk of this through its own facilities and through its own resources. It is essential that they continue in this vein.

The last thing I will touch on here is VA research infrastructure funding shortfalls. In recent years, funding for VA medical and prosthetic research has failed to provide the resources needed to maintain and upgrade and replace VA's aging research facilities. Many VA facilities have exhausted their available research space.

Mr. Chairman, this is certainly something that needs to be addressed, and that concludes my statement.

[The prepared statement of Mr. Cullinan follows:]

UNCORRECTED COPY

Chairman Akaka. Thank you very much, Mr. Cullinan.
Now we will have the statement from Steve Robertson.

UNCORRECTED COPY

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

Mr. Robertson. Aloha, Mr. Chairman.
Chairman Akaka. Aloha.

Mr. Robertson. Thank you again for the opportunity for the American Legion to present our views on President Obama's top-line budget request for fiscal year 2010. I guess the best explanation of our support is the letter we sent to the White House, applauding them for the top-line number that they provided us, and we look forward to getting the multivolume breakdown as to the specifics of that budget request.

I also would be remiss if we did not thank you and your colleagues for getting the fiscal year 2009 budget done on time at the start of the fiscal year. I am sure that in this transition between administration, Secretary Shinseki's job was a little bit easier when he looked around the cabinet table and saw how many of his colleagues are still waiting on their budget. We have all been there, and we understand what they are going through.

On the same note, I want to thank you for your introduction of the advance appropriations legislation. We have been disseminating that information around to our grassroots folks, trying to muster up additional co-sponsors for that legislation both here and in the House, and it is

being very well received.

I would also like to thank you and your colleagues for the contributions to the veterans with the veterans provisions in the stimulus package. A lot of those are right on time. We are hoping that they are fully implemented. I think that they will make a difference.

In looking at the specific outlines of initiatives that the President has outlined in his budget, we were very pleased to see some of the issues that were addressed--the increase, obviously, in the overall funding for the next five years.

The allowing more Priority Group 8 veterans in to the system, I think this is even going to be more critical in an economic downturn when many people may be losing their health care coverage in the private sector, and the VA may be their health care choice of last resort. For those folks, they will really be grateful to be able to come into the system.

You know one of the things we have always been concerned about with the Priority Group 7s and 8s, those veterans earned their access into the system because of their military service, not because of their income. Nobody asked them their income when they came in. Nobody asked them their income when they left. So it should not be a defining factor as to whether or not they get into the

system or not. Especially when you talk to World War II veterans that fought in North Africa or landed in Normandy or fought at the Battle of the Bulge, they do not understand why that with their fixed income now in their retirement years, that they cannot access the system.

I also want to remind you that back in September we provided testimony addressing specifically the 2010 budget, and we still stand by those recommendations. Hopefully, we think that may have influenced some of the Administration's decisions as well.

Mr. Chairman, I want to apologize for our concluding statement. It seemed that somebody was really thinking of advance funding, and they have some mistakes in the years that we have identified for funding.

But the one thing we were going to ask is that the budget resolution, when it is being compiled, that they give us the advance appropriations in that budget resolution for 2011 as well, just to set the tone. It does not require legislation for them to be able to do that, but it would be a nice gesture. Since we already have the out years already figured out in the President's budget request, they can do it as well there.

Mr. Chairman, again, I thank you for the opportunity for us to be able to testify. We look forward to working with you and your staff and your colleagues in making sure

that the VA is adequately funded.

I do want to make one closing comment on the concept of the third party billing for service-connected disabilities. When I first heard it, I was appalled. I could not believe that anybody would ever think that Great-West or Prudential or Aetna or any of the insurance companies had an obligation to take care of the men and women who have service-connected disabilities. None of those insurance companies sent us into combat. None of those insurance companies put us in harm's way and should not be held responsible for the health care.

Finally, I do not think that they thought through the process of the adverse impact this would have on the service-connected disabled veteran and their family. Some insurance companies have caps that could be quickly met if they were having to reimburse for service-connected disabilities, which would leave their family members kind of on the outs of not being to access the care.

It would also affect premiums to where it may not be affordable especially for veterans that are self-employed or ones that are on fixed incomes and just cannot see the ability to make that kind of a payment to secure the insurance.

This would be a terrible, terrible mistake, and I think it needs to be seriously looked at.

Thank you, Mr. Chairman.
[The prepared statement of Mr. Robertson follows:]

UNCORRECTED COPY

Chairman Akaka. Thank you very much, Mr. Robertson.
Now we will hear from Rick Weidman.

UNCORRECTED COPY

STATEMENT OF RICK WEIDMAN, DIRECTOR OF GOVERNMENT
RELATIONS, VIETNAM VETERANS OF AMERICA

Mr. Weidman. Aloha, Mr. Chairman.
Chairman Akaka. Aloha.

Mr. Weidman. Thank you for the opportunity for Vietnam Veterans of America to present our views here this morning.

We have endorsed the Independent Budget and would like to associate ourselves with the figures you have heard here before, particularly the construction figures.

We have always approached, in the last decade, looking at the health care budget for VHA, working off of a per capita and looking at the Center for Medicare and Medicaid Services inflation figure which currently is figured at 3.6 percent. Therefore, we came up with \$1.4 billion just for inflationary increases for no increase in the number of persons served and an additional \$2 billion for increased numbers that we will see over the coming years and expanding the organizational capacity and front-loading the services in the primary health care clinics before letting people into the system, back into the system, which they legitimately should have access to. But we need to front-load the services and get the teams in place before they come because otherwise we will end up in the same situation that we were in the Fall of 2002, where we had extremely long waits, and it was just an unacceptable situation across

the board.

VVA also believes that we should get serious about funding for research and development at VA, and so we are recommending \$750 million this year with a commensurate increase in each of the next 4 years to bring it to well over a billion dollars.

The reason for that is that DOD does not look at any of the environmental injuries to veterans. They do not do any longer-term epidemiological studies on any group, and NIH refuses to do, across the board, any veteran-specific studies. We only know of one specific study that recently was funded by earmark, I believe, and that is the head injury study at NIH. Otherwise, NIH does not even take veteran status and exposures that veterans may have as a possible confounding variable that is required to be looked at in all their research, therefore, calling into question much of their research particularly on things that veterans are prone to having.

So we strongly recommend that if we are going to go down this road of NIH continuing to pay no attention whatsoever to the problems of veterans, then we need to get serious and increase that budget at VA significantly so over the next five years.

In regard to IT, we believe that we need to get really serious about that and rebuild, provide at least a billion

dollars specifically for IT in the next year to start to do two things. One is to build the platform on which the Veterans Benefits Administration will have their system as they design it. We agree with Secretary Shinseki that you need to straighten out the business processes before you automate it because then if you do not straighten those out, then you just go wrong faster.

And secondly is the terrific system, the Vista system, is going to need a modern platform. We need to start the process in that. We hope that General Shinseki is successful in negotiating with Secretary Gates to share the cost of that new platform and have a single unified medical record. But, in any case, we need to look forward to that.

Specifically, we would also argue that we need to specifically fund outreach. The veterans still do not know about the services that are rendered to them or their health care maladies. As a result of that, VBA just recently announced the formation of the Veterans Health Council, and it is a partnership in working with private civilian health care, diseases and groups and the American Academy of Ophthalmology to the American Psychological Association, Men's Health Network, Easter Seals, et cetera, to get the word out.

This would be an ongoing effort over the next three years to educate the civilian medical system in the wounds,

maladies, injuries and conditions that veterans are subject to partly to be preventive health care measures that can be taken by early intervention. But, in addition to that, a lot of people are eligible for benefits who do not even know it, and VA continues to do a poor job of outreach.

But there needs to be a specific budget. When it is everybody's responsibility, it ends up being nobody's responsibility.

Two last things if I may: One is we would encourage much stronger oversight in the next year. Particularly, General Shinseki, we believe, has it right when he says that the main problem at VA boils down to leadership and accountability. We believe that that is accurate, that most of the laws that are in place are reasonable, and he has the statutory authority to do things and do them right, but oftentimes you cannot get the system to respond.

We believe that you do not go down and beat up the privates. What you do is hold management and the officers accountable, strictly accountable, and that has not been done.

Last but not least, one minor digression, if I may, and that is on the issue about whether or not there are enough clinicians in mental health and in PTSD programs. We have started to call into question that even though they have hired an additional 3,800 clinicians, about whether or not

it is adequate because we still discover and hear around the Country that they are not doing the testing, as recommended by the Institute of Medicine report in June of 2006, to accurately diagnose PTSD at the front end. If you do that at the front end, then it makes the adjudication of the PTSD claim much more speedy and accurate at the back end because you have already done the testing.

In regards to that, VA in 2002 developed a best practices guide that they continue to refuse to train their people on how to use it, either in the VBA or in the VHA, and this would significantly speed it up. So we ask the Committee to pay some significant attention once again to the organizational capacity when it comes to mental health.

Thank you, sir.

[The prepared statement of Mr. Weidman follows:]

UNCORRECTED COPY

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

This question has been mentioned quite often in today's hearing, and this question is for the entire panel. There is clear opposition to any proposal to allow VA to bill insurance companies for care for veterans' service-connected injuries. Assuming Congress does not move forward with this proposal, how would you suggest covering the resulting gap?

Mr. Blake?

Mr. Blake. Mr. Chairman, I would suggest that, first off, this is money that should never have been considered in the first place. My sense is that it is included in the inflated estimate for the budget submission that we have seen so far, but we do not know the details.

The best way to answer that question is to say that since we are going to assume that this is money that is not going to be collected, that real dollars will have to be appropriated to offset that gap. I do not know any other way you could solve that gap.

Chairman Akaka. Mr. Baker?

Mr. Baker. I would have to agree with Mr. Blake, 100 percent on that.

Chairman Akaka. Mr. Kelley?

Mr. Kelley. I am in concurrence with Mr. Blake also.

Chairman Akaka. Mr. Cullinan?

Mr. Cullinan. Mr. Chairman, I would certainly agree

with Mr. Blake and have to add to that that this proposal strikes at the very heart of the philosophy and moral obligation this Nation has to care for its wounded warriors.

With respect to making up any gap, we would think that some dollars would flow from third party connections from the Category 8 veterans that will be coming into the system, who are more inclined to have insurance and also tend to use the services less. They are inexpensive, relatively speaking. The rest would have to be appropriated dollars.

Chairman Akaka. Any further comment, Mr. Robertson?

Mr. Robertson. Yes, sir. The American Legion, when eligibility reform was passed back in 1996, we were a strong advocate of allowing VA to bill Medicare for the treatment of non-service-connected medical conditions for Medicare-eligible patients. Clearly, over half of the VA patient population is Medicare-eligible, and the idea was that whoever would be brought into the system that was not entitled to care would pay through either co-payments and third party reimbursements from their private insurance.

That is where I think a critical mistake was made because we are subsidizing Medicare by billions of dollars. As Mr. Cullinan said, comparing Medicare to VA is apples and oranges. They are simply an insurance company. They are not a health care provider, and VA is the best health care provider in the Country.

There is no incentive for fraud, waste and abuse in billing Medicare. This would be straight up and down. This is a reasonable charge. Reimburse us for those allowable conditions.

So I think that there is literally billions of dollars that are being missed that would help the system and would take care of these extra costs of bringing this group of patients in, especially if they are Medicare-eligible, the Priority Group 8s.

Chairman Akaka. Mr. Weidman, any further comment?

Mr. Weidman. This proposal is so wrong in so many ways, it is hard. It would take a long time to elucidate them, but I will say that it does bear in mind the old sardonic cartoon of the real GI Bill which is what veterans have to pay for having been disabled in service to Country.

Chairman Akaka. You have all heard the Secretary, and we have heard your testimony. I am trying to reach into your mental capacity here, and what I am asking for is what is missing? What is missing?

We are slightly disadvantaged because of the lack of budgetary information at this point. But in looking at the Administration's priorities as outlined in the documents we do have, think about it. What do you think is missing?

Mr. Robertson. Well, the one area dealing with concurrent receipt, that is really a DOD funding issue and

should not be in this part of the budget because it is the DOD military retirement pay that is offset. I did not understand that one to begin with.

Another area, I just want to mention one thing about the outreach. I think that just about everybody sitting at this table has community-based organizations, chapters, posts, lodges, et cetera. Speaking for the American Legion, and I know that the other groups are there with us when we do this, we have been connecting with the National Guard and Reserve, and I think that there is a great deal of outreach that is being done by the veterans service organizations that we are probably not getting credit for, both with the Active Duty Military, the Guard and Reserve and even the veterans that are in our communities. We are trying to beat the drum.

If you do recall when eligibility reform did initially kick in, we went out and we brought people to the VA system that had never been there before. And we told them: Trust us. It is a great system. You are going to be happy.

The results were they came back and said, enough, enough, enough.

So, as far as outreach, we are going to be in there, cheering for the Secretary. If he will give us the snowballs, we will throw them.

Chairman Akaka. Any other comment?

Mr. Weidman. There are couple things that come to mind, Mr. Chairman.

The first is something that nobody has been talking about, but our Alaska State President, Ric Davidge, and folks in Alaska have been working on a paper that when it is ready we will certainly share with you and your distinguished colleagues as well as staff, on a distinction between rural and remote. There are sections of Vermont that are very rural, but it is not remote like an outer island from the big island. It is not remote like many of the places in Alaska where you cannot drive there either.

So we need to look at this problem and delineate between remote and rural and just change our paradigm and the way in which we think about that in the future.

The other thing I think is not apparent in there, and this is no earmarks in the research budget. VVA, for the time in recent years, refused to join with the Friends of VA Medical Care and Research not because we disagree with them but because you have to pledge to have no earmarks.

There is not a single Agent Orange study funded by the VA currently out of R&D, not one. There is the National Vietnam Veterans Readjustment Study. They refused to obey the law and do the replication even though they have been, again, ordered to do so in the Appropriations Act that you passed on time. And so, we would ask that you include that

again.

Last but by no means least, when it comes to Agent Orange, is we need the funding for a medical follow-up agency at the Institute of Medicine, about \$15 million, to not only translate that into modern computer language, the Ranch Hand data, but to do some research organization to find out how can we best make that available to independent scientists and research institutions.

The Agent Orange is not mentioned anywhere in this document, and I am willing to bet when they publish the big one it will not be mentioned anywhere in there. This is unacceptable to Vietnam Veterans of America. We are the largest cohort of veterans living today. We are 60 percent of all living veterans. And our folks are increasingly getting ill from the long-term effects of, we believe, Agent Orange, and there is a substantial scientific evidence to that fact, but none of that research is being done by VA.

In fact, none of it is being done in the U.S. It is being done in Europe, it is being done in Asia, and it is being done in Australia and New Zealand but not in the USA. We think this is wrong. You cannot throw away a generation as concerned as we are with the young people coming home.

Thank you.

Mr. Blake. Mr. Chairman, could I take one quick shot at that?

Chairman Akaka. Mr. Blake.

Mr. Blake. I would suggest that probably the most glaring omission from any statement in the budget is any mention of advance appropriations as a policy, given the fact that then Candidate Obama affirmed his support for this and even went so far as to say he was going to propose it in his budget and that Secretary Shinseki at least initially supported it before you during his confirmation hearing and yet seems to have backtracked since then. I would say that that is probably the most glaring omission in the priorities discussion of the budget.

Chairman Akaka. Thank you.

Mr. Baker?

Mr. Baker. The DAV completely agrees. Advance appropriations is the thing missing.

Thank you.

Chairman Akaka. Any other comments on what is missing?

Mr. Cullinan. I will simply have to agree with Mr. Blake and Mr. Kerry Baker.

Chairman Akaka. Well, I want to thank you very much for your testimony and also your responses. I think we have covered a huge area, and I thought I would end this hearing by asking you what you think was missing from what has been said today.

And I want to thank you so much for participation in

our efforts to help our veterans across the Country. It is an effort that, of course, the Congress has to put forth and the Administration, and the VSOs have been a huge part in this. We do not you to ever forget that you are part of this partnership, and we are looking forward to further hearings on other issues as well and to come together to try to find the best ways in helping and keeping the quality of service to our veterans.

So, in closing, again, I want to thank all of you for appearing today. We are just beginning our work on the VA budget, and your input has been very much appreciate. I think you know that we have a deadline this Friday with the Budget Committee on this.

So, again, thank you very much.

This hearing is now adjourned.

[Whereupon, at 11:56 a.m., the Committee was adjourned.]