The Honorable Jim Nicholson, Secretary of Veterans Affairs, accompanied by ?Jonathan B. Perlin, M.D.,PhD, MSHA, FACP, Under Secretary for Health; Daniel L. Cooper, Under Secretary for Benefits; William F. Tuerk, Under Secretary for Memorial Affairs; Tim S. McClain, General CounseL; Robert J. Henke, Assistant Secretary for Management; and Rita A. Reed, Principal Deputy Assistant Secretary for Budget.

STATEMENT OF THE HONORABLE R. JAMES NICHOLSON
SECRETARY OF VETERANS AFFAIRS
FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS
February 14, 2006

Mr. Chairman and members of the Committee, good morning. I am pleased to be here today to present the President's 2007 budget proposal for the Department of Veterans Affairs (VA). The request totals $80.6 billion?$42.1 billion for entitlement programs and $38.5 billion for discretionary programs. The total request is $8.8 billion, or 12.2 percent, above the level for 2006. This budget contains the largest increase in discretionary funding for VA ever requested by a President.

With the resources requested for VA in the 2007 budget, we will be able to strengthen even further our position as the nation's leader in delivering accessible, high-quality health care that sets the national benchmark for excellence. Whether compared to other federal health programs or private health plans, the quality of VA health care is unsurpassed. In addition, this budget will allow the Department to maintain its focus on the timeliness and accuracy of claims processing, and to expand access to national and state veterans' cemeteries.

As an integral component of our 2007 goals, we will continue to work closely with the Department of Defense (DoD) to fulfill our priority that service members' transition from active duty to civilian life is as seamless as possible.

Ensuring a Seamless Transition from Active Military Service to Civilian Life

The President's 2007 budget request provides the resources necessary to help ensure that service members' transition from active duty military status to civilian life is as smooth and seamless as possible. Last year through our aggressive outreach programs, VA conducted nearly 8,200 briefings attended by over 326,000 separating service members and returning Reserve and National Guard members. We will continue to stress the importance of an informed and hassle-free transition for all of our forces coming off of active duty, and their families, and especially for those who have been injured.

If active duty service members, Reservists, and members of the National Guard served in a theater of combat operations, they are eligible for cost-free VA health care and nursing home care for a period of 2 years after their release from active military service provided that the care is for an illness potentially related to their

combat service. VA has already facilitated transfers from military medical facilities to VA medical centers several thousand injured service members returning from Operation Enduring Freedom and Operation Iraqi Freedom.

There are many other initiatives underway that are aimed at easing service members' transition from active duty military status to civilian life. Within the last year, VA hired an additional 50 veterans of Operation Enduring Freedom and Operation Iraqi Freedom to enhance outreach services to veterans returning from Afghanistan and Iraq through our Vet Centers. They joined

our corps of Vet Center outreach counselors hired earlier by the Department to brief servicemen and women about VA benefits and services available to them and their family members. They also encourage new veterans to use their local Vet Center as a point of entry to VA and its services. Our outreach counselors visit military installations, coordinate with military family assistance centers, and conduct one-on-one interviews with returning veterans and their families.
Last year VA signed a memorandum of agreement with Walter Reed Army Medical Center to give severely injured service members practical help in finding civilian jobs. Under this agreement, VA offers vocational training and temporary jobs at our headquarters in Washington, DC to service members recovering at the Army facility from traumatic injuries.
VA and DoD are working together to establish a cooperative separation exam process so that separating service members only need to have one medical exam that meets both military service separation requirements and VA's disability compensation requirements.
Separating military personnel receive enhanced services through the Benefits Delivery at Discharge (BDD) program. This program enables separating service members to file disability compensation claims with VA staff at military bases, complete physical exams, and have their claims evaluated before, or closely following, their military separation. With the assistance of VA staff stationed at 140 military installations around the nation as well as in Korea and Germany, service members can begin the VA disability compensation application process 180 days prior to separation. These applications are now processed at two locations to improve efficiency and the consistency of our claims decisions. In addition, our employees conduct transition assistance briefings in Germany, Italy, Korea, England, Japan, and Spain.
Medical Care
The President's 2007 request includes total budgetary resources of $34.3 billion for the medical care program, an increase of 11.3 percent (or $3.5 billion) over the level for 2006 and 69.1 percent higher than the funding available at the beginning of the Bush Administration. The 2007 budget reflects the largest dollar increase for VA medical care ever requested by a President and includes our

funding request for the three medical care appropriations?medical services ($27.5 billion, including $2.8 billion in collections); medical administration ($3.2 billion); and medical facilities ($3.6 billion).
The cornerstone of our medical care budget is providing care for veterans who need us the most? veterans with service-connected disabilities; those with lower incomes; and veterans with special health care needs. A key element of this effort is to make sure every seriously injured or ill serviceman or woman returning from combat in Operation Enduring Freedom and Operation Iraqi Freedom receives priority consideration and treatment.
Initiatives
The 2007 budget includes two provisions that, if enacted, will be instrumental in helping VA meet our primary goal of providing health care to those who need our medical services the most. The first provision is to implement an annual enrollment fee of $250 and the second is to increase the pharmacy co-payment from $8 to $15 for a 30-day supply of drugs. Both of these provisions apply only to Priority 7 and 8 veterans who have no compensable service-connected disabilities and do have the financial means to contribute modestly to the cost of their care. Priority 7 and 8 veterans typically have other alternatives for addressing their medical care costs, including third-party health insurance coverage and Medicare, and were not eligible to receive

VA medical care at all or only on a case-by-case space available basis until 1999 when new authority allowed VA to enroll them in any year that resource levels permitted.

As you know, these two initiatives are not new, and I recognize that Congress has not enacted them in the past. However, we are reintroducing them because I believe they are justifiable, fair, and reasonable policies. They are entirely consistent with the priority health care structure enacted by Congress several years ago, and would more closely align VA's fees and co-payments with other public and private health care plans. The President's budget includes similar, small incremental fee increases for DoD retirees under age 65 in the TRICARE system. The VA fees would allow us to focus our resources on patients who typically do not have other health care options. Furthermore, these two provisions reduce our need for appropriated funds by $765 million as a result of the additional collections they would generate, and a modest reduction in demand.

The 2007 budget also includes a provision to eliminate the practice of offsetting or reducing VA first-party co-payment debts with collection recoveries from third-party health plans. Veterans receiving medical care services for treatment of nonservice-connected disabilities would receive a bill for their entire co-payment. If enacted, this provision would yield about $30 million in additional collections that could be used to provide further resources for the Department's health care system.

The combined effect of all three provisions reduces our need for appropriated funds by $795 million in 2007. I want to work with your committee and the rest of Congress to gain your support for these proposals.

Workload

During 2007, we expect to treat nearly 5.3 million patients, of which 4.8 million are veterans, including over 100,000 combat veterans who served in Operation Enduring Freedom and Operation Iraqi Freedom. Among the remaining patients we will treat are qualified dependents and survivors eligible for care through the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAM PVA), VA employees receiving preventive occupational immunizations, and patients receiving humanitarian care.

The 3.8 million veteran patients in Priorities 1-6 will comprise 79 percent of our total veteran patient population and 72 percent of our overall total patient population in 2007. This will be an increase of 2.1 percent in the number of patients in Priorities 1-6 and will represent the fourth consecutive year during which those veterans who count on us the most will increase as a percentage of all patients treated.

We have made significant improvements to the actuarial model that was used to support our 2007 budget request, including development of an enhanced methodology for determining enrollee morbidity and a more detailed analysis of enrollee reliance on VA health care compared to other medical service providers. Also, we have added new data sources, including the Social Security Death Index, which resulted in a more accurate count of enrolled veterans. Finally, we have more accurately assigned veterans into the income-based enrollment priority groups by using data from the 2000 decennial census.

VA continues to take steps to ensure the actuarial model accurately projects the needs of veterans from Operation Enduring Freedom and Operation Iraqi Freedom. However, many unknowns can impact the number and type of services the Department will need to provide these veterans, including the duration of the military action, when these veterans are demobilized, and the impact of our enhanced outreach efforts. Therefore, we have made additional investments in key

services, such as mental health, prosthetics, and dental care to ensure we will be able to continue to meet the health care needs of these returning veterans and veterans from other eras seeking more of these same services.

Funding Drivers

There are three key drivers of the additional funding required to meet the demand for VA health care services in 2007:

? inflation;
? expanded utilization of services; and
? greater intensity of services provided.

The impact of the composite rate of inflation within the actuarial model increased our resource requirements for medical care by $1.2 billion, or 3.9 percent. This includes the effect of additional funds needed to meet higher payroll costs as well as the influence of growing costs for supplies, as measured in part by the medical Consumer Price Index.

VA will experience a significant increase in the utilization of health care services in 2007 as a result of four factors. First, overall utilization trends in the U.S. health care industry continue to increase. Veterans who previously came to VA for a single medical appointment now more typically require multiple appointments in many different specialty clinics. And, they return more often for follow-up appointments in any given year. To illustrate, in 2005 we treated about 5.3 million individual patients but had a total of over 58 million outpatient visits. These trends expand VA's per-patient cost of doing business. Second, we expect to see changes in the demographic characteristics of our patient population. Our patients as a group will continue to age, will have lower incomes, and will seek care for more complex medical conditions. These projected changes in the case mix of our patient population will result in greater resource needs. Third, veterans are displaying an increasing level of reliance on VA health care as opposed to using other medical care options they may have available. This increasing reliance on VA medical care is due at least in part to the positive experiences veterans have had with the Department's health care system and is a reflection of our status as the nation's leader in delivering high-quality care. And fourth, veterans are submitting compensation claims with more, as well as more complex, disabilities claimed. Our Veterans Health Administration does the majority of disability examinations required in order to evaluate these claims. This results in the need for a disability compensation medical examination that is more complex, costly, and time consuming.

General medical practice patterns throughout the nation have resulted in an increase in the intensity of health care services provided per patient, due to the growing use of diagnostic tests, pharmaceuticals, and other medical services. This rising intensity of care is evidenced in VA's health care system as well. This has contributed to higher quality of care and improved patient outcomes, but it requires additional resources to provide this greater intensity of services.

The combined impact of expanded utilization and greater intensity of services increased our resource requirements for medical care by nearly $1.2 billion.

Quality of Care

VA's standing as the nation's leader in providing safe, high-quality health care is evident and has been well documented. For example:

? in December 2004 RAND investigators found that VA outperforms all other sectors of American health care across a spectrum of 294 measures of quality in disease prevention and treatment;
? the Department's health care system was featured in the January/ February 2005 edition of Washington Monthly in an article titled 'The Best Care Anywhere';
? the May 18, 2005, edition of the prestigious Journal of the American Medical Association noted that VA's health care system has '. . . quickly emerged as a bright star in the constellation of safety practice, with system-wide implementation of safe practices, training programs and the establishment of four patient-safety research centers';
? the July 18, 2005, edition of the U.S. News and World Report included a special report on the best hospitals in the country titled 'Military Might? Today's VA Hospitals Are Models of Top-Notch Care;' and
? on August 22, 2005, The Washington Post ran a front-page article titled 'Revamped Veterans' Health Care Now a Model.'
It should be noted that for the sixth consecutive year, VA set the public and private sector benchmark for health care satisfaction based on the American Customer Satisfaction Index survey conducted by the National Quality Research Center at the University of Michigan. VA's inpatient index was 83 compared to 73 for the private sector, and our outpatient index was 80 compared to 75 for the private sector.
These external acknowledgments of the superior quality of VA health care when compared to other public and private health plans reinforce the Department's own findings. We use two primary measures of health care quality?Clinical Practice Guidelines Index and Prevention Index. These measures focus on the degree to which VA follows nationally recognized guidelines and standards of care that medical literature has proven to be directly linked to improved health outcomes for patients. Our performance on the Clinical Practice Guidelines Index, an internal accountability measure focusing on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to reach 78 percent in 2007, or a 1 percentage point rise over the 2006 estimate. Similarly, VA's Prevention Index, a set of measures aimed at preventive health care, including immunization, health risk assessments, and cancer screenings, is projected to remain at the estimated 2006 high rate of performance of 88 percent.

Access to Care
With the resources requested for medical care in 2007, the Department will be able to both maintain its current high performance dealing with access to medical care as well as seek ways to continually reduce waiting times for non-urgent care. In 2007 we expect that 93.7 percent of appointments will be scheduled within 30 days of the patient's desired date. For primary care appointments, 96 percent will be scheduled within 30 days of the patient's desired date and for specialty care, 93 percent of all appointments will be scheduled within 30 days of the patient's desired date. No veteran will have to wait for emergency care.
VA is also committed to ensuring that no veteran returning from service in Operation Enduring Freedom and Operation Iraqi Freedom has to wait more than 30 days for a primary care or specialty care appointment.
We have achieved these waiting times efficiencies by developing a number of strategies to reduce waiting times for appointments in primary care and specialty clinics nationwide, to include implementing state-of-the-art appointment scheduling systems, standardizing business processes associated with scheduling practices, and ensuring that clinicians focus on those tasks

that only they can perform to optimize the time available for treating patients. To further improve access and timeliness of service, VA will fully implement Advanced Clinic Access nationally, an initiative that promotes the efficient flow of patients. This program optimizes clinical scheduling so that each appointment or inpatient service is most productive. In turn, this reduces unnecessary appointments, allowing for relatively greater workload and increased patient-directed scheduling.

Major Changes in Funding

VA's 2007 request includes over $4.3 billion for long-term care ($229 million more than the 2006 level). I can assure you that the patient and cost projections associated with long-term care have been checked to ensure that they represent our real need in this area. While we aim to expand all types of extended care services, we plan to increase the rate of growth of non-institutional care funding about twice as much as that for institutional care. With an emphasis on community-based and in-home care, the Department can provide extended care services to veterans in a more clinically appropriate setting, closer to where they live, and in the comfort and familiar settings of their homes surrounded by their families. During 2007 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to about 36,700. This represents a 14.4 percent increase above the level we expect to reach in 2006 and a 33.7 percent rise over 2005.

The Department's 2007 request includes nearly $3.2 billion ($339 million over the 2006 level) to provide comprehensive mental health services to veterans,

including our effort to improve timely access to these services across the country. These additional funds will help ensure that VA continues to realize the aspirations of the President's New Freedom Commission Report as embodied in VA's Mental Health Strategic Plan and to deliver exceptional, accessible mental health care.

The Department will continue to place particular emphasis on providing care to those suffering as a result of their service in Operation Enduring Freedom and Operation Iraqi Freedom from a spectrum of combat stress reactions, ranging from readjustment issues to Post-Traumatic Stress Disorder (PTSD). An example of our firm commitment to provide the best treatment available to help veterans recover from these mental health conditions is our increased outreach to veterans of the Global War on Terror, as well as increased readjustment and PTSD services. This includes the December 2005 designation of three new centers of excellence in Waco (Texas), San Diego (California), and Canandaigua (New York) devoted to advancing the understanding and care of mental health illness.

VA's medical care request includes $1.4 billion ($160 million over the 2006 level) to support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life. VA has already provided prosthetics and sensory aids to military personnel who served in Operation Enduring Freedom and Operation Iraqi Freedom and the Department will continue to provide them as needed.

Medical Collections

As a result of improvements in our medical collections processes and the initiatives presented in this budget request, we expect to collect over $2.8 billion in 2007 that will substantially supplement the resources available from appropriated sources. In 2005 we collected just under $1.9 billion. The collections estimate for 2007 is $779 million, or 37.9 percent, above the 2006 estimate. About 70 percent of the projected increase in collections is due to the provisions calling for implementation of a $250 annual enrollment fee, an increase to $15 in the pharmacy co-

payment, and elimination of the practice of offsetting VA first-party co-payment debts with collection recoveries from third-party health plans. The remaining 30 percent of the growth in collections will result from continuing improvements in billing and collections.

We have several initiatives underway to strengthen our collections processes. These include:

? the Department is implementing a private-sector-based business model pilot, tailored to our revenue operations, to increase third-party insurance revenue and improve VA's business practices. The pilot Consolidated Patient Account Center will address all operational areas contributing to

the establishment and management of patient accounts and related billing and collections processes;

? we are working with Centers for Medicare/Medicaid Services contractors to obtain a Medicare-equivalent remittance advice for veterans who are covered by Medicare and are using VA health care services. This project will result in more accurate payments and better accounting for receivables through use of more reliable data for claims adjudication;

? our Insurance Identification and Verification project is providing VA medical centers with an automated mechanism to obtain veterans' insurance information from health plans that participate in the electronic data exchange;

? we are testing the e-Pharmacy Claims software that provides real-time claims adjudication for outpatient pharmacy claims; and

? VA is implementing the Patient Financial Services System pilot that will increase the accuracy of bills and documentation, reduce operating costs, generate additional revenue, reduce outstanding receivables, and decrease billing times.

Medical Research

The President's 2007 budget includes $399 million to support VA's medical and prosthetic research program. This amount will fund more than 2,000 high-priority research projects to expand knowledge in areas critical to veterans' health care needs, most notably research in the areas of mental illness ($51 million), aging ($40 million), health services delivery improvement ($36 million), heart disease ($30 million), central nervous system injuries and associated disorders ($29 million), and cancer ($28 million).

The requested funding for the medical and prosthetic research program will position the Department to build upon its long track record of success in conducting research projects that lead to clinically useful interventions that improve veterans' health and quality of life. Examples of some of the recent contributions made by VA research to the advancement of medicine are:

? use of the antidepressant paroxetine decreases symptoms related to Post Traumatic Stress Disorder and improves memory;

? physical activity and body-weight reduction can significantly cut the risk of developing type II diabetes;

? new links have been discovered between diabetes and Alzheimer's disease; and

? vaccination against varicella-zoster (the same virus that causes chickenpox) decreases the incidence and/or severity of shingles.

In addition to VA appropriations, the Department's researchers compete and receive funds from other federal and non-federal sources. Funding from external sources is expected to continue to increase in 2007. Through a combination of

VA resources and funds from outside sources, the total research budget in 2007 will be almost $1.65 billion, or about $17 million more than the 2006 estimate.

General Operating Expenses

The Department's 2007 resource request for General Operating Expenses (GOE) is nearly $1.5 billion. It is $131 million, or 9.7 percent, above the 2006 current estimate. Within the 2007 total funding request, $1.168 billion is for the management of the following non-medical benefits administered by the Veterans Benefits Administration (VBA)?disabil ity compensation; pensions; education; housing; vocational rehabilitation and employment; and insurance. This is an increase of $114 million (or 10.8 percent) over the 2006 level. Our request for GOE funding also includes $313 million to support General Administration activities, an increase of $17 million, or 5.7 percent, from the current 2006 estimate.

Compensation and Pensions Workload, Performance, and Staffing

VA is focused on delivering timely and accurate benefits to veterans and their families. Improving the delivery of compensation and pension benefits has become increasingly challenging during the last few years due to a steady and sizeable increase in workload. This growing workload is the result of several factors?more claims are being filed; we are experiencing more direct contact with veterans and service members, particularly those who served in Operation Enduring Freedom and Operation Iraqi Freedom; the complexity of claims is increasing; and more appeals are being filed.

The volume of claims receipts has grown substantially during the last few years and is now the highest it has been in the last 15 years as we received over 788,000 claims in 2005. This trend is expected to continue. We are projecting the receipt of over 910,000 compensation and pension claims in 2006 (which includes over 98,000 claims resulting from the special outreach requirements of recently enacted legislation) and more than 828,000 claims in 2007.

One of the key drivers of new claims activity is the size of the active duty military force. The number of active duty service members as well as Reservists and National Guard members who have been called to active duty to support Operation Enduring Freedom and Operation Iraqi Freedom have increased. This has led to a sizeable growth in the number of new claims, and we expect this pattern to persist. An additional reason that the number of compensation and pension claims is climbing is the Department's commitment to increase outreach efforts. Our outreach efforts are critical to the men and women who are entitled to VA benefits and services. We have an obligation to extend our reach as far as possible and to spread the word to veterans about what VA stands ready to provide.

Disability compensation claims from veterans who have previously filed a claim comprise almost 60 percent of the disability claims receipts each year, and the number of such claims is climbing at a rate of two to three percent annually. Many veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, and cardiovascular disease. As these veterans age and their conditions worsen, we experience additional claims for increased benefits.

The growing complexity of the claims being filed also contributes to our workload challenges. Since the beginning of 2000, the number of veterans receiving compensation has increased 14 percent, from slightly over 2.3 million to more than 2.6 million. However, the total number of disabilities for which veterans are being compensated has increased 37 percent during this time, from nearly 6.0 million disabilities to 8.2 million disabilities. In addition, we expect to continue to receive a growing number of complex disability claims resulting from Post-Traumatic Stress

Disorder, environmental and infectious risks, traumatic brain injuries, complex combat-related injuries, and complications resulting from diabetes. Each claim now takes more time and more resources to adjudicate. Additionally, as the Department receives and adjudicates more claims, this results in a larger number of appeals from veterans and survivors.

In addition to the growing complexity of compensation and pension claims, there are special outreach requirements that will have a significant impact on our workload and program performance. These outreach requirements will result in nearly 100,000 additional claims. As a result of the increasing volume and complexity of claims, the average number of days to complete compensation and pension claims is now projected to rise from 167 days in 2005 to 185 days in 2006, and to fall slightly to 182 days in 2007. In addition, we anticipate that our pending inventory of disability claims will climb throughout 2006 as we receive new claims, reaching nearly 418,000 by the end of this year. The inventory will fall by 5 percent during 2007 to around 397,000. Despite these significant workload challenges, we remain committed to reaching our strategic goal of processing compensation and pension claims in an average of 125 days.

We will address our ever-growing workload challenges in several ways. First, we will continue to improve our productivity as measured by the number of claims processed per staff member. Second, we will continue to move work among regional offices in order to maximize our resources and enhance our performance. Third, we will simplify and clarify benefit regulations and ensure our claims processing staff has easy access to the manuals and other reference material they need to process claims as efficiently and effectively as possible. And fourth, we will further advance our efforts to improve the consistency and quality of claims processing across regional offices.

Even though we will implement several management improvement practices, we will need additional staffing in order to address our workload challenges in claims

processing. Our 2007 budget includes resources to support over 13,100 staff members (including nearly 7,900 staff in direct support of the compensation and pensions programs), or about 170 above the staffing supported by our 2006 budget.

Education and Vocational Rehabilitation and Employment Performance

Key program performance will improve in both the education and vocational rehabilitation and employment programs. The timeliness of processing original education claims will improve by 8 days during the next 2 years, falling from 33 days in 2005 to 25 days in 2007. In addition, the rehabilitation rate for the vocational rehabilitation and employment program will climb to 69 percent in 2007, a gain of 6 percentage points over the 2005 performance level.

Funding for Initiatives

The 2007 request for VBA includes $3.4 million to continue development of comprehensive training and electronic performance support systems. This ongoing initiative provides technical training to compensation and pension staff through a multimedia, multi-method training approach that has a direct impact on the accuracy and consistency of our claims processing.

The 2007 resource request for VBA includes $2.0 million to continue the development of a skills certification instrument for assessing the knowledge base of current and new veterans' service representatives and will also result in a skills certification module for a variety of program staff. This initiative will help identify those employees who need additional training in order to better perform their duties and will allow us to improve our screening process involving applicants for higher-level positions.

National Cemetery Administration

The President's 2007 budget request for VA includes $160.7 million in operations and maintenance funding for the National Cemetery Administration (NCA). This represents an increase of $11.1 million (or 7.4 percent) over the 2006 current estimate. The additional funding will be used to meet the growing workload at existing cemeteries by increasing staffing and augmenting funds for contract maintenance, supplies, and equipment. We expect to perform over 107,000 interments in 2007, or 5.4 percent more than the 2006 estimate and 15.1 percent more than the number of interments in 2005.

Our resource request also has $9.1 million to address gravesite renovations as well as headstone and marker realignment, an increase of $3.6 million from our funding for 2006. These improvements in the appearance of our national cemeteries will help us maintain the cemeteries as shrines dedicated to preserving our nation's history and honoring veterans' service and sacrifice.

We will expand access to our burial program by increasing the percent of veterans served by a burial option in a national or state veterans cemetery within 75 miles of their residence to 83.8 percent in 2007, which is 6.7 percentage points above the 2005 level. In addition, we will continue to increase the percent of respondents who rate the quality of service provided by national cemeteries as excellent to 97 percent in 2007, or 3 percentage points higher than the 2005 performance level.

Capital (Construction and Grants to States)

The President's 2007 budget request includes $714 million in capital funding for VA. Our request includes $399 million for major construction projects, $198 million for minor construction, $85 million in grants for the construction of state extended care facilities, and $32 million in grants for the construction of state veterans cemeteries.

The 2007 request for construction funding for our medical care program is $457 million?$307 million for major construction and $150 million for minor construction. All of these resources will be devoted to continuation of the Capital Asset Realignment for Enhanced Services (CARES) program to renovate and modernize VA's health care infrastructure and to provide greater access to high-quality care for more veterans. When combined with the $293 million that was enacted in the Hurricane Katrina emergency funding package in late December 2005 to fund a CARES project for a new hospital in Biloxi, Mississippi, the total CARES funding since the 2006 budget totals $750 million and since the 2004 CARES report amounts to nearly $3 billion.

Our major construction request for medical care will fund the continued development of two medical facility projects?$97.5 million to address seismic corrections in Long Beach; and $52.0 million for a new medical facility in Denver. In addition, our request for major construction funding includes $38.2 million to construct a new nursing home care unit and new dietetics space, as well as to improve patient and staff safety by correcting seismic, fire, and life safety deficiencies at American Lake (Washington); $32.5 million for a new spinal cord injury center at Milwaukee; $25.8 million to replace the operating room suite at Columbia (Missouri); and $7.0 million to renovate underutilized vacant space located at the Jefferson Barracks Division campus at St. Louis as well as provide land for expansion at the Jefferson Barracks National Cemetery.

We are also requesting $53.4 million in major construction funding and $25.0 million in minor construction resources to support our burial program. Our request for major construction includes funds for cemetery expansion and improvement at Great Lakes, Michigan ($16.9 million), Dallas/Ft. Worth, Texas ($13.0 million), and Gerald B. H. Solomon, Saratoga, New

York ($7.6 million). Our request will also provide $2.3 million in design funds to develop construction

documents for gravesite expansion projects at Abraham Lincoln National Cemetery (Illinois) and at Quantico National Cemetery (Virginia). In addition, the major construction request includes $12 million for the development of master plans for six new national cemeteries in areas directed by the National Cemetery Expansion Act of 2003?Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and southeastern Pennsylvania.

Information Technology Services

The President's 2007 budget for VA provides $1 .257 billion for the non-payroll costs associated with information technology (IT) projects across the Department. This is $43.2 million, or 3.6 percent, above our 2006 budget.

The 2007 request for IT services includes $832 million for our medical care program, $55 million for our benefits programs, $4 million for our burial program, and $366 million for projects managed by our staff offices, most notably non-payroll costs in our Office of Information and Technology and Office of Management to support department-wide initiatives and operations.

The most critical IT project for our medical care program is the continued operation and improvement of the Department's electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. Within this overall initiative, we are requesting $51.0 million for ongoing development and implementation of HealtheVet-VistA (Veterans Health Information Systems and Technology Architecture) which will incorporate new technology, new or reengineered applications, and data standardization to continue improving veterans' health care. This system will make use of standards that will enhance the sharing of data within VA as well as with other federal agencies and public and private sector organizations. Health data will be stored in a veteran-centric format replacing the current facility-centric system. The standardized health information can be easily shared between facilities, making patients' electronic health records available to all those providing health care to veterans.

Until HealtheVet-VistA is operational, we need to maintain the VistA legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides $188 million in 2007 for the VistA legacy system.

In support of the Department's education program, our 2007 request includes $3 million in non-payroll costs to continue the development of The Education Expert System. This will replace the existing benefit payment system with one that will allow the Department to automatically process education claims received electronically.

VA's 2007 request provides $57.4 million for cyber security. This ongoing initiative involves the development, deployment, and maintenance of a set of enterprise-wide security controls to better secure our IT architecture in support of all of the Department's program operations.

Summary

In summary, Mr. Chairman, the $80.6 billion the President is requesting for VA in 2007 will provide the resources necessary for the Department to:

? provide timely, high-quality health care to nearly 5.3 million patients, including 4.8 million veteran patients of which 79 percent are among those who need us the most?those with service-connected disabilities, lower incomes, or special health care needs;
? address the large growth in the number of claims for compensation and pension benefits; and
? increase access to our burial program by ensuring that nearly 84 percent of veterans will be served by a burial option in a national or state veterans cemetery within 75 miles of their residence.
I look forward to working with the members of this committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom around the world.