

The Honorable Jim Nicholson, Secretary of Veterans Affairs, accompanied by -- The Honorable Jonathan B. Perlin, M.D., Ph.D., Under Secretary for Health, and The Honorable Tim S. McClain, General Counsel

STATEMENT OF
THE HONORABLE R. JAMES NICHOLSON
SECRETARY OF VETERANS AFFAIRS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U. S. SENATE

June 9, 2005

Good Afternoon Mr. Chairman and Members of the Committee:

I am pleased to be here this morning to present the Department's views on several different bills being considered by the Committee. They cover a wide range of subjects related to VA's provision of health care services to veterans.

VETERANS HEALTH CARE IMPROVEMENTS ACT OF 2005

Mr. Chairman, I will begin by commenting on your draft bill that includes an array of provisions, many of which would carry out proposals that were included in the President's budget submitted to Congress earlier this year. We strongly support enactment of this measure and we appreciate your inclusion of provisions to carry out the President's plans for assisting veterans and for assisting the Department to carry out its mission.

One major provision in the bill would expand VA's authority to assist with payment for emergency-care costs that veterans incur in private hospitals. As you may know, a major study found that veterans with cardiac emergencies, despite having health insurance, often deliberately forgo emergency treatment at the closest community hospital (where they might incur out-of-pocket expenses) in favor of receiving care from the nearest VA facility at no or minimal cost. Delaying needed emergency medical treatment can jeopardize their health status and hinder the Department's ability to timely and successfully manage their emergent medical conditions. Under current law, a veteran who obtains emergency care in the private sector for a nonservice-connected condition is not eligible for VA reimbursement for the related expenses if the veteran has any insurance or other coverage for the cost of the care, in whole or in part. Your proposal would amend the law to enable the Department to reimburse a veteran for out-of-pocket expenses not covered by insurance or other coverage, thereby ensuring that veterans, whether insured or not, have consistent access to optimal care for emergency health conditions.

Unfortunately, the stress of combat leaves scars on many veterans. Your bill contains several new authorities that will help assist us in caring for those returning from overseas who are suffering from PTSD and other mental health disorders. The bill also contains a provision to exempt former POWs from having to pay copayments in connection with the receipt of extended-care services, and a second provision to exempt veterans from copayments for hospice care in a hospital or at home. These provisions will be extremely beneficial to the affected

veterans. The bill would also authorize time-limited care for newborn children when veterans deliver the children under VA auspices.

Finally, Mr. Chairman, your bill contains two provisions that would repeal laws that have seriously hindered our efforts at VA to provide veterans with high-quality care by the best and most cost-effective means. The bill would repeal a law that requires VA to maintain at least the same staffing and level of extended-care services in Department facilities as was provided in fiscal year 1998. That law has seriously limited our ability to provide or pay for extended care services for veterans in a variety of institutional and non-institutional settings outside VA, including private nursing homes in the community and State nursing home facilities. As you know, many veterans prefer to remain in their homes and communities, and it is often cost-effective to provide care in those settings. Your bill would also repeal an old law that generally bars the Department from using appropriated funds to compare the costs of providing services directly, or by contract, which impedes our ability to obtain the best possible value for veterans. On a government-wide basis, public-private competitions completed in FYs 2003 and 2004 are estimated to generate savings, or cost avoidances, for the taxpayer of more than \$2.5 billion over the next three to five years. The tailored and responsible use of competitive sourcing at VA will help the Department free up resources that can be dedicated to our veterans.

S. 481

Several years ago, Congress enacted a law authorizing VA to provide treatment to veterans returning from combat service for conditions that might be related to that service, even when there is not sufficient evidence to conclude that the condition is attributable to service. VA can provide that treatment for a two-year period following release from service, during which it would be expected that the veteran might apply for service-connection for the condition.

S. 481 would extend the period of eligibility under this law from two years to five years. Apparently, the intent is to ensure that a combat veteran can continue receiving VA care for five years, rather than just two years. We do not believe this measure is necessary.

The current two-year post-combat eligibility period provides ample opportunity for a veteran to apply for enrollment in the VA system. When such a veteran does enroll, VA places that veteran in enrollment priority category 6 during the two-year period, and provides cost-free care for any disorder that may be attributable to the combat service. VA will also provide care for any other disorder, but the veteran would be charged any copayments that may apply based upon the veteran's income. At the end of the two-year period, the veteran could continue receiving VA care, but would be placed in the appropriate priority group, and might be subject to copayments for all care.

S. 614

Mr. Chairman, S. 614 is a bill that is identical to a measure that was considered during the 108th Congress, when the Department voiced its opposition. It would provide all Medicare-eligible veterans with a new prescription drug benefit through VA. Specifically, the bill would provide this new benefit to Medicare-eligible veterans with a compensable service-connected disability. It would be in addition to the health care benefits they are currently eligible to receive from VA.

Those who do not have a compensable service-connected disability could choose to receive the new prescription drug benefit in lieu of all other VA health care benefits.

Before this committee last year, Deputy Secretary Mansfield testified that it is not clear how the VA benefit proposed in this bill would interact with the new Medicare benefit. As you know, we are now a year closer to full implementation of that new Medicare benefit. We continue to have the same concerns. Mr. Mansfield also stated that the proposal could have significant effects on other public and private health care programs by jeopardizing the current discount prices VA receives on pharmaceuticals. That concern also remains. Additionally, enactment of this measure could encourage situations where a veteran is receiving care and prescriptions from VA, and from outside sources, yielding increased costs, increased confusion, and decreased patient safety. Accordingly, I again must say that we cannot support this bill.

S. 716

I next turn to S. 716, which deals with VA's outreach to veterans returning from Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) regarding services they can receive from VA's Readjustment Counseling Program and other VA mental health programs. The bill would specify that VA may provide bereavement counseling to the families of those who die in the active military service. We fully support the intent of S. 716, and in fact are currently carrying out most of its requirements. That being the case, enactment of the bill is unnecessary.

Specifically, S. 716 would require that VA employ 50 new individuals, all of whom must be veterans of either Operation Enduring Freedom or Operation Iraqi Freedom, to provide outreach to other veterans when they return from service in those operations. As we have previously advised the Committee, last year VA employed and trained an additional 50 veterans from the ranks of those recently separated from OEF/OIF to work in Vet Centers providing outreach, and we have committed to hiring an additional 50 veterans this year. The 50 persons hired last year were all given career-conditional appointments. That means that these veterans can expect to retain their employment. This bill further provides that any limitation on the duration of employment for these employees is terminated, and it would require that the additional 50 appointments that we make this year also receive career-conditional appointments. The latter provision is imprudent.

We do not intend to terminate any of the positions in question, but at the same time we do not expect that the conflicts in Central Asia will continue indefinitely. We hope the day will come when we will no longer have to undertake the outreach contemplated by this bill. If the need for these positions ends at some point in the future, the employees would likely move into other positions in VA, or be eliminated by attrition. However, to permit wise and efficient stewardship of the Department, we urge amendment of this legislation so as not to restrict the nature and duration of the appointments we make.

S. 716 would also more explicitly provide that VA has authority to provide bereavement counseling for the families of deceased active duty servicepersons, including parents, and that VA can provide the counseling in Vet Centers. In August 2003, former Secretary Principi directed that Vet Centers develop a program to provide such bereavement counseling, and we are now actively providing that service. In the operation of that program, we have permitted

counseling various members of the family, including the parents of the deceased. Since the inception of the program, the families of over 365 servicepersons who have died on active duty have been referred to the Vet Centers for counseling assistance, and the Centers have provided services to over 555 family members. The average number of counseling sessions provided to each family member has been six. Program clinical experience has been that most families need a supportive therapeutic environment to assist them in processing the immediate stages of grief and to stabilize their situation sufficient to mobilize their own coping resources.

Finally, S. 716 would authorize \$180 million to be appropriated for the provision of readjustment counseling and related mental health services through Vet Centers. In the current fiscal year VHA allocated a total of \$94 million for all Readjustment Counseling Service activities. We estimate that the additional services that this bill would direct, and that we are in fact already implementing, will require only about \$8 million. There is no necessity or justification for nearly doubling the amount we spend on Readjustment Counseling Service.

Mr. Chairman, the agenda for today's hearing also includes three additional draft bills identified as the "Mental Health Capacity Enhancement Act of 2005," the "Neighbor Islands Veterans Health Care Improvements Act" and the "Sheltering All Veterans Everywhere Act." Because we received copies of these draft bills only very recently, we do not have cleared positions on the measures. We will provide written comments on those bills for the record.

Mr. Chairman, this completes my prepared statement. I would be happy to answer any questions you may have.