

HONORABLE JAMES B. PEAKE, M.D., SECRETARY OF VETERANS AFFAIRS

STATEMENT OF THE HONORABLE JAMES B. PEAKE, M.D.

SECRETARY OF VETERANS AFFAIRS

FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS

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Mr. Chairman and members of the Committee, good morning. I am happy to be here and I am deeply honored that the President has given me the opportunity to serve as Secretary of Veterans Affairs. I look forward to working with you to build on VA's past successes to ensure veterans continue to receive timely, accessible delivery of high-quality benefits and services earned through their sacrifice and service in defense of freedom.

I am here today to present the President's 2009 budget proposal for VA. The request totals nearly \$93.7 billion-\$46.4 billion for entitlement programs and \$47.2 billion for discretionary programs. The total request is \$3.4 billion above the funding level for 2008. The President's ongoing commitment to those who have faithfully served this country in uniform is clearly demonstrated through this budget request for VA. Resources requested for discretionary programs in 2009 are more than double the funding level in effect when the President took office 7 years ago.

The President's request for 2009 will allow VA to achieve performance goals in four areas critical to the achievement of our mission:

- provide timely, accessible, and high-quality health care to our highest priority patients-veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;
- advance our collaborative efforts with the Department of Defense (DoD) to ensure the continued provision of world-class health care and benefits to VA and DoD beneficiaries, including progress towards the development of secure, interoperable electronic medical record systems;
- improve the timeliness and accuracy of claims processing; and
- ensure the burial needs of veterans and their eligible family members are met and maintain veterans' cemeteries as national shrines.

Ensuring a Seamless Transition from Active Military Service to Civilian Life

One of our highest priorities is to ensure that veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom receive everything they need to make their transition back to civilian life as smooth and easy as possible. We will take all measures necessary to provide them with timely benefits and services, to give them complete information

about the benefits they have earned through their courageous service, and to implement streamlined processes free of bureaucratic red tape.

We will provide timely, accessible, and high-quality medical care for those who bear the permanent physical scars of war as well as compassionate care for veterans who suffer from less visible but equally serious and debilitating mental health issues, including traumatic brain injury (TBI) and post-traumatic stress disorder (PTSD). Our treatment of those with mental health conditions will include veterans' family members who play a critical role in the care and recovery of their loved ones.

The President's top legislative priority for VA is to implement the recommendations of the President's Commission on Care for America's Returning Wounded Warriors (Dole-Shalala Commission). The Commission's report provides a powerful blueprint to move forward with ensuring that service men and women injured during the Global War on Terror continue to receive the health care services and benefits necessary to allow them to return to full and productive lives as quickly as possible. VA has initiated studies to determine appropriate payment levels for quality of life, transition assistance, and loss of earnings. The next step is for Congress to pass the President's legislation, which will modernize the disability compensation system. VA is working closely with officials from DoD on the recommendations of the Dole-Shalala Commission that do not require legislation to help ensure veterans achieve a smooth transition from active military service to civilian life.

For example, VA and DoD signed an agreement in October 2007 to provide federal recovery coordinators to ensure medical services and other benefits are provided to seriously-wounded, injured, and ill active duty service members and veterans. VA hired the first recovery coordinators, in coordination with DoD, and they are located at Walter Reed Army Medical Center, National Naval Medical Center, and Brooke Army Medical Center. They will coordinate services between VA and DoD and, if necessary, private-sector facilities, while serving as the ultimate resource for families with questions or concerns about VA, DoD, or other federal benefits.

In November 2007, VA and DoD began a pilot disability evaluation system for wounded warriors at the major medical facilities in the Washington, DC area-Washington VA Medical Center, Walter Reed Army Medical Center, National Naval Medical Center, and Malcolm Grow Medical Center. This initiative is designed to eliminate the duplicative and often confusing elements of the current disability processes of the two departments. Key features of the disability evaluation system pilot include one medical examination and a single disability rating determined by VA. The single disability examination is another improvement resulting from the recommendations of the Dole-Shalala Commission and is aimed at simplifying benefits, health care, and rehabilitation for injured service members and veterans.

VA will continue to work with Congress, DoD, and other federal agencies to aggressively move forward with implementing the Dole-Shalala Commission recommendations.

Medical Care

The President's 2009 request includes total budgetary resources of \$41.2 billion for VA medical care, an increase of \$2.3 billion over the 2008 level and more than twice the funding available at the beginning of the Bush Administration. Our total medical care request is comprised of funding for medical services (\$34.08 billion), medical facilities (\$4.66 billion), and resources from medical care collections (\$2.47 billion). We have included funds for medical administration as part of our request for medical services. Merging these two accounts will improve and simplify the execution of our budget and will make it easier for us to respond rapidly to unanticipated changes in the health care environment throughout the year. We appreciate Congress providing us with the authority to transfer funding between our medical care accounts as this helps ensure we operate a balanced medical program. We will evaluate the potential need for adjustments to our medical accounts during 2008.

Information technology (IT) plays a vital role in direct support of our medical care program and VA is requesting a significant increase in IT funding in 2009, much of which will help ensure we continue to provide timely, safe, and high-quality health care services. The most critical component of our medical IT program is the continued operation and improvement of our electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. We must continue the progress we have made with DoD to develop secure, interoperable electronic medical record systems which is a critical recommendation in the Dole-Shalala Commission report. The availability of medical data to support the care of patients shared by VA and DoD will enhance our ability to provide world-class care to veterans and active duty members, including our wounded warriors returning from Afghanistan and Iraq.

Workload

During 2009, we expect to treat about 5,771,000 patients. This total is nearly 90,000 (or 1.6 percent) above the 2008 estimate. Our highest priority patients (those in priorities 1-6) will comprise 67 percent of the total patient population in 2009, but they will account for 84 percent of our health care costs.

We expect to treat about 333,000 veterans in 2009 who served in Operation Enduring Freedom and Operation Iraqi Freedom. This is an increase of 40,000 (or 14 percent) above the number of veterans from these two campaigns that we anticipate will come to VA for health care in 2008, and 128,000 (or 62 percent) more than the total in 2007.

Funding for Major Health Care Initiatives

In 2009 we are requesting nearly \$1.3 billion to meet the needs of the 333,000 veterans with service in Operation Enduring Freedom and Operation Iraqi Freedom whom we expect will come to VA for medical care. This is an increase of \$216 million (or 21 percent) over our resource needs to care for these veterans in 2008.

The Department's resource request includes \$3.9 billion in 2009 to continue our effort to improve access to mental health services across the country. This is an increase of \$319 million, or 9 percent, above the 2008 level. These funds will help ensure VA continues to realize the aspirations of the President's New Freedom Commission Report, as embodied in VA's Mental

Health Strategic Plan, to deliver exceptional, accessible mental health care. The Department will place particular emphasis on providing care to those suffering from PTSD as a result of their service in Operation Enduring Freedom and Operation Iraqi Freedom. 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. Our strategy for improving access includes increasing mental health care staff and expanding our telemental health program that allows us to reach about 20,000 additional patients with mental health conditions each year.

Our 2009 request includes \$762 million for non-institutional long-term care services, an increase of \$165 million, or 28 percent, over 2008. By enhancing veterans' access to non-institutional long-term 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. This includes adult day health care, home-based primary care, purchased skilled home health care, homemaker/home health aide services, home respite and hospice care, and community residential care. During 2009 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to about 61,000. This represents a 38 percent increase above the level we expect to reach in 2008.

VA's medical care request includes nearly \$1.5 billion to support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life. This is \$134 million, or 10 percent, above the funding level in 2008. This increase in resources for prosthetics and sensory aids will allow the Department to meet the needs of the growing number of injured veterans returning from combat in Afghanistan and Iraq.

Requested funding for the Civilian Health and Medical Program of the VA (CHAMPVA) totals just over \$1 billion in 2009, an increase of \$145 million (or 17 percent) over the 2008 resource level. Claims paid for CHAMPVA benefits are expected to grow by 9 percent (from 7.0 million to 7.6 million) between 2008 and 2009 and the cost of transaction fees required to process electronic claims is rising as well.

Our budget request contains \$83 million for facility activations. This is \$13 million, or 19 percent, above the resource level for activations in 2008. As VA completes projects within our Capital Asset Realignment for Enhanced Services (CARES) program, we will need increased funding to purchase equipment and supplies for newly constructed and leased buildings.

Quality of Care

The resources we are requesting for VA's medical care program will allow us to strengthen our position as the nation's leader in providing high-quality health care. VA has received numerous accolades from external organizations documenting the Department's leadership position in providing world-class health care to veterans. For example, our record of success in health care delivery is substantiated by the results of the December 2007 American Customer Satisfaction Index (ACSI) survey. Conducted by the National Quality Research Center at the University of Michigan Business School and the Federal Consulting Group, the ACSI survey found that customer satisfaction with VA's health care system was higher than the private sector for the

eighth consecutive year. The data revealed that patients at VA medical centers recorded a satisfaction level of 83 out of a possible 100 points, or 6 points higher than the rating for care provided by the private-sector health care industry.

In December 2007 the Congressional Budget Office (CBO) issued a report highlighting the success of VA's health care system. In this report-The Health Care System for Veterans: An Interim Report-the CBO identified organizational restructuring and management systems, the use of performance measures to monitor key processes and health outcomes, and the application of health IT as three of the major driving forces leading to high-quality health care delivery in VA. In October 2007, the Institute of Medicine released a report-Treatment of PTSD: An Assessment of The Evidence-that states VA's use of exposure-based therapies for the treatment of PTSD is effective. This confirms the Department's own conclusions and bolsters our efforts to continue to effectively treat veterans of the Global War on Terror who are suffering from PTSD and other mental health conditions.

These external acknowledgments of the superior quality of VA health care 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 the medical literature has proven to be directly linked to improved health outcomes for patients. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to grow to 86 percent in 2009, or a 1 percentage point rise over the level we expect to achieve in 2008. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index will also grow by 1 percentage point above the estimated 2008 level, reaching 89 percent in 2009.

Access to Care

In April 2006 there were over 250,000 unique patients waiting more than 30 days for their desired appointment date for health care services. As of January 1, 2008, we had reduced the waiting list to just over 69,000. Our budget request for 2009 provides the resources necessary for the Department to virtually eliminate the waiting list by the end of next year. Improvements in access to health care will result in part from the opening of 64 new community-based outpatient clinics in 2008 and 51 more in 2009 (bringing the total number to 846).

The Department will expand its telehealth program which is a critical component of VA's approach to improve access to health care for veterans living in rural and remote areas. Other strategies include increasing the number of community-based outpatient clinics and enhancing VA's participation in the National Rural Development Partnership that serves as a forum for identifying, discussing, and acting on issues affecting those residing in rural areas. In 2009 the Department's Office of Rural Health will conduct studies to evaluate VA's rural health programs and develop policies and additional programs to improve the delivery of health care to veterans living in rural and remote areas.

Medical Collections

The Department expects to receive nearly \$2.5 billion from medical collections in 2009, which is \$126 million, or more than 5 percent, above our projected collections for 2008. About \$8 of every \$10 in additional collections will come from increased third-party insurance payments, with almost all of the remaining collections resulting from growing pharmacy workload. We will continue several initiatives to strengthen our collections processes, including expanded use of both the Consolidated Patient Account Center to increase collections and improve operational performance, and the Insurance Card Buffer system to improve third-party insurance verification. In addition, we will enhance the use of real-time outpatient pharmacy claims processing to facilitate faster receipt of pharmacy payments from insurers and will expand our campaign to increase the number of payers accepting electronic coordination of benefits claims.

Legislative Proposals

The President's 2009 budget includes seven legislative proposals totaling \$42 million. One of these proposals expands legislative authority to cover payment of specialized residential care and rehabilitation in VA-approved medical foster homes for veterans of Operation Enduring Freedom and Operation Iraqi Freedom who suffer from TBI. Another proposal would reduce existing barriers to the early diagnosis of human immunodeficiency virus (HIV) infection by removing requirements for separate written informed consent for HIV testing among veterans. This change would ensure that patients treated by VA receive the same standard of HIV care that is recommended to non-VA patients.

The 2009 budget also contains three legislative proposals which ask veterans with comparatively greater means and no compensable service-connected disabilities to assume a modest share of the cost of their health care. They are exactly the same as proposals submitted but not enacted in the 2008 budget. The first proposal would assess Priority 7 and 8 veterans with an annual enrollment fee based on their family income:

Family Income	Annual Enrollment Fee
Under \$50,000	None
\$50,000 - \$74,999	\$250
\$75,000 - \$99,999	\$500
\$100,000 and above	\$750

The second legislative proposal would increase the pharmacy co-payment for Priority 7 and 8 veterans from \$8 to \$15 for a 30-day supply of drugs. And the last provision would equalize co-payment treatment for veterans regardless of whether or not they have insurance.

These legislative proposals have been identified in VA's budget request for several years. The proposals are consistent with the priority system of health care established by Congress, a system which recognizes that priority consideration must be given to veterans with service-disabled conditions, those with lower incomes, and veterans with special health care needs.

These proposals have no impact on the resources we are requesting for VA medical care as they do not reduce the discretionary medical care resources we are seeking. Our budget request includes the total funding needed for the Department to continue to provide veterans with timely,

accessible, and high-quality medical services that set the national standard of excellence in the health care industry. Instead, these three provisions, if enacted, would generate an estimated \$2.3 billion in revenue from 2009 through 2013 that would be deposited into a mandatory account in the Treasury.

One of our highest legislative priorities is to establish the position of Assistant Secretary for Acquisition, Logistics, and Construction. The person occupying this new position would serve as VA's Chief Acquisition Officer, a position required by the Services Acquisition Reform Act of 2003. This will elevate the importance of these critical functions to the level necessary to coordinate their policy direction across the Department's programs and other government agencies. An Assistant Secretary with focused policy responsibility for acquisition, logistics, and construction would ensure these vital activities receive the visibility they need at the highest levels of VA. Legislation to accomplish this was introduced in the Senate on October 4, 2007, as S. 2138. We would appreciate Congress' support of this legislation.

Medical Research

VA is requesting \$442 million to support VA's medical and prosthetic research program. Our request will fund nearly 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 (\$53 million), aging (\$45 million), health services delivery improvement (\$39 million), cancer (\$37 million), and heart disease (\$33 million).

One of our highest priorities in 2009 will be to continue our aggressive research program aimed at improving the lives of veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom. The President's budget request for VA contains \$252 million devoted to research projects focused specifically on veterans returning from service in Afghanistan and Iraq. This includes research in TBI and polytrauma, spinal cord injury, prosthetics, burn injury, pain, and post-deployment mental health. Our research agenda includes cooperative projects with DoD to enhance veterans' seamless transition from military treatment facilities to VA medical facilities, particularly in the treatment of veterans suffering from TBI.

The President's request for research funding will help VA sustain its long track record of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that have direct application to improved clinical care include the use of a neuromotor prosthesis to help replace or restore lost movement in paralyzed patients, continued development of an artificial retina for those who have lost vision due to retinal damage, use of an inexpensive generic drug (prazosin) to improve sleep and reduce trauma nightmares for veterans with PTSD, and advancements in identifying a new therapy to prevent or slow the progression of Alzheimer's disease.

In addition to VA appropriations, the Department's researchers compete for and receive funds from other federal and non-federal sources. Funding from external sources is expected to continue to increase in 2009. Through a combination of VA resources and funds from outside sources, the total research budget in 2009 will be almost \$1.85 billion.

General Operating Expenses

The Department's 2009 resource request for General Operating Expenses (GOE) is \$1.7 billion. Within this total GOE funding request, nearly \$1.4 billion is for the management of the following non-medical benefits administered by the Veterans Benefits Administration (VBA)-disability compensation; pensions; education; housing; vocational rehabilitation and employment; and insurance. The 2009 budget request provides VBA over two times the level of discretionary funding available when the President took office and underscores the priority this Administration places on improving the timeliness and accuracy of claims processing. Our request for GOE funding also includes \$328 million to support General Administration activities.

Compensation and Pensions Workload and Performance Management

A major challenge in improving the delivery of compensation and pension benefits is the steady and sizeable increase in workload. The volume of claims receipts is projected to reach 872,000 in 2009-a 51 percent increase since 2000.

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 is one of the key drivers of new claims activity. This has contributed to an increase in the number of new claims, and we expect this pattern to persist at least for the near term. An additional reason that the number of compensation and pension claims is climbing is the Department's commitment to increase outreach. We have an obligation to extend our reach as far as possible and to spread the word to veterans about the benefits and services VA stands ready to provide.

Disability compensation claims from veterans who have previously filed a claim comprise about 54 percent of the disability claims received by the Department each year. Many veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, cardiovascular disease, orthopedic problems, and hearing loss. As these veterans age and their conditions worsen, VA experiences additional claims for increased benefits.

The growing complexity of the claims being filed also contributes to our workload challenges. For example, the number of original compensation cases with eight or more disabilities claimed increased by 168 percent during the last 7 years, reaching over 58,500 claims in 2007. Over one-quarter of all original compensation claims received last year contained eight or more disability issues. In addition, we expect to continue to receive a growing number of complex disability claims resulting from PTSD, TBI, environmental and infectious risks, complex combat-related injuries, and complications resulting from diabetes. Claims now take more time and more resources to adjudicate. Additionally, as VA receives and adjudicates more claims, this results in a larger number of appeals from veterans and survivors, which also increases workload in other parts of the Department, including the Board of Veterans' Appeals and the Office of the General Counsel.

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties have grown, adding more steps to the claims process and lengthening the time it takes to develop and decide a

claim. Also, the Department is now required to review the claims at more points in the adjudication process.

VA will address its ever-growing workload challenges in several ways. For example, we will enhance our use of information technology tools to improve claims processing. In particular, our claims processors will have greater on-line access to DoD medical information as more categories of DoD's electronic records are made available through the Compensation and Pension Records Interchange project. We will also strengthen our investment in Virtual VA, which will reduce our reliance upon paper-based claims folders and enable accessing and transferring electronic images and data through a Web-based application. Virtual VA will also dramatically increase the security and privacy of veteran data. The Department will continue to move work among regional offices in order to maximize our resources and enhance our performance. Also, this year we will complete the consolidation of original pension claims processing to three pension maintenance centers which will relieve regional offices of their remaining pension work. In addition, we will further advance staff training and other efforts to improve the consistency and quality of claims processing across regional offices.

Using resources available in 2008, we are aggressively hiring additional staff. By the beginning of 2009, we expect to complete a 2-year effort to hire about 3,100 new staff. This increase in staffing is the centerpiece of our strategy to achieve our 145-day goal for processing compensation and pension claims in 2009. This represents a 38-day improvement (or 21 percent) in processing timeliness from 2007 and a 24-day (or 14 percent) reduction in the amount of time required to process claims this year.

In addition, we anticipate that our pending inventory of disability claims will fall to about 298,000 by the end of 2009, a reduction of more than 94,000 (or 24 percent) from the pending count at the close of 2007. At the same time we are improving timeliness, we will also increase the accuracy of the compensation claims we adjudicate, from 88 percent in 2007 to 92 percent in 2009.

Education and Vocational Rehabilitation and Employment Performance

With the resources provided in the President's 2009 budget request, 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 13 days during the next 2 years, falling from 32 days in 2007 to 19 days in 2009. During this period, the average time it takes to process supplemental claims will improve from 13 days to just 10 days. These performance improvements will be achieved despite an increase in workload. The number of education claims we expect to receive will reach about 1,668,000 in 2009, or 9 percent higher than last year. In addition, the rehabilitation rate for the vocational rehabilitation and employment program will climb to 76 percent in 2009, a gain of 3 percentage points over the 2007 performance level. The number of program participants is projected to rise to 91,700 in 2009, or 5 percent higher than the number of participants in 2007.

Funding for Initiatives

Our 2009 request includes \$10.8 million for initiatives to improve performance and operational processes throughout VBA. Of this total, \$8.7 million will be used for a comprehensive training package covering almost all of our benefits programs. A little over one-half of the resources for this training initiative will be devoted to compensation and pension staff while nearly one-quarter of the training funds will be for staff in the vocational rehabilitation and employment program. These training programs include extensive instruction for new employees as well as additional training to raise the skill level of existing staff. Our robust training program is a vital component of our ongoing effort to improve the quality and consistency of our claims processing decisions and will enable us to be more flexible and responsive to changing workload demands.

National Cemetery Administration

Results from the December 2007 ACSI survey conducted by the National Quality Research Center at the University of Michigan and the Federal Consulting Group revealed that for the second consecutive time VA's national cemetery system received the highest rating in customer satisfaction for any federal agency or private sector corporation surveyed. The Department's cemetery system earned a customer satisfaction rating of 95 out of a possible 100 points. These results highlight that VA's cemetery system is a model of excellence in providing timely, accessible, and high-quality services to veterans and their families.

The President's 2009 budget request for VA includes \$181 million in operations and maintenance funding for the National Cemetery Administration (NCA), which is 71 percent above the resources available to the Department's burial program when the President took office. The resources requested for 2009 will allow us to meet the growing workload at existing cemeteries by increasing staffing and funding for contract maintenance, supplies, and equipment, open new national cemeteries, and maintain our cemeteries as national shrines. We will perform 111,000 interments in 2009, or 11 percent more than in 2007. The number of developed acres (7,990) that must be maintained in 2009 will be 8 percent greater than in 2007.

Our budget request includes an additional \$5 million to continue daily operations and to begin interment operations at six new national cemeteries-Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeastern Pennsylvania. Establishment of these six new national cemeteries is directed by the National Cemetery Expansion Act of 2003. We plan to open fast track burial sections at five of the six new cemeteries in late 2008 or early 2009, with the opening of the cemetery in southeastern Pennsylvania to follow in mid-2009.

The President's resource request for VA provides \$9.1 million in cemetery operations and maintenance funding to address gravesite renovations as well as headstone and marker realignment. When combined with another \$7.5 million in minor construction, VA is requesting a total of \$16.6 million in 2009 to improve the appearance of our national cemeteries which will help us maintain cemeteries as shrines dedicated to preserving our nation's history and honoring veterans' service and sacrifice.

With the resources requested to support NCA activities, we will expand access to our burial program by increasing the percent of veterans served by a burial option within 75 miles of their residence to 88 percent in 2009, which is 4.6 percentage points above our performance level at

the close of 2007. In addition, we will continue to increase the percent of respondents who rate the quality of service provided by national cemeteries as excellent to 98 percent in 2009, or 4 percentage points higher than the level of performance we reached last year.

Capital Programs (Construction and Grants to States)

The President's 2009 budget request includes just over \$1 billion in capital funding for VA, \$5 million of which will be derived from the sale of assets. Our request for appropriated funds includes \$581.6 million for major construction projects, \$329.4 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 2009 request for construction funding for our health care programs is \$750.0 million-\$476.6 million for major construction and \$273.4 million for minor construction. All of these resources will be devoted to continuation of the Capital Asset Realignment for Enhanced Services (CARES) program. CARES will renovate and modernize VA's health care infrastructure, provide greater access to high-quality care for more veterans, closer to where they live, and help resolve patient safety issues. Some of the construction funds in 2009 will be used to expand our polytrauma system of care for veterans and active duty personnel with lasting disabilities due to polytrauma and TBI. This system of care provides the highest quality of medical, rehabilitation, and support services.

Within our request for major construction are resources to continue five medical facility projects already underway:

- Denver, Colorado (\$20.0 million)-replacement medical center near the University of Colorado Fitzsimons campus
- Lee County, Florida (\$111.4 million)-new building for an ambulatory surgery/outpatient diagnostic support center
- Orlando, Florida (\$120.0 million)-new medical center consisting of a hospital, medical clinic, nursing home, domiciliary, and full support services
- San Juan, Puerto Rico (\$64.4 million)-seismic corrections to the main hospital building
- St. Louis, Missouri (\$5.0 million)-medical facility improvements and cemetery expansion.

Major construction funding is also provided to begin three new medical facility projects:

- Bay Pines, Florida (\$17.4 million)-inpatient and outpatient facility improvements
- Tampa, Florida (\$21.1 million)-polytrauma expansion and bed tower upgrades
- Palo Alto, California (\$38.3 million)-centers for ambulatory care and polytrauma rehabilitation center.

In addition, we are moving forward with plans to develop a fifth Polytrauma Rehabilitation Center in San Antonio, Texas with the \$66 million in funding provided in the 2007 emergency supplemental.

Minor construction is an integral component of our overall capital program. In support of the medical care and medical research programs, minor construction funds permit VA to address space and functional changes to efficiently shift treatment of patients from hospital-based to outpatient care settings; realign critical services; improve management of space, including vacant and underutilized space; improve facility conditions; and undertake other actions critical to CARES implementation. Further, minor construction resources will be used to comply with the energy efficiency and sustainability design requirements mandated by the President.

We are requesting \$130.0 million in construction funding to support the Department's burial program-\$105.0 million for major construction and \$25.0 million for minor construction. Within the funding we are requesting for major construction are resources for gravesite expansion and cemetery improvement projects at three national cemeteries-New York (Calverton, \$29.0 million); Massachusetts (\$20.5 million); and Puerto Rico (\$33.9 million).

VA is requesting \$5 million for a new land acquisition line item in the major construction account. These funds will be used to purchase land as it becomes available in order to quickly take advantage of opportunities to ensure the continuation of a national cemetery presence in areas currently being served. All land purchased from this account will be contiguous to an existing national cemetery, within an existing service area, or in a location that will serve the same veteran population center.

Information Technology

The President's 2009 budget provides more than \$2.4 billion for the Department's IT program. This is \$389 million, or 19 percent above our 2008 budget, and reflects the realignment of all IT operations and functions under the management control of the Chief Information Officer.

IT is critical to the timely, accessible delivery of high-quality benefits and services to veterans and their families. Our health care and benefits programs can only be successful when directly supported by a modern IT infrastructure and an aggressive program to develop improved IT systems that will meet new service delivery requirements. VA must modernize or replace existing systems that are no longer adequate in today's rapidly changing health care environment. It is vital that VA receives a significant infusion of new resources to implement the IT-related recommendations presented in the Dole-Shalala Commission report.

Within VA's total IT request of more than \$2.4 billion, 70 percent (or \$1.7 billion) will be for IT investment (non-payroll) costs while the remaining 30 percent (or \$729 million) will go for payroll and administrative requirements. Of the \$389 million increase we are seeking for IT, 86 percent will be devoted to IT investment. The overwhelming majority (\$271 million) of the IT investment funds will support VA's medical care program, particularly VA's electronic health record system.

VA classifies its IT investment functions into two major categories-those that directly impact the delivery of benefits and services to veterans (i.e., veteran facing) and those that indirectly affect veterans through administrative and infrastructure support activities (i.e., internal facing). For 2009, our \$1.7 billion request for IT investment is comprised of \$1.3 billion in veteran facing activities and \$418 million in internal facing IT functions. Within each of these two major

categories, IT programs and initiatives are further differentiated between development functions and operations and maintenance activities.

The increase in this budget of 94 full-time equivalent staff will provide enhanced support in two critical areas-information protection and IT asset management. Additional positions are requested for information security: testing and deploying security measures; IT oversight and compliance; and privacy, underscoring our commitment to the protection of veteran and employee information. The increase in IT asset management positions will bring expertise to focus on three primary functions-inventory management, materiel coordination, and property accountability.

Our 2009 budget request contains \$93 million in support of our cyber security program to continue our commitment to make VA the gold standard in data security within the Federal government. We continue to take aggressive steps to ensure the safety of veterans' personal information, including training and educating our employees on the critical responsibility they have to protect personal and health information. We are progressing with the implementation of the Data Security-Assessment and Strengthening of Controls Program established in May 2006. This program was established to provide focus to all activities related to data security.

As part of our continued operation and improvement of the Department's electronic health record system, VA is seeking \$284 million in 2009 for development and implementation of the Veterans Health Information Systems and Technology Architecture (HealtheVet-VistA) program. This includes a health data repository, a patient scheduling system, and a reengineered pharmacy application. HealtheVet-VistA will equip our health care providers with the modern tools they need to improve safety and quality of care for veterans. The standardized health information from this system 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 \$99 million in 2009 for the VistA Legacy system.

In support of our benefits programs, we are requesting \$23.8 million in 2009 for VETSNET. This will allow VA to complete the transition of compensation and pension payment processing off of the antiquated Benefits Delivery Network. This will enhance claims processing efficiency and accuracy, strengthen payment integrity and fraud prevention, and position VA to develop future claims processing efficiencies, such as our paperless claims processing strategy. To further our transition to paperless processing, we are seeking \$17.4 million in 2009 for Virtual VA which will reduce our reliance on paper-based claims folders through expanded use of electronic images and data that can be accessed and transferred electronically through a Web-based platform.

We are requesting \$42.5 million for the Financial and Logistics Integrated Technology Enterprise (FLITE) system. FLITE is being developed to address a long-standing internal control material weakness and will replace an outdated, non-compliant core accounting system that is no longer supported by industry. Our 2009 budget also includes \$92.6 million for human resource

management application investments, including the Human Resources Information System which will replace our current human resources and payroll system.

Summary

Our 2009 budget request of nearly \$93.7 billion will provide the resources necessary for VA to:

- provide timely, accessible, and high-quality health care to our highest priority patients—veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;
- advance our collaborative efforts with DoD to ensure the continued provision of world-class health care and benefits to VA and DoD beneficiaries, including progress towards the development of secure, interoperable electronic medical record systems;
- improve the timeliness and accuracy of claims processing; and
- ensure the burial needs of veterans and their eligible family members are met and maintain veterans' cemeteries as national shrines.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, accessible, and high-quality benefits and services to those who have helped defend and preserve liberty and freedom around the world.