MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013

THURSDAY, MARCH 15, 2012

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Inouye, Landrieu, Reed, Nelson, Murkowski, Blunt, and Coats.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF HON. ERIC K. SHINSEKI, SECRETARY

ACCOMPANIED BY:

HON. ROBERT A. PETZEL, M.D., UNDER SECRETARY FOR HEALTH
ALLISON HICKEY, UNDER SECRETARY FOR BENEFITS
STEVE L. MURO, UNDER SECRETARY FOR MEMORIAL AFFAIRS
HON. ROGER W. BAKER, ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY
W. TODD GRAMS, EXECUTIVE IN CHARGE FOR THE OFFICE OF MANAGEMENT AND CHIEF FINANCIAL OFFICER

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Good morning. This hearing will come to order. We meet today to review the President's fiscal year 2013 budget request and fiscal year 2014 advance appropriation request for the Department of Veterans Affairs (VA).

Secretary Shinseki, I welcome you and your colleagues, and I thank you for appearing before our subcommittee.

Before we begin, I want to acknowledge the temporary absence of my friend and ranking member, Senator Mark Kirk. Senator Kirk has been a great partner as we try to provide the VA with the necessary funds and oversight to transform the VA into a modern 21st century department. In fact, I'm told that when his staff met with him very recently, his first question was, "What progress has the VA and DOD made on electronic health records?" I look forward to Senator Kirk's speedy return so that we can continue to work together for our Nation's vets.

In order to reserve the majority of time for the questions, I'm going to keep my opening statement short. The overall discretionary budget request for the VA totals $61 billion, $2.5 billion over the fiscal year 2012 enacted level. Additionally, the submis-

sion includes $54.5 billion in fiscal year 2014 advance appropriations for VA medical care.

Mr. Secretary, since taking the reins at the VA, you have made speeding up the disability claims process a top priority. The amount of time a vet has to wait to have his disability claim processed is one of the top complaints most elected officials hear from vets. Over the past 5 years, this subcommittee has given the Department all that it has asked for and more to assist in breaking through this logjam.

Your budget this year requests an additional $145 million for Veterans Benefits Administration (VBA) and $128 million for the Veterans Benefits Management System, better known as the paperless claims processing system. I'm eager to hear where the VA is regarding deployment of the new paperless system and how these investments are speeding up the delivery of benefits.

The budget request also includes $169 million for the development of the integrated Electronic Health Record (iEHR). This new system, being developed jointly with the Department of Defense (DOD), is envisioned to modernize the existing electronic health record systems at both the VA and the military services.

While I am very pleased to see the VA and DOD working together to develop a system that will allow the two Departments to share electronic health information, I remain concerned about the lack of details accompanying the budget request. I will have specific questions about iEHR development and other topics during the question rounds.

Again Mr. Secretary, welcome and thank you for appearing before the subcommittee today. I understand that yours will be the only opening statement. Your full statement will be included in the record, so please feel free to summarize your remarks. General Shinseki, please proceed.

SUMMARY STATEMENT OF HON. ERIC K. SHINSEKI

Secretary SHINSEKI. Thank you, Mr. Chairman.

Chairman Johnson, Senator Murkowski, other distinguished members of the subcommittee, thank you for this opportunity to present the President's 2013 budget and 2014 advance appropriations request for the Department of Veterans Affairs.

Let me take a moment, Mr. Chairman, also, to note the absence of Ranking Member Mark Kirk and to convey to him, on behalf of the VA, our best wishes for his speedy recovery.

I would also like to acknowledge in the room today veterans service organizations that always work very closely with us and have been helpful in developing, resourcing, and improving the programs that we provide to better serve and care for veterans, for their families, and for survivors.

I would note that this subcommittee has been unwavering in its support for our Nation's veterans. And I say that now, having worked through this budget process three times, and having been before you. The President has clearly demonstrated his priority for the requirements for this Department, and you have supported those requests each time we've been here.

With these 2013 budget and 2014 advance appropriations requests, the President once again firmly demonstrates his respect

and sense of obligation for our Nation's 22 million veterans. I thank the members for your longstanding commitment to veterans and seek, again, your support for these requests.

If I might, let me introduce VA leaders who are joining me here at the witness table. From your right going to the left, Roger Baker, Assistant Secretary for Information and Technology; then Mr. Todd Grams, our Executive in Charge of the Office of Management, also our Chief Financial Officer; to my right, Dr. Randy Petzel, Under Secretary for Health; to his right, General Allison Hickey, Under Secretary for Benefits; and finally, the Hon. Steve Muro, Under Secretary for Memorial Affairs.

And Mr. Chairman, thank you for allowing me to have my written statement submitted for the record.

An important transition is underway, and VA must anticipate its outcomes. Our troops have already departed Iraq, and their numbers in Afghanistan are expected to decline. VA's history suggests that VA's requirements, for veterans who need our care and services, will continue to grow long after the last combatant leaves Afghanistan, perhaps for another decade or more.

In the next 5 years, more than 1 million veterans are expected to leave military service. Through September 2011, of the approximately 1.4 million veterans who deployed to and returned from Afghanistan and Iraq, some 67 percent have used at least one VA benefit or service, a far higher percentage than previous generations.

The President's 2013 VA budget request of $140.3 billion provides $64 billion in discretionary funding and $76.3 billion in mandatory funds. Our discretionary budget request represents an increase of $2.7 billion or 4.5 percent over the 2012 enacted level.

This request would allow VA to fulfill the requirements of our mission: Healthcare for 8.8 million enrolled veterans, compensation and pension benefits for nearly 4.2 million veterans, life insurance covering 7.1 million Active Duty servicemembers and enrolled veterans at a 95-percent customer satisfaction rating, educational assistance for over 1 million veterans and family members on over 6,500 campuses, home mortgages that guarantee over 1.5 million servicemember and veteran loans with the Nation's lowest foreclosure rate, burial honors for nearly 120,000 heroes and eligible family members in our 131 national cemeteries befitting their service to our Nation.

The 2013 budget request builds momentum in our three priorities—and you've heard me talk about these in past budget testimonies—increasing access to care, benefits, and services; eliminating the claims backlog; and ending veteran homelessness.

Access—the 2013 budget request balances capital requirements with operating needs. It allows VA to continue improving access by opening new or improved facilities closer to where veterans live and providing telehealth, telemedicine, including in veterans' homes; by also fundamentally transforming veterans' access to benefits through a new electronic tool called the Veterans Relationship Management System; by collaborating with DOD to turn the current Transition Assistance Program called TAP into an outcomes-based training and education program that fully prepares depart-

ing servicemembers for the next phase of their lives; and then, finally, by better serving rural and women veterans.

Of the 1 million veterans who are expected to leave the military over the next 5 years, we are expecting that at least 600,000 of them will likely seek VA care, benefits, and services.

Regarding the backlog, from what we can see today, fiscal year 2013 is likely to be the first year in which our claims production exceeds the number of incoming claims. The paperless initiative we have been developing over the past 2 years is critical to increasing the quality of our claims decisions and the speed with which we are able to process them. Processing speed and quality will eliminate the backlog.

Your support of our information technology (IT) priorities in the past, very helpful, has been essential to delivering benefits, healthcare, and memorial services to our veterans. We approach the tipping point in ending the backlog in disability claims. Stability in IT funding is key to eliminating that backlog.

Finally on homelessness, from January 2010 to January 2011, alone, the estimated number of homeless veterans declined by 12 percent. We have momentum here, but more momentum is needed to end veteran homelessness in 2015.

We are building a dynamic homeless veterans registry which contains over 400,000 names of current and formerly homeless veterans. And in the years ahead, this information will allow us to see, to track, to understand, and most importantly, to prevent veterans from falling into homelessness, and this budget supports that plan.

PREPARED STATEMENT

We are committed to the responsible use of the resources you provide. And again, thank you for this opportunity to appear before this subcommittee. We look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. ERIC K. SHINSEKI

Chairman Johnson, distinguished members of the Senate Appropriations Committee, Subcommittee on Military Construction, Veterans Affairs and Related Agencies: Thank you for the opportunity to present the President's 2013 budget and 2014 advance appropriations requests for the Department of Veterans Affairs (VA). For the past three budget requests, the Congress has supported the very high priority that the President has placed on funding for programs that provide care and benefits for our Nation's 22 million veterans and their families. This submission seeks your support of the President's continued high priority support for veterans who have earned this Nation's respect and the benefits and services we provide.

We meet at an historic moment for our Nation's Armed Forces, as they turn the page on a decade of war. Recently, the President outlined a major shift in the Nation's strategic military objectives—with a goal of a more agile, more versatile, more responsive military focused on the future. The President also outlined another important objective—keeping faith with those who serve as they depart the military and return to civilian life. As these newest veterans return home, we must anticipate their transitions by readying the care, the benefits, and the job opportunities they have earned and they will need to smoothly and successfully make this transition.

The President's 2013 budget for VA requests $140.3 billion—comprised of $64 billion in discretionary funds, including medical care collections, and $76.3 billion in mandatory funds. The discretionary budget request represents an increase of $2.7 billion, or 4.5 percent, over the 2012 enacted level. Our 2013 budget will allow the Department to operate the largest integrated healthcare system in the country, with more than 8.8 million veterans enrolled to receive healthcare; the eighth largest life

insurance provider covering both Active Duty members as well as enrolled veterans; a sizeable education assistance program serving over 1 million participants; a home mortgage service that guarantees over 1.5 million veterans' home loans with the lowest foreclosure rate in the Nation; and the largest national cemetery system that continues to lead the country as a high-performing organization—for the fourth time in a 10-year period besting the Nation's top corporations and other Federal agencies in an independent survey of customer satisfaction. In 2013, VA national cemeteries will inter about 120,000 veterans or their family members.

The Department of Veterans Affairs fulfills its obligation to veterans, their families, and survivors of the fallen by living a set of core values that define who we are as an organization: "I CARE"—integrity, commitment, advocacy, respect, and excellence—cannot be converted into dollars in a budget. But veterans trust that we will live these values, every day, in our medical facilities, our benefits offices, and our national cemeteries. And where we find evidence of a lack of commitment to our values, we will aggressively correct them by re-training employees or, where required, removal. We provide the very best in high quality and safe care and compassionate services, delivered by more than 316,000 employees, who are supported by the generosity of 140,000 volunteers.

STEWARDSHIP OF RESOURCES

Safeguarding the resources—people, money, time—entrusted to us by the Congress, managing them effectively and deploying them judiciously, is a fundamental duty at VA. Effective stewardship requires an unflagging commitment to apply budgetary resources efficiently, using clear accounting rules and procedures, to safeguard, train, motivate, and hold our workforce accountable; and to assure the proper use of time in serving veterans on behalf of the American people.

During the audit of the Department's fiscal year 2010 financial statement, VA's independent auditor certified that we had remediated all three of our remaining material weaknesses in financial management, which had been carried forward for over a decade. In terms of internal controls and fiscal integrity, this was a major accomplishment. We have also dramatically reduced the number of significant financial deficiencies since 2008, from 16 to 2.

Another example of VA's effective stewardship of resources is the Project Management Accountability System (PMAS) developed by our Office of Information Technology. PMAS requires information technology (IT) projects to establish milestones to deliver new functionality to its customers every 6 months. Now entering its third year, PMAS continues to instill accountability and discipline in our IT organization. In 2011, PMAS achieved successful delivery of 89 percent of all IT project milestones. VA managed 101 IT projects during the year, establishing a total of 237 milestones and successfully executing 212 of them. Of the 25 IT projects that missed their delivery milestone date, more than half delivered within the next 14 days. Ensuring IT projects meet established milestones means that savings and delivery of solutions are achieved throughout development, and that veterans reap improvements sooner. By implementing PMAS, we have achieved at least $200 million in cost avoidance by stopping or improving the management of 45 projects.

VA's stewardship of resources continues with the expansion of our ASPIRE dashboard to the Veterans Benefits Administration (VBA). Originally established in 2010 for the Veterans Health Administration (VHA), ASPIRE publicly provides quality goals and performance measures of VA healthcare. The success of this approach was reflected in its contribution to VHA's receipt of the Annual Leadership Award from the American College of Medical Quality. On June 30, 2011, VBA established an ASPIRE Web site at http://www.vba.va.gov/reports/aspiremap.asp for aspirational goals and monthly progress for 46 performance metrics across six business lines. The new effort expands the Department's commitment to unprecedented public transparency by sharing performance and productivity data in the delivery of veterans' benefits, including compensation, pension, vocational rehabilitation and employment, education, home loans, and insurance.

Through the effective management of our acquisition resources, VA achieves positive results for veteran-owned small businesses. VA leads the Federal Government in contracting with service-disabled, veteran-owned small businesses (SDVOSB). In 2011, more than 18 percent of all VA procurements were awarded to SDVOSBs, exceeding our internal goal of 10 percent and far exceeding the Governmentwide goal of 3 percent.

Finally, VA's stewardship achieved savings in several other areas across the Department. The National Cemetery Administration (NCA) assumed responsibility in 2009 for processing First Notices of Death to terminate compensation benefits to deceased veterans. This allows the timely notification to next-of-kin of potential sur-

vivor benefits. Since that time, NCA has avoided possible collection action by discontinuing $100.3 million in benefit payments. In addition, we implemented the use of Medicare pricing methodologies at VHA to pay for certain outpatient services in 2011, resulting in savings of over $160 million without negatively impacting veteran care and with improved consistency in billing and payment.

VETERANS JOB CORPS

In his State of the Union address, President Obama called for a new Veterans Job Corps initiative to help our returning veterans find pathways to civilian employment. The budget includes $1 billion to develop a Veterans Job Corps conservation program that will put up to 20,000 veterans back to work over the next 5 years protecting and rebuilding America. Veterans will restore our great outdoors by providing visitor programs, restoring habitat, protecting cultural resources, eradicating invasive species, and operating facilities. Additionally, veterans will help make a significant dent in the deferred maintenance of our Federal, State, local, and tribal lands including jobs that will repair and rehabilitate trails, roads, levees, recreation facilities, and other assets. The program will serve all veterans, but will have a particular focus on post-9/11 veterans.

MULTI-YEAR PLAN FOR MEDICAL CARE BUDGET

Under the Veterans Health Care Budget Reform and Transparency Act of 2009, which we are grateful to Congress for passing; VA submits its medical care budget that includes an advance appropriations request in each budget submission. This legislation requires VA to plan its medical care budget using a multi-year approach. This approach ensures that VA requirements are reviewed and updated based on the most recent data available and actual program experience.

The 2013 budget request for VA medical care appropriations is $52.7 billion, an increase of 4.1 percent over the 2012 enacted appropriation of $50.6 billion. This request is an increase of $165 million above the 2013 advance appropriations enacted by Congress in 2011. Based on updated 2013 estimates largely derived from the Enrollee Health Care Projection Model, the requested amount would also allow VA to increase funding in programs to eliminate veteran homelessness, fully fund the implementation of the Caregivers and Veterans Omnibus Health Services Act, support activation requirements for new or replacement medical facilities, and invest in strategic initiatives to improve the quality and accessibility of VA healthcare programs. Our multi-year budget plan continues to assume $500 million in unobligated balances from 2012 that will carryover and remain available for obligation in 2013—consistent with the 2012 budget submitted to Congress.

The 2014 request for medical care advance appropriations is $54.5 billion, an increase of $1.8 billion, or 3.3 percent, over the 2013 budget request.

PRIORITY GOALS

Our Nation is in a period of transition. As the tide of war recedes, we have the opportunity, and the responsibility, to anticipate the needs of returning veterans. History shows that the costs of war will continue to grow in VA for a decade or more after the operational missions in Iraq and Afghanistan have ended. In the next 5 years, another 1 million veterans are expected to leave military service. Our data shows that the newest of our country's veterans are relying on VA at unprecedented levels. Through September 30, 2011, of the approximately 1.4 million living veterans who were deployed overseas to support Operation Enduring Freedom and Operation Iraqi Freedom, at least 67 percent have used some VA benefit or service.

VA's three priorities—to expand access to benefits and services, eliminate the claims backlog, and end veteran homelessness—anticipate these changes and identify the performance levels required to meet emerging needs. The 2013 budget builds upon our multi-year effort to achieve VA's priority goals through effective, efficient, and accountable program implementation.

EXPANDING ACCESS TO BENEFITS AND SERVICES

Expanding access for veterans is much more than boosting the number of veterans walking in the front door of a VA facility. Access is a three-pronged effort that encompasses VA's facilities, programs, and technology. Today, expanding access includes taking the facility to the veteran—be it virtually through telehealth, by sending mobile vet centers to rural areas where services are sparse, or by using social media sites like Facebook, Twitter, and YouTube to connect veterans to VA benefits and facilities. Expanding access also means finding new ways to break down artificial barriers so that veterans are aware of and can gain access to VA services and

benefits. Technology is the great enabler of all VA efforts. IT is not a siloed segment of the budget, providing just computers and monitors, but rather the vehicle by which VA is able to extend the reach of its healthcare to rural America, process benefits more quickly, and provide enhanced service to veterans and their families.

The 2013 budget request includes $119.4 million for the Veterans Relationship Management (VRM) initiative, which is fundamentally transforming veterans' access to VA benefits and services by empowering VA clients with new self-service tools. VA has already made major strides under this initiative. VRM established a single queue for VBA's National Call Centers ensuring calls are routed to the next available agent, regardless of geography. Call-recording functionality was implemented that allows agents to review calls for technical accuracy and client contact behaviors. VA recently deployed "Virtual Hold ASAP call-back" technology. During periods of high call volumes, callers can leave their name and phone number instead of waiting on hold for the next available operator, and the system automatically calls them back in turn. The Virtual Hold system has made nearly 600,000 return calls since November 2011. The acceptance rate for callers is 46 percent, exceeding the industry standard of 30 percent, and our successful re-connect rate is 92 percent. Since launching Virtual Hold, the National Call Centers have seen a 15-percent reduction in the dropped-call rate. In December 2011, VA deployed "Virtual Hold scheduled call-back" technology, which allows callers to make an appointment with us to call them at a specific time. Since deployment, over 185,000 scheduled call-backs have already been processed.

In December, VA deployed a pilot of its new "unified desktop" technology. This initiative will provide National Call Center agents with a single, unified view of VA clients' military, demographic, and contact information and their benefits eligibility and claims status through one integrated application, versus the current process that requires VA agents to access up to 13 different applications. This will help ensure our veterans receive comprehensive and accurate responses.

Key to expansion of access is the eBenefits portal—one of our critical VRM initiatives. eBenefits is a VA/DOD initiative that consolidates information regarding benefits and services and includes a suite of online self-service capabilities for enrollment/application and utilization of benefits and services. eBenefits enrollment now exceeds 1.2 million users, and VA expects enrollment to exceed 2.5 million by the end of 2013. VA continues to expand the capabilities available through the eBenefits portal. Users can check the status of a claim or appeal, review the history of VA payments, request and download military personnel records, generate letters to verify their eligibility for veterans' hiring preferences, secure a certificate of eligibility for a VA home loan, and numerous other benefit actions. In 2012, servicemembers will complete their servicemembers' Group Life Insurance applications and transactions through eBenefits. Also, 2012 enhancements will allow veterans to view their scheduled VA medical appointments, file benefits claims online in a "turbo claim" like approach, and upload supporting claims information that feeds our paperless claims process. In 2013, funding supports enhanced self-service tools for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the veterans online application for enrolling in VA healthcare.

VA and the Department of Defense (DOD) have broken new ground in the development and implementation of the Integrated Disability Evaluation System (IDES). This system supporting the transition of wounded, ill, and injured servicemembers is fully operational and available to servicemembers as of October 1, 2011. Because of the complexity of these cases, the Veterans Benefits Administration devotes four times the level of staffing resources to processing IDES cases than claims from other veterans. VA has reduced its claims processing time in IDES from 186 days in February 2011 to 104 days in December 2011. The 2013 budget requests an additional $13.2 million and 90 FTE to support IDES enhancements.

The DOD/VA team is further developing programs to enhance the transition of all servicemembers to veteran status. Together we are transforming the current Transition Assistance Program (TAP) from a series of discrete efforts to one that uses an outcome-based approach. This approach will be more integrated and, once complete, will be mapped to the lifecycle of every servicemember, from recruitment through separation or retirement. In July 2011, VBA launched online TAP courseware, which provides the capability for servicemembers to complete the course without attending the classroom session. VA and DOD also are collaborating on a policy for implementing mandatory TAP participation.

VA will improve access to VA services by opening new or improved facilities closer to where veterans live. The 2013 medical care budget request includes $792 million to open new and renovated healthcare facilities, including resources to support the activation of four new hospitals in Orlando, Florida; Las Vegas, Nevada; New Orle-

ans, Louisiana; and Denver, Colorado. These new VA medical centers are projected to serve 1.2 million enrolled veterans when they are operational. This budget also includes an initiative to establish a national cemetery presence in eight rural areas where the veteran population is less than 25,000 within a 75-mile service area. In addition to expanding access at fixed locations, VA is deploying an additional 20 mobile vet centers in 2012 to increase access to readjustment counseling services for veterans and their families in rural and underserved communities across the country. These new specialty vehicles will expand the existing fleet of 50 mobile vet centers already in service by 40 percent. In 2011, mobile vet centers participated in more than 3,600 Federal, State, and locally sponsored veteran-related events. More than 190,000 veterans and family members made over 1.3 million visits to VA vet centers in 2011.

The Board of Veterans Appeals (BVA) leverages video conference technology to increase the capability of, and access to, video hearings to provide veterans with more options for a hearing regarding their appeal. The VA is currently upgrading this video conference technology both at BVA and at VBA regional offices. In 2011, the number of video hearings increased from 3,979 to 4,355 or 9.4 percent. The Board is also working with VBA and VHA to allow video hearings to be held from more locations in the field, which will be more convenient for veterans. Initially, the expanded video capability will be used to reduce the backlog of hearings and the time veterans have to wait for them.

We are working harder than ever to reach out to women veterans. Women represent about 8 percent of the total veteran population. In recent years, the number of women veterans seeking healthcare has grown rapidly and it will continue to grow as more women enter military service. Women comprise nearly 15 percent of today's Active Duty military forces and 18 percent of National Guard and Reserves. For the estimated 337,000 women veterans currently using the VA healthcare system, VA is improving their access to services and treatment facilities. The 2013 budget includes $403 million for the gender-specific healthcare needs of women veterans, an increase of 17.5 percent over the 2012 level.

VHA regularly updates its standards for improving and measuring veterans' access to medical care programs. In 2010, VHA implemented new wait time measures that assess performance meeting the new standard of providing medical appointments within 14 days of the desired date, replacing the previous 30-day desired-date standard. In 2011, 89 percent of medical care appointments for new patients occurred within 14 days of the desired date, an increase of 5 percentage points over the 2010 level of 84 percent. The President's request for 2013 ensures we are able to continue to improve our performance in providing this service.

Access improvements are central to VHA's new patient-aligned care teams (PACT) model. VA views appointments as a partnership. We are implementing a national initiative to reduce costly no-show appointments. Also, veterans can manage appointments by visiting MyHealtheVet Web site, where they can view all of their pending appointments. In another effort to help veterans make and keep appointments, VA is implementing a pilot program that offers child care to eligible veterans seeking medical appointments at three VA medical centers in 2012 and 2013. The first of these facilities, the Buffalo VAMC, began providing services in October 2011. Each pilot site will be operated onsite by licensed childcare providers. Drop-in services will be offered free of charge to veterans who are eligible for VA care and who are visiting a medical facility for an appointment.

VA is taking full advantage of technology to expand access to its medical centers. In 2008, VA established a presence on Facebook with a single Veterans Health Administration (VHA) page. In 2009, VA established the Post-9/11 GI Bill Facebook page to raise awareness about the implementation of this new benefit program. With over 39,000 subscribers (or fans), this page serves as our primary real-time tool to communicate GI Bill news and directly interact with our clients. VA also launched a general VBA benefits page, which describes all of our services. VBA posts to its followers 7 days a week and is followed in 18 different countries and 15 different languages. In June 2011, VA outlined a Department-wide social media policy that provides guidelines for communicating with VA online. By November 2011, VA had established Facebook pages for all 152 of its medical centers. This event marks an important milestone in our effort to transform how the Department communicates with veterans and provides them access to healthcare and benefits. By leveraging Facebook, VA continues to embrace transparency and engage veterans in a two-way conversation. VA currently has over 345,000 combined Facebook fans. As of January 2012, the Department's main Facebook page has over 154,000 fans and its medical centers have a combined following of over 69,000.

ELIMINATING THE CLAIMS BACKLOG

To transform VA for the benefit of veterans, we must streamline the claims processing system and eliminate the claims backlog. We are vigorously pursuing a claims transformation plan that will adopt near-term innovations and break down stubborn obstacles to providing veterans the benefits they have earned.

As we pursue a multi-focused approach to eliminate the claims backlog, workload in our disability compensation and pension programs continues to rise. VA has experienced a 48-percent increase in claims receipts since 2008, and we expect that the incoming claims volume will continue to increase by 4.2 percent in 2013, to 1,250,000 claims from 1,200,000 in 2012. At the same time, veterans are claiming many more disabilities, with Iraq and Afghanistan veterans claiming an average of 8.5 disabilities per claim—more than double the number of disabilities claimed by veterans of earlier eras. As more than 1 million troops leave service over the next 5 years, we expect our claims workload to continue to rise for the foreseeable future. In 2013, our goal is to ensure that no more than 40 percent of the compensation and pension claims in the pending inventory are more than 125 days old. While too many veterans will still be waiting too long for the benefits they have earned, it does represent a significant improvement in performance over the 2012 estimate of 60 percent of claims more than 125 days old, demonstrating that we are on the right path.

VA is attacking the claims backlog through an aggressive transformation plan that includes initiatives focused on the people, processes, and technology that will eliminate the backlog. We are implementing a new standardized operating model in all our regional offices beginning this year that incorporates a case-management approach to claims processing. It establishes distinct processing lanes based on the complexity and priority of the claims and assigns employees to the lanes based on their experience and skill levels. Integrated, cross-functional teams work claims from start to finish, facilitating the quick flow of completed claims and allowing for informal clarification of claims processing issues to minimize rework and reduce processing time. More easily rated claims move quickly through the system, and the quality of our decisions improves by assigning our more experienced and skilled employees to the more complex claims. The new operating model also establishes an intake processing center at every regional office, adding a formalized process for triaging mail and enabling more timely and accurate distribution of claims to the production staff in their appropriate lanes.

VA is increasing the expertise of our workforce and the quality of our decisions through national training standards that prepare claims processors to work faster and at a higher quality level. Our training and technology skills programs will continue to deliver the knowledge and expertise our employees need to succeed in a 21st century workplace. We are establishing dedicated teams of quality review specialists at each regional office. These teams will evaluate decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. Personnel trained by our national quality assurance staff comprise the quality review teams to assure local reviews are consistently conducted according to national standards.

Using design teams, VBA is conducting rapid development and testing of process changes, automated processing tools, and innovative workplace incentive programs. The first design team developed a method to simplify rating decisions and decision notification letters that was implemented nationwide in December 2011. This new decision notification process streamlines and standardizes the development and communication of claims decisions. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation. VBA's Implementation Center, established at VBA headquarters as a program management office, streamlines the process of innovation to ensure that new ideas are approved through a governance process. This allows us to focus on initiatives that will achieve the greatest gains.

VA continues to promote the Fully Developed Claims (FDC) program. We believe utilization of the FDC program will significantly increase as a result of the public release last month of 68 more disability benefits questionnaires (DBQs), bringing the total number of DBQs publicly available to 71. DBQs are templates that solicit the medical information necessary to evaluate the level of disability for a particular medical condition. Currently used by Veterans Health Administration examiners, the release of these DBQs to the public will allow veterans to take them to their private physicians, facilitating submission of a complete claims package for expedited processing. VA plans an aggressive communications strategy surrounding the release of these DBQs that will promote the FDC program. We also continue to

work with the VSO community to identify ways to boost FDC program participation and better inform and serve veterans and their advocates.

This year VA is also beginning national implementation of our new paperless processing system, the Veterans Benefits Management System (VBMS). We are implementing VBMS using a phased approach that will have all regional offices on the new system by the end of 2013. We will continue to add and expand VBMS functionality throughout this process. Establishment of a digital, near-paperless environment will allow for greater exchange of information and increased transparency to veterans, our workforce, and stakeholders. Increased use of state-of-the-art technology plays a major role in enabling VA to eliminate the claims backlog and redirect capacity to better serve veterans and their families. Our strategy includes active stakeholder participation (veterans service officers, State Departments of Veterans Affairs, county veterans service officers, and Department of Defense) to provide digitally ready electronic files and claims pre-scanned through online claims submission using the eBenefits Web portal. VBA has aggressively promoted the value of eBenefits and the ease of enrolling into the system. The 2013 budget invests $128 million in VBMS.

ENDING VETERAN HOMELESSNESS

The administration is committed to ending homelessness among veterans by 2015. Between January 2010 and January 2011 homelessness declined by 12 percent, keeping VA on track to meet the goal of ending veteran homelessness in 2015. The VA's homeless veteran registry is populated with over 400,000 names of current and formerly homeless veterans who have utilized VA's Homeless Programs—allowing us to better see the scope of the issues so we can more effectively address them.

In the 2013 budget, VA is requesting $1.352 billion for programs that will prevent and treat veteran homelessness. This represents an increase of $333 million, or 33 percent over the 2012 level. This budget will support our long-range plan to eliminate veteran homelessness by reducing the number of homeless veterans to 35,000 in 2013 by emphasizing rescue and prevention.

To get veterans off the streets and into stable environments, VA's Grant and Per Diem Program awards grants to community-based organizations that provide transitional housing and support services. VA's goal is to serve 32,000 homeless veterans in this program in 2013. Transitional housing is also provided through the Healthcare for Homeless Veterans program. Permanent housing is achieved with Housing Choice vouchers in the Department of Housing and Urban Development (HUD)-VA Supportive Housing (HUD–VASH) Program, and by 2013 VA plans to provide case management support for the nearly 58,000 HUD Housing Choice vouchers available to assist our most needy homeless veterans.

Culminating 2 years of work to end homelessness among veterans, the Building Utilization Review and Repurposing (BURR) initiative helped identify unused and underused buildings and land at existing VA property with the potential for repurposing to veteran housing. The BURR initiative supports VA's goal of ending veteran homelessness by identifying excess VA property that can be repurposed to provide safe and affordable housing for veterans and their families. As a result of BURR, VA began developing housing opportunities at 34 nationwide locations for homeless or at-risk veterans and their families using its enhanced use lease (EUL) authority (now expired). The housing opportunities developed through BURR will add approximately 4,100 units of affordable and supportive housing to the projects already in operation or under construction, for an estimated total of 5,400 units.

Although the Department's enhanced use lease authority has expired, the administration will work with Congress to develop future legislative authorities to enable the Department to further repurpose the properties identified by the BURR process. Beyond reducing homelessness among our veterans, additional opportunities identified through BURR may include housing for veterans returning from Iraq and Afghanistan, assisted living for elderly veterans, and other possible uses that will enhance benefits and services to veterans and their families.

Of all claimants served by the Veterans Benefits Administration (VBA), homeless veterans represent our most vulnerable population and require specialized care and services. The 2013 budget requests $21 million for the Homeless Veterans Outreach Coordinator (HVOC) initiative, which would provide an additional 200 coordinators nationwide to expedite disability claims; acquire housing and prevent veterans from losing their homes; expedite access to vocational training and job opportunities; and resolve legal issues at regional justice courts. These new case managers would significantly improve outcomes on behalf of the Nation's homeless veterans. For example, the initiative would improve the timeliness of disability claims decisions for

homeless and at-risk veterans by reducing the claims processing times by nearly 40 percent between 2011 and 2015.

In 2011, VHA hired 366 (or 90 percent of 407 total positions) homeless or formerly homeless veterans as vocational rehabilitation specialists to provide individualized supported employment services to unemployed homeless veterans through the Homeless Veterans Supported Employment Program. Recent initiatives to increase employment of veterans in Federal and other public sector jobs will help to reduce homelessness and also ensure their families are supported. On January 18, 2012, VA hosted a career fair for veterans in Washington, DC. Over 4,000 veterans attended this event to explore and apply for thousands of public and private sector job opportunities.

The VA also helps veterans obtain employment with education and training assistance. The National Cemetery Administration (NCA) is helping to provide employment opportunities for homeless veterans through a new, paid apprenticeship training program serving veterans who are homeless or at risk of homelessness. The program will be based on current NCA training requirements for positions such as cemetery caretakers and cemetery representatives. Veterans who successfully complete the program at national cemeteries will be guaranteed full-time permanent employment at a national cemetery or may choose to pursue employment in the private sector. The Veterans Retraining Assistance Program is a joint effort with VA and the Department of Labor to provide 12 months of retraining assistance. The program is limited to 54,000 participants from October 1, 2012, through March 31, 2014. Education and training assistance are preventive programs.

Other preventive services programs include the Supportive Services for Veteran Families, which provides rapid case management and financial assistance, coordinated with community and mainstream resources, to promote housing stability. In time, VA will transition its homeless efforts primarily to prevention. Through coordinated partnerships with other Federal and local partners and providers, VA will assist at-risk veterans in maintaining housing, accessing supportive services that promote housing stability, and identifying the resources to rapidly re-house veterans and their dependents if they should fall into homelessness. This shift to increased preventive efforts will require us to be much more knowledgeable about the causes of veterans' homelessness, about the details of our current homeless and at-risk veteran populations, and about creating action plans that serve veterans at the individual level.

MEDICAL CARE PROGRAM

The 2013 budget requests $52.7 billion for healthcare services to treat over 6.33 million unique patients, an increase of 1.1 percent over the 2012 estimate. Of those unique patients, 4.4 million veterans are in priority groups 1–6, an increase of more than 64,000 or 1.5 percent. Additionally, VA anticipates treating over 610,000 veterans from the conflicts in Iraq and Afghanistan, an increase of over 53,000 patients, or 9.6 percent, over the 2012 level.

Medical Care in Rural Areas

The delivery of healthcare in rural areas faces major challenges, including a shortage of healthcare resources and specialty providers. In 2011, we obligated $18.8 billion to provide healthcare to veterans who live in rural areas. Some 3.6 million veterans enrolled in the VA healthcare system live in rural or highly rural areas of the country; this represents about 42 percent of all enrolled veterans. For that reason, VA will continue to emphasize rural health in our budget planning, including addressing the needs of Native American veterans. The 2013 budget continues to invest in special programs designed to improve access and the quality of care for veterans residing in rural areas. For example, in the remote, sparsely populated areas of Montana, Utah, Wyoming, and Colorado, VA has supported the development and expansion of a network-wide operational telehealth infrastructure that supports a virtual intensive care unit, tele-mental health services, and primary care and specialty care to 67 fixed and mobile sites. Again, IT investment is the foundation of our work in all of these areas.

In rural areas with larger populations, funding supports the opening of new rural clinics, such as the one located in Newport, Oregon, which serves over 1,200 veterans. This clinic is a unique partnership between VA and the local Lincoln County government. The county government provides clinical space, equipment, and supplies, while VA funds the salaries for the primary care and mental health providers.

Mental Healthcare

The budget requests $6.2 billion for mental health programs, for an increase of $312 million over the 2012 level of $5.9 billion. VA is increasing outreach opportuni-

ties to connect with and treat veterans and their families in new, innovative ways. In April 2011, VA launched the first in a series of mobile smartphone applications, the PTSD Coach. It provides information about PTSD, self-assessment and symptom management tools, and information on how to get help. VA developed this technology in collaboration with DOD and with input from veterans, who let the development team know what they did and did not want in the application (app). As of the end of 2011, the app had just over 41,000 downloads in 57 countries. In addition, VA is developing PTSD Family Coach that will complement the Coaching into Care National Call Center, which provides support to family members of veterans.

In 2011, VA also launched Make the Connection, a national public awareness campaign for veterans and their family members to connect with other veterans to share common experiences, and ultimately to connect them with information and resources to help with the challenges that can occur when transitioning from military service to civilian society. This is an important effort in breaking down the stigma associated with mental health issues and treatment. The campaign's central focus is a Web site, www.MakeTheConnection.net, featuring numerous veterans who have shared their experiences, challenges, and triumphs. It offers a place where veterans and their families can view the candid, personal testimonials of other veterans who have dealt with and are working through a variety of common life experiences, day-to-day symptoms, and mental health conditions. The Web site also connects veterans and their family members with services and resources they may need.

Long-Term Medical Care

As the veteran population ages, VA will expand its provision of both institutional and non-institutional long-term care services. These services are designed not just for the elderly, but for veterans of all ages who have a serious chronic disease or disability requiring ongoing care and support, including those returning from Iraq and Afghanistan suffering from traumatic injuries. Veterans can receive long-term care services at home, at VA medical centers, or in the community. In 2013, the long-term care budget request is $7.2 billion. VA will continue to provide long-term care in the least restrictive and most clinically appropriate settings by providing more non-institutional care closer to where veterans live. This budget supports an increase of 6 percent in the average daily census in non-institutional long-term care programs in 2013, resulting in a total average daily census of approximately 120,100.

MEDICAL RESEARCH

Medical research is being supported with $583 million in direct appropriations in 2013, an increase of nearly $2 million above the 2012 level. In addition, approximately $1.3 billion in funding support for medical research will be received from VA's medical care program and through Federal and non-Federal grants. Projects funded in 2013 will support fundamentally new directions for VA research. Specifically, research efforts will be focused on supporting development of new models of care, improving social reintegration following traumatic brain injury, reducing suicide, evaluating the effectiveness of complementary and alternative medicine, developing blood tests to assist in the diagnosis of post-traumatic stress disorder and mild traumatic brain injury, and advancing genomic medicine.

The 2013 budget continues support for the Million Veteran Program (MVP), an unprecedented research program that advances the promises of genomic science. The MVP will establish a database, used only by authorized researchers in a secure manner, to conduct health and wellness studies to determine which genetic variations are associated with particular health issues. The pilot phase of MVP was launched in 2011. Surveys were sent to 17,483 veterans and approximately 20 percent of those then completed a study visit and provided a small blood sample. By the end of 2013, the goal is to enroll at least 150,000 participants in the program. Like with so much of VA research, the impact will be felt not just through improved care for veterans but for all Americans, as well.

VETERANS BENEFITS ADMINISTRATION

The 2013 budget request for the general operating expenses of the Veterans Benefits Administration (VBA) is $2.2 billion, an increase of $145 million, or 7.2 percent, over the 2012 enacted level. With the support of Congress, we have made great strides in implementing our comprehensive plan to transform the disability claims process. This budget sustains our investments in people, processes, and technology in order to eliminate the claims backlog by 2015. In addition, this budget request includes funding to support the administration of other VBA business lines.

Post-9/11 and Other Education Programs

The Post-9/11 GI Bill program provides every returning servicemember with the opportunity to obtain a college education. As expected, the Post-9/11 GI Bill program has become the most used education benefit that VA offers. Just as with the original GI Bill, today's program provides veterans with tools that will help them contribute to an economically vibrant and strong America. In 2013, VA estimates that 606,300 individuals will participate in this benefit program. The timeliness and accuracy of processing Post-9/11 GI Bill claims continues to improve. From 2010 to 2011, VA processing times for original and supplemental claims improved by 15 days (from 39 to 24 days) and 4 days (from 16 to 12 days), respectively. Over the last 2 years, VA has successfully deployed a new IT system to support processing of Post-9/11 GI Bill education claims. With improved automation tools in place, VA will be able to begin reducing education benefit processing staff in 2013.

Vocational Rehabilitation and Employment

The Vocational Rehabilitation and Employment (VR&E) program is designed to assist disabled servicemembers in their transition to civilian life and obtaining employment. The budget request for 2013 is $233.4 million or a 14.2-percent increase from 2012. The number of participants in the program increased to 107,925 in 2011 and is expected to grow to over 130,000 by 2013.

VA is also expanding VR&E counseling services available at IDES sites to assist servicemembers with disabilities in jumpstarting their transition to civilian employment. In 2012, VA will assign 110 additional counselors to the largest IDES sites, serving an additional 12,000 wounded, ill, and injured servicemembers. Funds requested in 2013 will support further expansion, adding 90 more counselors to the program.

In 2009, VA established a pilot program called VetSuccess on Campus to provide outreach and supportive services to veterans during their transition from the military to college, ensuring that their health, education, and benefit needs are met. By the end of 2012, the program will be operational on 28 campuses. The 2013 budget includes $8.8 million to expand the program to a total of 80 campuses serving approximately 80,000 veterans.

NATIONAL CEMETERY ADMINISTRATION

VA honors our fallen soldiers with final resting places that serve as lasting tributes to commemorate their service and sacrifice to our Nation. The 2013 budget includes $258 million in operations and maintenance funding for the National Cemetery Administration (NCA). In 2013, NCA estimates that interments will increase by 1,500 (1.3 percent) over 2012. Cemetery maintenance workload will also continue to increase in 2013 over the 2012 levels: The number of gravesites maintained will increase by 82,000 (2.5 percent) and the number of developed acres maintained will increase by 138 (1.6 percent).

The 2013 budget will allow VA to provide more than 89.6 percent of the Veteran population, or 19.1 million veterans, a burial option within 75 miles of their residence by keeping existing national cemeteries open, establishing new State veterans cemeteries, as well as increasing access points in both urban and rural areas. VA's first grant to establish a veterans cemetery on tribal trust land, as authorized in Public Law 109–461, was approved on August 15, 2011. This cemetery will provide a burial option to approximately 4,036 unserved Rosebud Sioux Tribe veterans and their families residing on the Rosebud Indian Reservation near Mission, South Dakota.

NCA provides an unprecedented level of customer service, which has been achieved by always striving for new ways to meet the burial needs of veterans. In 2011, NCA initiated an independent study of emerging burial practices including "green" burial techniques that may be appropriate and feasible for planning purposes. The study will also include a survey of veterans to ascertain their preferences and expectations for new burial options. The completed study will provide comprehensive information and analysis for leadership consideration of new burial options.

CAPITAL INFRASTRUCTURE

A total of $1.14 billion is requested in 2013 for VA's major and minor construction programs, an increase of 6.3 percent over the 2012 enacted level. VA is also proposing legislation in 2013 that would enhance the ability of the Department to collaborate with other Federal Departments and Agencies, including the Department of Defense (DOD) on joint capital projects. This legislative proposal would allow appropriated funds to be transferred among Federal agencies to effectively plan and

design joint projects when determined to be cost-effective and improve service delivery to veterans and servicemembers.

Major Construction

The major construction request in 2013 is $532 million in new budget authority. The major construction request includes funding for the next phase of construction for four medical facility projects in Seattle, Washington; Dallas, Texas; Palo Alto, California; and St. Louis (Jefferson Barracks), Missouri. Additionally, funds are provided to remove asbestos from Department-owned buildings, improve facility security, remediate hazardous waste, fund land acquisitions for national cemeteries, and support other construction related activities.

Minor Construction

In 2013, the minor construction request is $608 million. It would provide for constructing, altering, extending, and improving VA facilities, including planning, assessment of needs, architectural and engineering services, and site acquisition and disposition. It also includes $58 million to NCA for land acquisition, gravesite expansions, and columbaria projects. NCA projects include irrigation and drainage improvements, renovation and repair of buildings, and roadway repairs.

INFORMATION TECHNOLOGY

The 2013 budget requests $3.327 billion for information technology (IT), an increase of $216 million over the 2012 enacted level of $3.111 billion. Veterans and their families are highly dependent upon the effective and efficient use of IT to deliver benefits and services. In this day and age, every doctor, nurse, dentist, claims processor, cemetery interment scheduler, and administrative employee in the VA cannot do his or her jobs without adequate IT support. Approximately 80 percent of the IT budget supports the direct delivery of healthcare and benefits to veterans and their families.

We have made dramatic changes in the way IT projects are planned and managed at the VA. As described earlier in this testimony, the Project Management Accountability System (PMAS) has reduced risks by instituting effective monitoring and oversight capabilities and by establishing clear lines of accountability. Additionally, we have strengthened security standards in software development and established an Identity Access Management program that allows VA to increase online services for veterans.

The IT infrastructure supports over 300,000 employees and about 10 million veterans and family members who use VA programs, making it one of the largest consolidated IT organizations in the world. This budget request includes nearly $1.8 billion for the operation and maintenance of the IT infrastructure, the backbone of VA. A sound and reliable infrastructure is critical to support the VA workforce and all of our facilities nationwide in the effective and efficient delivery of healthcare and benefits to veterans. It is also critical that we support new facility activations, our major transformational initiatives, and the increased usage of VA services while maintaining a secure IT environment to protect veteran sensitive information.

Improving services for veterans and their beneficiaries requires using advanced technologies. For example, VA will continue to utilize MyHealtheVet to improve access to information on appointments, lab tests and results, and reduce adverse reactions to medications. The 2013 budget continues an investment strategy of funding the development of new technologies that will have the greatest benefit for veterans.

The delivery of high-quality medical care to an increasing number of veterans is highly dependent upon adequate IT funding. VA's health IT investments have, and will continue, to greatly improve the delivery of medical care with regards to quality, patient safety and cost effectiveness. This includes transformation of mental health service delivery through IT-enabled self-help, providing data and IT analytical tools for VA's research community, and creating an open exchange for collaboration and innovation in the development of clinical software solutions. Additionally, initiatives focused on "care at a distance" are heavily reliant on technology and require a robust IT infrastructure.

The 2013 budget request for integrated Electronic Health Record (iEHR) is $169 million. The iEHR is a joint initiative with DOD to modernize and integrate electronic health records for all veterans to a single common platform. We must take full advantage of this historic opportunity to deliver maximum value through joint investments in health IT. When DOD and VA healthcare providers begin accessing a common set of health records, iEHR will enhance quality, safety, and accessibility of healthcare—setting the stage for more efficient, cost-effective healthcare systems. In 2013, we plan to leverage open source development to foster innovation and speed delivery for a pharmacy and immunization solution.

An integral part of iEHR is the Virtual Lifetime Electronic Record (VLER), which is enabling VA transformation. VLER creates information interoperability between DOD, VA, and the private sector to promote better, faster, and safer healthcare and benefits delivery for veterans. The 2013 budget will ensure continued delivery of enhanced clinical and benefits information connections and build increased capability to support women's healthcare. Additionally, we will develop a modern memorial affairs system for the dynamic mapping of gravesite locations. The 2013 budget request for VLER is $52.9 million.

In addition, the 2013 budget requests $92 million in the IT appropriation for VBMS. As noted earlier, the VBMS initiative is the cornerstone of VA's claims transformation strategy. It is a comprehensive solution that integrates a business transformation strategy to address people and processes with a paperless claims processing system. Achieving paperless claims processing will result in higher quality, greater consistency, and faster claims decisions. Nationwide deployment of VBMS is on target to begin in 2012 with completion in 2013.

This budget also includes funding to transform the delivery of veterans' benefits. The 2013 IT budget requests $111 million for the Veterans Relationship Management (VRM) initiative. We will use this funding to improve communications between veterans and VA that occur through multiple channels—phone, Web, mail, social media, and mobile apps. It will also provide new tools and processes that increase the speed, accuracy, and efficiency of information exchange, including the development of self-service technology-enabled interactions to provide access to information and the ability to execute transactions at the place and time convenient to the veteran. In 2013, veterans will see enhanced self-service tools for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the veterans online application for enrolling in VA healthcare.

LEGISLATIVE PROGRAM

VA has outlined in this budget a strong legislative program that will advance our mission to end veteran homelessness and help wounded warriors by improving our system of grants for home alterations so veterans can better manage disabilities and live independently. Our legislative proposals would also make numerous other common-sense changes that improve our programs, including provisions that will reduce payment complexities for both our student veterans and the schools using the Post-9/11 GI Bill.

SUMMARY

VA is the second largest Federal department with over 316,000 employees. Our workforce includes physicians, nurses, counselors, claims processors, cemetery groundskeepers, statisticians, engineers, IT specialists, police, and educators. They serve veterans at our hospitals, community-based outpatient clinics, vet centers, mobile vet centers, claims processing centers, and cemeteries. Through the resources provided in the President's 2013 budget, VA is enabled to continue improving the quality of life for our Nation's veterans and their families and to completing the transformation of the Department that we began in 2009. Thanks to the President's leadership and the solid support of all members of the Congress, we have made huge strides in our journey to provide all generations of veterans the best possible care and benefits that they earned through selfless service to the Nation. We are committed to continue that journey, even as the numbers of veterans will increase significantly in the coming years, through the responsible use of the resources provided in the 2013 budget and 2014 advance appropriations requests.

Senator NELSON. Before I start on my questions, I want to recognize the chairman of the full committee first for any statement or questions he might have.

Senator Inouye.

CONSTRUCTION

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

Mr. Secretary, my first question relates to the Department's construction budget. Would you please explain the construction account's various parts and why the Department chose to fund it in this manner?

Secretary SHINSEKI. Certainly, Mr. Chairman. This budget that we provide strikes the right balance between our capital requirements in construction and our operating needs. And overall, this balance between major, minor construction, and nonrecurring maintenance programs, and even leasing programs are part of the equation. But for the purposes of this budget line, major, minor, and nonrecurring maintenance programs, overall, remain stable.

This year, in 2013, we've placed emphasis on minor construction, which we've increased by 26 percent. But on major construction, the emphasis is on completing prior appropriated projects by the Congress for which we have been provided authority. And those projects provide for healthcare, memorial, and benefits delivery services.

The reason we are stressing minor construction dollars in 2013 is it's particularly helpful for us at this time to have money that touches more veterans; impacts a wider range of VA medical centers; corrects more seismic, safety, and security issues in less time; very agile; and with money that we can get out there and hospital directors can employ. So we've placed our emphasis on minor construction.

Major construction, as I said is the Department being fiscally responsible, and focusing on completing ongoing projects that you've already authorized. And we need to do that by addressing about $6 billion in ongoing, partially funded projects.

For nonrecurring maintenance, our request will fund the design of about 181 new nonrecurring maintenance projects that ultimately result in an estimated $780 million in construction. For 2012 and 2013, our focus for nonrecurring maintenance has been on safety, security, and equally importantly, correcting the seismic issues that have been out there for some time.

Since 2008, VA has obligated about $7.2 billion in nonrecurring maintenance projects to address these priorities. And I think you can see where our great activity has been in nonrecurring maintenance and now in minor. Major construction—we continue to execute the plan you've authorized.

INFORMATION TECHNOLOGY BUDGET

Senator INOUYE. Mr. Secretary, are you planning to use part of the IT budget resources on the iEHR? In addition, could you please let us know what its status is and what portion of the IT budget will go towards the iEHR?

Secretary SHINSEKI. Mr. Chairman, I'm happy to provide that update. I'm going to call, at a point, on Secretary Baker to provide the details of the program. I would just say that this is one of those projects that I have worked for 3 years now, first with Secretary Gates and now with Secretary Panetta.

There is agreement between the Secretaries that a single, joint, common electronic health record, a platform that is open in architecture and nonproprietary in design, is what both Departments are going to develop together. We have that agreement. It's taken a bit of work, and now we're in the process of building that.

Let me turn to Secretary Baker to provide the details of where we are.

Mr. BAKER. Thank you, Secretary Shinseki.

Senator, to give you a succinct answer, about $169 million of the 2013 budget will go directly to the iEHR and building that. For 2012, we have currently 23 ongoing projects in the iEHR, much of which is to take the budget that we have spent in the past on medical and move it towards the single joint record with DOD. We have staffed the office, we have hired the director, and we're moving out on those 23 projects. So I think we're making good progress.

The key thing here is the Secretaries' attention. Both Departments understand that the answer is yes to the joint electronic health record system at this point, and we're just defining how yes becomes reality.

Secretary SHINSEKI. Mr. Chairman, if I might just close out on that point, in the past, this subcommittee has been particularly supportive on our IT priorities. And I thank you for that support, and I seek your support again on this issue.

As I say, the electronic health record, all by itself, is important because it provides the seamlessness that we've been after so that a youngster serving in uniform coming to the VA doesn't go through this records drill, and that we have, in effect, all that we need. It will create this seamlessness that serves us in many other ways so that we get on with the business of also dealing with the disability claims, making that a more efficient process because we have the information we need. So the IT here is crucial to at least these two administrations, and the leadership here is provided by Secretary Baker.

VA/DOD COLLABORATION

Senator INOUYE. A final question, Mr. Secretary. You somehow alluded to this. I know you have been working with the Secretary of Defense on creating a seamless transition between DOD and VA. Would you please elaborate on the progress being made on the collaborative effort?

Secretary SHINSEKI. Mr. Chairman, this is one of those areas in which in the past 3 years, both Secretaries have devoted considerable thought and energy to, and that is developing a relationship between the two Departments that acknowledges the obvious. Very little of what we do in VA originates in VA. Much of what we end up working on originates in DOD, and so this relationship at the secretarial level permeates down through our organizations, all the levels, where collaborative work goes on to work on important issues like the iEHR, but also creating the conditions that our paperless processing of disability claims has facilitated.

Beyond that, we are looking at how we can better transition and assist with the transition of servicemembers leaving the military as they prepare for the next phase of their lives. Transition Assistance Program—we have met jointly in task forces to put together what we think is a good program for ensuring that when the uniform comes off, every servicemember is on a vector that will take them to success in the next phase of their lives. All of that planning and detail work is underway, and at some point we look forward to the opportunity to share the details of the plan with the subcommittee.

Senator INOUYE. Thank you very much.

Thank you, Mr. Chairman.

Senator JOHNSON. Thank you.

MEDICAL CARE BUDGET

Mr. Secretary, I understand you have updated your fiscal year 2013 budget estimate for medical care and found $2 billion in savings which you have redirected to other initiatives and priorities. Given the tight fiscal environment, why are you asking this subcommittee for an additional $165 million over what the Congress provided to the VA in the 2013 advance appropriations?

Secretary SHINSEKI. Mr. Chairman, thanks for that question. As we go through the budgeting process, because we are a 2-year cycle, we look out as far as we can, and the initial budget estimate is what it is. Then as we get closer to the submission of a budget, those numbers adjust and refine. Sometimes there are changes to it, and they're usually minor increases or reductions.

So each year we run our actuarial projections for the budget estimate, and the advance appropriation request attempts to incorporate the most recent data. In the case of our last run last spring, the model did show an adjustment, a downward reduction of about $2 billion. Those monies were reinvested in programs that were funded, but more funding would have been helpful in strengthening the programs. And these programs, I would point out, were things like caregivers, improved mental health, expanded access for veterans, homelessness, and activations of our medical facilities.

Following these reinvestments, Mr. Chairman, we found that we still required another $165 million to meet healthcare requirements of our veterans in 2013, and that's the reason that request is in the budget. We believe that we should apply the $165 million to meet the intent of the Caregivers Act, also to open new facilities on time, and then to fully fund our efforts to end veteran homelessness.

COST-BENEFIT ANALYSIS

Senator JOHNSON. Secretary Shinseki, as you know from our correspondence and conversations with you, I have concerns about the proposal that the VA announced in December for the Black Hills Healthcare System. In response to the South Dakota delegation's January 4 letter, you said that the VA is currently conducting a cost comparison between new construction and a full renovation of the existing domiciliary building.

This information is essential, and I found it odd that the cost-benefit analysis wasn't completed as the Black Hills proposal was formed. When does the VA anticipate completing this analysis, and how will the results shape the proposal?

Secretary SHINSEKI. I'm going to ask Dr. Petzel to provide an update here.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Johnson, I can't explain why the estimate was not included originally. But we are in the process now of doing a cost-benefit analysis and a comparison of those two alternatives. We will not proceed with the proposal until that's finished and until we've had our interactions with the subcommittee and with you over what that shows.

Senator JOHNSON. I'm grateful that you agreed to extend the comment period for the stakeholders to offer feedback and counter proposals. I see the VA Committee has been formed in Hot Springs,

and the community is diligently working on forming a counter proposal to offer to the VA. Can you provide assurances that this proposal will receive all due consideration?

Secretary SHINSEKI. Certainly, Mr. Chairman. I can give you that assurance. This proposal was intended to begin a dialog on the future of how we provide safe, high-quality, accessible healthcare to veterans in this rural part of the country. We've conducted 14 community briefings now. We are willing to continue having those discussions, and that's part of the reason that we've extended the comment period to the end of April. I can assure you we'll take a very good look at the proposal and a dialog continues.

VA/IHS MEMORANDUM OF UNDERSTANDING

Senator JOHNSON. Mr. Secretary, on March 5, 2012, the VA and the Indian Health Service (IHS) sent a letter to tribal leaders informing them of a draft agreement that outlines how VA will reimburse IHS and the tribes for care they provide to American Indian and Alaska Native vets who are eligible for VA healthcare. Better collaboration between the VA and IHS is essential to ensuring that vets that live on reservations or in tribal villages do not fall through the cracks and receive the benefits to which they are entitled.

Can you please describe what this draft agreement encompasses, how the VA plans to make sure that the tribes have been consulted, and when a reimbursement agreement will be finalized?

Secretary SHINSEKI. Mr. Chairman, I'm going to call on Dr. Petzel to answer the specifics here. But in general, let me just say that ensuring that our Native American and Alaska Native veterans have access to high-quality and safe healthcare the way any veteran living elsewhere would have has been a particular interest of mine. It is part of the reason that I visited Alaska and visited South Dakota, been to Montana, and been to Guam to get a sense of the rural aspects of what we face. This dialog that you're referring to is part of the effort to get clarity on how we can work together to achieve what for both of us ought to be joint objectives.

Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

The agreement to date has made very good progress. First of all, we've agreed on what sort of services are going to be provided, at least initially, and that's direct care, that are associated with the benefits that one might get if they were getting their care at the VA.

The second thing is we've agreed on the eligibility criteria, that is, all veterans who are enrolled with the VA healthcare system would be eligible to receive care in an IHS or tribal facility.

Third, we've decided upon how we're going to deal with pharmaceuticals and medications. We're going to use the VA's mail-out pharmacy program, which is a very efficient way of providing medication. And, in fact, we're looking at the IHS adopting our mail-out pharmacy program for all of its patients and all of its clients.

And then finally, we've come to an agreement about payment methodologies, how the reimbursement is actually going to occur. There are still some issues that we need to work our way through. But in the meantime, we are going to begin the demonstration

projects to prove, if you will, these concepts that we've described, and they will be both with IHS facilities and with tribal facilities across the country. In fact, it's a likely possibility that this will be in Alaska and this will be in South Dakota where we've already begun some negotiations with the tribes.

Senator JOHNSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I'm pleased to hear that we are making a little bit of progress on these memorandums of agreement. You mentioned the demonstration, and I understand that there is an individual memorandum of agreement with the tribal facilities there in Ketchikan with the Ketchikan Indian community. As the first one in the State, we would certainly encourage the Department to work to facilitate other such agreements. I think that they will be important, and I appreciate that.

Mr. Secretary, thank you for your leadership and that of your team. We greatly appreciate it.

I will tell you, Mr. Chairman, I've had the opportunity to be on many committees where we have interaction with our Secretary of the VA.

And Mr. Secretary, I am just particularly pleased with the very personal attention and initiative that you have placed on some of the issues that face our veterans in Alaska. You have given me your commitment to work on the Closer to Home Initiative, and we have seen some real progress in that.

You've given me your commitment to work on our backlog, and we have seen some forward progress. You've given me your commitment to work to better integrate what happens within the VA with IHS, and I understand how difficult that has been. But in that area, too, we are making some incremental progress. So I appreciate the good work that you have done for Alaska's veterans, and I look forward to continuing to work with you.

On the issue of the Care Closer to Home, I had asked that there be a report to the subcommittee, to Congress, in implementing this initiative. And we have seen a 38-percent reduction in the number of veterans who are tasked to travel outside of the State for care. It's gone down from 545 in 2010 to 336 in 2011. That's good progress, we think.

But as we had an opportunity to discuss, there are still many who are sent outside, whether it's to Seattle or to other VA facilities, when there is care and specialists that are available within the State of Alaska. Orthopedics is one area. It represented more than 10 percent of the referrals outside, even though there's clearly many specialists available in the State. Cardiology is also another area where nearly 10 percent of the referrals went outside and where we have good quality care in the State.

Can you speak to where you see the trends going in terms of numbers of referrals outside and the VA's goal for further reducing these referrals in the outlying years?

REFERRALS

Secretary SHINSEKI. Senator, I would just say that we have overall intent here, and that is to deliver high-quality, safe care as close to home as possible. And where we see all those factors being

met, that is what we set out to do. We wanted to get a first start and sort of feel our way into what were the possibilities here, and I think we have demonstrated that. My numbers say we've reduced it by about 43 percent, so we've gotten good momentum.

I'll just assure you we'll continue to look at this. We know what the intent here is, and where all those considerations are balanced, we'll decide in favor of the veteran being closer to home. And I'll call on Dr. Petzel if he's got any more specifics.

Dr. PETZEL. Thank you, Mr. Secretary.

Just to elaborate a little bit, there are three or four entities that could provide the care that you're describing, Senator. The IHS has some absolutely phenomenally good facilities surrounding Anchorage and Fairbanks. Particularly, we're hoping that this memorandum of understanding that we have will not only provide for care for veterans in IHS facilities in a general sense, but we also want to set up separate sharing agreements so we can get the specialty care for veterans that are non-Native in those facilities. That's one.

Two is that there are excellent private facilities. We've had some difficulty in coming to agreements with the private facilities, but we are continuing to pursue that.

And then finally, there's the Air Force. There are opportunities for us to share with the Air Force that we need to capitalize. And from the DOD, Dr. Jonathan Woodson and I are going to be traveling to Alaska, probably in May, to specifically explore what we can be doing with the Air Force.

I want to just reiterate what the Secretary said. We do not want to be sending people down to Seattle, which is a 3- to 5-hour ride in a plane, for care that can be delivered at a good price in the community. That is our goal.

Senator MURKOWSKI. I appreciate that. I think it's important that we be looking to the various alternatives that do exist, as you point out, the military, on the private side, and the very credible IHS facilities that we have out there.

I think it is important to recognize, though, that when we talk about flying outside, that is a 3-hour flight, 3 hours and 15 minutes, from Anchorage. But for many of our veterans who live in the rural outlying areas, it's also a 3-hour flight. It might be a full day trip to get from a small village to a hub village to Anchorage. So it's not just closer to home in the sense that we're not going to send outside the State, but I've also asked for an assessment as to how we can deliver that care closest to home.

And so when we have the opportunities with these sharing arrangements with the IHS facilities, with the clinics that are in the village, to provide for a level of care, this is where this becomes so important, because whether it's 3½ hours to Seattle, or whether it's 3½ hours from Aleknagik to Anchorage, it still requires the veteran to leave their home. It still requires them to be in a big city with no family, with high expenses for transportation and lodging while they're there.

So, again, we start the conversation by talking about the memorandums of agreement that are out there with IHS. And again, I think that this is one area where we can focus on, where we can

truly make a difference in ensuring that good quality care that is affordable and reasonable is provided to our veterans near home.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

OMAHA VA HOSPITAL

Senator NELSON. Thank you, Mr. Chairman.

Thank you, Secretary Shinseki and the members of your VA support system. The commitment that was made back in fiscal year 2011 in that budget, the request for the Omaha VA Hospital, has been and continues to be very good news for the thousands of veterans in Nebraska and western Iowa. The $56 million enacted in fiscal year 2011 addressed the needs of the Omaha VA Hospital by providing plan and design money for what will be a much needed 21st century healthcare facility.

And I understand that the plan and design of this facility is about 40 percent complete and is still on track to conclude this fall with construction to begin in fiscal year 2014. I think it's true—and I've often said it—that we need to be as good at taking care of our veterans as we are at creating them. And your commitment to improving the Omaha VA Hospital is just another example that caring for America's veterans remains one of the Nation's highest priorities and one of your personal priorities as well, and we all appreciate that very much.

Can you speak to why the new Omaha VA Hospital facility continues to be a priority for the Department and why it's imperative as improving the care for our veterans? And I know Dr. Petzel has had a great deal of involvement in this as well and would welcome his comments as well.

Secretary Shinseki.

Secretary SHINSEKI. Let me call on Dr. Petzel to provide the details here, and then I'll close out.

Senator NELSON. OK.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Nelson, I was involved in the beginning when I was a network director, as you know, in that area in the initial planning of and decisions about building that hospital. Presently, we're in the second of three design phases. The schematic designs have been completed. We're doing what is called design development right now with the $56 million that was there for advance planning.

And now that that has been finished, i.e., the design development, we're going to begin the process of developing the construction documents. They would be finished sometime in 2013, which would mean that the earliest that funding for construction might occur would be in 2014. And of course, that's going to depend on what the 2014 budget looks like. But again, just to reiterate what the Secretary has said and what you have said, this is a priority for us and for the Omaha veterans.

Senator NELSON. Thank you.

Secretary SHINSEKI. Senator, I would just say you are familiar with what we are going to do, in essence, to replace much of the campus. What is useful there is going to be retained. But I know from my staff, who have visited, that heating, air conditioning, and

electrical work are all very old and needed to be replaced for safety issues, if nothing else. It is a major project that we're committed to in terms of assuring that veterans in Nebraska and in the region have high-quality, safe access to healthcare.

VETERAN CEMETERIES

Senator NELSON. And Congress needs to be a partner in this in making certain that the funding is available. That's why I say we need to be as good at caring for our veterans as we are at creating them. And so I hope that that will continue to be on track.

Secretary Shinseki, one of the most difficult things to talk about is the end of life issues and finding a resting place for our veterans when that time comes. One year ago, you gave us the status of the Sarpy County National Cemetery, and you mentioned there were two sites at the top of your list that were being reviewed and that you had funding to purchase, design, and conduct the required studies.

Can you comment on the current status of the Sarpy County, Mr. Secretary? For example, has the site been selected? Is there something you can tell us about that yet, or does it remain a bit of a non-disclosed fact?

Secretary SHINSEKI. Now, let me call on Secretary Muro to provide an update here.

Mr. MURO. Thank you, Mr. Secretary.

Thank you for that question, Senator Nelson. Unfortunately, I can't give you the name of the location, but we are down to one site. We should have by the end of this month the deed and the sale confirmed, and we'll move forward to do the deed, or the transfer of the deed. We've already agreed on the price. Once we have the sale price set, then we'll come to the Secretary and sign off on it. Then we'll be able to advertise which site it is. It's a beautiful site. I've been on it. It will serve our veterans there for many years.

SEAMLESS INTEGRATION

Senator NELSON. I appreciate the work that you've all done to get this accomplished. I know it's a site selection process and that there are details that, obviously, had to be worked out, and confidentiality was important. But I know my veterans back home are very interested, because they ask me when they come in to see me, "Where is it going to be?" And it's been a little awkward to say, "Well, I know it is. I just don't know where it is." So it'll be nice to have that fully disclosed. I appreciate very much what you've been doing.

We've had quite a bit of discussion this morning already on how to have seamless integration from Active Duty, Guard, and Reserve, into the VA system, and much work has already been accomplished. I know much remains to be done.

Do we have some idea of a timeline? We don't want this to be the never-ending story, and I know you don't, either. But sometimes if we have some focus on when there might be an ending point to where you see integration at least beginning—and then is there a midpoint where there would be improvement? And then is there any idea of, time-wise, finality to where we can say we have an integrating system?

Secretary SHINSEKI. Secretary Baker.

Mr. BAKER. Thank you, Senator.

At their last meeting, the two Secretaries agreed that within 2 years, we would install the initial version of the iEHR in two facilities shared between DOD and VA. That's a challenge that we welcome. It means that we'll be moving out in certain aspects of that. We have projected the whole project to take between 4 and 6 years. It is a large-scale system.

Senator NELSON. I know it is.

Mr. BAKER. Today, we serve about 15 million servicemembers and veterans between the two Departments, and we're talking about changing the underlying IT system there. On the topic of completely done, I would just observe that we have continually updated the Veterans Health Information Systems and Technology Architecture system known as VistA, since its introduction in the 1980s. So these systems, to stay up with modern healthcare and to ensure that we are running the best IT system at every hospital, require continued evolution.

The thing we're doing different this time from the past is we have strong involvement of the private sector. So we'll be continually looking at what the best private sector approach is to providing these types of systems and these types of packages and incorporating that as well.

Senator NELSON. I was going to suggest that. I'm glad you are, because, obviously, when it comes to processing claims, there are private sector examples that are investing considerable amounts of money on new technology and improving techniques for claim processing, which would be good to get the benefit of their experience without having to pay for the costs of achieving it yourself.

Mr. BAKER. Senator, two things to assure you of there are as we build our claims processing system, we're involving what's called commercial-off-the-shelf (COTS) software, or a private sector piece. They're the fundamentals of it. Because what we do at VBA is different from DOD there are unique parts of the process; for each there is what you'd call custom code or customization that goes into that. So it is a large-scale project unto itself.

We've also gone out, Secretary Hickey and I, and looked at other systems to make certain we're getting any lessons learned we can from other insurance organizations and folks that do business with the VA right now. They're doing the same sort of things and we want to make certain that we're not going off and recreating the wheel, if you will, but learning as much as we can from what the private sector has already done in this area.

Senator NELSON. I certainly appreciate and applaud the work that you're doing. When we passed the Wounded Warriors Act a few years ago, one of the most important points of it was to make certain we were achieving something seamless so that people don't have to start from the very beginning at the end of their uniformed days. And so I appreciate what you are already accomplishing and encourage you to continue to stay the course. And if you can meet those deadlines, maybe you can maybe even advance them with a little bit of help.

So, thank you, Mr. Chairman.

Senator JOHNSON. Senator Reed.

INFORMATION TECHNOLOGY BUDGET

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

Secretary Shinseki and your colleagues, thank you for your great service to veterans. General Shinseki, thank you for your great service in the Army, and I think you qualify not only as a head of VA but a recipient of VA programs as a disabled veteran. So you've seen it from both sides of the equation.

You have made in your budget submissions IT a central part. My colleagues have reflected the importance of it by the questions they've posed on IT. And let me just follow up—there are so many different ways that this affects the operation of the VA in terms of medical records. One other operation is the paperless disability claims processing. I thank you for starting a pilot program in the Providence regional office.

The question, I think, is giving you an opportunity just to expand—what would be the impact in all these areas or the most important impact if we were not to fully fund your request for IT?

Secretary SHINSEKI. Senator, thanks for that question. Three years ago, we began this journey on ending the backlog, and we've worked mighty hard at it. I'd just tell you that in that first year, we put 900,000 claims decisions out the door, but we got 1 million-plus claims in.

The following year, we put 1 million claims decisions out the door, and we got 1.2 million in. Last year, another—second year in a row, 1 million claims decisions going out the door, and 1.3 million, I think, coming in, which tells you that the backlog is not static. We are constantly getting claims decisions out. The challenge is the number of claims that continue to override our ability to manually process.

And so we're at the tipping point. We spent the last 2 years developing this paperless tool that, in the hands of folks who have been manually putting out 1 million decisions a year, is going to give them what they don't have right now, and that's the ability to leverage both speed and quality in making more and better of these decisions. And this is that paperless tool called the Veterans Benefits Management System (VBMS).

We increased the IT budget by 6.9 percent for 2013 in order to ensure that VBMS would be fully fielded. In that increase is also the electronic health record we've been talking about. And so I used the comment in my opening remarks, we're at a tipping point, where we need to just nudge this over and see the benefit of the last 2 years of hard work and investment on the part of folks that have been doing manual work at a tremendous rate and also building the electronic tool that they see as their opportunity to dominate the numbers here.

And we're at that tipping point in 2013, and it would be very important for us not to miss that opportunity to deliver to veterans what they've been, at least, talking to this Secretary about for the last 3 years, and that's to get control over this claims backlog.

Senator REED. The issues of integrated health records have been raised, the issues of an integrated disability evaluation system, the IT connection. And I wonder if you or Dr. Petzel have any addi-

tional comments you feel would be necessary for the record in either of these.

Dr. PETZEL. Thank you very much, Senator.

Thank you, Mr. Secretary. I just want to make a point about the importance of IT, in general, to the work that we do in health. Virtually nothing any longer that's done in healthcare can be done without good IT support. Whether it's improving the connectivity you have with your patients by using telehealth, text messaging, the telephone, telemedicine, or taking care of patients in the clinic setting or in the hospital, IT is absolutely essential.

I use the phrase—and I get kidded about it by the Secretary now and again—that it's like the bloodstream in the human body. I mean, you can't function, obviously, without your bloodstream. We cannot do healthcare without adequate IT, and we are on the cutting edge, and we want to remain there. It's a very important perspective from our point of view.

Just one other thing about the iEHR that's fundamentally important, particularly from our point of view. Everything that happens that we take care of virtually is a result of something that may have gone on during the service. And having those service records available, being able to view them instantly, et cetera, would be a wonderful step forward.

FUTURE VETERANS HEALTHCARE

Senator REED. Thank you very much, doctor.

Secretary SHINSEKI. Senator, if I could just close——

Senator REED. Yes, sir.

Secretary SHINSEKI [continuing]. I said we've worked IT very hard in the last 3 years, and we can usually talk about it in terms of these various projects. But I think there's another metric I would like to point out to you.

When we arrived 3 years ago, I think we executed our IT budget in terms of deliverables on projects that we invested in at about 30 percent. OK, because I think the industry average is about 32 percent. But we weren't getting the return on investment that we needed to very quickly leverage IT.

Today, with Secretary Baker's leadership here and imposing a program management accountability system on our IT programs, if you're off budget or you're behind schedule, you're going to have a discussion. And if you miss those more than once, you're likely not to continue your project.

Today, we execute 89 percent of our IT projects. And so I am very confident that when we talk about VBMS or the paperless disability claims process and this electronic health record, we have a good bit of experience to leverage here on how we do this.

Senator REED. Thank you, Mr. Secretary.

My time is rapidly expiring, so let me just pose a question, and I'll communicate it in writing, too. And that is one of the realities here is we have some remarkable young men and women who have been grievously injured in Iraq and Afghanistan. They are in their twenties, many of them. They will eventually and quite quickly get into the VA system, which means that we are probably looking at 50 years of support, 50 years of commitment. And at this juncture

in time, everyone is standing up shoulder to shoulder, and we're going to do this.

What are you doing—again, I don't want to deprive Senator Coats of his time. But you could think about this, and then I'll ask for a written response. What is in your budget that is going to assure these young men and women that 50 years from now, 40 years from now, they and their families are going to get the same kind of, not only support, but respect that they're getting today, which they justifiably assume? It's a big question, and I don't want to take away from the Senator's——

Secretary SHINSEKI. Mr. Chairman, may I give about a 10-second response here?

Senator REED. Yes, sir.

Secretary SHINSEKI. What I would say is, Senator, we are very much focused on that. And I would say that that was the President's charge to me when he asked me to take this job. One, make things better today for veterans, but transform the Department so that in the 21st century, down the road, veterans are going to continue to benefit from the programs, the processes, the disciplines you put in place today. And I'll provide a more complete written response.

Senator REED. And we'll get you a better question, and we'll ask for a complete response, and thank you.

And thank you, Senator Coats.

Senator JOHNSON. Senator Coats.

FORT WAYNE HEALTHCARE CENTER

Senator COATS. Thank you, Mr. Chairman.

Senator Reed, no problem there. That's a question for all of us to address and to ensure that we enable the Veterans Department to provide that kind of ongoing care that's going to be necessary.

I say General Shinseki. I say that because I want to commend you for your time of service in uniform and the leadership that you provided. I thought it was exceptional, and I thank you for that. And I thank you for continuing now in a different uniform but still looking out for our soldiers and sailors and airmen and marines in the way that you have and the kind of leadership you're bringing to the VA. So thank you very much for that.

I like to use these appropriations hearings to talk about the larger issues and the macro subjects. How do we continue to provide essential services from the Federal Government, given the budget constraints that we have? For me, national security and taking care of our veterans rises to a higher level than a lot of programs. And normally, I ask people, how can you do more with less? And of course, that applies to the VA also, but—bringing efficiencies.

But it doesn't apply from the standpoint that it's on an equal par with a lot of other functions that perhaps could—in other departments that can be done better outside the Federal role. Clearly, this is a Federal role, and we owe our members of the service the very best that we can provide them. But having said that, the work that you're doing to bring the efficiencies and effectiveness to the organization and prepare for the future is important, and I commend you for doing all that.

Now, if I could just turn to a parochial question for a minute—first of all, thank you for coming by my office to help discuss and work through this Fort Wayne situation with the veterans hospital there. This started way back in 2003. I haven't been in the Congress. I'm just sort of picking up the baton here from my predecessors.

In 2009, the VA issued a letter, basically, and I quote, "VA proposes to deliver quality comprehensive inpatient care by partnering with the local community hospitals, healthcare systems in Fort Wayne and South Bend, Indiana, and to construct, 'a new primary and specialty care facility,' a healthcare center that would double the size of the existing clinic, adding many services not currently available."

Now, as you know, the situation is much different than that. We're looking at a mental healthcare facility that will be a 27,000 square foot annex, as opposed to a 220,000 square foot center for extensive outpatient services. You and I have discussed this. I'm just wondering for the record if you could give some sense of what has changed and why the decision was made to so dramatically alter what the commitment was back in 2009.

Secretary SHINSEKI. Let me call on Dr. Petzel, and then I'll close out.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Coats, you described it accurately in terms of what has happened. There was a proposal for a healthcare center, an HCC, that was reevaluated, and based upon that reevaluation, it was decided that the better alternative would be to renovate some of the space that was in the Fort Wayne campus, to use some of the facilities in the community, and to build a new 27,000 square foot mental health facility. That was based upon the evaluation of the demographics, where people went for care, how many veterans there were in the area.

Rest assured that we are committed in Fort Wayne, as well as across the country, to providing the care that veterans in that community needed and need. That will be done with a robust ambulatory care center. That will be done by using some of the facilities that exist now and buying those, again, in the community that we need to. But our commitment is to provide the same level if not a better level of care to the residents that use the Fort Wayne facility now.

Secretary SHINSEKI. Senator, just to close out, I think we're planning on this summer going to solicitation, and then early in 2012, February timeframe, spring timeframe, to have a lease award with delivery of an outpatient clinic of significant capability in the 2014 timeframe.

HOMELESS HOUSING PROGRAM

Senator COATS. I thank you for that, and I want you to know I'm more than willing to work with you to help achieve the goals. There are budget constraints that have caused decisions to be made elsewhere. But I think what we want to make sure is that we give those veterans every full measure of service that they need, and to the extent we can work together to do that, I want to continue to do so.

And then just real quickly, in my remaining time, the homeless housing program that's underway there—could you just give me a little bit of update in terms of where the VA stands with that project? I've heard from several who have submitted bids, and they haven't heard back. I'm just curious as to where we are in that review process and what the time table might be for that.

Secretary SHINSEKI. I believe the folks who are interested in the bidding process are looking for the SSVF program, Supportive Services to Veterans' Families, and that is in the process now. The bids are being received. We will probably go to a decision this summer and announce prior to the start of the next fiscal year where the grants were assigned.

We have put about $100 million on the table for what I call our partners, about 600 of them throughout the various communities, who are doing the front line work of engaging the homeless, including homeless veterans, and finding shelter, bringing them to our attention as we work on this program. So the bids are being received, and then we'll go through a scoring process sometime before the end of the summer.

Senator COATS. OK. Thank you. My time has expired.

Thanks, Mr. Chairman.

Senator JOHNSON. Senator Landrieu.

MEDICAL FACILITIES

Senator LANDRIEU. Thank you, Mr. Chairman.

And, General Shinseki, welcome, and I'm sorry I couldn't be here earlier. I had several prior commitments. But I've reviewed your testimony, and I want to first thank you for your extraordinary service. And I know this is a real heartfelt passion of yours, to help our veterans—after your distinguished service on many battlefields to come back and help our veterans, to help the United States keep our commitment to honor their service, and—to our veterans and to their families.

So I really appreciate the hard work that you do, and I thank you, particularly, for your focus on the rebuilding of the New Orleans hospital that was significantly damaged beyond repair in Katrina and the flooding that ensued and your continued commitment to work with a variety of partners in New Orleans and in Louisiana to rebuild that medical complex. And I think things are coming along pretty well there, and I'd like a comment in a minute.

But the real question I want to ask you—because this is not coming along very well, and I need your insight. In addition to the hospital in New Orleans that's under construction, you and your agency committed to build two clinics, one in Lafayette, Louisiana, and one in Lake Charles. And in fact, this subcommittee, under the leadership of this chairman, allocated the funding to do so. And we were all quite encouraged with the—Gracie Specks, who is our new leader—regional leader in Alexandria.

And just recently, Mr. Chairman, we received a letter that both of these clinics are going to now be delayed because of some errors that were made in the solicitation for bid.

Could you please tell us how these errors were made, what your understanding is? And is there anything that you can do to get

these two projects, which have the money, have been noted as a priority, back on track?

Secretary SHINSEKI. Senator, you have my assurance that we are all hands on deck looking at both these projects. I'm as disappointed as you are with what happened here. On the one hand, we can take a big project like a new hospital in New Orleans and execute that with great precision, and then we just missed these two, Lake Charles and Lafayette. It got off to a bad contracting start and was discovered later, and now we are correcting that. But we are focused as I said, all of us focused, on this to get this as quickly executable as we can so that we keep our promise to the veterans in both of those parishes.

Senator LANDRIEU. But so that I can answer the many questions that are coming in from constituents and, of course, organizations, the error was, in fact, on your side or on the veterans side. It wasn't on our side, was it?

Secretary SHINSEKI. The error was made in our contracting process, and so——

Senator LANDRIEU. Is there anything that this subcommittee can do or this Congress to give you any latitude to expedite or to move around this? Because the veterans have been, of course, waiting for a long time, and this is just—that's one question.

The second is if we don't move around or find an expedited way, what is your timeframe? What does the new timeframe look like?

Secretary SHINSEKI. I'll turn to Dr. Petzel for the timeframe. I would just say, Senator, we're doing everything we can to get this moving. And if assistance is required, I'll be certainly prepared to come to the subcommittee for that kind of help.

This is a contracting issue right now. And so there's a process we have to go through. Let me call on Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Landrieu, just a couple of points. One is that we're centralizing the solicitation of and the execution of this contract to Washington and our real property so we can be absolutely certain that, number one, it's done right, and, number two, that it's done as quickly as possible.

The solicitation right now is expected to go out shortly, during 2012, and we hope that by this time in 2013 we'll have a lease award. And, of course, this is basically a year's delay in the process that you'd been told we were going to be able to follow previously. But we will do absolutely everything that we can here in Washington and out there to get this done as quickly as we can. If there's any possibility of shaving weeks or months off of it, we will take advantage of that.

DISABILITY APPEALS

Senator LANDRIEU. OK. I really appreciate that commitment, and I will send that on. But I also want to just reiterate again if there's anything that you need this subcommittee or the Congress to do or change, given what was done, please let us know, because I think the chairman would be willing, understanding the details here, to make some adjustments if there is a necessity for that.

And the final question—I'm sorry. I have 1½ minutes left. The other question I have—and I thank you very much for that, and I'll

relay that to our folks at home. The other is have you all testified this morning about the lines and the wait time for disability appeals? Are those lines growing? Is the time expanding? Are we contracting either the days or months or years that people have to wait? Or how many veterans are actually in line?

Do we have any way to measure that? Because I've been getting a few complaints from veterans at home about their appeals taking literally years to be processed.

Secretary SHINSEKI. Secretary Hickey?

Ms. HICKEY. Senator Landrieu, thank you for your question. I will tell you that of the 1,032,000 claims that we did last year, on average, there's about 11.2 percent of them that we receive a notice of disagreement on. We resolve about half of those before they ever even make it into the appeals process, largely because a veteran brings another new piece of information and we're able to work that.

But an important thing for us all to know is that we, right now, as part of our transformation plan, have a design team. That's our governance process that looks at how to improve processes, working specifically on the appeals management process. And we're testing it in Houston right now, literally today. We started it the first of this month. And if it proves successful, we have the opportunity to cut that time in half.

Senator LANDRIEU. And what does your time show it is now for the half that you can't resolve before they go to appeal?

Ms. HICKEY. It's typically in a couple of years period of time, ma'am. Yes, ma'am.

Senator LANDRIEU. And Mr. Chairman, I just think you have been wonderful, and I think this subcommittee has been very generous. And I think this administration has been trying to put more resources to this effort. But we have got to try to find a way to cut this down. I just think it's not right to ask our veterans to wait sometimes 3 and 4 years for a resolution of their case.

But anyway, thank you, and I'm going to be focusing with you on this through this year.

Thank you.

Ms. HICKEY. Yes, ma'am.

Senator JOHNSON. Senator Blunt.

ST. LOUIS MEDICAL CENTER

Senator BLUNT. Thank you, Chairman.

And I want to agree, particularly, with the last point that Senator Landrieu made about this waiting time. Whatever we can do about that should be done. I was pleased to see the President's budget request has an increase in this budget, as you and I talked about, Mr. Secretary, when you were kind enough to come by the office the other day.

I've got three Missouri specific questions.

One, Dr. Petzel, last year when you were here, we talked about—and on a couple of other occasions—the St. Louis Veterans Hospital, which was really going through some significant changes at the time. I wonder if you've got an update on that.

Dr. PETZEL. Thank you, Senator. We've made tremendous progress, I think, and I hope that you've had some contact and I

know you have with the people there. We're very pleased with the leadership. I think that Ms. Nelson has really taken hold of the problems.

Number one is that we're in the process of redoing this general processing unit. That should be, I think, opening up in the summer of 2013, perhaps earlier. There are also a series of other projects that are occurring to provide ease of access and improved care.

The things that I'm most pleased with are what has gone on internally: The atmosphere of openness that Ms. Nelson has created; the fact that people feel free to be able to raise concerns, et cetera, and that those things will be listened to and dealt with; and then the improvement in the quality of care. The measures that we follow indicate that there's been tremendous progress in improving the general quality of care. I think now, when we look at patient satisfaction and employee satisfaction at St. Louis, it's been tremendously improved.

Senator BLUNT. And facility update—that continues?

Dr. PETZEL. Absolutely.

JEFFERSON BARRACKS CEMETERY

Senator BLUNT. OK. Thank you.

On Jefferson Barracks Cemetery, my understanding is that within this decade, we'd run out of space there. Of course, that's one of our oldest military cemeteries anywhere in the country. It's been used for 200 years now. And I'd like to hear any thoughts you have on expansion, and then I'd like to keep updated on any discussions you're having with the county. I'm talking to the county executive, Mr. Dooley, about this, as well. I understand one of the options is the Sylvan Springs Park, all or part of that, as an addition to the cemetery. I think there's another park close that serves the community.

The Jefferson Barracks Cemetery is just such an integral part of who we have always been as a Nation and how we've treated our veterans. Do you have any thoughts on what needs to happen there?

Secretary SHINSEKI. We sure do. Let me call on Secretary Muro here to provide an update.

Senator BLUNT. Good.

Mr. MURO. Thank you, Secretary.

Thank you, Senator, for that question.

Senator BLUNT. Is your mike on?

Mr. MURO. Yes, it is. I'll try and speak up some more so you can hear.

We just completed construction and are in the final phase of the inspection of the expansion that's going to take us out to 2019, and we recently installed new crypts and a columbarium. Actually, the columbarium will take us out to 2030. We are working with the Veterans Health Administration (VHA) to transfer additional land for another expansion of the cemetery, plus we are working with the county on that park to try to get that. We can keep you up to date on it.

Senator BLUNT. But you have some options in addition to parts of the county park property?

Mr. MURO. Yes, we do. Adjacent to where our expansion is now, we have other parcels that VHA will be transferring to us in the future.

Senator BLUNT. And you see no problems with that happening?

Mr. MURO. I don't. I think NCA and VHA have worked together on that transfer, so it shouldn't be a problem.

Secretary SHINSEKI. Now, this land is part of the healthcare campus.

Mr. MURO. Right.

Secretary SHINSEKI. Maybe as much as 30 acres we are looking at.

Senator BLUNT. That would be a great solution to this, I would think, for a significant amount of time, if you've got that kind of space.

Mr. MURO. Right.

OUTPATIENT CLINIC

Senator BLUNT. All right. Good. The other thing I wanted to discuss was our clinic in Mt. Vernon, Missouri. There's a discussion in the 10-year plan of community-based outpatient clinics of opening clinics in both Springfield and Joplin. But concern that the Mt. Vernon clinic, that's between the two, might be closed.

It's one thing to close that clinic if these other two clinics are actually built. It would be a different matter, I think, if either one of them didn't happen. While Mt. Vernon is not a very big community, it's centrally located, and there are lots of veterans in our State, specifically in that part of the State.

Can somebody give me an update on that? I'm not sure I'd said I was going to ask this. So, if you can, that would be good—if not, I'd be happy to have an update later.

Secretary SHINSEKI. I'm not current on it. Let me call on Dr. Petzel.

Senator BLUNT. OK.

Dr. PETZEL. Actually, Senator, I'm not current on it, either. But we can easily find out what the plan is, and we'll get back to you post haste.

Senator BLUNT. That would be good if you did, and how those three projects would come together at some point would make a big difference. But that outpatient clinic in Mt. Vernon now serves lots of people, and I would hate to get halfway through a plan and find out that the other half of the plan wasn't going to occur.

So if you can get back to me on how all three of those discussions are going and your confidence level on all of them, that would be helpful. And it's fine to respond to me at a later date.

Secretary SHINSEKI. Certainly.

Senator BLUNT. Not very much later, but later than today.

Secretary SHINSEKI. We'll do that.

Senator BLUNT. OK. Thank you.

Senator BLUNT. Thank you, Mr. Chairman. Thank you for the time.

Senator JOHNSON. I have one more question.

Mr. Secretary, the VA and DOD have agreed to work together on the development of a new iEHR system to be managed by a joint DOD–VA interagency program office. Three years ago, VA estab-

lished the Project Management Accountability System (PMAS) to set accountability standards and to monitor the development of its projects.

As you mentioned in your written testimony, this system has achieved at least $200 million in cost avoidance by either canceling or improving the management of 45 projects. With iEHR being run by the joint interagency program office and not the VA, how can we be assured that the PMAS accountability standards and project milestones will continue to be enforced?

Secretary SHINSEKI. Mr. Chairman, thanks for that very, very important question. I'm going to call on Secretary Baker to describe the process that's underway here. But we are very much confident in our PMAS system. It's served us well, and we will ensure that this will be a perspective we bring to the discussions with DOD.

Secretary Baker.

Mr. BAKER. Thank you, Senator. The DOD has agreed that we need to use the principles of PMAS to deliver the iEHR. And I really appreciate you noting our success in this area. As the Secretary said, we've delivered 89 percent of our milestones in 2011. Most critically, that delivers new functionality for veterans, the new GI Bill system, delivering on the VBMS system, and many things in healthcare.

And it's part of our approach to ensure that every IT $1 that you appropriate to us is well spent for veterans. I can assure you that every $1 of VA funds spent on the iEHR will be managed under PMAS. We will certify those in our letters to you. And, as I said, DOD and VA have agreed that that's the way that we'll manage the iEHR.

Now, there are some regulatory things relative to what DOD has to do as they manage their programs under DOD 5000 that causes a little bit of a wrestle in there. But we're working through those and attempting to make certain that we use the strong success of PMAS to help us ensure the success of the iEHR.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank Secretary Shinseki and those accompanying him for appearing before this subcommittee today. We look forward to working with you this year.

For the information of members, questions for the record should be submitted by the close of business on March 23.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. ERIC K. SHINSEKI

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

CLAIMS BACKLOG: TIMELY PROCESSED CLAIMS

Question. In fiscal year 2013, the VA is requesting $2.16 billion for VBA's administrative costs and claims processors. The subcommittee has consistently supported the Department in efforts to reduce not only the claims wait time, but also the claims backlog by providing all, and in some cases, more money than was requested. Yet the number of days a vet must wait to have a claim processed is still unacceptably high.

I know that you have made this one of the VA's top priorities, but when can we expect the process to become more efficient? More importantly, when will vets in our home States start seeing more timely processed claims?

Answer. VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. The Veterans Benefits Administration (VBA) has developed a comprehensive transformation plan that we are currently implementing. The plan includes a series of integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before reviewing VA's progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and its impact on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than $3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors.

The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011. Although VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

There are a number of other factors that significantly contribute to VA's dramatically increasing claims inventory. They include:

—*Growing Claims Volume.*—Over the last 4 years, annual disability claims receipts, representing all generations of veterans, increased 48 percent, from 888,000 in 2008 to 1.3 million in 2011.
  —VA anticipates receiving 1.2 million claims in 2012 and 1.25 million claims in 2013.

—*Greater Claims Complexity.*—Veterans now claim greater numbers of disabilities—and the nature of the disabilities (e.g., post-traumatic stress disorder, combat injuries, diabetes and its complications, and environmental diseases) is becoming increasingly more complex.
  —Last year, veterans who served in Iraq and Afghanistan identified an average of 8.5 disabilities per claim package.
  —Veterans of earlier eras identified far fewer disabilities per claim package (e.g., World War II veterans claimed 2.5 disabilities and gulf war veterans claimed 4.3 disabilities).

Even with the unprecedented workload increases, VA has achieved a 15-percent increase in output over the last 4 years, completing over 1 million disability claims in each of the past 2 years. VA plans to process a record 1.4 million compensation claims in 2013, with increasing production levels to continue each year as VA aggressively works to transform the delivery of benefits and services.

This year VBA is beginning national implementation of its new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). VBMS is a comprehensive solution that integrates a business transformation strategy with a paperless claims processing system resulting in higher quality, greater consistency, and faster claims decisions. VBMS will move VBA's internal, paper-based process to an automated system that integrates streamlined claims processes, rules-based processing, and Web-based technology. The new operating model and VBMS are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of

2013. We will continue to add and expand VBMS functionality throughout this process. The fiscal year 2013 budget submission includes $128 million for VBMS.

Earlier this year, VBA implemented three nationwide transformational initiatives that will result in meaningful improvements in the service we provide to our clients. They include:

—Disability benefits questionnaires to change the way medical evidence is collected. Veterans now have the option of having their private physicians complete a standardized form that provides the medical information necessary to process their claims, avoiding the need for a VA examination. These questionnaires have the potential to reduce processing time and improve quality.

—Simplified notification letters streamline and standardize the communication of claims decisions and increase decision output. Veterans receive one simplified notification letter in which the substance of the decision, including a summary of the evidence considered and the reason for the decision are rendered in a single document. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation.

—Dedicated teams of quality review specialists at each regional office. These teams are evaluating decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. The quality review teams are comprised of personnel trained by our national quality assurance Statistical Technical Accuracy Review (STAR) staff to assure local reviews are consistently conducted according to national STAR standards.

These transformational initiatives are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process.

The new operating model includes the following components:

—*Intake Processing Center.*—Enabling quick, accurate claims triage (getting the right claim, in the right lane, the first time).

—*Segmented Lanes.*—Improves the speed, accuracy, and consistency of claims decisions by organizing claims processing work into distinct categories, or lanes, based on the amount of time it takes to process the claim.

—*Cross-Functional Teams.*—Reducing rework time, increasing staffing flexibility, and better balancing workload by facilitating a case-management approach to completing claims.

VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

CLAIMS PROCESS: ACCURACY AND QUALITY

Question. While VA should be very focused on speeding up the process, I do not believe it should neglect accuracy and quality of claims processed. How is the VA's transformation of the claims process taking into account quality, and how do you currently evaluate a claims processor's performance?

Answer. VA agrees. As discussed in the response to question 1, the people, process, and technology initiatives included in VBA's transformation plan (including the new rules-based and paperless claims processing system, our new operating model, quality review teams, disability benefits questionnaires, and redesigned processes such as simplified notification letters) will help VA achieve our goals for timely and accurate benefits delivery. In addition, the national-level Challenge training provides a standardized curriculum for all new claims processors to help ensure high quality and productivity. Challenge training is an 8-week training program for new rating veteran services representatives that provides classroom instruction and supervised case work that allows for immediate feedback on their review. Veteran service representatives go through a 4-week training program that will provide each student with the skills necessary to complete the development phase of the claims process.

VBA has negotiated national performance standards with our labor partners for all claims processors (i.e., veterans service representatives, rating veterans service representatives, and decision review officers). These standards include performance elements that measure quality of work, productivity, and customer service.

VETERANS BENEFITS MANAGEMENT SYSTEM

Question. Part of your strategy deals with modernizing the VA and developing a paperless claims processing IT system. As you mentioned in your testimony, the sys-

tem, known as the Veterans Benefits Management System (VBMS) is currently being tested and is expected to begin deployment this year. Has the VA developed clear criteria to determine whether the pilot has met the goals of the project? If so, what do you anticipate the impact of the nation-wide rollout will be on improving the timeliness of the claims processed, and when do you believe we will see tangible results?

Answer. The fiscal year 2013 budget includes $128 million to support VBMS development and deployment. VBA has developed an evaluation plan with clear criteria for each phased deployment of VBMS, which stated specific goals and metrics for determining success. The overarching goal for VBMS phase 1 (November 2010–May 2011) was the development and testing of software, and ensuring claims could be processed in an electronic environment. The criteria for success were the ability to enter claims into an electronic system and the ability to process the claims to completion.

The goal for VBMS phase 2 (May 2011–November 2011) was to further strengthen the capability for VA to process veterans' claims in an electronic environment by expanding the functionality developed in phase 1 and increasing the number of sites, users, claims, and claim types. The criterion for success was the ability to process multiple claim types with increased system usage.

In August 2011, VA identified several transformation initiatives focused on integrating people, process, and technology. These transformation initiatives are designed to enable the strategic vision for improved benefits delivery. VBMS is a component of the technology solution which will enable disability compensation claims to be completed within VA's goal of 125 days, at 98-percent accuracy by the end of 2015.

National deployment of VBMS began in July 2012 and will follow a prescribed deployment schedule, which integrates with VA's overall business transformation efforts. During the period immediately following VBMS national deployment, VA expects minimal timeliness improvements as regional offices adjust to new processes and a new system. However, regional offices will see tangible results as they work through their existing inventory of paper-based claims and transition to an electronic environment complemented by improved business processes.

QUESTION SUBMITTED BY SENATOR JACK REED

BUDGET: SUPPORT VETERANS WITH SERVICES AND BENEFITS

Question. One of the realities we face as a result of more than 10 years of fighting in Iraq and Afghanistan is that we now have some remarkable young men and women, many of them in their twenties, who have been grievously injured. They'll enter the VA system, and may need many decades of support. We have to be prepared to honor our commitment to care for these veterans.

How does your budget assure these young men and women that many years from now they and their families will get the same kind of support, respect, and care that they're getting today? How are we planning and investing in programs now to make sure we don't fall short in the future?

Answer. The VA is committed to providing veterans and other eligible beneficiaries timely access to high-quality health services. VA's healthcare mission covers the continuum of care providing inpatient and outpatient services, including pharmacy, prosthetics, and mental health; long-term care in both institutional and non-institutional settings; and other healthcare programs, such as CHAMPVA and readjustment counseling. To meet VA's focuses, this budget provides the resources required to fund the following initiatives: Ending homelessness among our Nation's veterans, creating new models of patient-centered care, expanding healthcare access, improving mental health, improving the quality of healthcare, and establishing world-class health informatics capability.

VA's budget development process requires VA to submit its medical care budget for 2 years in each budget submission under the Veterans Health Care Budget Reform and Transparency Act of 2009 (Public Law 111–81). This allows the administration to review the initial advance appropriations request during the development of the next budget. As part of this process, VA produces budget estimates for more than 80 percent of its medical program using a sophisticated actuarial model that estimates the healthcare services requirements for enrolled veterans. Each year VA updates the model estimates to incorporate VA's most recent data on healthcare utilization rates, actual program experience, and other factors, such as economic trends in unemployment and inflation. The model also incorporates data and estimates of the population of eligible and enrolled veterans by age, gender, and geographic loca-

tion. By updating the model's inputs and revisiting the assumptions that underlie the actuarial projections each year, VA is able to produce budget and workload (i.e., enrollees) estimates that not only reflect the projected medical demands of currently enrolled veterans, but also incorporates the projected demands of veterans in future years.

QUESTIONS SUBMITTED BY SENATOR MARK KIRK

INFORMATION TECHNOLOGY

iEHR Budget Request

Question. Mr. Secretary, the VA agreed in March 2011, along with the Department of Defense, to develop an integrated Electronic Health Record (iEHR) for use by both Departments. Last year, the Department of Veterans Affairs was given $73.42 million to begin development on the integrated Electronic Health Record. In 2013, you are requesting $169 million to continue the development of this joint program.

Are you on track to spend all of last year's appropriation for this program, and if not, do you still need the $169 million requested this year?

Answer. Yes, the Integrated Program Office is on plan to spend all of last year's appropriation. The President's 2013 budget request is critically important to ensuring continued progress toward developing the iEHR.

Electronic Service Bus Contract

Question. What are the financial and scheduling impacts of the recent set back regarding the electronic service bus's contract? When do you expect the contract will be re-awarded?

Answer. The DOD/VA IPO has assessed the impact of the contract stop on the development of iEHR enterprise service bus and determined that impact will be minimal. With that said, the contract has now been re-awarded. Specific information regarding the financial implications of the cancellation of the initial contract award cannot be released at this time due to potential legal issues related to the termination of the contract.

CLAIMS PROCESSING: MEETING GOALS AND ACCURACY RATE

Question. Mr. Secretary, claims processing is a recurring concern for this subcommittee, and in spite of additional personnel and funding committed to fixing this problem, the backlog continues to grow. This subcommittee is interested in the Department's roll out of the Veterans Benefits Management System, its expected impact on the current claims backlog, and the outcome of ongoing pilot programs. In your 2013 request, you are asking for $2.2 billion for claims processing, which is $146 million above the 2012 enacted level.

Would you provide us with an update as to how the Department is doing in meeting the goals of all claims receiving a quality decision, with a high accuracy rate of 98 percent, in no more than 125 days?

Answer. As we replied to Chairman Johnson and Senator McConnell, VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. VBA has developed a comprehensive transformation plan that includes a series of rigorously integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before reviewing VA's progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and the impact of that growth on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than $3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors. The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011.

Although VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

There are a number of other factors that significantly contribute to VA's dramatically increasing claims inventory. They include:

- —*Growing Claims Volume.*—Over the last 4 years, annual disability claims receipts, representing all generations of veterans, increased 48 percent, from 888,000 in 2008 to 1.3 million in 2011.
  - —We anticipate receiving 1.2 million claims in 2012 and 1.25 million claims in 2013.
- —*Greater Claims Complexity.*—Veterans now claim greater numbers of disabilities—and the nature of the disabilities (e.g., post-traumatic stress disorder, combat injuries, diabetes and its complications, and environmental diseases) is becoming increasingly more complex.
  - —Last year, veterans who served in Iraq and Afghanistan identified an average of 8.5 disabilities per claim package.
  - —Veterans of earlier eras identified far fewer disabilities per claim package (e.g., World War II veterans claimed 2.5 disabilities and gulf war veterans claimed 4.3 disabilities).

Even with the unprecedented workload increases, VA has achieved a 15-percent increase in output over the last 4 years, completing over 1 million disability claims in each of the past 2 years. VA plans to process a record 1.4 million compensation claims in 2013, with increasing production levels to continue each year as VA aggressively works to transform the delivery of benefits and services.

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VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

NON-RECURRING MAINTENANCE CUTS

Question. Mr. Secretary, within your construction request non-recurring maintenance (NRM) continues its downward trend. For 2013, you received $710.5 million in advance appropriations, $158.3 million less than your current estimate for 2012 and $1.3 billion less than the 2011 actual expenditures. You request only $464.6 million in your advance appropriation for 2014.

With such cuts to the non-recurring maintenance accounts, how do you expect to maintain your Department's facilities at their optimal level?

Answer. The non-recurring maintenance (NRM) requirements are considered each year as part of the SCIP. This process integrates capital requirements that are funded from three separate appropriations (the major construction appropriation, minor construction appropriation, and NRM in the medical facilities appropriation). It produces a balanced capital investment strategy.

VA does an engineering-based review of the condition of all of its buildings on a rotating basis every 3 years. This results in the development of VISN-level projects that are annually reviewed and ranked for the overall capital investment process. VA sets the funding level of the NRM program as part of the determination for the overall budget during the final deliberation process.

Developed first in the fiscal year 2012 budget process, SCIP is a VA-wide planning tool to evaluate and prioritize capital infrastructure needs for the current budget cycle and for future years. SCIP quantifies the infrastructure gaps that must be addressed for VA to meet its long-term strategic capital targets. These targets include providing access to veterans, ensuring the safety and security of veterans and VA employees, and leveraging current physical resources to benefit veterans.

VA has dedicated approximately 30 percent for NRM projects in the 2013 capital budget request. The 2013 NRM request is $710 million. The $464.6 million for fiscal year 2014 represents the initial fiscal year 2014 advance appropriation request, which will be updated, as appropriate, with the submission of the 2014 President's budget submission in February 2013. Within the spending targets established in the President's 2013 budget request, VA's allocation for capital projects, including NRM projects, is one that:

—Emphasizes completing prior appropriated projects that provide healthcare, memorial, and benefits delivery services to veterans;

—Impacts more VAMCs and corrects more seismic, safety, and security issues in less time through a focus on minor construction projects;

—Completes a large number of grandfathered projects, attacking and reducing the capital backlog; and

—Recognizes the importance of alternative strategies to traditional capital approaches to meet overall needs, such telemedicine, extended hours, mobile clinics, and fee basis contract care.

VA will continue to update this plan in order to capture changes in the environment, including evolving veteran demographics, newly emerging medical technology, advances in modern healthcare delivery and construction technology, and increased use of non-capital means (when appropriate) in a continuous effort to better serve veterans, their families, and their survivors.

VETERANS JOBS CORPS

Timeline for Authorization Language

Question. In his State of the Union address, the President announced the creation of a Veterans Jobs Corps program. Congress has not yet seen any suggested bill lan-

guage from the White House or from your Department on this new program. The President estimates this program will cost $1 billion over 5 years.

What is your timeline for working with Congress to create the legislation required to authorize this program?

Answer. VA officials briefed staff from VA's authorization committees in March and April on the Veterans Job Corps initiative. In addition, legislation has been introduced by House and Senate congressional members that include provisions that align with components of the administration's proposal. Those bills can serve as a focus of discussion. VA looks forward to continuing to work with Congress on this proposal.

Impact in Future Budgets

Question. The administration has stated the funding for this new program will come from mandatory accounts, and therefore will not cut into the discretionary budget you have already put together for 2013. At a time when our discretionary spending is restrained, how you are working with the administration to ensure the creation of such a program will not impact other important accounts in future budgets?

Answer. The Veterans Job Corps initiative, which requires legislative authorization and funding from Congress, would provide employment opportunities for veterans from all eras, but focus on post-9/11 veterans VA, in consultation with a Federal Steering Committee composed of policy officials representing implementing Federal agencies, will select projects for funding based on selected criteria. The projects will be implemented through contracts to businesses, cooperative agreements and grants to non-Federal entities, and by directly hiring a small number of veterans for positions. VA will serve as the lead for the Federal Steering Committee, which will be composed of policy officials representing implementing Federal agencies, including United States Department of Agriculture (USDA), the Department of Interior (DOI), National Oceanic and Atmospheric Administration (NOAA) at Department of Commerce, and the Department of Defense (DOD) Army Corps of Engineers (ACOE).

In September the administration put forward the American Jobs Act together with a plan for deficit reduction that had a net savings of $4 trillion. The administration is willing to work with Congress to draw on that list to find a mutually acceptable funding source for options. Although VA will lead the Federal Steering Committee, funding for the initiative will not come from VA's budget.

Program Redundancy

Question. Is the Department working to ensure this new program is not creating unnecessary redundancy, as you already have on-going programs which provide job training and job placement for veterans?

Answer. As proposed, VA would coordinate the Veterans Job Corps (VJC) initiative through a Federal Steering Committee that would evaluate competing proposals from implementing Federal agencies. VA would be authorized to transfer funding to those agencies for approved projects.

VA is working to ensure the VJC does not create any redundancies with other VA benefit programs. The VJC will complement VA's existing educational and training benefits and vocational rehabilitation and employment programs. VA plans to use it to strengthen and enhance current veterans benefits and services in a number of areas.

ENHANCED USE LEASE

Additional Authority

Question. Mr. Secretary, I understand the Department is facing a situation where you may have excess capacity at many sites. Last year this subcommittee endorsed the administration's effort to dispose of unneeded Federal real estate. I believe the Department should use every avenue available to manage its real estate portfolio at an optimal level. Enhanced use leasing is one way for the Department to leverage your underutilized assets in support of the Department's mission.

If you had additional enhanced use lease (EUL) authority would you be able to encourage private sector development on current excess properties?

Answer. Yes. The Department's EUL authority expired on December 31, 2011, and has not been reauthorized by Congress. There were projects that could not be awarded prior to the December 31, 2011, expiration date representing housing facilities, mixed-use developments, and campus realignments and other mission compatible developments. All of these potential EUL projects would repurpose as many as 210 buildings on more than 1,000 acres of land.

VA remains committed to this important program and will continue to seek the authority to effectively leverage and manage its inventory of underutilized properties. The administration will work with the Congress to develop future legislative authorities to enable the Department to further repurpose its underutilized properties using similar third-party development public-private partnerships. VA anticipates submitting a revised proposal that will enhance benefits and services to veterans and their families in the near future.

Better Manage Real Estate

Question. What does the Department need from this subcommittee to better manage your real estate?

Answer. On December 31, 2011, VA's EUL authority expired; however, VA remains committed to this important program and continues to seek the authority to effectively leverage and manage its inventory of underutilized properties.

The expiration of this authority limits VA's ability to reduce underutilized/vacant inventory and also limits its ability to realize operational and maintenance cost savings that would result from the reduced inventory. As a direct result of the EUL program, VA has repurposed more than 6 million square feet of property. Reauthorization of this valuable tool is critical to continued success in managing our real property portfolio.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

VETERAN POPULATION

Question. The VA estimates that over a million current Active Duty military personnel will return as veterans over the next 5 years. Successfully accommodating this large influx of veterans into the VA system is of deep concern to my constituents and to me. What specific steps are the VA taking in this regard?

Answer. Veteran healthcare delivery needs are assessed based on the VA Enrollee Health Care Projection Model (EHCPM) projections and on criteria such as existing and planned points of service (both VA and non-VA), access standards, market penetration, cost effectiveness, waiting times, and other unique factors (such as whether rural or minority veterans will be particularly benefited) using the VHA Health Care Planning Model (HCPM). The HCPM provides a standard 10-step study methodology to proactively evaluate the comprehensive healthcare needs of veterans in Veterans Integrated Service Network (VISN) markets, and develop strategies to meet those needs. The HCPM uses a live portal for systematic data analysis and data entry. The appropriate data sources are built into the portal to maximize the time VISNs spend in analysis versus data gathering. Healthcare delivery plans resulting from the assessment identify the mix of services to be provided, the sites and modalities for delivering services, and inform space requirements for capital planning.

VA is also pursuing a goal to process disability claims in fewer than 125 days with 98-percent accuracy by the end of 2015. Efforts underway to accomplish these goals will position VA to proactively adapt to the projected influx in servicemembers and veterans disability benefit claims. VA is building and deploying new electronic systems and technological solutions that support decreased processing times while increasing quality, such as the Veterans Benefits Management System, eBenefits, and the Veterans Lifetime Electronic Record to decrease the time it takes to obtain claims-supporting documentation.

Streamlining claims forms and application processes ensures returning servicemembers and veterans experience transparency in the claims process. When combined, these efforts expand VA's outreach opportunities and provide servicemembers with improved access to electronic claims records.

VA is taking steps to eliminate the claims backlog by developing solutions that reduce processing times through programs such as the fully developed claims program, fast track, and disability benefits questionnaires. VA's pre-discharge programs, Benefits Delivery at Discharge and Quick Start, are also undergoing enhancements, while VA and DOD continue to refine the Integrated Disability Evaluation System. VA continues to pilot new programs focused on decreasing claims processing times with innovative ideas like cross-functional teams, which increase claim development speed and accuracy by creating a team structure that encourages internal knowledge-sharing. A core element of VA's preparation for the influx of claims is the new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). The fiscal year 2013 budget submission includes $128 million for VBMS.

MENTAL HEALTH

Question. I have heard from Vietnam War-era veterans who are concerned that they are being neglected by post-traumatic stress disorder (PTSD) specialists and are instead being discharged to primary care specialists for their mental health needs. I would like reassurance from the VA that it will be accommodating the mental health needs of our pre-9/11 veterans as well as those who have recently returned from overseas.

Answer. VA is committed to providing the highest quality mental healthcare to veterans of all eras of service and recognizes that it is never too late to receive evidence-based treatment for conditions such as PTSD.

VA is in the midst of a transformation to the Patient Centered Medical Home model, known as the Patient Aligned Care Team (PACT). The team provides primary care services and, in addition to primary care providers, includes a broader group of professionals such as mental health clinicians. This interdisciplinary care team model links treatment planning and delivery of treatment for all of the veteran's problems, rather than separating PTSD care from the overall clinical understanding and care of the veteran.

The Primary Care-Mental Health Integration (PCMHI) staff provides onsite mental health expertise to the rest of the team. This support includes consultative advice, patient follow-up, and direct clinical care. Many veterans receive all of their mental healthcare within the PACT by mental health professionals. Others are referred into specialty mental healthcare if they have need of more intensive or specialized care.

Many veterans who have been effectively treated in specialty mental health clinics and whose symptoms have stabilized can be returned to the care of the PACT, with the continued support of the mental health experts in the PCMHI program.

In addition to PACT, VA is pioneering the use of telemedicine to insure quality treatment resources reach rural and highly rural veterans. Many of these veterans are Vietnam-era veterans. More than half of the 49,000 patients currently using the telemedicine program are receiving mental health services for conditions such as PTSD and depression.

The Uniform Mental Health Services Handbook (UMHSH) requires all facilities to provide evidence-based therapies for PTSD in outpatient settings and requires a PTSD Clinical Team (PCT) or PTSD specialists. However, specialty treatment for PTSD is not limited to the PCT. VA has trained over 4,400 clinicians in specialty PTSD treatments. Many of these clinicians provide treatment in general mental health clinics or in primary care, working in tandem with PCMHI clinics.

VA continues outreach efforts to veterans of all deployments. For example, the Make the Connection campaign, www.maketheconnection.net, has a feature that allows veterans to personalize their experience on the site by specifying the era in which they served. For example, a visitor to the site can specify: "male, Vietnam War, Army, exposed to combat." These filters will produce resources for needs most often associated with this cohort of veterans including videos of same era veterans speaking to common problems, conditions, and routes to care.

MEDICAL STAFF

Question. I have been informed that no new medical staff have been hired to meet the increasing demands on the VA medical clinic in Owensboro, Kentucky. Are there any plans to add additional staff or offer rotating, specialized medical services at the clinic? If not, why not?

Answer. The Owensboro, Kentucky, community-based outpatient clinic (CBOC) is in compliance with staffing guidelines for a CBOC caring for 2,676 veterans, when a third primary care physician came on board in early June 2012. With the new physician, current staffing includes three primary care providers, a nurse manager, a dietician, four registered nurses, four licensed practical nurses, three medical support assistants, a full-time social worker and part-time psychiatrist.

LEXINGTON, KENTUCKY CONSTRUCTION

Question. Please provide me with an update on plans for the VA outpatient clinic and nursing home in Lexington, Kentucky.

Answer. *Description of Project.*—The proposal is to construct a new healthcare facility on the Leestown campus to replace the 85-plus-year-old structures. This would provide the space, parking, and modern facilities to do the following:

—Move and consolidate many specialty services to the new location on the Leestown campus, allowing the downtown campus, adjacent to the University of Kentucky Medical Center, to focus on the inpatient needs of its patient base.

This decompression of the inpatient campus would allow VA to continue the conversion of multi-patient rooms to private rooms. This initiative is a proven strategy toward reducing infection rates and improving patient satisfaction scores by increasing patient privacy and reducing noise levels.

—Replace the current community living center (CLC) with modern space, equipped with private, home-like rooms for veterans needing nursing home care.

—Replace the current residential rehabilitation beds with modern space similar to CLC.

—Stagger hiring of additional personnel to provide the services needed (estimated at 40 FTE per year growth for the next 10 years).

—Re-utilize the historic buildings on the campus for other, more appropriate uses, such as enhanced use lease arrangement or addressing veteran homelessness.

Notification to Congress was made for the Lexington, Kentucky Clinical Realignment Project to use advanced planning funds in the fiscal year 2013 budget (see volume 4, page 6–3). The planning funds will first be used for development of a comprehensive master plan. VA awarded the architect/engineer contract for master planning efforts in June 2012. Funding for the project will be considered in a future budget.

LOUISVILLE, KENTUCKY CONSTRUCTION

Question. Please provide me with an updated timeline for the final site selection, ground breaking and construction phases for the new Robley Rex VA Medical Center in Louisville, Kentucky.

Answer. The following information is current as of June 28, 2012. The public meeting for VA's programmatic environmental assessment (PEA) for the selection of a site for the new Louisville VAMC took place on April 18, in Louisville, Kentucky. The meeting was held at a middle school located within the immediate vicinity of the top-preferred site, Brownsboro Road. Approximately 200–250 people attended the meeting, including staff from congressional members' offices, and the local media. The attendees were briefed on National Environmental Policy Act (NEPA) findings for both preferred site options and had an opportunity to provide comments and questions. The public comment period ended April 29.

VA completed its environmental due diligence by issuing the final programmatic environmental assessment (PEA) and finding of no significant impact (FONSI) for the preferred site, Brownsboro Road, on June 15, 2012. VA anticipates executing an offer to sell with the landowner by the end of June 2012. Closing is scheduled to take place in July/August 2012. The ground breaking and construction phases for Louisville are dependent on availability of future construction funding.

CLAIMS BACKLOG

Question. I consistently hear from Kentucky veterans about the length of time it takes the VA to settle a claim. What steps are the VA taking to reduce the average waiting time for a claim to be settled and generally to reduce the backlog of claims? What, if any, additional legislative authority might the VA need to reduce its turnaround time?

Answer. As we replied to Chairman Johnson and Senator Kirk, VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. VBA has developed a comprehensive transformation plan that includes a series of rigorously integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before we discuss our progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and the impact of that growth on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the

Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than $3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors. The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011.

Although the VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

There are a number of other factors that significantly contribute to VA's dramatically increasing claims inventory. They include:

—*Growing Claims Volume.*—Over the last 4 years, annual disability claims receipts, representing all generations of veterans, increased 48 percent, from 888,000 in 2008 to 1.3 million in 2011.
  —We anticipate receiving 1.2 million claims in 2012 and 1.25 million claims in 2013.

—*Greater Claims Complexity.*—Veterans now claim greater numbers of disabilities—and the nature of the disabilities (e.g., post-traumatic stress disorder, combat injuries, diabetes and its complications, and environmental diseases) is becoming increasingly more complex.
  —Last year, veterans who served in Iraq and Afghanistan identified an average of 8.5 disabilities per claim package.
  —Veterans of earlier eras identified far fewer disabilities per claim package (e.g., World War II veterans claimed 2.5 disabilities and gulf war veterans claimed 4.3 disabilities).

Even with the unprecedented workload increases, VA has achieved a 15-percent increase in output over the last 4 years, completing over 1 million disability claims in each of the past 2 years. VA plans to process a record 1.4 million compensation claims in 2013, with increasing production levels to continue each year as VA aggressively works to transform the delivery of benefits and services.

This year VBA is beginning national implementation of its new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). VBMS is a comprehensive solution that integrates a business transformation strategy with a paperless claims processing system resulting in higher quality, greater consistency, and faster claims decisions. VBMS will move VBA's internal, paper-based process to an automated system that integrates streamlined claims processes, rules-based processing, and Web-based technology. The new operating model and VBMS are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process. The fiscal year 2013 budget submission includes $128 million for VBMS.

Earlier this year, VBA implemented three nationwide transformational initiatives that will also result in meaningful improvements in the service we provide to our clients. They include:

—Disability benefits questionnaires to change the way medical evidence is collected. Veterans now have the option of having their private physicians complete a standardized form that provides the medical information necessary to process their claims, avoiding the need for a VA examination. These questionnaires have the potential to reduce processing time and improve quality.

—Simplified notification letters streamline and standardize the communication of claims decisions and increase decision output. Veterans receive one simplified notification letter in which the substance of the decision, including a summary of the evidence considered and the reason for the decision are rendered in a single document. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation.

—Dedicated teams of quality review specialists at each regional office. These teams are evaluating decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. The quality review teams are comprised of personnel trained by our national quality assurance Statistical

Technical Accuracy Review (STAR) staff to assure local reviews are consistently conducted according to national STAR standards.

These transformational initiatives are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process.

The new operating model includes the following components:

—*Intake Processing Center.*—Enabling quick, accurate claims triage (getting the right claim, in the right lane, the first time).

—*Segmented Lanes.*—Improves the speed, accuracy, and consistency of claims decisions by organizing claims processing work into distinct categories, or lanes, based on the amount of time it takes to process the claim.

—*Cross-Functional Teams.*—Reducing rework time, increasing staffing flexibility, and better balancing workload by facilitating a case-management approach to completing claims.

VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

DEPENDENTS INDEMNITY COMPENSATION

Question. As I understand it, VA Dependents Indemnity Compensation (DIC) claims had previously been decided at the local and State level, but are now, in the case of Kentucky, decided in Milwaukee, Wisconsin. This has reportedly resulted in much longer wait times for veterans' spouses and dependents to receive their claims. What caused the initial decision to relocate that DIC claims processing office and what steps are the VA taking to reduce the time it takes to make final DIC claims decisions?

Answer. In previous studies VA identified that consolidation of field structure can allow VBA to assign the most experienced and productive adjudication officers and directors to consolidated offices; facilitate increased specialization and as-needed expert consultation in deciding complex cases; improve the completeness of claims development, the accuracy and consistency of rating decisions, and the clarity of decision explanations; improve overall adjudicative quality by increasing the pool of experience and expertise in critical technical areas; and facilitate consistency in decisionmaking.

In January 2002, VBA consolidated pension maintenance work at three regional offices—St. Paul, Minnesota; Philadelphia, Pennsylvania; and Milwaukee, Wisconsin. In fiscal year 2004, the pension maintenance centers completed over 200,000 pension maintenance actions. In addition to consolidating pension maintenance, VBA also consolidated in-service dependency and indemnity compensation claims at the Philadelphia regional office. These claims are filed by survivors of servicemembers who die while in military service. VBA consolidated these claims as part of its efforts to provide expedited service to these survivors, including servicemembers who died in Operations Enduring Freedom and Iraqi Freedom.

VBA considers the processing of survivor claims a high priority. The objective of the DIC claims consolidation process is to improve accuracy, timeliness, and administration of these benefits.

In 2011, processing of DIC claims was impacted by the shift in overall VA resources needed to process the approximately 231,000 agent orange presumptive claims affected by the *Nehmer* court decision. This readjudication affected claims processing timeliness in all areas.

In an effort to increase the timeliness with which VBA processes these DIC claims VBA has initiated a targeted review of DIC cases pending nationwide. Field offices are conducting a concentrated review of DIC cases to identify and process cases ready for decision.

VA is also reviewing DIC procedures to maximize operational efficiencies and analyzing performance data to identify areas needing improvement. Additionally, VA is exploring transformational changes that will reduce development and decision time.

VETERANS OUTREACH

Question. Constituents have communicated to me that the VA has difficulty locating and communicating with veterans who do not have access to computers and the Internet. What efforts has the VA undertaken to reach this group of veterans? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

Answer. VBA uses a variety of methods to reach out to veterans and beneficiaries including face-to-face interviews, outreach events, telephone contact (via the Na-

tional Call Centers), printed materials, stand-downs, National Veterans Service Organization conferences, social media, and Web services. Outreach activities are planned and designed to ensure information is provided to the right beneficiary at the right time using the right delivery method.

VA has maximized the use of mass mailings to reach veterans on significant changes in legislation. Examples of these include additions of new presumption conditions for former prisoners of war and agent orange presumptions for Vietnam veterans. VA is currently in the planning stages of determining the feasibility of a direct mailing to a considerable population of veterans and survivors who may be eligible for Aid and Attendance or Housebound benefits.

VA ROs are encouraged to collaborate with VA medical centers, community-based outpatient clinics, vet centers, other Federal partners, and community and local organizations that can facilitate the distribution of information on benefits and services.

VA also partners with Veterans Service Organizations and State and county Department of Veterans Affairs offices to assist with outreach efforts. In addition, VA makes a concentrated effort to partner with faith-based organizations in local communities to reach veterans by conducting panels, seminars, and workshops.

The National Cemetery Administration (NCA) uses a multi-tiered approach to communicate with veterans and their families. Through the annual surveys of next of kin, NCA knows there is a preference for print media, as opposed to electronic or social media, to convey information regarding its benefits. Therefore, NCA has an active outreach program as well as a partnership with funeral directors who act as a liaison with families making burial decisions.

NCA actively participates in both national and local outreach activities. NCA representatives participate in Veteran Service Organization, professional, and other stakeholder conventions and conferences at the national level, including American Legion, VFW, DAV, AARP, and the National Funeral Directors Association (NFDA). Memorial Service Network representatives and national cemetery staff members participate in local outreach events. In 2011, NCA conducted 3,178 local and national outreach events and reached approximately 450,200 people.

To support the partnership with funeral directors, the Under Secretary for Memorial Affairs has participated in an NFDA Webinar and has spoken at the organization's annual conference. NCA is actively developing a funeral director kit that supports NCA's strategic plan to educate and empower veterans and their families through outreach and advocacy. Funeral director kits will use pre-existing content as well as newly developed videos to increase awareness of and access to information about VA national cemeteries and NCA's burial benefits and services. These kits will complement the publications (brochures, fact sheets, newsletters, flyers, local news articles, and television news reports) that NCA currently produces or supports.

VHA uses multiple mechanisms to reach out to veterans. The following are examples of those mechanisms:

—Interagency Health Affairs is reaching out to veterans working in military-heavy career paths through partnerships with their employers. At recent national conferences for border security, law enforcement executives and fire employees, VA educated employers and veterans on VA benefits.

—VA is partnering with Federal and local agencies to educate veterans, their families, and communities on VA benefits; including the Department of Health and Human Services, the Department of Housing and Urban Development, and the Department of Agriculture.

—VA partners with the Yellow Ribbon Reintegration Program (YRRP) a DOD-wide effort to support National Guard and Reserve servicemembers and their families with events featuring information on benefits and referrals throughout the entire deployment cycle (before, during, and after deployments).

—VA reaches veterans at post-deployment health reassessment (PDHRA) events, where staff may conduct briefings, staff table top information displays, enroll veterans in the VA healthcare system and arrange follow-up appointments at VA medical centers and vet centers. The PDHRA is a healthcare screening for all National Guard and Reserve servicemembers returning from deployment.

—VA's participation in Individual Ready Reserve (IRR) Musters to inform IRR reservists of their enhanced VA health and dental benefits and to sign them up for VA healthcare. VA typically mails an application for VA healthcare in advance to those reservists who are not enrolled in VA healthcare. VA works jointly with DOD at these IRR Musters, held year-round throughout the United States, to reach this population.

PHARMACY

Question. Constituents have informed me that many VA pharmacies are short on medical supplies, particularly supplies that assist veterans who are paraplegic or quadriplegic. What can be done to improve the stocking of VA pharmacies to minimize reliance on shipping complications? What can be done to communicate to veterans about when these supplies arrive? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

Answer. VA, like its private sector counterparts, is affected by national shortages of pharmaceuticals. This is a national, and in some cases, a global problem that is not limited to VA. VA staff members utilize all the tools at their disposal to mitigate the impact these shortages can have on veterans' drug therapy. For example, in a few cases, VA has had to temporarily reduce the quantities of drugs it supplies for individual prescriptions from 90-day supplies to 30-day supplies until adequate supplies are once again available. In extreme cases of national or global shortages, VA has had to change from using one drug to using another which is not in short supply.

VHA is also aware of instances where it could not provide some medical/surgical supply items in a timely manner due to a lapse in the Federal Government's Federal supply schedule (FSS) contract. In such instances, the shortages of supplies are not believed to be significantly impacted by delays in shipping completed orders. It is believed to be due primarily to delays in acquiring the products via alternate sources of supply when they are no longer on the FSS, which is a simplified, expedited acquisition process. VA takes all reasonable steps to ensure that follow-on FSS contracts are awarded in a timely manner. When product delivery to a patient is delayed and VA records suggest a patient may run out, it is usual practice to contact the patient and work out a substitute product or an emergency delivery.

MEDICAL EQUIPMENT

Question. I am informed by constituents that there is, apparently, a discrepancy as to quality of certain medical equipment that is provided to veterans. I am told this is particularly acute with respect to motorized wheelchairs depending on whether a patient receives a wheelchair through a clinic versus a spinal cord medical center. What accounts for this reported discrepancy? What can be done to fix it? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

Answer. Any discrepancies that are perceived to exist with regard to wheelchairs prescribed by a clinic (e.g., physical medicine and rehabilitation) versus a spinal cord injury (SCI) center are likely the result of the severity of disability and medical needs of the veteran; not due to different standards of quality of medical equipment across facilities. Patients with SCI typically require wheelchairs with more advanced options (e.g., motorized, tilt in space, power recline, advanced seating systems) than what may be medically indicated for a non-SCI patient. Individuals will see certain wheelchairs that are uniquely equipped for veterans with SCI or other severe disabilities, but are not medically indicated for other patients.

Medical devices, assistive technologies, and/or adaptive equipment are provided by VA throughout the continuum of care, ranging from specialized regional rehabilitation centers (e.g., SCI, polytrauma, and blind rehabilitation), to comprehensive outpatient clinics at major hospitals, and community-based outpatient clinics. In all clinical settings, each veteran receives a comprehensive clinical evaluation and individualized plan of care. Specific recommendations for medical equipment, when medically indicated, are based upon each veteran's individual needs and prescribed care plan. The veteran's clinical team recommends and orders the appropriate product, and provides the necessary counseling and training to the patient.

VA continually strives to set the professional standard for excellence to ensure that veterans have access to high-quality power wheelchairs that meet or exceed industry standards. VA national contracts for power wheelchairs and scooters require that all products be objectively tested and compliant with Rehabilitation and Engineering Society of North America standards to ensure that devices are reliable with respect to safety, durability, design, and performance. Over 400 VA clinical providers also completed a 16-hour online course on "Fundamentals of Wheelchair Seating and Mobility" recently coordinated by the University of Pittsburgh in collaboration with Paralyzed Veterans of America.

MENTAL HEALTH VACANCY

Question. Constituents have informed me that several important mental health positions at the VA hospital in Lexington, Kentucky, remain unfilled. With many

veterans suffering from post-traumatic stress disorder (PTSD) and traumatic brain injuries (TBI), mental health treatment through the VA is of great importance to our veterans and of deep concern to me. Why have these positions remained unfilled and when do you expect them to be filled?

Answer. On May 11, 2012, Lexington VA Medical Center (VAMC) has 12 mental health (MH) vacancies. These positions include both social workers and psychologists. Eleven of the positions are in some phase of active recruitment. Of these, three positions are pending selection. The remaining two positions have been posted. One position was posted on May 18, 2012, and closed May 29, 2012. The position was filled on June 29, 2012. These positions were modified to meet the needs of our veterans. New position descriptions and advertisements are being developed. Additionally, Lexington VAMC will receive funding to hire an additional 15 MH clinicians and 4 MH support staff. Preparatory work is being accomplished to ensure immediate recruitment of these positions. Mental health and social work leadership are working together to review existing and planned resources and matching those to meet the needs of our veterans.

VETERANS INTEGRATED SERVICE NETWORK ALLOCATIONS

Question. Veterans in central Kentucky have conveyed to me their concerns that VA facilities in Lexington, Kentucky, are apparently often targeted for funding cuts over regions in other States that are part of the VA's Mid South Healthcare Network (VISN 9). What is being done to ensure that any VISN 9 budgetary constraints do not disproportionately affect facilities in one region over another? What steps is the VA taking to ensure that Lexington, Kentucky's VA facilities receive the proper attention and investment they deserve?

Answer. Since fiscal year 2009, VISN 9 has used the Veterans Equitable Resource Allocation (VERA) model as a budget methodology to distribute funding to VISN 9 medical centers. This model identifies the correct funding level for a facility. The Louisville VAMC has been fully funded at that VERA distribution but the Lexington VAMC has received significantly more than its allocated amount in order to continue its operations. Additional funding is required because Lexington's operational costs have increased over the past several years at a rate above their growth in unique patients. The VERA model ensures that Lexington VAMC receives the proper attention and investment they deserve. Resources are allocated equitably to the networks and spending is focused on the highest priority veterans. Allocations are also adjusted for geographic differences in labor costs.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:24 a.m., Thursday, March 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]