STATEMENT OF THE HONORABLE ROBERT A. MCDONALD
SECRETARY OF VETERANS AFFAIRS

FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS

BUDGET REQUEST FOR FISCAL YEAR 2016

FEBRUARY 26, 2015

Chairman Isakson, Ranking Member Blumenthal, Distinguished Members of the Senate Committee on Veterans' Affairs:

Thank you for the opportunity to present the President's 2016 Budget and 2017 Advance Appropriations (AA) requests for the Department of Veterans Affairs (VA). This budget continues the President's staunch, unwavering support for Veterans, their families, and survivors. We value the support to VA that Congress has demonstrated in providing the resources and legislative authorities needed to honor our Nation's Veterans.

This is a critical moment for VA. We are emerging from one of the most serious crises the Department has ever experienced. But with this crisis, VA also has before it perhaps the greatest opportunity in its history to enhance care for Veterans and build a more efficient and effective system. We are listening hard to what Veterans, Congress, employees, Veterans Service Organizations (VSOs), and other stakeholders are telling us. Since my nomination on June 30, 2014, I have made 96 visits to VA field sites -- including 26 visits to VA Medical Centers, seven visits each to VA Community-Based Outpatient Clinics and Homeless Veteran program sites. I participated in the Los Angeles Point-in-Time Homeless Veterans count. I've made six visits to VA Regional Offices and five visits to VA cemeteries. I have witnessed first-hand the operations at VA polytrauma centers, a Veterans community living center, a hospice, an insurance center, and a domiciliary. I have attended nineteen Veteran engagements through partnerships and sixteen stakeholder events. I have visited twelve medical schools and universities to recruit newly minted clinical professionals for VA's healthcare system. All of these visits are influencing the way VA is moving forward. We are implementing an historic department-wide transformation, changing VA's culture, and making the Veteran the center of everything we do. We aspire to make the VA a model agency that is held up as an example for other government agencies to follow with respect to customer experience and stewardship of the taxpayer's resources. We strive to be comparable to the very best private sector businesses, with efficient and effective operations.

The President's 2016 Budget will allow VA to operate the largest integrated healthcare system in the country, including over 1,900 VA points of healthcare and approximately 9.4 million Veterans enrolled to receive care; the tenth largest life insurance provider, covering both active duty Servicemembers and enrolled Veterans; a compensation and pension benefits program serving over 5.2 million Veterans and survivors; an education assistance program serving 1.2 million students; a home mortgage program with a portfolio of over 2 million active loans guaranteed by VA; and the largest national cemetery system that leads the Nation as a high-performing organization, with projections to inter 129,200 Veterans and family members in 2016. VA's 2016 budget request is essential to begin to address the resource requirements necessary to move VA into the future, address the crisis we are in, and meet our obligation to provide timely, quality health care and services to Veterans.

The 2016 Budget for VA requests $168.8 billion -- $73.5 billion in discretionary funds, including medical care collections, and $95.3 billion in mandatory funds for Veterans benefits programs. The discretionary request reflects an increase of $5.2 billion (7.5 percent) above the 2015 enacted level. The budget also requests a 2017 AA for Medical Care of $63.3 billion and a first-time AA request of $104.0 billion for three mandatory accounts that support veterans' benefit payments (i.e., Compensation and Pensions, Readjustment Benefits, and Insurance and Indemnities). These investments, together with the 2016 Budget, will provide authorities, funding, and other tools to enhance service to Veterans in the short term while strengthening the underlying VA system to better serve Veterans in the future. However, more resources in certain areas will be required to ensure that the VA system can provide timely, high-quality health care into the future. In the coming months, the Administration will submit legislation to allow the VA Secretary to reallocate a portion of Veterans Choice Program funding to best meet Veteran needs. This will allow the Secretary to make essential investments in VA system priorities in a fiscally responsible, budget-neutral manner.

MyVA -- Driving Reforms and Improving Efficiency

In order to transform VA into an organization of which Veterans, employees, and Americans can be proud, we are beginning with a commitment to critically assess ourselves. Transformation must start with organizational reforms to better unify the Department's efforts on behalf of Veterans. These reforms will take time, but will center around the ICARE values and provide Veterans the services and benefits they have earned and deserve.

The goal of MyVA is to reorient the Department around the needs of Veterans. MyVA will create a VA that eliminates barriers to putting customers first; measures success by the outcomes to Veterans as opposed to our internal processes; and integrates across programs and organizations to optimize productivity and efficiency. MyVA focuses on five major themes:

- Improving the Veteran experience
- Improving the employee experience, and achieving “people excellence” so we can better serve Veterans
- Establishing a culture of continuous improvement
- Improving our internal support services
- Enhancing strategic partnerships

The overarching principle is our focus on the Veteran experience. We want every Veteran to have a seamless, integrated, and responsive customer service experience every time. We are taking the first step towards better integration of the Department by moving from nine separate regional maps to one. This realignment will align VA’s disparate organizational boundaries into a single framework, easing internal coordination and collaboration between business lines, and allowing VA to provide customer service training and capabilities across the agency. This will make the department more seamless to Veterans, who will begin to perceive their interactions with one VA, rather than individual organizations. The new organizational framework will have five geographically-named regions, which we worked with Veteran Service Organizations to name: North Atlantic, Southeast, Midwest, Continental, and Pacific.

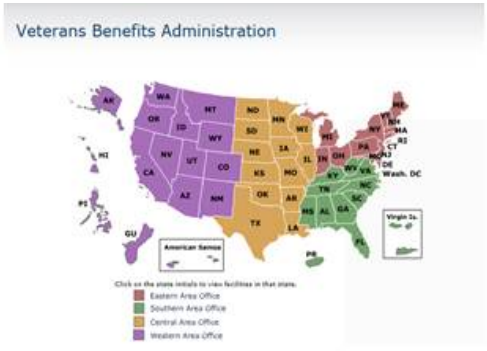
MyVA will empower employees with the tools they need to better serve Veterans, and will revolutionize VA’s culture by emphasizing continuous improvement, setting conditions at the local level for issues to be raised, addressed, and solutions replicated across as many facilities as needed to achieve enterprise level results.

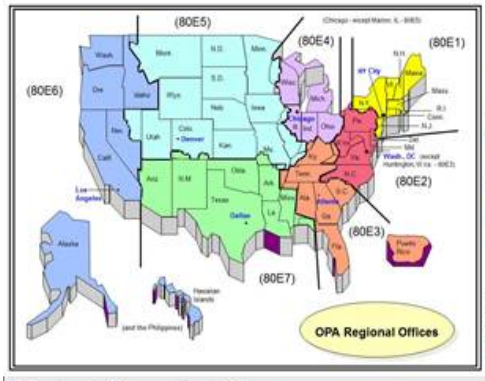
MyVA is also about ensuring that VA is a sound steward of the taxpayer dollar. By improving our internal support services, we will ensure that our processes support VA employees serving Veterans and that we effectively balance exceptional Veteran-centric service with operational efficiency. We are using a business lens to assess all aspects of VA operations and will pursue changes to allow VA to deliver care and services more efficiently and effectively while delivering the highest value to Veterans and taxpayers. By exploring opportunities to enhance Strategic Partnerships, we will ensure the best and most effective organizations—public, private, non-profits, and volunteer—work with VA to best serve Veterans.

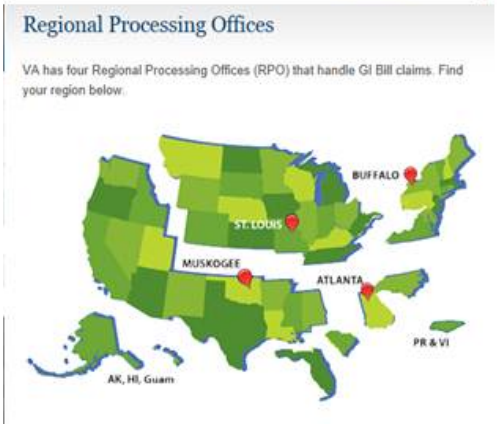
In addition, we are creating a new Digital Services Team, comprised of the country’s best developers, designers, and digital product managers, who will work across VA to design and deploy world-class digital services for America’s Veterans. Our digital services experts will help the Department achieve the MyVA vision through improved electronic access to VA services that works across Veterans’ computers, tablets, kiosks, and mobile devices.

We anticipate this will be the largest department-wide transformation in VA’s history. It will be the product of ideas and insights shared by Veterans, employees, members of Congress, VSOs, and other stakeholders.

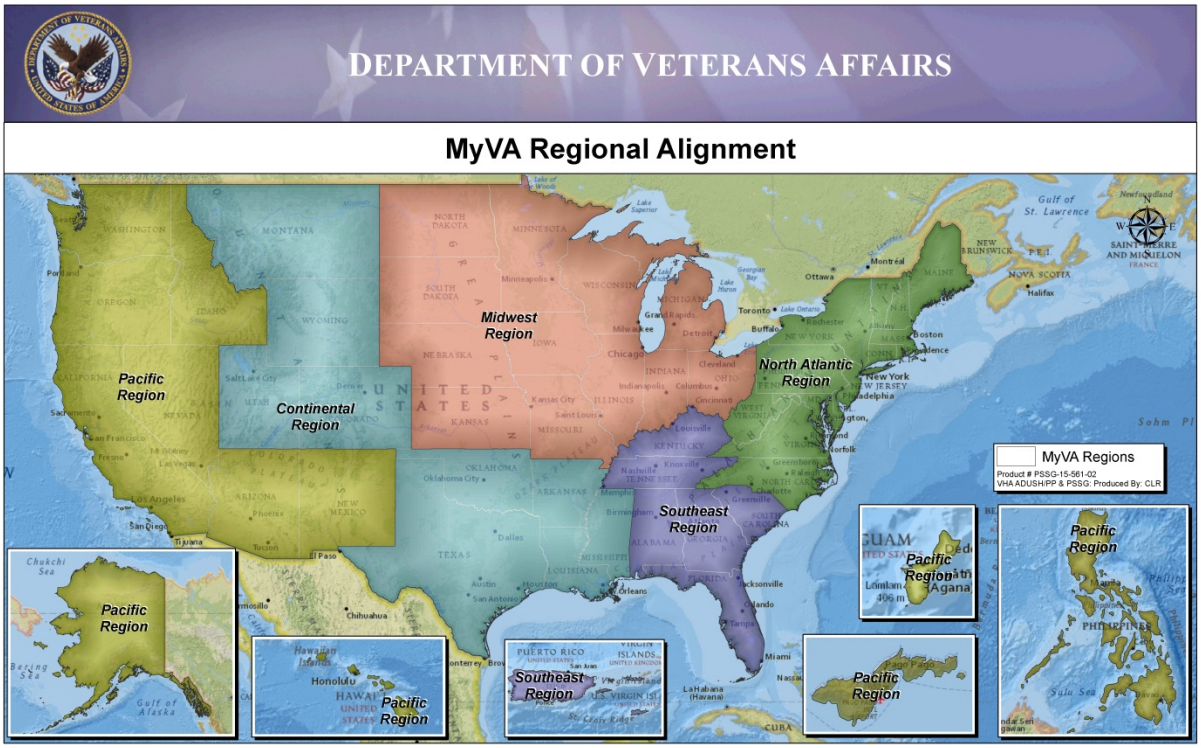
Before: VA's Nine Organizational Maps





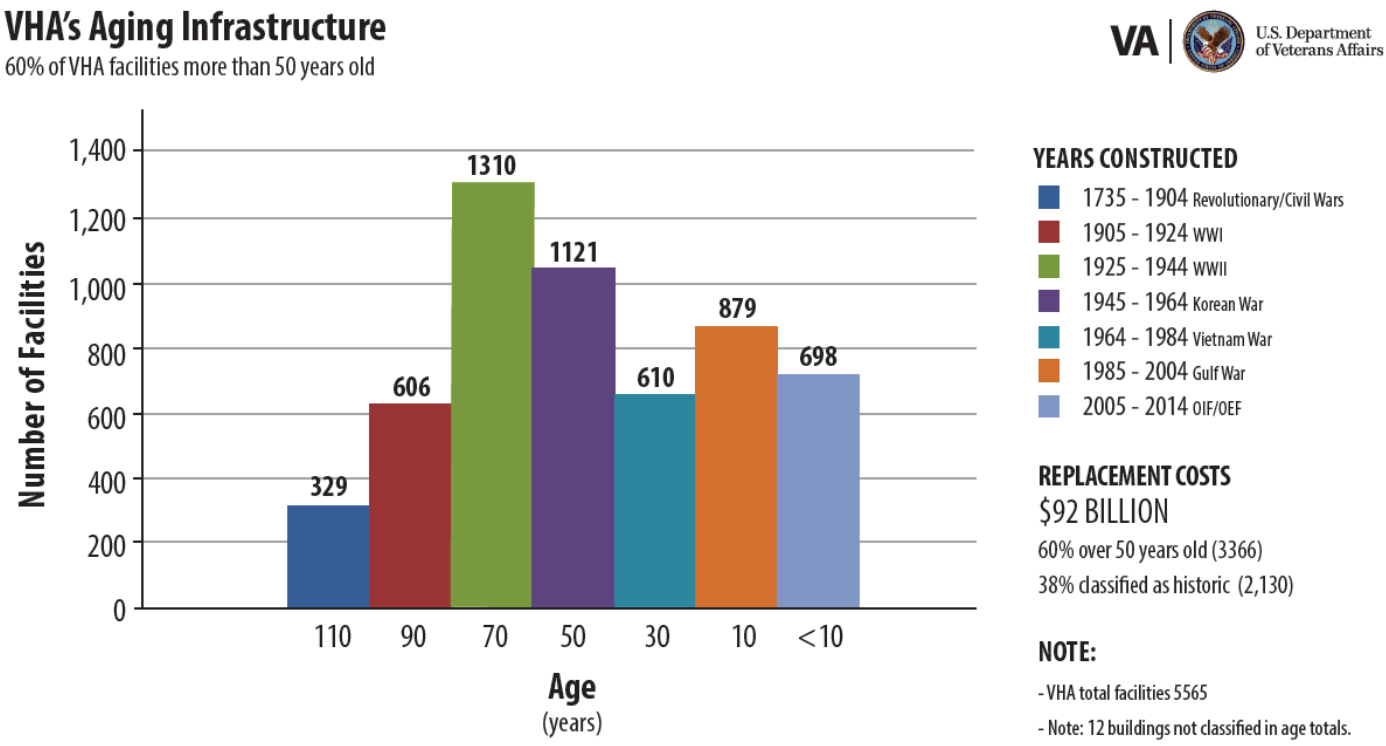


After: A Single, Coordinated Framework



Closing Unsustainable Facilities

VA cannot be a sound steward of the taxpayer's resources with the asset portfolio it is carrying. No business would carry such a portfolio – and our Veterans deserve better. It is time to close VA's old, substandard, and underutilized facilities. Of 5,565 VA medical facilities – which include hospitals, clinics, warehouses, and other assets that support medical operations – more than 900 facilities are over 90 years old, and more than 1,300 facilities are over 70 years old. Overall, 60 percent of VA facilities are more than 50 years old.



We need to move forward with closing locations that are not economically sustainable and old, outdated buildings that are challenging to maintain and provide little or no value to our customers. VA currently has 336 buildings that are vacant or less than 50 percent occupied, which are excess to our needs. This means we have to maintain over 10.5 million square feet of unneeded space – taking funding from needed Veteran services. For example, we estimate that it costs VA $24 million annually to maintain and operate vacant and underutilized buildings. These funds could be better used to hire roughly 200 Registered Nurses for one year; pay for 144,000 Veteran primary care visits; provide Veterans 13,500 bed days of inpatient care; or support 41,900 days of nursing home care for Veterans in Community Living Centers. The President's 2016 Budget includes two legislative proposals that would aid VA in disposing of these unnecessary assets. The first is the government-wide Civilian Property Realignment Act, which would enable Federal agencies to pursue consolidation and disposals in a streamlined way. The second proposal would authorize VA to pursue Enhanced-Use Lease (EUL) agreements for purposes beyond the currently authorized purpose of creating supportive housing. Our existing EUL authority does not allow VA to enter into a wide range of innovative agreements that could benefit Veterans.

VA faces many obstacles to rightsizing our capital asset portfolio. For example, under an Enhanced Use Lease project, VA and a third-party developer tried to demolish the vacant building shown below in order to provide land for the development of housing for homeless Veterans, but the state historic preservation office prevented VA from

taking action. I have met with National Historic Building advocates to discuss repurposing the buildings we close, and look forward to a spirited, positive dialogue on this issue.

Photo: Minneapolis, Minnesota vacant building, quartermaster gas station, built in 1932.

As the Veteran population has migrated, VA's capital infrastructure has not kept pace. We continue to operate medical facilities in legacy locations, in places where the Veteran population is small or shrinking. We do this at the expense of creating new access and right-sized capacity for larger numbers of Veterans in the locations where the Veteran population is growing. For example, in one hospital with an operating capacity of ten medical beds, the average daily patient census is 5 patients or less. At this facility, VA is required to maintain adequate infrastructure such as lab, x-ray, and other support in place continuously, regardless of the facility's low utilization rate. The cost per patient to maintain a small operation such as this one is higher than the cost in some of our large, highly complex facilities. Additionally, the patient volume and complexity of care make it difficult, if not impossible, for physicians and nurses to maintain clinical skills and competencies. This example is not an anomaly – there are many others in VA.

VA needs to better align its health care facilities to meet today's health care delivery models, which are shifting away from long inpatient stays to greater outpatient care. We also need to modernize our facilities to ensure they provide ready access to women, who now comprise 11 percent of all Veterans and 20 percent of our military. Where hospitals no longer make sense, due to a declining Veteran population or

demographic shifts, VA must look for ways to partner with local hospitals and health care systems to serve Veterans. Much of health care today is about creating partnerships and interdependencies to better serve patients and to contain costs. VA must be part of that.

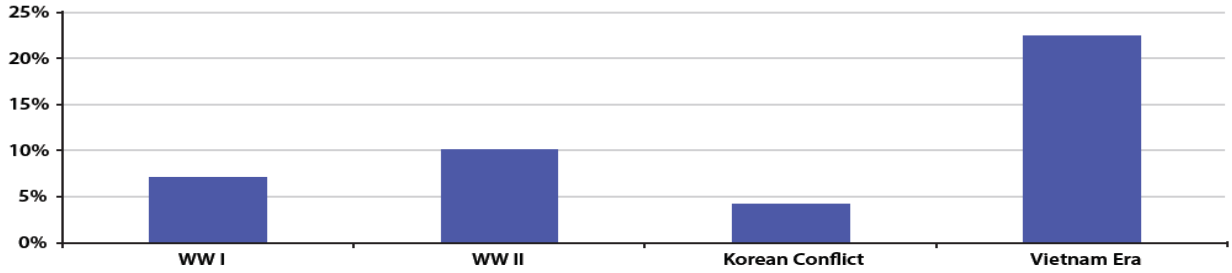
We know that it is difficult for Members of Congress to contemplate the closing of a facility in their own District, even when that facility is underutilized and wasteful. Yet, given the current and future demands on the VA system, we cannot afford to waste scarce resources on an inefficient system. We would like to work with Members of Congress to do the harder right, rather than the easier wrong. We ask for your help to realign our Medical facilities to best serve our Veterans and shed facilities that are not economically viable and no longer provide value.

Veterans' Demand for Services and Benefits

We know that Veterans' demand for services and benefits continues to rise for decades after conflicts end. And we know that the Veteran population is aging. In 2017, 9.8 million, or 46 percent of the 21.1 million Veteran population will be age 65 or older. This compares with 2.2 million, or 7.5 percent, in 1975. Veterans' care often occurs many years after they served in uniform, so this is a long-term issue for VA. Just since 2002, the number of Veterans receiving outpatient services has grown by more than 76 percent.

Veterans Receiving Service Connected Disability Compensation
40 years after conflict ends

VA | U.S. Department of Veterans Affairs

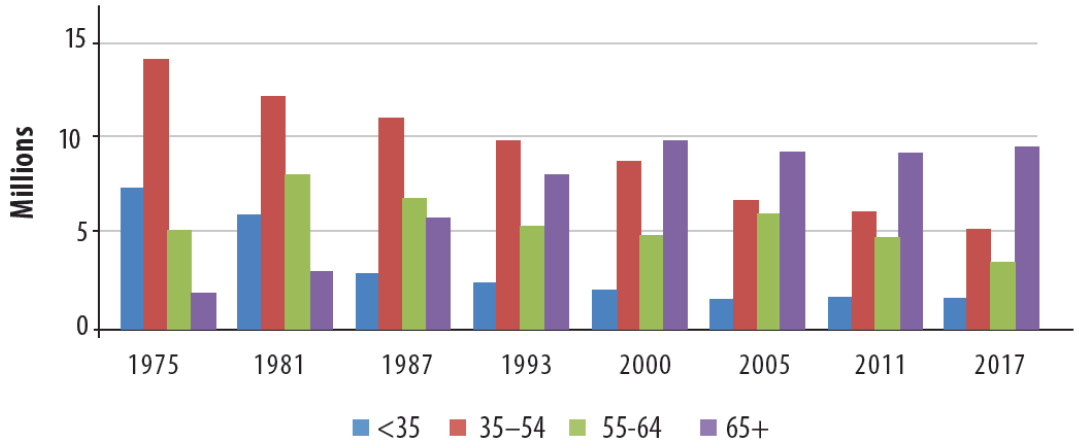


	World War I Veterans (1958)	World War II Veterans (1985)	Korean Conflict Veterans (1993)	Vietnam Era Veterans (2014)
SCD Compensation	203,654	1,048,976	198,492	1,624,656
Total Population	2,876,000	10,399,000	4,692,000	7,247,000
Percentage	7.08%	10.09%	4.23%	22.42%

Note: Date in parentheses is the date of data used in the chart
Data Source: 1958 VA Annual Report; 1985: VA Trend Data 1961-1985;
1993 VA Trend Data 1969-1993; 2014: VBA OPIA and Veteran Population Model

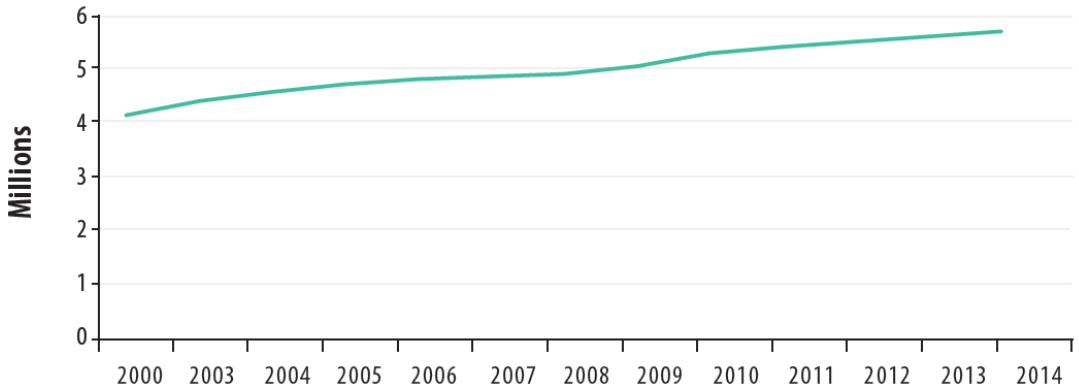
Number of Living Veterans
by Age Groups, 1975-2017

VA | U.S. Department of Veterans Affairs

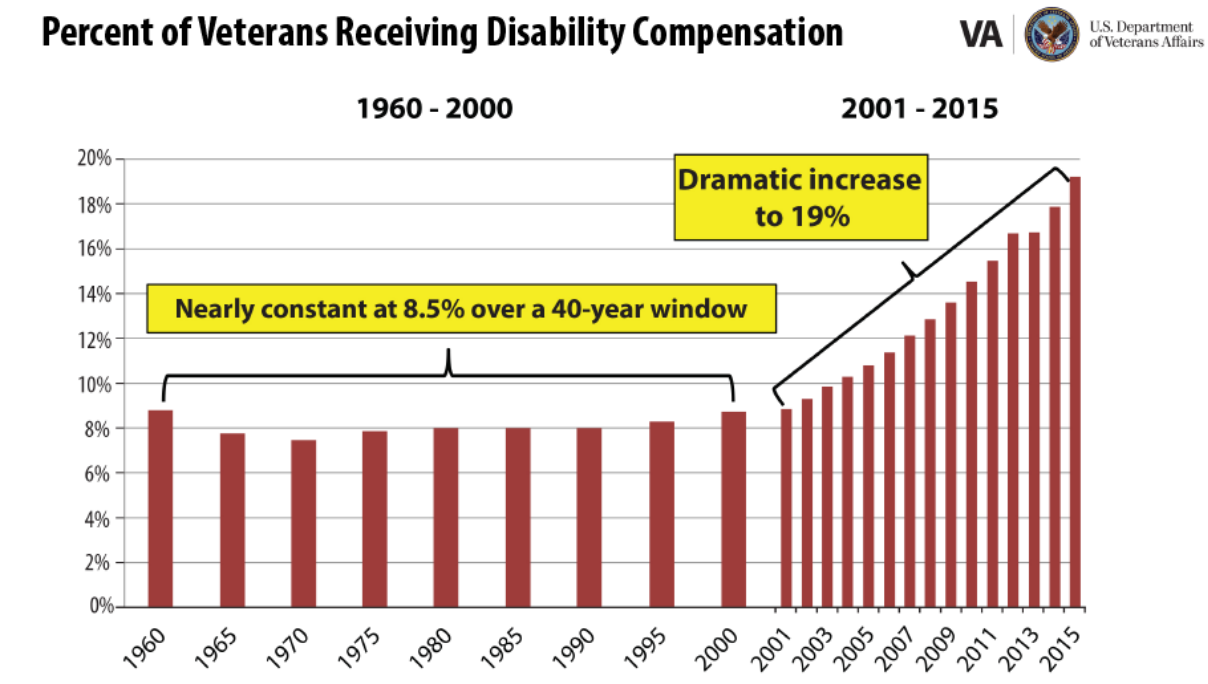


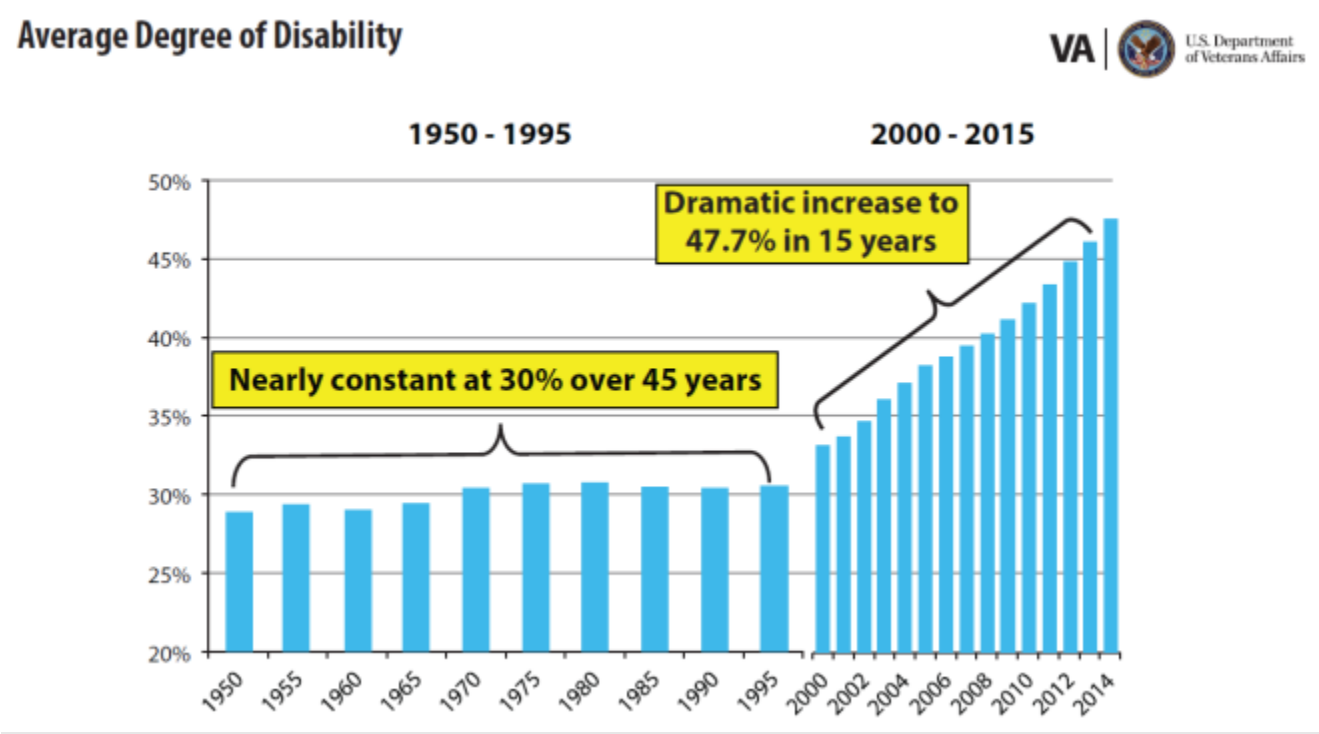
Number of Veterans Unique Outpatients
2002-2014 (in millions)

VA | U.S. Department of Veterans Affairs



Fueled by more than a decade of war, Agent Orange-related disability compensation claims, an complex, non-linear claims appeal process, demographic shifts, increased medical claims issues, and other factors, Veterans' demand for services and benefits has exceeded VA's capacity to meet it. VA has worked with the Ad Council on a pro bono advertising campaign to encourage more Veterans to sign up for their benefits, but we are reluctant to launch the campaign at a time when our capacity is stretched to its limit.





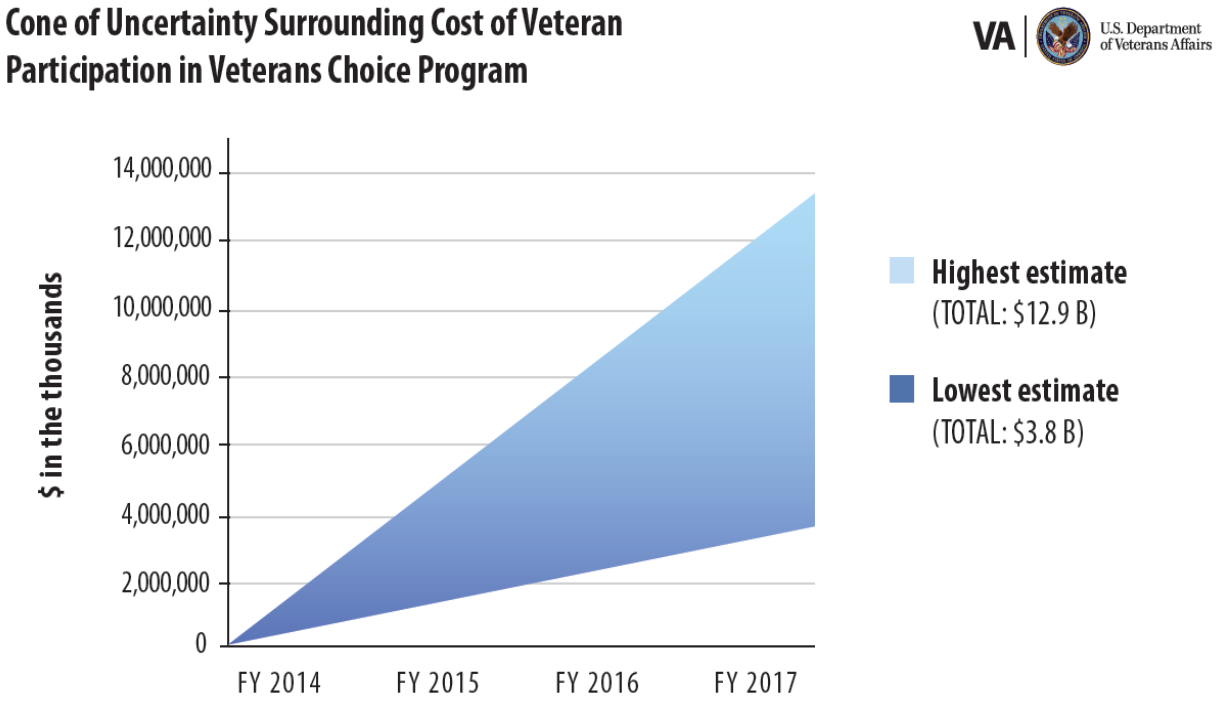
We must ensure that demand for services and benefits does not outstrip our capacity to provide them. VA must build the capacity now to meet future demand. We

look forward to working with you to identify and prioritize spending to best serve the interests of Veterans and our Nation.

The Veterans Access, Choice, and Accountability Act of 2014

The funding provided in the Veterans Access, Choice, and Accountability Act of 2014 (Veterans Choice Act) was an important step in moving VA on the path to improved access to care for Veterans. VA greatly appreciates these additional resources provided by the Congress - $15 billion to allow Veterans additional access to health care within the community and address current access and capacity shortfalls that are inherent within VA. While it is clear that purchased care plays an important role, it should not be seen as a replacement for a strong and vital Veterans' healthcare system.

The emergency resources provided in the Veterans Choice Act are not permanent, but are being used to address the current access crisis, but do not fully address VA's longstanding capital infrastructure requirements Because VA has limited experience with the new Veterans Choice Program, it is difficult to predict Veterans' use of the program, or its interaction with the medical care base budget. Our estimates of the total health care costs for the Choice Program range from a low of $3.8 billion to a high of $12.9 billion over the three-year program.



Data source: VA Office of the General Counsel, Economic Impact Analysis for RIN 2900-AP24, "Expanded Access to Non-VA Care through the Veterans Choice Program"

The variance is the result of significant uncertainty surrounding eligible Veterans' participation and utilization of non-VA medical services. Two categories of Veterans are eligible to participate -- those living outside the Act's 40-mile distance from a VA facility, and those who are on a waiting list for more than 30 days. Each eligible Veteran must make his or her own decision about care in the community. For example, a Veteran may prefer to be seen at the VA by his or her regular doctor, even though there is a waiting period, rather than see a new private sector physician in a shorter time period. Also, wait times may be high in the community for specialty appointments, and Veterans may elect to receive their specialty care from VA.

Ensuring Veterans Access to Care

Veterans are demanding more services from VA than ever before. The number of Veterans who are seeking VA medical care continues to grow steadily. Compared to FY 2009, the number of patients is projected to increase by 20 percent by FY 2016. We now serve a population that is older, with more chronic conditions, and less able to afford care in the private sector. And, as Veterans see the results of the positive changes we are making, we are confident that the number of Veterans utilizing VA services will rise. Currently, 11 million of the 22 million Veterans in this country are registered, enrolled, or use at least one VA benefit or service. Our 2016 budget requests the necessary resources to allow us to serve the growing number of Veterans who selflessly served our Nation.

In 2016, the number of Veterans enrolled in VA medical care will be nearly 9.4 million, an increase of 1.6 percent from 2015. Also, VA expects to provide more than 101 million outpatient visits in 2016, an increase of 2.8 million visits from 2015. Workload will continue to rise as the military downsizes and Veterans regain trust in the VA. In addition, survival rates among Americans who served in conflicts have increased, and more sophisticated methods for identifying and treating Veteran medical issues continue to become available.

The 2016 Budget requests $60.0 billion for medical care, an increase of $4.2 billion (7.4 percent) over the 2015 enacted level. The increase in 2016 is driven by Veterans' demand for VA health care as a result of demographic factors, and economic assumptions, investments in access; and high priority investments for Caregivers, new Hepatitis C treatments, and support for Veterans Health Information Systems and Technology Architecture (VistA) Evolution. The 2016 request supports programs to end Veteran homelessness; continue implementation of the Caregivers and Veterans Omnibus Health Services Act; provide for activation requirements for new or replacement medical facilities; and invest in strategic initiatives to improve the quality and accessibility of VA healthcare programs. The 2016 appropriations request includes an additional $1.3 billion above the enacted 2016 AA for Veterans medical care. This is

the first year VA will be seeking additional funding in all three medical care accounts that are funded by advance appropriations. The request includes approximately $3.3 billion annually in medical collections in 2016 and 2017.

For the 2017 Advance Appropriations for medical care, the current request is $63.3 billion. This request reflects great uncertainty surrounding the impact of the Veterans Choice Act on VA operations in 2017. This estimate will be revised as VA gains greater experience with implementation of the Veterans Choice Act.

Ending Veteran Homelessness

As President Obama has said, too many of those who once wore our nation's uniform now sleep in our nation's streets. The Administration has made the elimination of Veteran homelessness a national priority. In 2009, we set an ambitious plan to end veteran homelessness by the end of 2015. We have made substantial progress toward this goal — as of January 2014, overall Veteran homelessness is down 33 percent since 2010, and we have achieved a 42 percent decrease in unsheltered veteran homelessness. Through unprecedented partnerships with federal and local partners, we have greatly increased access to permanent housing, a full range of health care including primary care, specialty care, and mental health care; employment; and benefits for homeless and at risk for homeless Veterans and their families. As a result of these investments, in fiscal year 2014, more than 260,000 homeless or at-risk Veterans (including formerly homeless Veterans) received VA specialized services.

In 2016, VA will continue to focus on prevention and treatment services. The Budget requests $1.4 billion for VA homeless-related programs, including case management support for the HUD-VASH voucher program, the Grant and Per Diem Program, the Supportive Services for Veteran Families program, and VA justice programs. The 2016 Budget supports VA's plan to end Veteran homelessness by emphasizing rescue for those who are homeless today, and prevention for those at risk of homelessness.

Medical and Prosthetic Research

VA has a legacy of innovation and cutting-edge research that is as broad and historically significant as it is profound—and often unrecognized. Few are aware that VA research developed the cardiac pacemaker, the first successful liver transplant, the nicotine patch, and the world's most advanced prosthetics—including VA's revolutionary "Braingate" breakthrough that makes it possible for totally

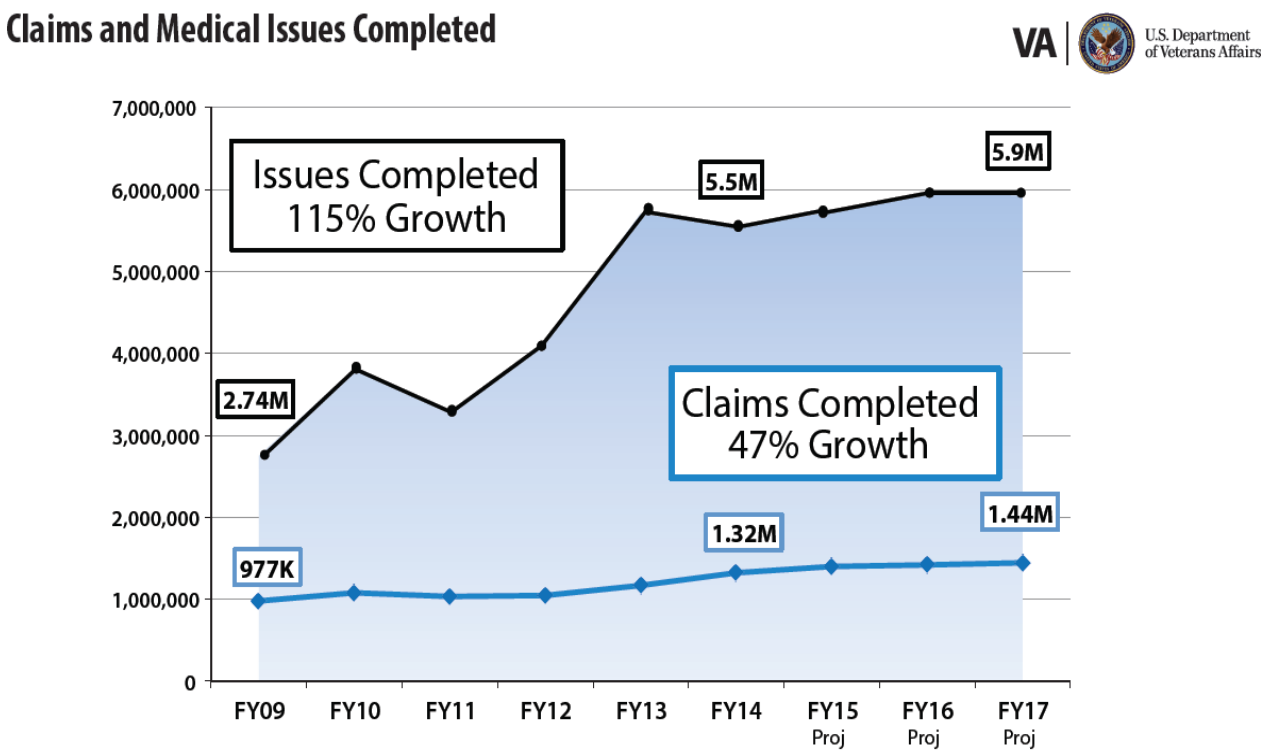
paralyzed patients to control robotic arms using only their thoughts.

VA research also has led to major breakthroughs and advances in medical science and care—Posttraumatic Stress Disorder, or PTSD, and Traumatic Brain Injury, or TBI, being only two of many. In 2016, Medical Research will be supported through a $621.8 million direct appropriation, and an additional $1.2 billion from VA's medical care program and grants. Total funding for Medical and Prosthetic Research will be over $1.8 billion in 2016.

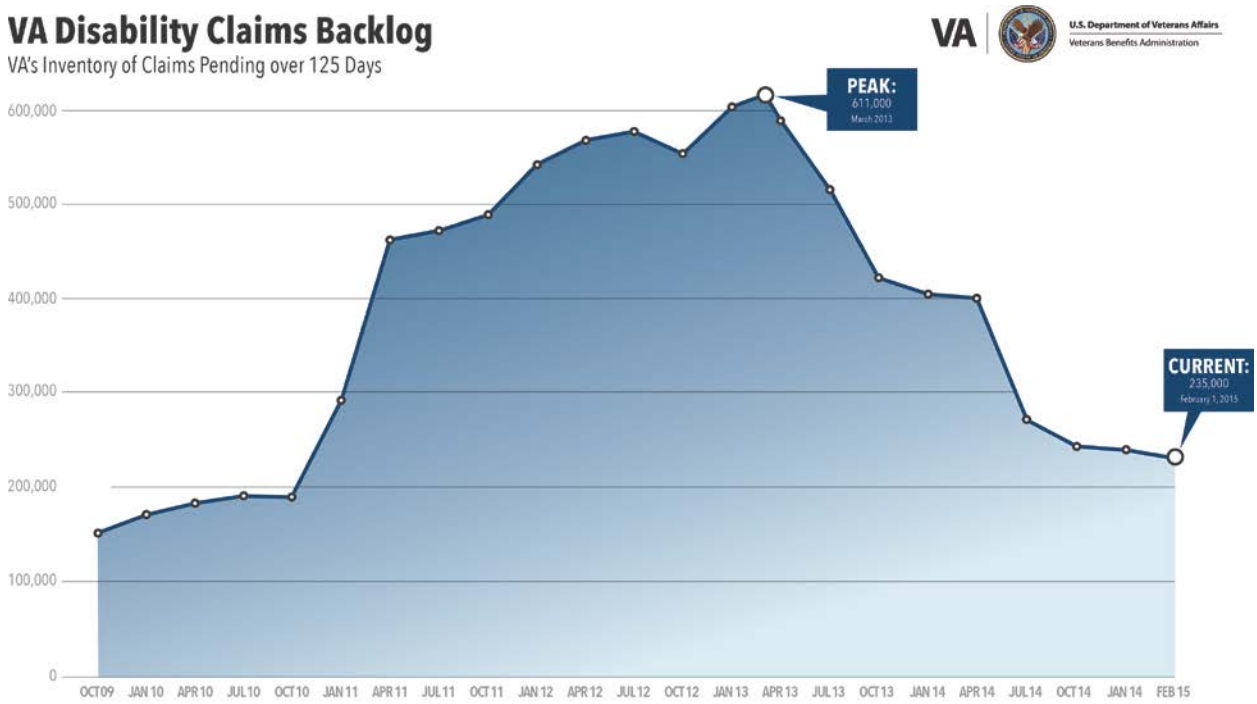
The 2016 Budget includes a $10.2 million strategic initiative to support improvements in VA medical care through research focused on a "Learning Health Care System." A learning health care system is one that is responsive to new information, adapts to implement more effective clinical practices, and is committed to an ongoing mission of excellence, supported by a culture of self-reflection and continuing education. Through five interlocking research streams – measurement science, operations research, point-of-care research, provider behavior, and randomized program implementation – this initiative proposes to broaden existing research by systematically capturing, assessing, and translating the lessons from each care experience into improved methods of delivering care to Veterans.

Continuing the Transformation of the Veterans Benefits Administration

Improving quality and reducing the length of time it takes to process disability compensation claims is integral to our mission of providing the care and benefits that Veterans have earned and deserve in a timely, accurate, and compassionate manner. The disability rating claims workload continues to increase, due to the reduction in military forces, Servicemembers returning from wars, and the aging of the Veteran population. Also, the complexity of the workload continues to grow because Veterans are claiming greater numbers of disabling conditions and the nature of disabilities -- such as PTSD, combat injuries, diabetes and related conditions, and environmental diseases -- is becoming increasingly complex.



Despite these challenges, VBA has decreased the disability claims backlog by more than 60 percent as of January 31, 2015, since its peak in March 2013 (from 611,000 to 235,000), and we are on track to meet the President's goal to eliminate the disability claims backlog by processing all claims in 125 days by the end of 2015. VBA's success in reducing the backlog has occurred, in part, because of its strong reliance on mandatory overtime by claims processors. However, this strategy is unsustainable. It strains employee-management relations and is inconsistent with our goal to improve the employee experience so they can be empowered to better serve Veterans. We must right size VBA's workforce and more effectively manage the use of management practices such as the use of mandatory overtime and continue progress toward eliminating the disability claims backlog.



We are taking the lessons learned in eliminating the disability claims backlog and applying them to transform business processes supporting the fiduciary program, the delivery of non-rating benefits, and the appellate workload.

For 2016, VA requests $2.7 billion for VBA for general operating expenses, an increase of $165.8 million (6.6 percent) over the 2015 enacted level. These resources will support 21,871 Full-Time Equivalent (FTE) employees and allow VA to administer disability compensation and pension benefits totaling $83.1 billion to over 5.2 million Veterans and survivors; education benefits and vocational rehabilitation and employment benefits and services to nearly 1.3 million participants; VA guaranty of more than 431,000 new home loans; and life insurance coverage to 1.1 million Veterans, 2.3 million Servicemembers, and 3.1 million family members.

As VBA continues to receive and complete more disability rating claims, the volume of appeals, non-rating claims, and fiduciary field examinations increases correspondingly.

- Appeals. Over the last 20 years, appeal rates have continued to hold steady at between 11 and 12 percent of completed claims. As VBA continues to receive and complete record-breaking numbers of disability rating claims in recent years (1.3 million claims completed in 2014), the volume of appeals increases concomitantly. VBA currently has approximately 290,000 pending appeals.

- Non-rating claims. VBA's success in completing rating decisions has driven an increase in non-rating claims. In 2015, VBA expects to receive 2.9 million non-rating claims and review actions, an increase of 7.4 percent over 2014 (2.7 million) and 12.5 percent over 2013 (2.4 million).

- Fiduciary program. In 2014, VA's fiduciary program protected more than 173,000 beneficiaries, which is a 42 percent increase in the number of beneficiaries from 2011 (122,000). Primary drivers of the growth in this program are the increase in the total number of beneficiaries receiving VA benefits and an aging beneficiary population. In 2014, fiduciary personnel conducted over 86,000 field examinations, and VBA anticipates field examination requirements to exceed 117,000 in 2016.

To ensure all aspects of the claims process are improved for Veterans, VBA is requesting additional claims processors and field examiners. VBA is requesting $85 million to fund 200 appeals processors, 320 non-rating claims processors, 85 fiduciary field examiners, and 165 support personnel (including 13 FTE for the National Work Queue (NWQ)), for a total of 770 additional FTE. VBA employees – over 50 percent of whom are Veterans - are leading advocates for Veterans, Servicemembers, their families, and Survivors and are key to our success. With the additional 770 employees, VA will provide Veterans with more timely decisions on their appeals and non-rating claims, and conduct thousands more vital fiduciary home visits.

VBA is able to accommodate additional staff within existing space requirements by efforts underway to digitalize Veterans claims folders, building on success to date. One example is the VBA office in Winston-Salem, North Carolina, which is shown below before and after VBA digitized Veterans' paper records.

Winston-Salem Regional Office: Before and After Transformation

Spring 2012

Fall 2013

The VBA request includes $140.8 million for continued investment in the Veterans Claims Intake Program (VCIP), which converts paper claims into an electronic format and enables the electronic transfer of medical and personnel records. This

electronic transfer is critical to creating the necessary digital environment that supports end-to-end electronic claims processing for each stage of the claims lifecycle. As of December 2014, over 28,000 users of the Veterans Benefits Management System (VBMS) could access over one billion electronic images converted from paper.

The Budget request for the 2017 Advance Appropriations for the Compensation and Pensions appropriation is $87.1 billion; the Readjustment Benefits advance appropriation request is $16.7 billion; and the Veterans Insurance and Indemnities advance appropriation is $91.9 million. These amounts reflect the current estimates for the resources that would be necessary to continue these benefit programs in 2017, and will be revised as necessary in the mid-session review of the 2016 Budget, as VA monitors workload and monthly expenditures.

Enhanced Focus on Information Technology Solutions

Funding for IT infrastructure and services is at the heart of VA's mission, because IT affects every aspect of VA's ability to serve Veterans by providing easily accessible, quality health care and benefits. To offer a view of the scope of VA's IT dependency, VA IT systems support operations at every VA location, with over a million devices on the network. VA's current challenges present a unique opportunity to employ innovative Information Technology (IT) solutions to accelerate changes that will better serve Veterans. Veterans and their families of all ages are increasingly more comfortable using leading-edge technology to communicate and access health care and benefits. Our IT challenge is to safely and securely deliver Veterans that leading-edge experience—fluid mobile solutions, creative apps, and user-friendly websites that rival the best in technology outside VA.

The $4.1 billion request represents an increase of $230 million (6 percent) above the 2015 enacted level. The request consists of $505 million for development of new IT products; $2.5 billion for sustainment, $892 million for more than 7,615 staff and administrative support, and $223 million for related support services. The request will sustain our infrastructure while making necessary investments in IT support for critical business processes, such as streamlining benefits processing, enhancing and modernizing VA's electronic health record, enhancing data security, and achieving health data interoperability with the Department of Defense.

The 2016 request funds key development projects for Veterans' access ($192 million), disability claims backlog elimination ($105 million), and VistA Evolution ($82 million). The request of $2.5 billion for IT sustainment will fund the replacement of the oldest hardware that has fallen beyond its useful lifespan; the development of registries to track homeless Veterans; communications systems, wireless, and mobile solutions; software license procurement; and information security.

Investing in VA's Infrastructure

The 2016 Budget requests $1.6 billion for VA's major and minor construction programs, an increase of $493 million (47 percent) above the 2015 enacted level. Providing access to care and ensuring that Veterans are safe when they are in a VA facility, drive our capital requirements. The capital asset budget demonstrates VA's commitment to address critical major construction projects that directly affect patient safety and seismic issues, and reflects VA's promise to provide safe, secure, sustainable, and accessible facilities for Veterans. The request enables VA to invest in our facilities to fulfill VA's mission to deliver timely and high quality care and services to our Veterans. The request also reflects the current fiscal climate and the great challenges VA faces in order to close the gaps identified in our Strategic Capital Investment Planning (SCIP) process.

Major Construction

VA acknowledges the challenges we have experienced in building the Denver Replacement Medical Center facility in Aurora, Colorado. We are committed to doing what is right for the Veterans in Denver and completing this major construction project without further delay. VA is dedicated to getting the project back on track in the most effective and cost efficient manner possible.

The 2016 Budget requests $1.144 billion for major construction, an increase of $582 million from the 2015 enacted level. The request provides funding for nine on-going VHA major medical facility projects. Correction of seismic deficiencies is a primary focus of our 2016 Major construction request. The request includes funds to address seismic problems in facilities in America Lake, WA; and in San Francisco, West Los Angeles, and Long Beach, CA. These projects will correct critical safety and seismic deficiencies that pose a risk to Veterans, VA staff, and the public. The photograph below shows a known seismic deficiency at the San Francisco Medical Center -- built in 1933 -- wherein the rebar does not extend into the "pile cap."

We must prevent the devastation and potential loss of life that occurs because our facilities are vulnerable to earthquakes – such as occurred in 1971 in San Fernando, California. As shown below, a 6.5-magnitude earthquake caused two buildings in the San Fernando Medical Center to collapse and 46 patients and staff to lose their lives.

The Major construction request also includes funds for medical facility improvements and cemetery expansion project in St. Louis, MO (Jefferson Barracks); new medical facility project in Louisville, KY; construction of a new outpatient clinic and a columbarium in Alameda, CA; realignment and closure of the Livermore Campus in Livermore, CA; and construction of a replacement Community Living Center in Perry Point, MD. New, replacement, and renovated medical space will provide additional capacity to treat Veterans through more efficient configurations, with the implementation of Patient-Aligned Care Teams, and the establishment of multi-exam rooms per provider – similar to the private sector. Once the projects are completed, Veterans will be served in modern and safe facilities.

The major request also includes funding for four cemetery gravesite expansion projects at: Puerto Rico National Cemetery; Willamette National Cemetery in Portland, OR; Riverside National Cemetery in Riverside, CA; and Barrancas National Cemetery in Pensacola, FL. These projects offer VA the ability to provide access to burial services through new and expanded cemeteries and prevent the closure to new interments in existing cemeteries.

Minor Construction

In 2016, the minor construction request is $406.2 million. The requested amount would provide funding for ongoing and newly identified projects that renovate, expand and improve VA facilities, while increasing access for our Veterans. VA continues to focus on a balance between continuing to fund minor construction projects that can be implemented quickly to maintain and repair our aging infrastructure, while using major construction funding to address life-threatening safety and seismic issues that currently exist at multiple VA medical facilities.

Leasing

The 2016 Budget includes a request to authorize 18 major medical leases to provide access to Veterans and enhance our research capabilities nationwide. The proposed major medical lease projects are to replace, expand, or create new outpatient clinics and research facilities. The request includes resubmission of five leases that were originally submitted in 2015, but have not yet been authorized.

Since the inception of the EUL program, VA has entered into approximately 100 EUL projects, leveraging approximately 5.8 million square feet and over 1,000 acres of excess property to repurpose in support of Veterans, VA, and local communities across the country. VA needs the support of Congress for our proposed amendments to expand our current EUL authority beyond supportive housing projects so we can better leverage our excess space for Veterans. In addition, this proposed enhancement would allow VA to monetize unneeded assets to raise capital to address needed investments in VA's system.

Legislation

In addition to presenting VA's resource requirements, the 2016 President's Budget proposes legislative action that will benefit Veterans. VA's most critical legislative request is for a significant update to VA's authorities for purchase of non-VA healthcare. The Administration is proposing a streamlined process for purchasing health care needed for Veterans in those circumstances where it cannot be purchased through existing contracts or sharing agreements. The proposal takes care to preserve important features and protections found in traditional contract vehicles. Current law is simply not adequate to support the continued level of access to health care we need to secure for our Veterans. We look forward to detailed engagement with the Committee and your staff.

Other important proposals include adjustment for VHA personnel authorities, one of which will greatly help in having employee scheduling flexibility that will both make hospital operations more efficient, and help attract the most qualified medical professionals to work for VA, especially for critical round-the-clock operations. VA in this budget also again proposes changes in disability claims processes, an area where reform is greatly needed, for the benefit of all Veterans who are frustrated with the time it takes to resolve claims and appeals. We are open to all ideas from the Committee and from VSO's to modernize this process, and make it work for Veterans. Our increased manpower and great strides in automation are helping, but these cannot replace statutory changes to modernize the process.

As mentioned earlier, VA will propose a measure that would allow a portion of the Veterans Choice Act funds to be used for essential operational requirements. In addition, the legislative proposals would allow for better coordination of care when a Veteran also receives other care at a non-VA hospital, by streamlining the exchange of patient information. Additionally, we propose allowing the CHAMPVA to cover children

up to age 26, to make that program consistent with benefits conferred under the Affordable Care Act.

To continue our priority to end Veteran homelessness, VA proposes increased flexibility in the Grant and Per Diem program to focus on the transition to permanent housing. Also among our proposals is a measure that would allow VA to speed payment of Dependency and Indemnity Compensation and other benefits to surviving spouses by eliminating the need for a formal claim when there already is sufficient evidence for VA to act. We are proposing legislation to eliminate the requirement for quarterly conference reporting. This requirement has impacted essential VA training and has taken a massive staff effort to produce the mandated reports. Since the beginning of fiscal year 2013, VA has spent $2.4 million to prepare these reports. These resources are better spent providing health care and benefits to Veterans. We greatly appreciate consideration of these and other legislative proposals included in the 2016 Budget and look forward to working with the Congress to enact them.

Closing

Veterans are VA's sole reason for existence and our number one priority. In today's challenging fiscal and economic environment, we must be diligent stewards of every dollar and apply them wisely to ensure that Veterans—our clients—receive timely access to the highest quality benefits and services we can provide and which they earned through their sacrifice and service to our Nation.

We also acknowledge the responsibility, accountability, and importance of showing measurable returns on that investment. You have my pledge that VA will do everything possible to ensure that the funds Congress appropriates to VA will be used to improve both the quality of life for Veterans and the efficiency of our operations. We are proud to be part of this VA team and feel privileged to be here serving Veterans at this key time in history. The work we do continues and grows for decades after the end of America's conflicts. Thank you for the opportunity to appear before you today and for your steadfast support of Veterans.