DEPARTMENT OF VETERANS AFFAIRS BUDGET REQUEST FOR FISCAL YEAR 1999

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

FEBRUARY 4 AND FEBRUARY 12, 1998

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CONTENTS

Page

February 4, 1998

OPENING STATEMENTS

Chairman Stump 1
Hon. Lane Evans 2
Prepared statement of Congressman Evans 75
Hon. Michael Bilirakis 7
Hon. Bob Filner 9
Hon. Terry Everett 11
Hon. Luis V. Gutierrez 13
Prepared statement of Congressman Gutierrez 78
Hon. Silvestre Reyes 15
Prepared statement of Congressman Reyes 81
Hon. Vic Snyder 20
Hon. Ciro D. Rodriguez 23
Hon. Frank Mascara 25
Prepared statement of Congressman Mascara 82
Hon. Jack Quinn 27
Hon. Cliff Stearns 31
Hon. Asa Hutchinson 37
Hon. Michael F. Doyle 80

WITNESSES

West, Jr., Hon. Togo D., Acting Secretary, Department of Veterans Affairs; accompanied by Kenneth W. Kizer, M.D., Under Secretary for Health, Department of Veterans Affairs; Joseph Thompson, Under Secretary for Benefits, Department of Veterans Affairs; D. Mark Catlett, Acting Assistant Secretary for Management, Department of Veterans Affairs; and Jerry Bowen, Director, National Cemetery System 4
Prepared statement of Secretary West 83

February 12, 1998

OPENING STATEMENTS

Chairman Stump 41
Hon. Lane Evans 42
Hon. Ciro D. Rodriguez 48
Hon. Silvestre Reyes 52
Hon. John Cooksey 66
Hon. Joseph P. Kennedy III 93
Hon. Luis V. Gutierrez 96
Hon. Cliff Stearns 98
Hon. Frank Mascara 99

WITNESSES

Borrego, Espiridion "Al", Assistant Secretary, Veterans' Employment and Training Service, U.S. Department of Labor 55
Prepared statement of Mr. Borrego 106
Burns, Chuck, National Service Director, AMVETS 63
Prepared statement of Mr. Burns 135

Page

Gorman, David, Executive Director, Disabled American Veterans 60
Prepared statement of Mr. Gorman 125
Mansfield, Gordon, Executive Director, Paralyzed Veterans of America 59
Prepared statement of Mr. Mansfield 119
Nebeker, Hon. Frank Q., Chief Judge, U.S. Court of Veterans Appeals 43
Prepared statement of Chief Judge Nebeker 102
Rhea, Larry, Non Commissioned Officers Association, on behalf of the National Military Veterans Alliance 70
Prepared statement of Mr. Rhea 150
Steadman, Kenneth, Executive Director, Veterans of Foreign Wars 58, 62
Prepared statement of Mr. Steadman 132
Williams, Carroll, Director, National Veterans Affairs and Rehabilitation Commission, The American Legion 69
Prepared statement of Mr. Williams 139

MATERIAL SUBMITTED FOR THE RECORD

Chart describing other initiatives for increasing revenue for medical care 17
Executive Summary:
"Veterans Independent Budget and Policy" 268
Statement of National Coalition for Homeless Veterans 159
Written committee questions and their responses:
Chairman Stump to Department of Veterans Affairs 167, 172
Congressman Everett to Department of Veterans Affairs 185
Congressman Evans to Department of Veterans Affairs 187
Chairman Stump to U.S. Court of Veterans Appeals 226
Congressman Evans to U.S. Court of Veterans Appeals 229
Chairman Stump Department of Labor 245
Congressman Evans to Department of Labor 249
Congressman Evans to Kenneth Steadman, *The Independent Budget* 260
Congressman Evans to The American Legion 266

DEPARTMENT OF VETERANS AFFAIRS BUDGET REQUEST FOR FISCAL YEAR 1999

WEDNESDAY, FEBRUARY 4, 1998

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 334, Cannon House Office Building, Hon. Bob Stump (chairman of the committee) presiding.

Present: Representatives Stump, Bilirakis, Everett, Quinn, Stearns, Cooksey, Hutchinson, Hayworth, LaHood, Evans, Filner, Gutierrez, Mascara, Peterson, Reyes, Snyder and Rodriguez.

OPENING STATEMENT OF CHAIRMAN STUMP

The CHAIRMAN. The meeting will please come to order.

I would like to begin by welcoming Secretary West, who has been nominated by the President to be our new Secretary of Veterans Affairs. Mr. Secretary, welcome this morning. This is Mr. West's first appearance before the full committee. We did have him before the subcommittee a couple of days ago and we look forward to working with him throughout the year.

As you know, Mr. Secretary, we look at the budget each year as a gauge of how well we are meeting the commitments made to our veterans. This year's budget has some good proposals and unfortunately, I think some that are probably a little short.

The budget proposes an increase in the Montgomery GI Bill and in other areas. However, these proposals are linked to repeal of the authority to pay disability compensation to most veterans who have health-related conditions attributable to tobacco.

If the Congress doesn't go along with the repeal of this authority to pay tobacco-related benefits, it could cost us anywhere from CBO's estimate of $500 million up to OMB's about $750 million a year. If that happens, of course, we will not be able to report legislation enhancing education and compensation benefits or any other benefit to which PAYGO budget rules apply. This is not and should not be a partisan issue.

Although many members of the committee have concluded that the Federal Government is not responsible for individual decisions made by service members about whether or not to use tobacco, this view is not unanimous.

Another important issue in the proposed budget was debated when we examined last year's budget. As you said in your written statement, Mr. Secretary, veterans are counting on the VA to deliver the health care they need.

While the budget projects an increase in the number of veterans who will use the VA health care system in 1999, it is tied to a projected increase in receipts from third parties. Unfortunately, the VA is falling well short of our expectations.

In the first quarter of fiscal year 1998 the VA was $9 million or 7 percent short on its collections compared to what was projected in the 1998 budget. Given the lack of evidence that VA can significantly increase its collections, we do not believe you should base your budget request on a projected increase.

Let me take just one minute to mention our National Cemetery System. The VA expects to inter about 76,000 veterans this year and their dependent family members. To meet the increased demand for burials in a national cemetery, VA plans to dedicate four new national cemeteries in 1999, which the VA Committee has strongly supported.

Mr. Secretary, this should not be the last of our VA cemeteries. There are still parts of the country where burial in a national cemetery is not a feasible option, and the Administration needs to reexamine its policy of capping the size of our National Cemetery System.

Finally, I would like to remind members that we will have a hearing on the budget next Thursday, February 12, at 9:30 a.m. with Judge Nebeker and the veterans' service organizations and the Military Veterans Alliance.

I would now like to yield to Mr. Evans, the ranking member from Illinois, for any comments he may wish to make.

OPENING STATEMENT OF HON. LANE EVANS

Mr. EVANS. Thank you, Mr. Chairman. I also join with you in welcoming Secretary West to the hearing today.

We look forward, Mr. Secretary, to your presentation and the information you will provide us on the Administration's proposed fiscal year 1999 budget for veterans' benefits and services. Because we have had so little time to review this Administration budget, I am certain we would like to ask additional questions and put them in the record. And Mr. Chairman, at this point I would ask unanimous consent that all members be able to enter questions in the record and the responses be made part of that record.

The CHAIRMAN. Certainly, without objection.

[The questions appear on p. 187.]

Mr. EVANS. In some respects this proposed budget is very commendable. It is troublesome in other respects, however. In recognition of our veterans' honorable service to our nation, over the years Congress has established a number of veterans' benefits and services. These important programs have historically been funded by federal taxpayer dollars, authorized and appropriated by the Congress. In the past, these programs have generally been adequately and appropriately funded and, in several important accounts, the Administration's proposed Fiscal Year 1999 budget continues this support.

In recent years, however, there has been an erosion of this historic commitment to the funding of veterans' programs. This budget, I believe, accelerates that erosion.

I join with the Chairman in my support for increases in the Montgomery GI Bill, as well as for the Survivors' and Dependents' Education program. I am also troubled, as the Chairman has indicated, by the Administration's apparent linkage between the increase in VA educational benefits and the enactment of legislation by Congress to repeal existing authority to provide compensation for tobacco-related disabilities.

For veterans' health care, the Administration proposes to provide higher quality care to more veterans with a smaller appropriation. What we saw last year and what we are witnessing again today is a dramatic and disturbing change in the philosophy related to the funding of veterans' medical care. It seems risky for the VA to assume that nonappropriated revenue will fully provide the funds to meet the VA health care system's needs. Third-party reimbursements are eroding and no authorization for the VA to collect and retain Medicare funding exists today. Yet this is the same source of funding that the VA is depending on in lieu of appropriations. This is a gamble I, for one, am not willing to take with our veterans' health care.

Every member of this committee has said at one time or another that the federal budget should not be balanced on the backs of veterans. With a projected saving from the proposed enactment of legislation to deny compensation for smoking-related disease, it now appears that the Administration is using the backs of veterans as a foundation for budget surpluses. This committee must examine why veterans are being asked to contribute to that surplus while the VA health care system is laying off thousands of workers, and while veterans have sometimes had the problem of waiting for years to receive an adjudication of their claims for benefits. In this revived economy, it is not very fair for others to feast while veterans starve.

We who serve on this committee and, in fact, all members of Congress, I believe, have a solemn obligation to our fellow citizens to provide adequate and appropriate benefits to those who have protected and defended this country in the armed services. We must have the courage to continue those benefits, and it is clear to me that those benefits will not be provided without a fight.

So I want to thank you, Mr. Chairman. I appreciate your holding the hearing and I look forward to the testimony.

[The prepared statement of Congressman Evans appears on p. 75.]

The CHAIRMAN. Thank you, Mr. Evans.

Mr. Secretary, the floor is yours. Of course your entire statement will be printed in the record and you may proceed in any way you see fit. If you care to introduce those accompanying you, please do so.

STATEMENT OF HON. TOGO D. WEST, JR., ACTING SECRETARY, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY KENNETH W. KIZER, M.D., UNDER SECRETARY FOR HEALTH, DEPARTMENT OF VETERANS AFFAIRS; JOSEPH THOMPSON, UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS AFFAIRS; D. MARK CATLETT, ACTING ASSISTANT SECRETARY FOR MANAGEMENT, DEPARTMENT OF VETERANS AFFAIRS; AND JERRY BOWEN, DIRECTOR, NATIONAL CEMETERY SYSTEM

Secretary WEST. Thank you, Mr. Chairman, Mr. Evans, members of the committee. It is a pleasure to be with you today.

Mr. Chairman, I will take your advice. To my immediate right is our under secretary for health affairs and to his right is the director of the National Cemetery System—Dr. Kizer and Mr. Bowen.

To my left is the acting assistant secretary for management, our financial guru. I think you all know him, Mark Catlett. And to his left is the under secretary who is in charge of the Veterans Benefits Administration, our under secretary for Veterans Benefits, Joe Thompson.

Mr. Chairman, thank you for permitting my testimony to be entered into the record. I have a few opening comments and then we will be ready for your questions, if I may proceed.

Mr. Chairman and members of the committee, during my years of service to this country, most recently as Secretary of the Army, I have learned first-hand of the extraordinary service of our men and women in uniform to this nation and to those who are citizens of this nation.

Today, as our President's nominee for Secretary of Veterans Affairs, I appreciate this opportunity to work again, more directly on behalf of our veterans, those men and women who have earned the nation's gratitude by their service.

I see my job, this new job, as an opportunity to fulfill something that I said to soldiers and their families when I was the Secretary of the Army as a full-time job. I said to them then that even as they were standing up for America every day, on the training fields of America, on the battlefields of the world, so also when they became veterans and when there was need, America would stand up for them.

The Department of Veterans Affairs is the department of our Federal Government charged with the responsibility for standing up for our veterans, for making sure that America delivers on the commitment it has made to everyone who serves in uniform.

In 5 years of this Administration, Mr. Chairman, the Department of Veterans Affairs has made significant progress in changing the way we provide services to veterans and to their families. I believe that progress has created a solid foundation on which we can move forward in the manner represented by this budget.

There have been changes and those changes have resulted in improvement in the time it takes to process benefits claims by veterans. The fact is that process is better than it was 5 years ago, but we still have room for improvement.

In fiscal year 1994 the average processing time for a claim was some 213 days. At the conclusion of fiscal year 1997 that was some

133 days. And our target for fiscal year 1996 is 100 days, just over 3 months.

Yes, Mr. Chairman and members of the committee, there is work to be done. We are in the fourth year of a massive transformation of the Veterans Affairs health system. That transformation has resulted in more outpatient care, less inpatient care, including the establishment of more outpatient clinics and yes, the closing of unused and unneeded hospital beds.

Our budget request for fiscal year 1999, the President's fiscal year 1999 budget request for the Department of Veterans Affairs, will permit us to provide even more health care to more veterans, and it is our determination that that will be quality health care in which the line on quality is on an upward slant.

We continue, Mr. Chairman, to integrate organizational elements within the department to become more efficient, more cost-effective and more vigilant in the expenditure of taxpayer dollars.

As we move towards the next millennium I look forward to working with you, with this committee, with veterans and their families. I will expect and am prepared to demand of the department several things: first, that we improve the timeliness and dependability of the delivery of benefits to our veterans and their families; secondly, that we continue the transformation of the health care system of this department, emphasizing quality, emphasizing compassion and emphasizing effectiveness; that we master the challenges of information technology, including the looming presence of Y2K; that we assure our employees in this department of a work environment that is conducive to their best efforts in order that they can better serve our veterans; and that we continue our efforts to more fully integrate the department across its organizational elements.

This proposed budget for fiscal year 1999, Mr. Chairman, will permit Veterans Affairs to continue to keep America's promise to veterans and their families by building on previous successes and continuing that momentum.

This is a $42.8 billion budget request with some $17.7 billion for medical care, some $21.9 billion, roughly $22 billion, for compensation and pension systems and with $92 million for the National Cemetery System.

Within those numbers, Mr. Chairman and members of the committee, we are requesting a 10 percent increase in funding for medical research, a 7 percent increase for the Administration of veterans' benefits programs and a 9 percent increase in funding for the National Cemeteries.

This means that we will be able to open 71 new outpatient clinics, if this request is approved and treat some 134,000 more veterans in fiscal year 1999 than in fiscal year 1998. The further details of that, of course, are in the written statement which we have included in the record, Mr. Chairman.

The budget reaffirms the strategic goals of this department. We continue to strive for realization of the 30–20–10 goals by the year 2002: to reduce per patient cost of health care by 30 percent, increase the number of veterans served by 20 percent, and fund 10 percent of our health care budget from nonappropriated sources.

We will expand and improve health care delivery without any increase in appropriated funds beyond the 1998 enacted level if we

can receive the assistance we requested in this plan. This marks the second year of our baseline funding strategy.

Mr. Chairman, I ask for the privilege of one slight departure and that is to recognize your role and the role of this committee as an active partner in helping us achieve our goals. Last year, at the Administration's request, you passed legislation allowing the Department of Veterans Affairs to retain all third-party collections. I cannot overstate, Mr. Chairman, the value of your recent efforts in meeting with the chairman of the House Ways and Means Subcommittee on Health and your discussions which led to real progress toward our mutual goal of authorizing Medicare reimbursement for services provided to certain Medicare-eligible veterans.

I acknowledge the strong bipartisan support of this committee for the proposed Medicare reimbursement concept. Your active support was clearly demonstrated on May 21 when this committee overwhelmingly approved legislation to authorize a pilot program.

On behalf of all of us who work for veterans and their families and on behalf of veterans and their families, I want to thank you publicly for your hard work in this area.

We still need your help. It is our hope to collect Medicare reimbursement for higher-income, nonservice-connected veterans who choose Veterans Affairs' health care. We seek your continued strong support of a demonstration project to test the feasibility of this proposal. Medicare reimbursements are critical to our baseline funding strategy for medical care.

I think Dr. Kizer sort of lives and dreams this all the time. It is a part of his everyday concerns and we owe it to him to support that effort.

There are initiatives in this budget, Mr. Chairman and members of this committee. We will be requesting authorization of a new smoking cessation program for any honorably discharged veteran who began smoking in the military. The proposed request is some $87 million to establish the effort.

Our budget also proposes to increase the Montgomery GI Bill education benefits by some 20 percent. It is my belief that this is an increase, a long-awaited increase, that is greater than any since the inception of the program, some $191 million in 1999. This would raise the active duty benefit to more than $500 per month in 1999 for full-time enrollment. The 5-year cost of this proposal is estimated to be $1 billion.

We are proposing a $100 million increase in the department's readjustment benefits accounts to reimburse the Department of Labor for its programs of assistance to veterans in finding employment. And this budget includes funding and personnel to continue the activation of the four new cemeteries of the National Cemetery System over the next 2 years, those cemeteries to be located in Chicago and Dallas and Saratoga, NY and in Cleveland, OH.

In summary, Mr. Chairman and members of the committee, this is a sound budget. It is a budget that is realistic. And it is a budget that puts our veterans and their families first, even in the context of an environment in which the President has proposed the first balanced budget in a generation.

Our job, Mr. Chairman, in this department is that we be part of the Administration's program but to keep foremost in our minds and our planning that we are here to serve veterans, that we are here to do right by those who have done right by the country.

When the President announced my nomination some 2 months ago, or his intent to nominate me, he referred to a comment that he said I made in a speech at West Point more than 5 years ago in which I said to the cadets, "You teach the life you live."

Well, those are not my words. Those are the words of my father, a public school teacher. He did indeed say that to teachers. Our veterans have taught us in America much by the lives they have lived, whether it has been a lifetime of service or a brief moment. And we in this department and this committee can teach them something about America's gratitude and America's desire to support them in the time of their need.

Thank you for this opportunity, Mr. Chairman. We are available for your questions.

[The prepared statement of Secretary West appears on p. 83.]

The CHAIRMAN. Mr. Secretary, thank you for those comments. I know we are pleased with some of the increases in the various areas.

I would like to take this opportunity to commend Dr. Kizer and his staff and give credit to Bill Thomas and his staff, as well as all the work that this committee staff did, in coming to a conclusion on Medicare subvention. We are in the process of preparing a bill and Dr. Kizer, we thank you very much for your help and your input. Without the two of you it would not have been possible.

And for the information of the members, we will have a bill shortly. You all will have an opportunity to cosponsor that.

The Chair recognizes Mr. Bilirakis.

OPENING STATEMENT OF HON. MICHAEL BILIRAKIS

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Mr. Secretary, you have a tough job and I think we all recognize that. I guess I congratulate you, maybe a little sympathy along with that, on your elevation to this position.

Most of the people on this committee have requested to get on this committee because they care about veterans in general. Obviously that is our concern but, of course, we also have our parochial concerns.

I would like to hit maybe one of those that probably will not come as too much of a surprise to Dr. Kizer, maybe not to you, either. This concern is the Spinal Cord Injury Center in Tampa. The VA has been planning to expand that facility for 20 years. And I might add that that particular facility and the health care center is not directly in my congressional district. Obviously many of my veterans use it, so I say parochial and yet, it is not as parochial as it might be.

But Tampa and Miami are the only SCI facilities in the State of Florida. There are 36 beds in Miami, 70 beds in Tampa, a total of 106 beds for this very populated State. In fact, even the 70 beds in Tampa were not originally designed for the unique needs of SCI patients.

Now I see the first phase has been completed for that particular center. We are talking about an awful lot of lost dollars gone down the drain and not ever completing this project because you have not included the second phase of the project in your budget. I wonder if someone might comment regarding that.

Dr. KIZER. That particular project, as all projects, have been looked at very carefully, particularly in light of the dramatic changes that have been occurring throughout the system. I think it is safe to say we have taken a very different and fresh look at construction of all types and that is reflected in the budget process.

Mr. Catlett may want to respond further as far as this specific capital project, but I think this re-look is appropriate in an environment where, in the last 3 years, we have closed 43 percent of all of our acute care beds and have accomplished some other very dramatic changes in the system. We must take a long view of any capital outlay to see if it is indeed what we need or if there may be some alternative mechanism that would achieve the same goal of taking care of patients with better or more frugal use of taxpayer dollars.

Mr. BILIRAKIS. But Doctor, you are talking about acute beds which, of course, is a general term, including all sorts of illnesses. I mean, we are talking about unique needs here. You can't put it in the category of taking a look at all the acute beds across the country.

I just really wonder, and I am not going to take up the committee's time in this regard, but I sure would like to hear what other projects have been given higher priority than the completion of this SCI unit.

You know, I am very disappointed, quite frankly. We are talking about a waste of money here. We are not talking about spending additional money. We are talking about a waste of money, money that has gone down the drain if we don't complete this project.

And I might add, as I said before, it is not in my congressional district. It is in the congressional district of a gentleman whose party is different than mine.

Secretary WEST. Let me make sure I understand. It is your belief that we are not completing that project, Congressman?

Mr. BILIRAKIS. It is not in the budget. How could you be completing the project if it is not in the budget?

Secretary WEST. I think we may need to give you an answer for the record. I am not sure that my understanding is the same as the one you have, sir.

Mr. BILIRAKIS. Well, I may have hit you cold and I appreciate that. We have studied it. Maybe you haven't had a chance to look at it but hopefully your answer will be that we do plan to complete the project and that the money is in the budget.

How can we get together on that?

Secretary WEST. What I'm told is what is not there is any further construction funds because that is not needed. My impression is that does not mean that there are not plans to complete that center and to provide health care in that location.

But there are three of us sitting here. We are all talking amongst ourselves. Why don't we give you our coordinated answer, sir?

Mr. BILIRAKIS. Okay, how can we do that?

Secretary WEST. We will give you the answer for the record, if we might.

Mr. BILIRAKIS. Right now, you mean?

Secretary WEST. We will provide it to you afterwards, sir, this afternoon.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from California, Mr. Filner.

OPENING STATEMENT OF HON. BOB FILNER

Mr. FILNER. Thank you, Mr. Chairman, and welcome, Mr. Secretary. We appreciate your being here and look forward to working with you.

I want to associate myself with the remarks of our Chairman and our ranking member in their opening statements, where they both pointed out the increase of the GI Bill funds that are in the budget. Although I don't think they have come up to inflation since last dealt with, at least it is a significant increase.

I also want to associate myself with their remarks, which you did not address in your statement, Mr. Secretary, that I don't think any of us so far have agreed with the fact that the funding for these new initiatives come out of a measure that would deny compensation for tobacco-related disabilities.

I think it is safe to say, and our committee staff has studied this very carefully, that the Federal Government for over a century has contributed to the nicotine addiction of some members of our armed forces. We are going to be looking at that legislative proposal in some detail, but I want to urge my colleagues to very carefully consider the consequences of repealing a benefit for service-connected disabled veterans just because OMB says the cost of meeting this obligation is too high.

If we are willing to break faith on this issue now, what obligation will we be willing to duck in the future?

Now, I have, with Mr. Evans, asked the VA to look into the fact of getting involved in the tobacco negotiations that are on-going and say rather than duck the issue of VA obligation, participate in those tobacco discussions and get some money for the VA. I want to ask you specifically about that issue because we wrote a letter to Mr. Gober when he was acting secretary and have never received an answer.

Let me first ask you, because you did not address it at all, as I heard it, in your statement and as I looked at your testimony, the budget that you have submitted assumes a savings from that legislation, which I do not favor, of $741 million roughly. What happens if that legislation doesn't pass? Are the COLA increases, are the GI Bill, are the other things that I notice in the budget under that category, are they all sacrificed if that legislation does not pass?

You have, under proposed legislation, COLA increases, readjustment benefits, medical programs, veterans' insurance. All those look to be, in the way I read the budget, dependent on us passing that legislation saving $741 million. Is that the case?

Secretary WEST. No. There are some initiatives in our proposed budget that will be funded, I think one or two, but the bulk of our initiatives are not funded by the savings. They are funded by the budget.

Let me just let Mark Catlett run down exactly the sources. But no, that is not a correct assumption. Mark?

Mr. FILNER. The way the budget tables are presented, they are in the same category, so they appear to be linked.

Mr. CATLETT. The one proposal specifically linked to the tobacco savings is the 20 percent increase for the GI Bill monthly payment, as well as the $100 million transfer payment to the Department of Labor. Most importantly, the——

Mr. FILNER. So you link the GI Bill 20 percent increase, which is way overdue, to the tobacco savings?

Mr. CATLETT. As you know, that is a PAYGO requirement. If you are going to propose an increase, there has to be an offsetting savings.

You mentioned the COLAs. I wanted to get to that point. The COLAs for the compensation do not require PAYGO offset, so they are regularly there every year. So they are not affected or related to this.

The only other large item that we have, then, is this proposal to significantly expand education benefits, and that would require PAYGO offset. Obviously that extra $1.5 billion over 5 years can come from the $17 billion savings over 5 years projected with the proposal for tobacco.

Mr. FILNER. I find that very disturbing. In addition, even if that legislation passed, and I understand from Administration officials that when Mr. Gober was the acting secretary, they wanted to take all that savings and take it out of the VA and he managed, as I understand, to preserve most of it. But still, $73 million, to me, adds insult to injury. That is, not only is this legislation proposed but not even all the savings are given back to the VA. Is that correct? Am I reading the budget accurately?

Secretary WEST. That reading is correct. Yes, sir.

Mr. FILNER. I find that more insulting than the injury that was already produced.

Lastly, if I may, Mr. Chairman, Mr. Evans and I sent a letter to Mr. Gober, as Acting Secretary, about an idea of not asking for this legislation but getting the money out of the tobacco settlement. We never had an answer to that. If it is a lousy idea, someone should tell us. If it is a good idea, respond to it. But not to answer, what we considered a very serious proposal, seems to me not the way to deal with us. Can you go into that?

Secretary WEST. We will see that you get an answer. I think the delay was not intended to minimize either the idea or the significance of the concern. It was simply an effort for us to make sure we understood exactly what we were working with within the department and, sir, within the Administration.

Mr. FILNER. Well, is there any intent to try to inject this issue into those tobacco discussions?

Secretary WEST. I think the Administration's position is set now and we are going to have to march in accord with that.

Mr. FILNER. So the answer is no, that you don't intend to do that?

Secretary WEST. Why don't we get you your letter? But for the moment, I believe the position is set as to how that is going to be done.

Mr. FILNER. I think, Mr. Chairman, that we ought to look at that as it comes to Congress. Rather than pass this legislation that takes away the department's obligation, in my view, to deal with service-connected disability benefits, that we insist that some of this money on the table go to the VA to pay just for that and not allow our servicemen who need a GI Bill adjustment and some of these other things to go down the tubes just because that legislation may not pass.

The CHAIRMAN. Thank you, Mr. Filner.

The Chair recognizes Mr. Everett.

OPENING STATEMENT OF HON. TERRY EVERETT

Mr. EVERETT. Thank you, Mr. Chairman.

Mr. Secretary, it is a pleasure to see you here today, along with your panel. I am very familiar with them. They are a very talented group of folks and I think it is obvious to me, along with Mr. Gober as well as you, they have the best interest of the veterans at heart. And not only that we have adequate funding for our veterans' programs but that we spend that money well. And I appreciate the past relationship I have had in working with them, where we have worked through some very tough issues.

I also would like to associate myself with much of the opening statements by the Chairman and by the ranking member.

Let me get directly to the Y2K problem. How much is in the VA budget for fiscal year 1999 to deal with this challenge? And have you personally been briefed on the consequences of what will happen if we don't win this battle?

Secretary WEST. Let me ask the assistant secretary for management to give you the number and then I will answer the second part of that, if I may, sir.

Mr. EVERETT. Certainly.

Mr. CATLETT. Mr. Everett, we have, in round numbers, $50 million in the 1999 budget for the Y2K problem, as we call it now, which excludes the bio medical equipment estimate. The next progress report we will be making to OMB is our quarterly report due on February 15 and you will receive that within a day or two of that delivery and we will be informing you then I think of good progress, as we have been making over the last three quarterly reports.

We obviously expect still to find problems as we move through this but our estimate has not changed significantly in terms of the cost.

And, most importantly, a specific concern of yours and of the Administration is completing the assessment of the potential problem in our health care system. That was done. The report has been delivered to OMB and you will be receiving that again within this next 2-week period.

Mr. EVERETT. Let me ask you, are we confident the VA will finish that this year so that we can have a year to test the program before we get to the year 2000?

Mr. CATLETT. Yes, sir. And, as you are probably aware, the OMB has moved the schedule forward, requiring us to complete those renovations and all the work so that we have that year of testing

begun earlier than 1999. We think this report we will submit will demonstrate that we are going to meet that new schedule.

Secretary WEST. Mr. Everett, the second part of your question was whether I had been briefed. I have received some briefings. I have more to receive.

Since I have come on duty, each of us who heads a cabinet agency and the other agencies have been warned by the director of OMB that we have to take personal responsibility for what is happening in our department and be personally involved.

I am happy to note that before I arrived, Deputy Secretary Gober was doing just that. He has proclaimed himself as the spearhead, as the czar, if you will. I will take on that role, as well.

And yes, it is not hard to imagine the things that will happen if we don't make sure we do this right—the checks that won't go out, the many disasters that could occur.

At this point, the assessment I have received is the one you heard from Mark, but we are not assuming anything. In fact, we are assuming just the opposite, that at every moment there is another possibility that there is something we haven't found that may not be going as well as we think it is.

Mr. EVERETT. Along the same lines, Mr. Secretary, is the computer modernization efforts. Has the department made a decision to have a dedicated CIO to head up this extremely important initiative?

Secretary WEST. You are asking if we have made a decision on whether to have a——

Mr. EVERETT. CIO, chief information officer.

Secretary WEST. And you mean separate from other duties?

Mr. EVERETT. That is right.

Secretary WEST. I was warned of that when I arrived, Mr. Chairman, that the issue was pending, that I would have to make that decision. I will tell you that I have not had my briefing on that, but my inclination is there should be a separate dedicated CIO.

Mr. EVERETT. Is the VA in compliance with the Clinger-Cohen Act?

Secretary WEST. Which requires—I know the Clinger-Cohen Act because I worked until quite recently for one of the authors of the bill, but did you have a particular part in mind, Mr. Chairman, or just——

Mr. EVERETT. With the appointment of these different officers. For instance, the CFO.

Secretary WEST. I think the department thinks it is in compliance. But, in any event, if your interpretation is that the Act requires a separate person who is not doing other duties, we soon will have such a person.

Mr. EVERETT. How about chief financial officer?

Secretary WEST. The same. That is what the debate in the department is, is it not, that at the present they are the same person and that he is seated here to my left?

Mr. EVERETT. That is right.

Secretary WEST. I am aware of the issue, sir, and we intend to address it.

Mr. EVERETT. I mentioned earlier you had a very talented panel there. I am just not sure how talented they are, how many hats they can wear. That is the reason I asked the question.

Secretary WEST. We intend to address it right away. If you wish, I will give you an even clearer answer in the record that says exactly what we have done.

(The information follows:)

We are actively considering the separation of the Chief Information Officer (CIO). We have begun a review of the current organization and are in the process of considering various options for the future of the CIO organization.

Mr. EVERETT. Certainly.

Mr. Chairman, I have additional questions for the record. Thank you, Mr. Secretary.

(See p. 185.)

The CHAIRMAN. The gentleman from Illinois, Mr. Gutierrez, is recognized.

OPENING STATEMENT OF HON. LUIS V. GUTIERREZ

Mr. GUTIERREZ. Thank you very much.

Welcome, Mr. Secretary.

Secretary WEST. Thank you, sir.

Mr. GUTIERREZ. I would like to raise two issues. They have been raised before but I think they are very, very important.

Number one, last year when we sat here to review the budget it was said that third-party income to the VA would be able to cover a wide array of funding. In the judgment and, in retrospect, in the wisdom of this committee, we did not allow the budget to stay the same and we allocated some $475 million to make sure there was no shortfall; indeed, dollars that came to be used.

This year there is about $677 million which you expect to collect. If there was a 9 percent shortfall and I know that on February 15 we are going to have another report, I am just really concerned that once again we are going to go into a fiscal year saying this is what we project and if we do not get the money, what is it that we are going to do as a department?

So maybe we could speak a little bit more about the accuracy of the $677 million, just how assured everybody feels, given the past and given the future, about that funding cycle.

And secondly, amongst many other questions is the whole proposal to deny compensation for tobacco-related disabilities. I am open to a discussion of the merits of this proposal but I am not sure how, in fact, tobacco-related disabilities are going to be defined as it relates to veterans those that have them already.

And it seems to me that the Department of Veterans Affairs would not want to be headed in the opposite direction of attorneys general of the States across this country, from Texas to Florida, who are suing the tobacco industry for compensation and reimbursement for tobacco-related health care provisions, that the Federal Government had to provide, by the way, under Medicaid and Medicare and that in the Veterans Department they are saying, well, we are kind of headed in the opposite direction while everybody else is looking for money and ensuring that money is there for their populations. I think that would be really tragic to see something like that. Even the airline flight attendants all got to-

gether and sued the airlines, said we had to be here on these airlines together.

So if you could just address those two issues as broadly and as specifically as you could this morning. Thank you very much.

Secretary WEST. Congressman, let me take the second one first. Because I don't know that much about it, my answer should be a brief one.

I am new to the job—3 weeks. I think one of the reasons that I am here on the panel is so that the two people sitting next to me can hold me down if I wander too far out. But it doesn't seem to me that it is fair to say that either the proposal or the attitude of the Administration or the attitude of this department is that we won't compensate veterans for tobacco-related illnesses.

I think the proposal has to do with the assumption that if you smoked on active duty and years later have an illness that can be attributable to nicotine usage, that you don't have to make the connection that we make in all other cases. Now, if I am wrong, these guys are going to speak in a minute anyway and they are going to clear it up, but that is my belief.

The legislation will simply require that a smoking-related illness manifest itself while in service for the veteran to receive compensation. I don't think that is unreasonable. I don't think that is uncaring about our veterans. And I don't think that is ignoring the ravages of tobacco-induced illnesses.

I think that every one of us cares about what happens to our veterans, especially in this touchy area. I am from a tobacco State. I grew up in Winston-Salem, NC. My parents smoked all their lives. I care about that as much as you do. I think we are simply trying our best to work our way through a clear and logical understanding of this and to compensate accordingly.

You asked the first question but just on the off-chance that I have stated it wrong, I would like Dr. Kizer——

Dr. KIZER. I only would say that this whole issue of tobacco is a very complex one. I can recall being asked to testify before Congress a decade ago, long before any attorney general had discovered the issue and long before it was a Federal Government issue, about things that the State of California was doing to try to address the problem.

So having been involved in this matter for well over a decade, I can say that there are a whole lot of issues attendant to it. I think many of them go to public policy choices and that is what is trying to be sorted out by this legislation.

The issue of whether nicotine creates dependence and causes diseases is really not a question. Those things are well established. The issue here has more to do with what should be the public policy regarding the role of society's mores in general versus the specific role of the military. I think I will leave it at that for now.

Secretary WEST. On the specific question of whether I have stated the proposal correctly, Joe, can you——

Mr. THOMPSON. Concerning paying disability compensation for tobacco-related illnesses, the position is that the use of tobacco is a personal choice and that it is not the responsibility of the United States government to compensate veterans for that.

But probably most importantly, the disability compensation program enjoys tremendous public support. Paying tobacco claims, we believe, would begin to erode that public support for what is really the cornerstone of the benefits program, taking care of people who got hurt as a result of service, direct result of service. The position is to not service-connect for diseases arising from tobacco usage.

Mr. GUTIERREZ. Mr. Chairman, I just think that we are going to need to investigate and look at this a whole lot more before we reach that decision because if the Army and the Navy and our armed forces are going to basically give cigarettes away to our members of the armed forces, as they did for decades at one place and another, I think we have to remember that there is some kind of responsibility. And that is just one point of many that we could look at.

Also there is the fact that your own legal team at the VA has found that they should be compensated and what are we going to do?

So it is a broad issue. It is one that I think we need to really, really, really look at carefully, very carefully, because when our men and women were out there and they were paying 10 cents a pack and we were saying, "Here, here it is for you" while they were in the Army because, of course, if they were not in the Army or Navy, they aren't getting it for 10 cents a pack, I think we have to have some kind of relationship with that cut-rate deal we were offering them as members of our armed forces.

That is my only point right now. There are many, many more things.

Thank you, Mr. Chairman. Mr. Chairman, I'm going to ask to be excused. I have to go with Mr. Kennedy. We have a Banking Committee markup as we speak. Thank you.

[The prepared statement of Congressman Gutierrez appears on p. 78.]

The CHAIRMAN. The gentleman from Texas, Mr. Reyes.

OPENING STATEMENT OF HON. SILVESTRE REYES

Mr. REYES. Thank you, Mr. Chairman. I do have a statement for the record.

The CHAIRMAN. Absolutely.

[The prepared statement of Congressman Reyes appears on p. 81.]

Mr. REYES. In the interest of time I want to first of all associate myself with the comments of my colleagues. I also want to welcome you, Secretary West. I know that based on past performance and knowing your dedication to the armed forces and its veterans, we can look for a tenure that will take care of a lot of the concerns that we have as a committee and that we all have really as Americans.

I would like to follow up on an issue that is very important in my district. Very briefly, I want to make sure that we get some sense of your perspective on it. That is again the fact that we have only collected an estimated 20 percent of the anticipated $677 million from third-party insurance.

I mention that because in my district there is a lot of concern about our ability, as the veterans population ages, our ability to

keep pace with it. And while we are opening up 71 outpatient clinics and forecasting the treatment of 134,000 more veterans, the way the budget submission has been analyzed by members of our staff here leads some of us to raise some concerns about that. So if you could comment on that, I would really appreciate that.

Secretary WEST. First, let me make sure I understand the numbers you just used, Congressman. You said only what percent?

Mr. REYES. According to information we received yesterday of the projected amount from third-party for the last budget cycle, only about 20 percent has been collected. And the concern here is that if we are relying on the collection of $677 million to offset some of this medical cost, then if we don't realize that number, then we want to make sure that there is a plan B.

Dr. KIZER. I am not sure what is the genesis of the 20 percent that you quote. At the end of the first quarter of fiscal year 1998 we had collected, as I recall, $118 million out of a projected $127 million, so the discrepancy was about 7 percent. I am not sure that in any health care bill collection system the collections at the end of the first quarter of the year can be extrapolated too far because of lag times in bill payment and a number of other things.

At the end the last fiscal year, as I recall, we had projected collections of $540 million, we had actually collected $528 million. That equates to about a 2 percent discrepancy between actual and projected.

The other point I would make is that there are a number of initiatives under way to enhance our collections. There's about a dozen different components and something that has been somewhat euphemistically referred to as our "ICU approach," which refers to better identification of the insurance; better setting of rates, addressing receivables, other steps related to collections; and better utilization management.

There are a number of different things related to how we can better collect receivables. For example, should the Congress authorize our proposed Medicare subvention project, there are a number of dollars that would accrue simply from billing the co-insurance that Medicare beneficiaries often have. Currently since we are not authorized to collect from Medicare, we also cannot collect from the co-insurance that Medicare beneficiaries often have.

We would be happy to provide you with more detail about the specifics of the initiatives that are under way. At this point we believe we will hit the end of the year on target, and I am hopeful that we may actually exceed that target.

(Subsequently, the Department of Veterans Affairs provided the following information:)

The chart below describes the proposed changes, updated February 1998, VA will make to increase recoveries. Implementation of these improvements will occur over the next several years.

Other initiatives for increasing revenue for medical care include:

Insurance Identification (Pre-registration, HCFA Match)	**Pre-registration**: Involves contacting patients scheduled for outpatient visits to remind the patients of their appointment and to update patient information. $6.4 million was recovered from insurance from 10 medical centers in one year. Assuming average recoveries of $500,000 per each of 150 medical centers, $75 million in new revenues could be generated. **HCFA Match**: Approximately 5% of the Medicare eligible population possess third party primary, full coverage, reimbursable insurance as a result of their full time employment or the employment of a spouse. MCCR is pursuing a match of Medicare and VA records to identify primary payer data. If the estimate is correct and VA mirrors the private sector, potential recoveries from this group may total between $60 to $97 million.
HCFA Medicare Remittance Notices	Since VA presently cannot receive reimbursement from Medicare for eligible veterans, MCCR has not been able to submit claims to Medicare Supplemental insurers similar to those of Medicare providers that have an accompanying remittance notice from a Medicare Fiscal Intermediary or Carrier. As a result, certain payers are with holding payment of Medicare Supplemental claims. HCFA and VA are negotiating an agreement to allow VA to utilize existing Medicare contracts to obtain the remittance notices to satisfy payer requirements. A one-time recovery of $42 million in outstanding unpaid

	claims and a recurring annual $8 million in additional revenue are expected as a result of this contract and change in processing.
Utilization Review	In FY 1995, approximately $159 million in non-Medigap inpatient claims and $44 million in non-Medigap outpatient claims were denied by payers. Utilization review staff, familiar with third party criteria, such as admissions, lengths of stay, discharges, pre-certification, continued stay reviews, etc., could negotiate payments for many of the denied claims. UR staff have recovered as much as $400,000 per medical center in previously denied claims. If we assume a possible average success rate of between $100,000 and $200,000 for each of the 150 medical centers, recoveries from proper training and assignment could amount to between $15 and $30 million.
TRICARE, Sharing, etc. Revenue	As a consequence of P. L. 104-262, eligibility reform legislation, expanded sharing contracts, including support of TRICARE is expected to result in $25 million in new revenues annually.
SC / NSC Documentation & Billing	Approximately 3.3% of service connected inpatient care and 2.5% of service connected outpatient care for adjunct conditions are inappropriately being coded as treatment for adjudicated service connected care. Properly coding this care as adjunct and billing insurance carriers will result in an additional $11 million per year.
Salary & Benefit Offset	An IG audit determined that by referring delinquent patient copayment and means test debt for salary and benefits offset, an additional $3 million in revenues can be recovered. The MCCR program currently utilizes IRS offset for delinquent debt and is implementing referral of debt over 90 days old to the Debt Management Center in St. Paul.
Point of Service Contracts	In order to remain competitive, traditional HMO's recently began offering their enrollees the option of obtaining health care outside the HMO network. The enrollees agree to bear larger copayments and providers receive reimbursements that are less than customary and usual. Aggressive identification and recovery from these HMO plans will be pursued.
Network Incentives	Network retention of revenues recovered will result in better managed local recovery efforts.

Reasonable rates	Restructuring reimbursement rates to reflect reasonable charges responses to market prices for the actual services provided; and develop a DRG rate schedule for inpatient care, to be used with an automated multiple rate schedule prices in Integrated Billing. Outpatient procedures rates are planned for late in FY 1998.
Third party delinquent claims	A nationwide contract to handle MCCR delinquent third party claims over 90 days for inpatient health care services provided veterans will help increase delinquent collections.

Mr. REYES. Okay. I appreciate that and we will follow up with you on that.

Secretary WEST. Might I just say that I have heard now two or three expressions of reservations as to whether these efforts in this way of financing, how we are going to deliver health care, can really work or whether we are putting veterans at risk or taking a gamble.

What I have seen in the few weeks that I have been here is a department that has made an effort to take the problem—the perennial problem of how to finance health care and assure a future for it—by the throat and try to yank it into a position where we have some assurance that we can see what is out there in the future.

It is an effort to make an assessment, quite frankly, as to whether we are likely to be more successful getting funding from these efforts or funding simply from reliance on increasing appropriations. I think it is a hard-headed effort to do what is best for our veterans.

I think it is too early to say that this cannot work because every indication we are getting is that Dr. Kizer's projections and the projections of the Veterans Health Administration are not outrageous. Oh, they are a challenge, but we will never achieve any breakthroughs for our veterans if we are not willing to take on challenges.

Yes, they are a different way of doing business, but we cannot get improvements from them if we keep the same old ways that have not gotten us the kinds of assurances for the future and the kinds of quality we want.

I think there is every indication that this is going to work. I think we have to have the intestinal fortitude to stay the course over this 5-year period.

The CHAIRMAN. The gentleman from Arkansas, Dr. Snyder, is recognized.

OPENING STATEMENT OF HON. VIC SNYDER

Mr. SNYDER. Thank you, Mr. Chairman.

First of all, a couple of comments. First of all, Mr. Chairman, you gave some praise a while ago to those who have been working on the Medicare subvention. I know that you have done a lot of work on that issue, too. In fact, you had some dark days for a while there a few months ago when you weren't sure you were going to get there, but we all appreciate the work that you have done.

I want to make a comment as a family doctor that trained both in the VA hospital in Portland, OR and in Little Rock, AR. I appreciate your staying focussed on the importance of the VA facilities to research. This Congress, in a bipartisan manner, I think, in several areas of the budget, not just in the Veterans budget, have been very supportive of research and I think will again hopefully this next session. But I think that a lot of Americans just don't realize how much research that they benefit from on a daily basis comes out of the VA system.

I guess I would say by way of comment that I hope that your increase was adequate for what you all want to do and perhaps could do, because there may be some support here in the Congress.

With regard to the tobacco issue I just want to talk about the suit. Personally, I don't think you are ever going to get a piece of that settlement. That is a Medicaid settlement, I think, essentially, but I may be wrong on that.

But the issue, it seems to me, one of the concerns I have about the whole tobacco settlement is I hear there is a viewpoint out there that says one of the reasons the tobacco companies want to settle this thing is because the real dollars would come from the military and the veterans. If you all ever got coordinated and decided to sue the tobacco companies, given the history and the interrelationship between tobacco companies, there would be a huge chunk of money out there.

So it makes me apprehensive to hear you even talk about, "Well, let's just get a piece of the settlement." There may be some real dollars out there. For example, and I have no evidence of this at all but let's suppose that what we thought was a show of courtesy by the tobacco companies through the literally 50 or 60 years of helping with cigarettes, giving little packs in the C-rations when they were dispersed around the world, that it turned out we found memos that said, "Oh, this will be a great way to addict our 17-, 18- and 19-year-olds for our future markets." Maybe our attitude about how benevolent an act this was by our friends in the tobacco industry—you know, there may be those kinds of issues sitting out there and it concerns me that perhaps we are not taking up the option of looking at those kinds of revenue sources because, as somebody who has worked in those VA systems, as you know, there is a tremendous amount of tobacco-related illness that you all deal with.

A question I wanted to ask, with regard to the year 2000, you have a 7 percent increase in your Veterans Benefits Administration and you talk about increasing smooth delivery. Where is the 7 percent from? Is part of that the year 2000 money? Is the bulk of that money the year 2000 problem?

Secretary WEST. Let me let our Under Secretary for Benefits answer that.

Mr. THOMPSON. No. In fact, the majority is in operating expenses for the regional offices. There is a small increase for the Year 2000 but right now the budget for that, we feel, is adequate.

Mr. SNYDER. And with regard to the third-party payments, isn't the posture of the law still currently that those third-party collections go into the total VA budget? What are your current thoughts about should this stay at the facility that collects them? What is the status of that?

Dr. KIZER. The collections go into the Medical Care Collection Fund, and collections from each VISN are returned to that VISN for use. This is one of the incentivizing efforts that we have under way at the network level to increase the receipts that they generate. The trade-off, or the balance, is some equity across the system. Certainly in a system where there is a considerable flow of patients across the entire country, and that balance is a challenge, but what we are trying to achieve.

Mr. SNYDER. Is that something that you all have the authority to do, anyway? That is not something you need from Congress. That is a decision you all are going to make; is that correct?

Secretary WEST. As to?

Mr. SNYDER. Making a decision. Let's suppose you decide to let them keep the money at the site where they collect it.

Secretary WEST. As long as it is spent within that administration.

Dr. KIZER. It's my understanding that we have that authority, since the Medical Care Collection Fund has been authorized and is now established in law.

Secretary WEST. It was effective last fall but that money is not available for other departmental uses. It is solely within the Health Care Administration.

Mr. SNYDER. We are several months into this fiscal year. With regard to the 30–20–10 goals that we heard discussed here a year about, or I did here as a member for the first time, can we anticipate that this time next year we will be able to discuss, okay, we started out headed for 30–20–10; we are now at 27.2, 18.6 and 7.3? I mean, is this something that you all are going to track that closely, that we are throwing that out there as a goal?

Secretary WEST. Well, we are tracking it closely but I think you should hear the answers of Dr. Kizer and then of Mr. Catlett on that.

Dr. KIZER. I would only say those are the discussions I am having with the network directors because they are being held to accountable to achieving certain targets, so I would certainly be more than happy to have the same discussion with you.

Mr. SNYDER. We do have the ability to count how we are doing on cutting costs, increasing patients.

Dr. KIZER. In the aggregate. One of the problems, and one of things we have discussed before this committee in the past, is trying to apportion exactly how much came from here and how much from there. That gets very difficult because there are so many things going on at the same time. That is why we are looking at the global cost; that is the figure that we expect to be tracking and discussing with our facility and network management.

Mr. SNYDER. Thank you, Mr. Chairman.

Secretary WEST. Mr. Chairman, if I may, I would like to be clear for the committee in response to your question, Congressman. The determination that we will meet these goals is a serious one. It is one which Dr. Kizer is going to push.

We are not, however, looking at this process through rose-colored glasses. We are watching realistically the numbers as they fall and looking at the projections. That is why I mentioned that Mark and his office are following them very carefully. Where we see signs that we have to watch as to whether we are getting there, we are taking note of them. We openly discussed those issues with your staff yesterday or the day before and we are happy to discuss them with you.

Mr. SNYDER. I understand.

Secretary WEST. The determination is there but also we are realistically appraising it as we go along.

Mr. SNYDER. And part of that realism is the Congress has a role in that, too. The Medicare subvention is the most striking example.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Rodriguez is recognized.

OPENING STATEMENT OF HON. CIRO D. RODRIGUEZ

Mr. RODRIGUEZ. Thank you, Mr. Chairman.

Secretary West, let me first of all indicate congratulations and let me let you know that we have high expectations of your abilities and hopefully you will be able to walk on water, too.

Let me just share three areas of concern. I am happy with some of the things that you have been doing and some of the directions and I know that you have just come in, but I think we have a real serious situation out in the field. I had 17 town hall meetings in August. I know Chairman Evans attended with me and he got to hear some of the testimony and I was very pleased that I was able to get some of your leadership down there so they could hear some of the concerns of some of the constituents.

I want to ask you, I have been a case worker in mental health for about 10 years myself so I want to ask you to please look at that situation in terms of casework because I know the first thing they told me, "Well, you have a 1/800 number." I want to ask you to please call it yourself and don't identify yourself and see what kind of response you get, because it took me more than a couple of days to get through.

Then I know you have been told that you moved into a better system that did away with the casework. Well, I have ten people that work in the district; seven of them are doing direct casework and a lot of them are doing some of the work that should be done by the Veterans Department instead of the work that is done by some of the workers that work for us.

So I think that that area needs some real serious look at it and I want you to hopefully later on provide some feedback and maybe getting rid of some of the paperwork that is there because I know a lot of the veterans and workers that are working and responding are burned out and there is a real serious need and I have some documentation. I have asked down there for some kind of investigation in terms of the whole process. I know that they are overworked in some cases but I think that you really need to kind of look at that.

Secondly, the second concern that I have deals with benefits. I have been told, and you correct me if I'm wrong, that about 90 percent of your resources go directly to universities in terms of providing. A lot of the veterans out there would like to get some kind of voc-ed training in terms of plumbing, electrician and that kind of work. Somehow resources don't go in that direction in terms of voc-ed and maybe later on you can provide me some data on that and maybe we can see how we can provide some access to some of those veterans that might want to go into plumbing or some of the other areas.

The third area of concern that I have deals with third-party reimbursements. It is my understanding that the way you have it structured now, as you get those resources, that they are going to go to the region or beyond the region.

Well, I represent the border in Texas. We have one county that has a city of 2,000 and it jumps to about 5,000 because we get a lot of winterbirds or snowbirds. They come in and a lot of them are veterans. We get them all throughout the valley and I am sure that Florida gets them and the other southern States also get them. But

there is a disproportionate number of veterans in those areas. And those monies are not following those veterans the way they should.

And I do want to congratulate you for the move to push and get more clinics because we definitely need them but there's still a need. And I want to get some clarification. When you pick up those third-party reimbursements, where is that money going to be headed? Is it going to leave my region and go further north and go to the bureaucratic cities up there?

I know you have some bureaucrats with you today but there is a real serious need. If you look in terms of expansion, I would ask you to seriously look at providing those resources directly to those people that have direct contact with veterans out there. And I think that that's so important because if not, then I want to invite you to come to one of my town hall meetings so you can hear it directly. Thank you very much.

Secretary WEST. Yes, sir. On the third-party reimbursements, I have an answer for you but I have someone chomping at the bit to answer on my right here, so I am going to let Dr. Kizer say something. Then I'm going to jump back in.

Dr. KIZER. I would make two points, in brief. Under the VERA allocation methodology, the issue of the snowbirds is addressed. There is a transfer pricing mechanism. Depending on how much time or how much care an individual receives in one part of the country, versus the other, an adjustment is made.

When I responded to Mr. Reyes, that was the point I was making, i.e., the exact one that you raised. The decision as to where those third-party funds go, whether they go to the site where care is received when an individual may be also receiving care elsewhere in the country requires that we strike the right balance between network allocation versus a specific facility allocation. What we are trying to do is gain enough experience with the actual receipt so we can make an informed decision in that regard.

But your point is exactly the one that I was trying to make to Mr. Reyes that it is not simply that they all go here or they all go there. We have to strike a balance because our population is mobile and often receives care at multiple sites and in multiple States over the course of a year.

Secretary WEST. I think the bottom line is our intent to meet precisely the problem that you raised and if we are not doing it then we need to work with it more because the whole transformation is, at least in part, an effort to deal with that.

I accept your invitation for the town hall. We will have to figure out when you are going to do it. I have a scheduler somewhere cringing that I give these sort of assurances without bothering to look at a calendar but the point you make is correct.

The fact is not only do I not walk on water; I don't even do well on land. I stumble a lot. I need a little help to be picked up. One of the ways to get the help is to go out and listen, so I will be there.

Mr. THOMPSON. Your concerns about claims and the amount of time it takes to do them and how much work is sitting out there, particularly in the State of Texas, is a concern of mine, also. We have a lot of work; it takes us too long to do it and the quality is not acceptable.

I am pleased that the proposal for fiscal year 1999 will give us a little bit of breathing room in the budget because we have been declining in resources over the last few years.

Your concerns about vocational rehabilitation I also share. We are in the process of looking at the program to see if, in fact, we divert veterans into training, particularly college training, without considering other options that may be in their best interest, such as vocational options. We are in the process of looking at that, as well.

The CHAIRMAN. The gentleman from Pennsylvania, Mr. Mascara.

OPENING STATEMENT OF HON. FRANK MASCARA

Mr. MASCARA. Thank you very much, Mr. Chairman.

Welcome, Mr. Secretary. I compliment you on your choice of bureaucrats. They are excellent, excellent.

First of all, Mr. Chairman, I have an opening statement I would like to place in the record.

The CHAIRMAN. Certainly.

[The prepared statement of Congressman Mascara appears on p. 82.]

Mr. MASCARA. And secondly, since there seems to be unanimity in associating our remarks with the Chairman and the ranking member, in a true spirit of bipartisanship, I would also like to associate myself with those remarks.

The CHAIRMAN. Thank you.

Mr. MASCARA. First, there have been several questions about the possibility of not receiving the kinds of revenues that we can expect from third-party payments and also to disallow compensation benefits for tobacco-related disabilities.

From what I have read, and I had difficulty sleeping last night so I read some of this, I first of all wanted to talk about the $677 million, or about $700 million in third-party payments. You said earlier, Dr. Kizer, that we received all but 2 percent of the anticipated revenues in the last fiscal year. Is that correct?

Dr. KIZER. That is correct.

Mr. MASCARA. So we do not expect, then, any huge difference between the last fiscal year and this fiscal year and we should collect about the same, so we shouldn't be concerned about where we will make up those revenues should we have a shortfall?

Dr. KIZER. Well, I would never go so far as to say you shouldn't be concerned because I know that would be unrealistic. We are certainly concerned, but I also am optimistic that we will achieve that target. Indeed, I think there is some chance we may even exceed it if we are successful with the various initiatives that are under way, and if we get authorizing legislation from Congress and some other things.

Mr. MASCARA. And should we pass the bill, and I want to go on the other side with the compensation for benefits for tobacco. In the 1999 fiscal year we are talking about $741 million of the $17 billion in savings over 5 years? Is it the likelihood again then, if this should pass, that that number is a pretty safe number that we can anticipate? And if not, where will we make it up?

Dr. KIZER. Again those projections are predicated on the best estimates and the best information that we have at this point. All of

those numbers I think have to be viewed in the light that as circumstances change, as the world changes, they may need refinement. We think they are the best numbers that we can present at this time. We are also optimistic that we will achieve those.

I think it is perhaps worthwhile, if I recall Mr. Evans' comments earlier, just to put this in some perspective. This year, those numbers relate to about 4 percent of our total medical care operational budget, and by the year 2002 they will be only about 10 percent of the total operating budget.

Mr. MASCARA. Of the $17.7 billion that the Secretary spoke of earlier in medical care?

Dr. KIZER. That is correct.

Mr. MASCARA. So my question is, and I was sort of leading up to the question when I was talking about third-party payments, as the VA seeks to become the health care provider for higher-income veterans, who already have provider options, the GAO has suggested the VA is not meeting the needs of some low-income and disabled veterans. How do you respond to this concern?

As the VA seems to become a competitive health care provider, is the VA still first and foremost a provider of health care to service-connected and low-income veterans who lack alternative health care resources?

Dr. KIZER. Absolutely. Three points I would make in response.

One is that under the VERA resource allocation methodology, funding is apportioned only for those category A veterans—i.e., the ones that you are referring to, the service-connected and poor veterans. So that for appropriated funds, they are the priority. Essentially none of the appropriated funds are going to go towards the higher-income or category C veterans per se.

Second, there are a couple of benefits to achieving the targets here, or working towards the targets of nonappropriated sources of funding such as we are talking about. The two that I think are perhaps most germane to your question is that we believe we can provide the care for these higher-income veterans at rates that are reimbursable, whether it be through Medicare or through third-party insurance, that still have some margin left over that could then go towards taking care of more category A veterans.

The appropriation covers a certain number of those category A veterans. We are using all of that, but we think we can do more and cover more of the needy and the service-connected veterans by bringing in some additional patients who, through even very small margins we can use to enhance the care that we are already providing.

In addition there are indirect benefits. This was, highlighted in a recent report that Price Waterhouse did for us, looking specifically at what is happening under CHAMPUS. They identified a number of indirect benefits that accrue from attracting these patients, whether it is in service satisfaction, user responsiveness and the environment of care, or enhancing some of the administrative and other systems in place.

So there are both direct and indirect benefits to what we are talking about. The net effect should be that we will take care of not only the existing category A veterans, but more of those needy veterans, and more higher-income veterans.

Mr. MASCARA. So you feel comfortable that since we are in competition now—from day one, when we talked about subvention and third-party payments, my concern has been that somehow those poor VA patients will not be given the care that they should be given; since we are looking for new dollars and looking for ways to balance the federal budget, that somehow these veterans would not receive the care that they should receive.

Dr. KIZER. I think that is a really important point to stress. An integral part of this strategy is to allow us to take care of more of the poor veterans, the service-connected veterans, which we can't do through appropriated funds alone. I just can't emphasize that enough. This is directly related to our target. We know we can only do so much with the appropriated funds. We know we can do more for those poor and service-connected veterans if we also can tap into some additional resources, as well as taking care of more of the category C veterans that way.

Secretary WEST. Of the million additional over 5 years that is in our projection, the bulk of those are low income.

Mr. MASCARA. Thank you.

Mr. Chairman, my time is up. I am going to have to leave. I have a brother, August J. "Augie" Mascara, that passed away who was in the United States Navy, during World War II. He served for 36 months on the *U.S.S. Lexington*, and was a distinguished veteran. So I am going to need to leave. Thank you very much.

The CHAIRMAN. We are sorry to hear that, Mr. Mascara.

Just so it doesn't appear to some that I have not been fair, it has been the policy of the Chair to always recognize both sides of the aisle in the order they came in first off, those that were here when the gavel went down, and I have done that. Unfortunately, there weren't enough Republicans in when the gavel went down to alternate back and forth. So now we have a big line of Republicans.

Mr. Quinn is recognized, the gentleman from New York.

OPENING STATEMENT OF HON. JACK QUINN

Mr. QUINN. Thank you, Mr. Chairman.

I know, Mr. Mascara, the Chairman and ranking member, all of us send our thoughts and prayers with you and your brother.

Thank you, Mr. Chairman.

Mr. Secretary, welcome. We are happy to have you with us today. I think during my 5 minutes here I would like to maybe summarize and not ask any specific questions today because you have done a great job responding to a lot of the specifics that have been brought up by my colleagues here on to committee.

I want to begin by thanking the Chairman and ranking member Lane Evans for assisting me in holding a hearing in Buffalo, NY, my home district, in December dealing with homeless veterans. In fact, Mr. Evans joined me out there in Buffalo and Lane, I appreciate the effort and the staff work here to conduct that.

I know you already know that of the homeless people in the United States, a third of them are veterans. We have heard a lot of interest from the president dealing with homelessness and working through HUD and different agencies. I would like to work with you in the coming months and year to make sure that if we are going to talk about homelessness in this country and the president

and the Administration is going to talk about it, that we make sure our oar is in the water for homeless veterans.

If we are going to talk about funding somehow, if we are going to talk about directing money toward it, a third of the homeless people in this country are veterans; then a third of the money, in my opinion, ought to be designated to homeless veterans somehow. And I am willing to work with other agencies, whether it is HUD or other departments here, along with your help and the contacts that you have at the White House, to make sure that we don't forget our veterans who are homeless.

Chapter 31 of the voc-rehab program, we are going to have a little discussion this afternoon at a hearing. I have been talking with my colleagues with that whole program for a long time now. I now have an employee in both my district office in Buffalo and my office here in Washington, DC right down the hall here, in Cannon, where there is someone from the program working in my office and I have suggested that all of us take a lead in that program. So I would like to continue our discussion of that in this coming year.

Also I want to point out I am a little disappointed that for the hearing this afternoon at 2 o'clock our Subcommittee on Benefits, Mr. Filner and I, we still don't have your testimony. Mr. Thompson I think was going to prepare that. I know you have been very, very busy preparing for today's testimony but it makes it a little bit difficult for the staff and the members to review that stuff if it's scheduled at 2 o'clock; it is 11:15 and we still don't have it.

Is there anything we need to know about that?

Secretary WEST. I just asked Mr. Thompson if I were holding it up, since that often seems to be the case.

Mr. THOMPSON. My apologies, Mr. Chairman. It is my responsibility. We were trying to get ready for throe hearings in 2 days and as a new kid on the block, it was my unfamiliarity with the process that held it up.

Mr. QUINN. Well, we are willing to work with you, Mr. Secretary and Mr. Thompson, always. If you give us a call and tell us what the problem is, I might have even considered postponing the hearing to adjust to your schedule. Would we not inconvenience the other four panels, I seriously thought about canceling about 30 minutes about but don't want to inconvenience the other four panels that are going to testify. So we will go with it this time but let us know if we can help in any way and if you are going to be delayed, certainly I can understand why and we would have maybe adjusted to fit your schedule. We will do that whenever we can. Mr. Filner and I are willing to help you with that whenever we can.

Mr. THOMPSON. Thank you.

Mr. QUINN. Every single speaker this morning talked about this tobacco situation. The VA talks about $17 billion over 5 years.

My question is much more general. If that savings occurs, are we satisfied that any savings, whatever it is, will go to veterans' programs or that the Administration might try to use it in other parts of the budget? A general question: where do you stand?

Secretary WEST. Two things about the savings, Mr. Quinn. First of all, remember that if we don't get it, if we don't get the legislation, then today's budget is inadequate.

Mr. QUINN. Right.

Secretary WEST. So that is the first point. We do need the savings in terms of not having that in the budget, if that is going to be the case.

Secondly, no, a portion of the savings will go to veterans. That has been our position. It is the position that Deputy Secretary Gober took to the White House and emphasized strongly. I think it is actually mentioned in one other colloquy. A portion of that savings will be used for programs within the department.

Mr. QUINN. A portion.

Secretary WEST. Yes, $1.5 billion.

Mr. QUINN. So the other $15.5 billion goes where?

Secretary WEST. It is part of the general governmental pie.

Mr. QUINN. I would like to continue our discussion with you on that into the future, and I think most of the committee members would like to continue our discussion about that.

Lastly, Mr. Chairman—I know the yellow light is on and we are being called to a vote—not a question, sir, but an observation. Mr. Filner and I met this week to talk about the hearing schedule that we are going to set up in our subcommittee. We routinely share that information openly with everybody but want to also work with you as this committee and our subcommittee talks about Persian Gulf matters. There again, we have been here for an hour and a half almost now and have talked about everything under the sun and not a word so far about that.

We will be moving that discussion up a little bit before us in the subcommittee, in consultation with the Chairman and the ranking member, but I want to alert you to that, that that will be a little bit more emphasized this session of the Congress before our subcommittee and we look forward to working with you.

The CHAIRMAN. Thank you, Mr. Quinn.

Mr. Secretary, it will be necessary for us to recess for a few minutes. There are two votes, one on the previous question and one on the rule. There are four members still to be heard from and also I think there are members who have requested a second go-around. We will have to be gone approximately 15 minutes or so.

Secretary WEST. We will be here, sir.

[Recess.]

The CHAIRMAN. Mr. Secretary, thank you.

The Chair recognizes the ranking member, Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Secretary, on page 154 of the President's comprehensive budget document there is a rather troubling section entitled "Accurately recognizing and reporting veterans' benefits." If the recommendations included in the third paragraph of this section were to be implemented, what would be the short-term and the long-term effect of those recommendations?

Secretary WEST. I am trying to find what you are referring to.

Mr. EVANS. I am referring to the third paragraph of that document, in terms of studying and making recommendations about transferring certain veterans-related discretionary accounts to defense functions, several different recommendations.

Secretary WEST. To give you an answer, I am going to have to provide it for the record, sir.

[The information follows:]

While it may be more appropriate for OMB to respond to this question, there is some indication that OMB's inclusion of this proposal reflects a dedication to the precepts of performance budgeting which examines the interrelationships of programs and cross-cutting issues in concert with the *Government Performance and Results Act*. While the intended purpose of this part of the President's budget may have been to introduce the fact that veterans programs are, in many ways, an outcome of the actions we take in providing for the defense of this nation's freedoms, it would also seem obvious that VA is not the only non-defense program interrelated with such programs and to single out veterans programs is misleading.

In any event, I am disappointed the proposal was placed in the budget without some discussion among OMB, VA and DOD. While I am not opposed to participating in discussions which address the best way to ensure that this Nation's obligations to its veterans are met, I want those discussions to be open and inclusive of the views of Congress and the veterans service organizations and the affected executive branch departments.

Mr. EVANS. That would be fine, Mr. Secretary.

Secretary WEST. I am told that the department was not consulted on this, so we will need to sort this out.

Mr. EVANS. You know, it seems to me that the impact would be to start a process to combine the Department of Veterans Affairs with the Department of Defense.

Secretary WEST. Well, we can do a lot with their money.

Mr. EVANS. I think it is the other way around. They want to take our money. If you would look at that, I am concerned about the VA coming under this kind of study but also I would want to know is the Administration also conducting a like review with respect to the Departments of Energy and Defense, given the fact that a significant portion of the Department of Energy's budget is also related to defense matters?

Secretary WEST. I don't know the answer to that, either, but we will see what we can find out for you.

Mr. EVANS. Yesterday I understand members of the New York delegation met with the VA and the VISN 3 director acknowledged that there would be shortfalls in the network due to the VERA distribution having to absorb inflation costs. What is the magnitude of this kind of shortfall system-wide for fiscal year 1998?

Secretary WEST. Dr. Kizer was there.

Dr. KIZER. I actually have heard about some press accounts but I haven't seen the press accounts so I don't know the figures that they are talking about. The projections under the VERA have not changed and the numbers that were previously talked about are the same as far as the adjustments that need to be made.

The inflation or the absorption of inflation is the same across the country and we have had this discussion here on quite a number of occasions in the past, as far as the adequacy of the increased funding, for example, in 1995 and 1996, as I recall, when there was about a $400 million increase to the VA budget, which equated to about a 2.7 percent increase in the VA medical care budget and inflation was running about 4 or 5 percent. The net effect was a reduction in the overall budget, which has been the way that the VA has been funded for the past 20 years. The funding for the VA budget has never even closely approximated the increases that are given for Medicare and Medicaid.

So that issue of absorbing the inflation is one that is certainly well known to the department, well known to veterans, and we can flush out your specific comment as far as the projected impact sys-

temwide as soon as we have some better figures on the anticipated inflation rate and the health care market for this year.

Part of that is there is some uncertainty in what the projected inflation rate will be, but clearly there is going to be a systemwide impact that we will have to absorb that and accrue efficiencies if we are going to continue to provide the same level of service. And we have been able to do that so far, but it is a very real issue that we are wrestling with.

Mr. EVANS. I understand the director of VISN 3 was not actually talking about projections but the reality of shortfalls soon in this process, at least as far as VISN 3 is concerned.

Dr. KIZER. Again, I am not sure what source you are referring to but it is the same discussion that has been on-going as far as Network III in particular with the VERA allocation and the redistribution of funds across the system, that there is a disproportionate impact, if you will, on Network III because of their historical markedly higher expenditures per patient there than compared to areas of the country like Phoenix or Southern California. That is what is behind the whole VERA methodology. And even stating that, their rate of reimbursement will still be higher than the norm in the country.

The other point that I guess is relevant is that despite the reduction that is planned and has been projected for that network, they should have actually some net increase, ignoring inflation for the moment, because of projected increase revenues from third-party collections.

Mr. EVANS. I am over my time, Mr. Chairman, but if I could just ask one follow-up question.

The CHAIRMAN. The gentleman is recognized.

Mr. EVANS. Thank you, Mr. Chairman.

Is the VA requesting enough this fiscal year, 1999, to deal with the year 2000 problem? Is that on track?

Secretary WEST. It is our belief that we are doing so. I am being very cautious about Y2K, as I said earlier, Congressman, because my experience is that it is what we don't know that can come up to bite us. But I find this department pursuing the Y2K issues very well, much better than in some earlier experiences I had in a different location.

And yes, I think we have requested sufficient funds in this budget.

Mr. EVANS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The Chair recognizes the gentleman from Florida, Mr. Stearns.

OPENING STATEMENT OF HON. CLIFF STEARNS

Mr. STEARNS. Good morning and thank you, Mr. Chairman.

Mr. Chairman, myself and the staff have reviewed the President's fiscal year 1999 budget for VA with particular emphasis on the programs under my jurisdiction as chairman of the Subcommittee on Health.

Let me say, Mr. Chairman, I am disappointed, disappointed that with the reported $65 billion in new funding based upon a national tobacco settlement, this budget does nothing for the VA health care system.

I am disappointed that the VA's medical care appropriation would shrink under this budget and, despite an anticipated budget surplus, would remain frozen through the year 2002. Medical inflation will not stay frozen, of course.

I am disappointed that we need rose-colored glasses to make sense of this budget's third-party recovery projections and to get the figures to add up. Mr. Mascara has mentioned that and I have a question with regard to that.

I am disappointed that while medical research spending would increase, there is no commitment to needed increases beyond fiscal year 99. I am disappointed that this budget turns its back on our aging veterans at a time when VA is meeting only 7 percent of their needs for home care and other community-based long-term care.

And I am disappointed at the lack of commitment to maintain and upgrade VA's aging fiscal plants. This budget ignores the need for major medical construction at many, many facilities at the same time that it sharply cuts even the minor construction budget.

Finally, Mr. Chairman, I am disappointed at the message this budget sends to the States, with a more than 50 percent cut in funding for State veterans home construction needs.

In the State of the Union the President did not mention the word veterans once. That is not a good sign.

My question for you, Mr. Secretary and Dr. Kizer, is the GAO is very skeptical of VA's projection of third-party collection. In the first 2 months of fiscal year 1998, after new incentives were in place, collections were well behind prior year figures. Would you bet your salary, 10 percent of it, that you are going to collect the $677 million projection? I mean, would you go on record to say that if we don't, you will give 10 percent of your salary? I would like to see that kind of commitment from you.

This budget has no safeguards to project against a significant shortfall in collections. How do you avoid seriously compromising quality care if additional cuts have to be made because you miss the collection target. Mr. Secretary?

Secretary WEST. Well, with all due respect, sir, the issue of whether or not I bet 10 percent of my salary is beside the point. The point is this: can we rely on the projections? Do we have reasons for confidence? I am going to let Dr. Kizer respond in a second but I know I heard him earlier provide the numbers for the first 2 months of fiscal year 1998 and they are more encouraging than what I heard from you. But I'm a newcomer to it and I may be missing the point there.

I believe that third-party collections are not the vulnerable part of this picture because I don't dispute your underlying concern that we have to be very, very careful not to leave our veterans hanging out there on the question of health care and our ability to deliver. The vulnerable part is whether we can get Medicare subvention in time to meet our program and what we hope to do over the 5 years. That is the one thing that we, within the department, don't have control over and it is why we are so grateful for what you and the other members of this committee have done already to support it.

But on third-party collections, which I have heard mentioned over and over again, I see a sense among those in the department

the follow the issue, that we will be able to meet those requirements. We are working hard, but I don't think that the picture is gloomy. I will let Dr. Kizer address the issue because I am interested in how your numbers for the first 2 months compare with his numbers for the first quarter.

Dr. KIZER. Sir, again this continues a dialogue that we have had on a number of occasions as far as the challenge there and clearly we recognize the challenge, and many factors are out of our control, as we have discussed before, as far as the changing marketplace and managed care and other things, how those relate.

To go specifically to your question, at the end of the first quarter we were at 20 percent. We were 7 percent less than projections on an annualized basis. Typically at the end of the first quarter we would be at 21 percent. We were at 20 percent. I am not sure that that difference is enough that should be viewed with other than concern, but I am not sure how much you can make of that particular difference.

Mr. STEARNS. The first quarter, from our records, for the fiscal year, 13 of your 22 networks are below their target. Instead of getting A for effort here, you are talking about something that hasn't even met 80 percent of your target.

Are you willing to bet 10 percent of your salary that you are going to make up these, of the first quarter? I mean, you admit now from your figures, and ours are different, but ours show only 13 of your 22 networks are below their targets. It just seems critical. We discussed this last year about the third-party collections.

Dr. KIZER. Let me just make sure. Does your bottom line there reflect total collections of $118 million?

Mr. STEARNS. Good question. Yes, it does.

Dr. KIZER. Okay. So the projected rate would be $127 million. At the end of the first quarter we were at $118 million, 7 percent difference, 20 percent on the year.

So, as I say, there is about a 1 percent difference there. Most medical collection agencies would not consider 1 percent difference at the end of a first quarter a significant difference.

I am wrestling with the question do I want to bet 10 percent of my salary.

Mr. STEARNS. You feel pretty confident here. Just for fun, why don't we do that?

Dr. KIZER. Is the other side of it that 10 percent of yours goes if we prevail?

Mr. STEARNS. If we had jurisdiction over this, I would be willing, but I have no jurisdiction over it. You are the one that is in charge.

Secretary WEST. Well, let me suggest it is a good bet but this is my bureaucrat; he belongs to me; I'm his supervisor; he is not allowed to make the bet.

Secondly, our evidence is encouraging. Last year essentially we made our projections. The first quarter essentially we are making our projections. I am sorry, but I don't have your feeling of gloom.

And let me say one other thing. You mentioned being disappointed in this budget. I don't know why because this is the second year we have tried to do this, that we have tried to take the system of financing health care, threw off some of the old shibboleths and try to think new thoughts. It is never easy, but what

we need is to be given a chance to do it. We will put ourselves into it. Dr. Kizer is working hard. Give us a shot at this and help us on Medicare subvention, as you have.

Mr. STEARNS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Filner, do you have another question?

Mr. FILNER. Thank you, Mr. Chairman.

Thank you, sir. Again we appreciate your patience with us.

By the way, I don't want to get out of line here on your public commitments. Mr. Rodriguez invited you to his district, and I want to get your scheduler in worse trouble. I would hope you can get to San Diego also at some point and follow your predecessors, Mr. Brown and Mr. Gober.

Secretary WEST. I will make it worse. I will come anywhere to hear our veterans talk. I think that is part of the assignment.

Mr. FILNER. Thank you very much.

If you would help me with some math, I heard two different answers to some questions that I had posed and Mr. Quinn had posed and maybe we used a little bit wrong language, but we were getting to the same intent, I think.

Your budget assumes there is a $741 million savings from the tobacco legislation.

Secretary WEST. This year.

Mr. FILNER. This year. And I had asked about new proposals and you said only the GI Bill is affected. Mr. Quinn asked, I guess, a more general question. He said, "Well, what happens if that doesn't pass?" and you said, "Well, we don't make our budget."

So my math says you are getting $685 million out of it, roughly. I wish we had all of it and I know Mr. Gober had to work very hard to get that $668 million, is that is the correct number—$668 million?

Now, if the GI benefits from your previous answer are roughly about $300 million, that leaves $338 million deficit. So what suffers is that legislation doesn't pass? That is my question.

You gave us, I think, two different answers and maybe it is because I posed it in a different way than Mr. Quinn. You said there is no impact if the legislation doesn't pass, in answer to me, and in answer to Mr. Quinn you said, "We don't make our budget." So I'm asking what happens in that case?

Secretary WEST. The reason I am looking puzzled is, as a newcomer, I am trying to make sure that I am not getting two different $17 billion numbers mixed up here. One is $17.7 billion for the health care budget. And this $741 million is part of that.

Mr. CATLETT. Of the tobacco estimate.

Secretary WEST. I'm sorry. No, it's not part of that. It is part of the tobacco estimate.

The other point I was trying to deal with is there is a $17 billion in round numbers that are the savings that will be produced if the legislation that changes our position on tobacco, on payment of tobacco claims, is passed. It is this latter figure, the tobacco claims savings, savings from the legislation, to which I was referring when I said if we don't get the legislation, if we don't get the savings, then we don't make our budget.

Mr. FILNER. That is essentially what I asked earlier and——

Secretary WEST. The point being that that amount then has to be paid somehow. We will need a supplemental or something.

Mr. FILNER. I would sort of like to know, especially when we get to the debate on that issue, what you think is going to have to suffer as a result of that, because there will be a shortfall in your budget.

Secretary WEST. At this point I would not anticipate—I would have to wait and see—an impact other than those one or two items that are in this budget that have to be paid from the savings.

Mr. FILNER. I need to understand that because——

Secretary WEST. Let me just say more.

Mr. FILNER. But you gave a different answer to Mr. Quinn.

Secretary WEST. But we would still need an add-on essentially over 5 years to pay the additional claims burden. And I would not propose initially to solve it at the expense of other things within the existing budget. In fact, I have every reason to believe that we would be authorized to send up a supplemental request.

That is the bottom line, sir. Let me say it again. I have every reason to believe we would be authorized to send up a supplemental request, which is then an add-on to what we have.

Mr. CATLETT. Can I clarify? No program in the VA will suffer. This $17 billion is costs that we anticipate incurring now if the legislation to eliminate this relationship to compensation is not passed. That is a general counsel decision that does not have any PAYGO implications. It is an entitlement. It has to be paid.

So no program will suffer. We will get those funds. We will seek those funds to pay that if there is no change in law. So there is no program that is going to be suffering at the VA if you do not pass that legislation.

Mr. FILNER. Just very quickly in my last few seconds, you will be getting a letter from me today, Mr. West. Last month I had a constituent who was in the VA hospital in San Diego waiting for a liver transplant. His family got hold of me and said this man is going to die if he doesn't get a transplant soon.

We called the VA and they said, "Well, we will look into it," and they handled it in a very bureaucratic fashion. "We're trying to make a decision whether he should have this liver transplant." A week later he died.

I found that extremely upsetting. The family understood the issue; I tried to make it clear to your folks that this was serious.

And I want to know what happened. I think you need to look at your processes. It looked like bureaucratic decisions led to the death of this constituent. His name is John Anthony Jones, but you will get a letter from me. I would like to know if this has happened in other cases. Would this make you look at those decisions, the process?

We tried to get a decision very quickly and we just got a standard, "We are looking into it. The DVA hasn't made a decision." It was a very bureaucratic response to a very personal concern, and it turned out to be true. I mean, the man did die a week later. I am very upset because I don't think he had to die. We were told the liver was available. The decision from Washington just didn't come.

Secretary WEST. Well, I await your letter, Congressman. Any death upsets us all. If it is one we could have avoided, that is more troubling, but we will await your letter.

Mr. FILNER. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana, Dr. Cooksey.

Mr. COOKSEY. Thank you, Mr. Chairman.

Dr. Kizer, I need you to help me refresh my memory. You and I were probably in medical school about the same time. Your hair is not quite the right color but it is headed that way.

What was the year that the surgeon general first put the warning on tobacco products about the adverse effects of it? Do you remember?

Dr. KIZER. Yes, it was 1964, following about a decade of investigation by the medical community trying to establish a sufficient evidentiary base that led to that warning.

Mr. COOKSEY. Okay, 34 years ago. I was a junior in medical school.

Who was the surgeon general then? Do you remember?

Dr. KIZER. Actually I do but I am blocking on the name.

Mr. COOKSEY. He came from Tulane.

Dr. KIZER. I wasn't in high school yet, so——

[Laughter.]

Mr. COOKSEY. I can remember those days. That is the thing about being an old vet and an old doctor.

Next question, am I correct that the VA will spend $17.7 billion this year on health care? Is that correct, and that 0.7 of it is from third-party payers but the $17 billion——

Secretary WEST. That is in this year's budget, yes, sir.

Mr. COOKSEY. Am I correct that you anticipate making $17 billion in tobacco-related payments over a 5-year period? Is that the number?

Mr. THOMPSON. Yes, that is correct.

Dr. KIZER. I think it is important to point out that that is in compensation and pension, not medical care.

Mr. COOKSEY. Okay, correct. The medical care will be $4 billion; is that correct? So that is $17 billion in compensation benefits and then another $4 billion in medical care, $21 billion total, tobacco related. Is that right? These numbers came from your material.

Mr. CATLETT. The $4 billion you refer to is what we will spend of the $17.7 billion in health care. That is the amount we spend now on veterans getting care based on a general estimate of about 25 percent of the total health care budget being related to tobacco-related illness.

Mr. COOKSEY. So that is $4 billion, okay. But the point is in a 5-year period we are going to spend as much on tobacco-related illnesses as we are going to spend in one year on the total VA budget.

Now the second point is there have been warnings out there since 1964 that people should not smoke cigarettes because they are bad for you. The information has been out there. I think the two biggest problems today in this country are tobacco and trial lawyers. Charles Kurault asked an old southern farmer one time what he felt the two biggest problems were in the Southeast and

he said kudzu and Baptist preachers, but I wouldn't go that far. I think it is tobacco and trial lawyers.

One thing that concerns me as a physician is this Administration has really wrapped the whole budget around a tobacco settlement. Now, I am from Louisiana and the only thing that separates Louisiana from Mississippi is a river. And to give you a little that you may not know because you may have been in medical school then, but a fast-talking Mississippi lawyer was the one that put together the deal on the asbestos settlement and probably half of those people that got compensation from asbestos had no exposure to asbestos or no problems related to asbestos; they really had their problems from cigarettes, from smoking. But that is done. The settlement is done.

Well, that same lawyer—incidentally, his brother-in-law happens to be a Republican Senate majority leader; I won't call names—that same lawyer has basically guided another fast-talking Mississippi lawyer along in putting together the tobacco settlement, gave him his Cessna Citation, and I am still a pilot and I know it is fun to fly Citations around, particularly when somebody else is paying the bill. But that second fast-talking Mississippi lawyer has been going around the country putting the tobacco deal together.

I have a problem with that. I hate to see the VA get sucked into this bogus deal on the tobacco settlement when we have the lives and health of our veterans, who have put their lives on the line for this country. I think that we ought to be spending more money for the veterans that truly got injuries in combat, because I have seen those as patients and you have seen them, too.

I do not feel the same obligation—I don't think this country has the same obligation to give settlements to people because they smoked cigarettes, because for 34 years it has been on every package of cigarettes that they shouldn't do it.

So I would caution you about going down this slippery slope and getting involved in this big tobacco settlement, which really may not ever occur. Words from an old freshman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Arkansas, Mr. Hutchinson, is recognized.

OPENING STATEMENT OF HON. ASA HUTCHINSON

Mr. HUTCHINSON. Thank you, Mr. Chairman. I want to apologize to the Chair and to our panel of witnesses for me darting in and out. I have two constituents who were being held by the Laotian government and we were able to obtain their release but it occupied me a little bit this morning. But I have reviewed the budget and wanted to be here to ask one particular question or area of inquiry and to express my appreciation to the Department of Veterans Affairs and Mr. Secretary for the work on the outpatient health clinics.

My state is Arkansas and in Arkansas we have an outstanding veterans' facility in Fayetteville and one in Little Rock, but the veterans in my district in two locations have to get on a bus and ride 4 hours on a bus to the veterans' facility. The outpatient facility for Mountain Home, which is 4 hours away from Little Rock, has been approved and we are in the process or you are in the process of getting that accomplished.

There is another location, Mena, in my district where the outpatient clinic is vitally important. The veterans again travel 4 hours there and 4 hours back and you wait. It is just a terrible circumstance when you are considering their health.

I am convinced that this is going to add to your patient load. We have a significant number of veterans in Fort Smith and you move an outpatient clinic there, they are going to be served to a much larger extent and then also bring that into the VA hospital in Fayetteville because then they are being served on an outpatient basis. They are going to be referred up there.

So I just want to congratulate all of you and Mr. Secretary for this and tell you how important it is.

Now, I notice in the budget that I believe there are 71 new outpatient clinics that are designated for this year. I think I want a whole bunch of those here in my district, but I know that has to be spread over the United States.

Tell me, is there adequate money allocated in the budget for the outpatient clinic program and whether you anticipate any hurdles in getting these outpatient clinics established in the areas that legitimately needed them and will serve the purposes of the veterans?

Dr. KIZER. I would just note that all of the clinics, and to date we have either approved and implemented or are in the process of approving and implementing nearly 200 new clinics over the last 2 years, all of which have come from redirected money. There is no new money that has gone into establishing any of those clinics. It is only by changing the way that we do business, being able to do this.

The number 71 is in the budget. It was a projection. I frankly will probably not be satisfied if that is the number because I think we can do more and we want to do more. Obviously there is an issue of equity in spreading these around the country because our veterans everywhere in the country have to travel too far.

We have a goal that we would like to see veterans travel no farther than 30 minutes to have access to care. In some parts of the country, like Montana and Wyoming, that is probably not realistic. We do expect that in some States this year we will achieve that goal. For example, Connecticut we expect to and maybe others and, as we look down the road, we hope that additional States will be able to accomplish that objective. But that will only occur if we are allowed to continue the way that we have been able to make the system change, if we are able to get Medicare subvention, if we are able to do a number of the other things that have been talked about before this committee and others as part of the overall strategy over the next several years.

Mr. HUTCHINSON. Well, I am very supportive of the Medicare subvention program, as well. I know the Chairman has worked extremely hard on that and I hope that that is implemented this year.

What was the time limit that you're hoping for? You said that they wouldn't have to travel more than how long?

Dr. KIZER. The goal is that they wouldn't have to travel more than 30 minutes. And I say that well knowing the exceedingly difficult challenge that poses even far into the future.

Mr. HUTCHINSON. I am just delighted with this. I hope you will continue to work on that. It is very important.

Also I am glad you all are addressing the backload in adjudication of cases.

Mr. Chairman, I want to yield to Mr. Cooksey. He wanted to ask a question on that same subject.

The CHAIRMAN. Certainly.

Mr. COOKSEY. I represent a similar area, a rural area, a large area. Incidentally, I talked to Dr. John Higgins about this. He is really a good man. And incidentally, the VA hospital that is in my district is wonderful and does a great job and has a very approval from the veterans.

But have you ever considered a program where you would have a physician go out to a rural community and see patients there, maybe through some sort of collaborative agreement so he could use the hospital facility? Is that possible?

Dr. KIZER. We are doing it. That is being done in a number of places. We are contracting with local providers now, local private providers, to provide care. We have mobile clinics. I mean, there are a number of venues like that being utilized. And, of course, much of that was only possible as a result of the eligibility reform legislation that was passed not that long ago that gave us the flexibility and the options to do some of that, ways of doing business that we need.

Mr. COOKSEY. I am saying someone that is a physician that is under contract to the VA hospital, not to go to a facility that you would have to rent and establish but just find some hospital that would let you use a room, an examining room, some of your laboratory facilities.

You know, when I was in the Air Force, a lot of veterans came in and they wanted to get their prescriptions filled, their blood pressure checked, and a lot of it is really minimal care, and I am glad to know that. I want to find out more about it.

Dr. KIZER. If I understand better the specific scenario that you are talking about, I do believe that is occurring but if so, it is only at a few sites and it involves a number of issues, some of which are under our ability to control and some aren't; for example, whether the private facility would agree to credentialing and privileging someone that is not really on their staff, and there are a number of issues that go beyond what we can control ourselves.

Mr. COOKSEY. Thank you, Mr. Hutchinson, and thank you, Mr. Chairman.

The CHAIRMAN. Any other questions?

Thank you for staying around.

I would like the record to show that Mr. LaHood of Illinois, Mr. Peterson of Minnesota and Mr. Hayworth of Arizona were also present today. I would like to acknowledge the presence of Mr. Gober. Mr. Gober, it is nice to have you with us today.

Mr. Secretary, we thank you and the gentlemen with you today for all the hard work. I repeat, we appreciate the work that Dr. Kizer has put in with us on Medicare subvention.

I do have two questions but if you will promise me a prompt answer, I won't ask them and I will ask them for the record.

If there are no other questions, the meeting stands adjourned.

[Whereupon, at 12:18 p.m., the hearing was adjourned.]

DEPARTMENT OF VETERANS AFFAIRS BUDGET REQUEST FOR FISCAL YEAR 1999

THURSDAY, FEBRUARY 12, 1998

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room 334, Cannon House Office Building, Hon. Bob Stump (chairman of the committee) presiding.

Present: Representatives Stump, Quinn, Stearns, Schaefer, Cooksey, Hutchinson, Evans, Kennedy, Filner, Guttierez, Mascara, Peterson, Reyes and Rodriquez.

OPENING STATEMENT OF CHAIRMAN STUMP

Chairman STUMP. The hearing will please come to order. I would like to welcome all the witnesses today who are here to present their testimony.

Today, members will be given an opportunity to focus on the testimony from the Honorable Frank Nebeker, Chief Judge of the United States Court of Appeals; the Honorable Espiridion "Al" Borrego, Assistant Secretary for Veterans' Employment and Training Service, U.S. Department of Labor; the *Independent Budget* Panel consisting of DAV, VFW, AMVETS, and the PVA, as well as the American Legion and the Military Veterans' Alliance.

Let me mention one thing before we get started, and there should be a letter in your folder. Mr. Evans and I plan to introduce today—today, we want to get it in today so we can have a hearing in March, so if anyone wants to cosponsor it—legislation that would codify the eligibility criteria for burial in Arlington National Cemetery. The chairman of the subcommittee, Mr. Quinn, and Mr. Filner expect to hold hearings promptly so that we can get on to this bill in March.

And let me tell you, you had better take a look at it, because it does away with exemptions, including Members of Congress, like us. Unless you qualify as a military person, under those qualifications, all Cabinet offices and everybody else would not be eligible. It terminates eligibility to Members of Congress and other high-ranking Government officials who are veterans, but do not meet the distinguished military criteria as applicable to all other veterans.

Second, it clarifies that only veterans and family members described in the legislation are eligible for burial at Arlington. In other words, it does not contemplate any waivers or exceptions for persons who don't meet the statutory criteria. It will be down in

black and white; we won't have to worry about these waivers anymore.

If any of you members want to sign on, be sure to tell Jeanne McNally before noon today, if you can, so that we can get it in before we adjourn.

Before we begin with our first witness, Judge, I would like to turn to Mr. Evans, our ranking member, for any statement he might want to make. And let me apologize; we have a CIA briefing over in the National Security Committee, and there are either seven or eight members who are on both committees, and it presents a little bit of a problem. We just couldn't work out the schedule, so I apologize.

Mr. Evans.

OPENING STATEMENT OF HON. LANE EVANS

Mr. EVANS. Thank you, Mr. Chairman. I am very pleased to welcome all of the witnesses this morning. We have a distinguished group of witnesses, and I look forward to hearing from them.

As most of you know, we heard from the VA last week regarding the VA's proposed budget for fiscal year 1999. At that time, I voiced my concern regarding the linking of long overdue increases in educational benefits to the enactment of controversial legislation which would repeal existing authority to provide compensation for tobacco-related disabilities. I also voiced my concern regarding the disturbing change in philosophy related to funding of veterans' medical care reflected in that budget. My concerns were in no way lessened by the discussion we had with the Secretary and VA officials at that hearing.

I believe that throughout their service in America's Armed Forces, our veterans have earned access to the benefits and programs our grateful Nation has provided for them. These benefits should be funded at all levels necessary to ensure that they accomplish the purpose for which they were established. They should be directly funded, no gimmicks, no strings attached, and those benefits should be reliable. Eligible veterans should know that they have access to health care, and not wonder if the care is dependent on the VA's ability to collect non-appropriated revenues.

Veterans that are students should know that their educational benefits will keep up with increasing costs of higher education. Service-disabled veterans should know that their specially-adapted housing grant programs provided for them will keep pace with increased costs of real estate and construction. The Department of Labor's programs, specifically designed to meet the needs of homeless veterans, should be fully funded to the level authorized by Congress.

Does the administration's budget for fiscal year 1999 accomplish these goals? I believe the answer is, no, it does not. The budget does not provide the resources required to fulfill the mandate and the intent of Congress and of the American people, and I hope that all of us in the committee will fight for a budget that fulfills our Nation's solemn obligations to its veterans.

So, thank you, Mr. Chairman. I do urge my Democratic colleagues to support your legislation concerning Arlington Cemetery, so we have no further problems with that issue.

[The statement of Congressman Kennedy of Massachusetts appears on p. 93.]

[The statement of Congressman Gutierrez appears on p. 96.]

The CHAIRMAN. Thank you.

Judge Nebeker, as you know, your statement will be printed in its entirety in the record. If you would care to summarize, we would appreciate it. You may proceed in any way you see fit.

STATEMENT OF HON. FRANK Q. NEBEKER, CHIEF JUDGE, U.S. COURT OF VETERANS APPEALS

Judge NEBEKER. Thank you, Mr. Chairman and members of the committee. My statement will be brief. I understand I am allotted 10 minutes; I will use half of that.

I have three things I would like to address this morning. The first, of course, is our proposed budget for the ensuing fiscal year. Our budget is $876,000 more than last year, and I break it down in this way to explain it; that is a 9 percent increase over last year. Forty-five percent, nearly half of that 9 percent increase, goes to mandatory pay raises and benefits, and 16 percent of that increase goes to rent and mandated security. The mandated security I refer to is what the General Services Administration commands be done at all Federal judicial facilities in light of the Oklahoma city bombing. And then we have an additional 9 percent added to that for discretionary activities, which the court finds necessary.

The reason the court finds these activities necessary is we have suddenly had a deluge—an increase in the caseload that is coming from the Board of Veterans' Appeals to our court. We now have—and I will address that as the third item I want to talk to you about—we now have a substantial backlog, and I will explain what the problem is with respect to that backlog. That, in a nutshell, is our budget.

I have with me Judge Ivers, Mr. Comeau, the clerk of our court; my right hand and arm, Sandy Montrose, and we also have Ann Olson, our fiscal officer. If there are questions, which I can't field—and that is highly probable—they are here for that purpose.

The second thing I would like to address is the legislative package, which this court submitted to both Houses some time ago, and which I understand has been under scrutiny here in this committee, which we welcome. There are three reasons for this legislative package, and we would urge your support and prompt action on it.

The first is one in which we are trying to plan ahead to avoid a collision in the year 2004. At that time, the court could almost be inoperable, because it is an election year and there will be four vacancies all at once, because of the way in which the appointments were made at the beginning of 1989. And, so, our legislative proposal would permit a limited retirement at an early age, so as to begin to stagger the vacation of terms—the end of terms, thus to eliminate what, in an election year, is the highly probable incapacitation of the court, because of the number of vacancies that would occur all within that time frame.

The second reason for this legislative package deals with bringing the benefits for survivors of the judges up on a par with the survivor benefits of those in other courts. It is a comprehensive package. I won't go into great detail on it, but you will see, if you

do look at it, that we have brought you the facts and figures from all the other courts, and show how they differ, and they are a "Heinz" variety, but what we are trying to do is do justice to one—our lone current survivor, and those that we could, perhaps, anticipate in the future.

The third element of the legislative package has to do with the court's retirement fund. What we would like to do there is have the court authorized to pay into the fund based on actuarially determined liability. We do not have that kind of authority at this point.

There are other provisions of the package which would bring the court's retirement system in line with other judicial retirement systems. I understand that this package has been introduced as S. 988 in the Senate, and I understand that it has, or is shortly to be, introduced in this House. We would welcome any questions on that. Probably the best way to handle it would be written answers, because it is such a comprehensive package that it would be almost impossible to go into it in a short period of time.

The third thing I would like to address, this morning, in the remaining minute or so that I have, is what I referred to a second ago about backlog in our court. The court, two weeks ago—a week and a half ago—held a hearing on a motion to extend time to file the Secretary's brief. It was the fifth motion to extend time. I am not critical of the Assistant General Counsel who was assigned to that case. It is a very, very difficult situation for all of those people down there. They have got far more to do than they can possibly do, and I would like to submit for the record a copy of the order, which I entered that day, asking the Secretary to respond by the 19th of this month to this question: If this court adopts a rule that within 6 months it will not grant an extension motion based upon workload, is the Secretary prepared to take the steps necessary to ensure that the records on appeal are designated and that the briefs are timely filed? That response is promised on February 19.

To show you just a snapshot of the problem—and that is basically where the backlog is—in 1997 there were over 1,000 motions on behalf of the Secretary to extend time. Here, in November, there were 215 to extend a brief, in December, 307, and in January, 260. There were, likewise, a substantial number of motions to extend time to prepare the record on appeal to get the case going in our court to start with.

The situation with the Board of Veterans' Appeals deciding more and more cases is reaching a critical point, and I think that the whole matter needed to be brought to the attention of the present Secretary, who I understand is an experienced litigator, and will appreciate what the problems are that the court is confronted with.

So, I will submit that order for your information and for the record. It is a public order, of course. And, that concludes my comments.

[The prepared statement of Chief Judge Nebeker appears on p. 102.]

The CHAIRMAN. Thank you, Mr. Nebeker. Mr. Evans and I did introduce that bill, and we did so by request, which means that we basically have not taken a position for or against.

Judge NEBEKER. I know that.

The CHAIRMAN. I have some questions, and I am sure others will, including Mr. Evans also.

The VA budget includes, I understand, additional funds for 11 FTEs for lawyers, so the VA can hire more lawyers for the court. Is that your understanding?

Judge NEBEKER. I do not have an understanding about that. I have not been consulted on it.

The CHAIRMAN. That is in the VA budget.

Judge NEBEKER. I don't know whether that is adequate or not. I don't know where they are going to go. I don't know whether these FTE's are going to go to Group VII, which is the office that represents the Secretary before our court. I am not privy to their budgeting or plans.

The CHAIRMAN. We will work it out with you. Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman. Judge, in a number of recent cases the court has indicated that a veteran has been treated unjustly by the Department of Veterans Affairs, or that the court is not authorized to provide a remedy. In your opinion, should the jurisdiction of the court be expanded to explicitly provide for equitable relief in addition to that available under the All Writs Act?

Judge NEBEKER. Well, Mr. Evans, the All Writs Act is a rarely-used tool. To the extent that there would be an impact on the workload of the court, I think I could legitimately comment on it, but to the extent that it is a political judgment to be made, I would offer no comment with respect to it. I should imagine that it would increase the caseload substantially, and at this particular time it is being increased substantially anyway.

Mr. EVANS. The court has indicated that a large number of unrepresented veterans before the court may be attributable to a claims system that "does not encourage attorney representation." Do you favor any actions that allow attorneys to collect fees, perhaps at an initial stage of their claim. For example, do you favor the practice of paying attorneys' fees directly from the veteran's passthrough award in order to encourage attorney representation, or any other practices that might encourage attorneys' participation in the process?

Judge NEBEKER. I understand the history has been that the veterans' benefit system has not wanted to have—well, I will use the expression "lawyerfied" at the base level. Being a lawyer, I don't necessarily share that view. We certainly get a great deal of assistance from the volunteer lawyers that come before our court, and in any way that lawyers could help, and I think they can, at the administrative level, it would certainly make for a more just system, and I think, ultimately, a more rapidly developing system.

Mr. EVANS. Do you have any suggestions in that regard?

Judge NEBEKER. Well, we do run across the problem of a lawyer not being able to charge a fee until after there has been a final BVA decision, which means, basically, that the lawyer is either not going to represent the veteran at that earlier stage, or is doing that pro bono, with the hope that he will get a final decision after which a fee can be charged. There is great chagrin on the part of many lawyers who take cases because of the threat of criminal prosecution. Albeit a misdemeanor, but it is still a pretty substantial threat. I have heard of a number of attorneys who have simply

said, with that threat and the nasty letter from somebody at the VA at one time or another reminding them that they can't charge a fee, they are not going to take these cases. Whether that represents a substantial number of cases, I am not in a position to say, but there is reluctance to take cases where there is a threat of criminal prosecution. Again, I think these are policy questions and political questions. To the extent that lawyers would help, I think it would be a good idea to have the rules relaxed.

Mr. EVANS. All right, thank you, Judge. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from New York, Mr. Quinn, is recognized.

Mr. QUINN. No.

The CHAIRMAN. Mr. Gutierrez.

Mr. GUTIERREZ. Thank you, Mr. Chairman.

Judge, you stated that the number of denials by the Board of Veterans' Appeals has risen from 6,407 in fiscal year 1995 to 15,865 in fiscal year 1997; thus, your court will have more work to do and requires greater appropriation. I am wondering, however, what accounts for the rise in denials by the BVA? Is it demographics or legislative reforms that have led to increase of denials or something other?

Judge NEBEKER. My opinion is that it has been the increased capacity of the Board to produce decisions. As you will recall in past years, the Chairman got authority to do away with three member boards, and they are operating now as single member boards. They have increased their capacity to decide cases. Of necessity, the proportion of denials is going to increase. I believe that that is at the bottom of why there have been so many increases in denials. I have no figures on how many unappealable decisions the Board has made. I say unappealable decisions because there, of course, would be two kinds of them: those where they grant benefits and the veteran goes away happy, and those where they remand back to the agency of original jurisdiction because they have found a need to flesh out consideration at that level. And, I understand that there are a lot of remands to the agencies of original jurisdiction, but the increase is basically their increased capacity.

Mr. GUTIERREZ. Well, Judge, maybe if you could make available to us the total number of cases heard——

Judge NEBEKER. By the Board?

Mr. GUTIERREZ. Yes, total number——

Judge NEBEKER. I wouldn't have that figure, sir.

Mr. GUTIERREZ. Well, maybe if you don't have it here now——

Judge NEBEKER. No, I mean that is a Board figure. I could ask the Board for it.

Mr. GUTIERREZ. I think it would be good to ask the board for it, just to see how many—we know how many denials are being made, just so that maybe we know the total number of cases.

Judge NEBEKER. Well, I would assume that the Acting Chairman is going to be appearing before you also, and he should have that, but if you want me to get it I will.

Mr. GUTIERREZ. It would be good, just so that—I mean if you could help us, Judge, it would certainly be nice——

Judge NEBEKER. Sure.

Mr. GUTIERREZ (continuing). To know how many cases were heard, and how many denials were made, just in case. My curiosity may just be going the wrong way, but maybe it is more denials, as you say, because there are more cases heard, and as more cases are heard there are obviously more denials. I just want to take a look at it.

Judge NEBEKER. Sure.

[The information follows:]

The Board of Veterans' Appeals reports that it issued 43,347 decisions in fiscal year 1997 (up from 33,944 decisions in fiscal year 1996 and 28,195 decisions in fiscal year 1995).

The CHAIRMAN. Thank you, Mr. Gutierrez. I believe we have those figures. The VA reports those to the committee, and sometimes even in the budget.

Mr. Mascara.

Mr. MASCARA. Thank you, Mr. Chairman. I have some opening remarks I would like to be included in the record.

The CHAIRMAN. Certainly, without objection.

[The prepared statement of Congressman Mascara appears on p. 99.]

Mr. MASCARA. Judge, on page 4 of your statement, you asked that the pro bono representation program be authorized and funded outside of the court's appropriation. Could you shed some light on that for me, please?

Judge NEBEKER. Yes, sir; there is a history behind that request, because when we first started the pro bono representation program it was with funding that was excess to the court's budget. We got permission from the Hill to go ahead and start the program as a pilot project. It has progressed, and it has proceeded to be quite successful. We start out with a 75 to 80 percent rate of pro se litigants in our court; by the time the cases are ripe for decision, it is down to 50 percent. So you can see that it makes a substantial dent—it, plus the growing bar throughout the United States, the growing bar of our court. But, when their operating funds were taken out of our operating funds, it created a problem. And the problem it creates is not only one of friction between the two entities, but also the appearance of partiality, if you will, is there, because if the court's operating budget has to be sacrificed in order to fund one side of the litigation that comes before the court, then there is a very serious problem, because you are suddenly having the judicial neutral branch supporting and assisting, at its own expense, that one side in representation before the court.

Put it the other way around, would it be seemly to have the court's operating budget sustain Group VII in the Department of Veterans Affairs? Obviously, not; and so, we have asked the Appropriations Committees to try to figure out a way to separate our budget from theirs, so that our operating budget is not diminished by their needs. And, it is an intractable problem of jurisdiction between various Appropriations subcommittees, and we recognize that. So, I have asked the Appropriations subcommittees to please—in their own mind—consider the pro bono program's budget totally separate from our operating budget. They assure me they do. I believe, mechanically, it is being done that way, and it is

probably the best fix that is possible for this rather difficult and intractable problem.

Mr. MASCARA. What costs are associated with the pro bono side of the representation program?

Judge NEBEKER. What costs? I don't recall right now, and I will tell you one of the reasons why I don't know. I am at arms length from their budget. I don't really want to know anything about their budget. They tell us what it is, and we just plug it into ours because it is convenient for the Appropriations Committee to have it in as one figure in that budget. They are here today, and if there is a question that you would like directed to—I believe I saw the chairman of their committee here a moment ago—he probably would be able to answer that, but I am not able to answer it, because as far as their budget is concerned I want hands off.

Mr. MASCARA. Thank you, Judge.

The CHAIRMAN. The gentleman from Texas, Mr. Rodriguez.

OPENING STATEMENT OF HON. CIRO D. RODRIGUEZ

Mr. RODRIGUEZ. Thank you, Mr. Chairman.

Let me ask you—and I know I am a little naive, and I apologize to the other members, but one of the things that kind of concerns me—you indicated in terms of an increased capacity in denials—is there a process, you know—I gather, you know, because I had a particular—and I go back to kind of specific items—an individual that I had that finally has gotten some benefits, but in the process took a long time for it to occur. I am not a physician, but by looking at him, I knew that there was a serious problem there. Is there a set process that, you know, that automatically they get denied the first couple of times? Is that the way it works? And I apologize, because I don't know, but I gather that you automatically deny them initially——

Judge NEBEKER. Well, I know of no arbitrary bent, as far as VA is concerned in that regard. We only see the cases after they have gone through the administrative mill.

Mr. RODRIGUEZ. I understand that, but why would they, you know, force these individuals, that in some cases—like in this particular case it was so obvious that there was a problem, that they made him have to go through the mill of, you know, redoing, resubmitting, going to the doctor one time and again. I mean, that will create a problem from some of this backlog.

Judge NEBEKER. Oh, it definitely does, and particularly World War II veterans now are getting in the twilight. I don't know about how they handle those things at the VA level, because we are separate and apart from VA. We can't micro or macro manage VA. We can only decide the cases that are brought before us. We had one, here just this month, in which the appellant was I think 96 or 98 years of age and in failing health. We expedited that decision—the appeal—we expedited the appeal and issued an order very promptly after a hearing on the case in which we indicated to the Secretary that we were inclined to rule a certain way—we did not rule, but we were inclined to rule a certain way, and under the circumstances we gave the Secretary a short period to notify the court whether the Secretary was willing to entertain equitable relief. The Secretary has unreviewable equitable power, where there has been

an error made that he can correct, even if the system is intractable enough that it can't. It goes to him directly and he exercises personal discretion. We have yet to hear from the Secretary on that one. But, where there are these situations, our court does expedite consideration of the case when we are asked to do so.

Mr. RODRIGUEZ. Do you find any—on the data—do you find any disparity that maybe from certain regions you get people who are in tortuary type of situation versus where it might be a little bit harsher than in other sectors of the country?

Judge NEBEKER. No, we have no information——

Mr. RODRIGUEZ. You have no information——

Judge NEBEKER. No, no knowledge.

Mr. RODRIGUEZ. Oh, no knowledge about that?

Judge NEBEKER. No, no knowledge or information about it.

Mr. RODRIGUEZ. Is there a way of assessing that to see if they are being a little tougher in some areas and just automatically denying and they are causing them to have to go through the mill?

Judge NEBEKER. I should imagine the Secretary would be able to break it down in terms of the regions and what their track record is. We do not keep those figures at all. We are only concerned with the legal issues that are brought to us, not with the administrative problems, and whether the West Coast is more harsh on veterans' claims than the East Coast; that is not a matter of concern to the court.

Mr. RODRIGUEZ. Okay. The other thing is that in terms of the legal manners, I think the only concern that I have in the back of my mind is what has happened in other areas that when we have taken out the opportunity for the attorneys to participate—I know that a lot of these individuals would hate to go to attorneys, but in some cases they have no other recourse, and it is unfortunate that we have put them in those situations and the difficulties that they are encountering now with some of the insurance companies in the private sector where they don't have that avenue anymore and are finding themselves at the mercy of that particular insurance company, and I hope that we don't get to this point at this level. Thank you.

Mr. QUINN. Mr. Chairman, excuse me, would the gentleman yield with some time that remains, just for a follow-up question?

Judge, in the case that you just responded to Mr. Rodriguez about expediting, acting promptly with the 96-year-old—how long did all that take?

Judge NEBEKER. How long did it take?

Mr. QUINN. Yes, sir.

Judge NEBEKER. I don't have the docket sheet in front of me; I wish I did, but I didn't anticipate talking about the case. I don't know when the motion to expedite the case was filed, but typically it is going to take the Secretary the better part of 6 months or more to get the record on appeal together; that is the motions to extend——

Mr. QUINN. Excuse me, so that if you responded to the gentleman that you expedited, acted promptly, and still haven't heard back from the Secretary—in that one case, what is expedited and promptly? How long?

Judge NEBEKER. I think when we expedited it, it took us—just a moment, maybe Mr. Comeau has a specific answer.

Mr. COMEAU. The parties did, in response to the court's order about expediting that case, did come in yesterday with a joint motion. I signed-off on it and the widow was paid yesterday afternoon——

Mr. QUINN. So, all of that expediting promptly takes how long? That is great, by the way, but how long?

Mr. COMEAU. Probably within a couple of months at our level. In other words, the lawyers come in and at some point they realize that things need to move faster and so they move for expedited consideration.

Mr. QUINN. That is what I am trying to get at. So, a 96-year-old, at your level, took 2 months——

Mr. COMEAU. Something like that—we will fill in that information for the record.

[The information follows:]

On June 13, 1997, the appellant, a 97-year-old widow, appealed to this Court from a Board of Veterans' Appeals decision. On July 29, 1997, her attorney filed a motion to expedite the proceedings. On August 11, 1997, a judge of the Court granted the motion. By December 11, 1997, the record on appeal had been agreed upon and filed, and briefs had been filed by the parties. The case was evaluated and referred to a panel of judges on January 6, 1998. The Court heard oral argument on January 27, 1998. On February 11, 1998, the parties filed a joint motion to dismiss pursuant to a settlement agreement. That motion was granted the same day. The time in the Court, from notice of appeal to disposition, was 243 days.

The parties' settlement in Court provided for Dependency and Indemnity Compensation (DIC) retroactive to October 1, 1978 (the effective date of applicable legislation). On February 2, 1994, the appellant had submitted a claim for DIC. The VA regional office awarded DIC, but retroactive only to February 2, 1993. The appellant appealed from that decision to the Board of Veterans' Appeals, which decided against her on February 20, 1997. The time in the VA administrative system, from claim to Board denial, was 1,114 days.

Mr. QUINN. Thank you. So, at your level it took 2 months, but how many other months would be involved in here typically?

Judge NEBEKER. I think you are talking years.

Mr. COMEAU. It varies all over the lot, sir; really it does.

The CHAIRMAN. Bob, would you identify yourself for the record, please?

Mr. COMEAU I am Bob Comeau, the clerk of the court.

Mr. QUINN. Thank you, Bob.

The CHAIRMAN. The gentleman from Colorado, Mr. Schaefer, is recognized.

Mr. SCHAEFER. Thank you, Mr. Chairman.

I just have one question for the judge. We have talked about the number of denials and this type of thing. In 1995, you had about 1,200 cases per year on an average, and now all of the sudden in 1996 there was an increase of 27 percent, and in 1997, 38 percent. What do you attribute this dramatic increase to since 1995?

Judge NEBEKER. It is the aging of our World War II veterans, Korean veterans. The capacity of the Board of Veterans' Appeals to get to its backlog; they have increased their capacity substantially.

Mr. SCHAEFER. Okay, well are you saying that there aren't that many more cases filed? Are you finally getting into some pre-1995 ones, or what?

Judge NEBEKER. Yes, there are cases that have been at the VA for years, 2 or 3 years maybe. The Board has had thousands in backlog, unable to get to them. As they have increased their capacity, their staff, and their ability to act by single board member instead of two or three, they have produced far more decisions, grants, as well as denials, as well as remands back. And, so it is that increased capacity that has brought the onslaught of cases to us, where there have been final decisions and denials.

Mr. SCHAEFER. I thank the chairman.

The CHAIRMAN. Mr. Schaefer—Mr. Hutchinson.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

In reading your testimony, I believe there was 73 percent in fiscal year 1997 of the appellants were unrepresented, and then looking at the Board of Veterans' Appeals there were 15,000 denials in fiscal year 1997, from which your appeals arise. What is your affirmance record? What percent of the cases coming from the Board of Veterans' Appeals are simply affirmed?

Judge NEBEKER. The figures have changed, I think, recently. The number of cases in which we find error is substantially higher than I think in any other Federal court in the country. Mr. Comeau has got, I think, a breakdown of those figures available to him.

Mr. COMEAU. In our court, 31—in the last fiscal year, which is reasonably typical—31 percent of the cases washed-out for procedural reasons, never got to a decision on the merits, lack of jurisdiction, default, voluntary withdrawal, whatever. Of the remainder that went to termination on the merits, 39 percent of those the BVA decision was affirmed, 61 percent were affirmed in part—they were sent back for some reason, either all or part of the case was sent back to the VA; it was remanded.

Mr. HUTCHINSON. You might not have this statistic, but of the unrepresented appellants, are those by and large affirmed, those denials affirmed?

Mr. COMEAU. We have not kept those kinds of figures. I believe the pro bono, at least from their standpoint, keeps those kinds of figures.

Mr. HUTCHINSON. I practiced, to a limited extent, before coming to Congress, before the Court of Veterans Appeals and also the Board, and just to give you the benefit of my perception being an attorney in Arkansas. We have a high veterans population. Very, very few attorneys, probably less than five in Arkansas, have ever practiced before a court of veterans' appeals or actively do it; it might even be a shorter list than that. I can see good reason why they don't. You know, I handled a number of cases, but I don't think there was ever any money made, because of the stringent rules, the intimidation factor, and basically whether you hope to have a fee at some point or not, it winds up being pro bono. I did it because I thought the veteran needed some help, but it is really not a good system. It discourages attorney representation, at least in the rural areas, such as Arkansas. Maybe they all need to go to Washington, DC to get a lawyer, but I don't think that is a good system either.

You know, another observation is that it seems to me that you have a system that encourages veterans just to continue pursuing their case for year after year after year after year, and no one will

tell them it is not a good case. To me there is a problem here, and because there are so many cases being filed, unrepresented, and they pursue them, and they keep clogging up the system, that the meritorious cases have a much more difficult time ever being heard. And, Judge, I would just like you to respond to that. I mean, am I missing the mark, totally, on this?

Judge NEBEKER. No, sir; you haven't. I think it is a conscious policy to discourage lawyer representation at that level. Now, whether that is a policy choice or what, I don't know. I see that that is, in fact, the case, and true, there is not a lot of money in many of these cases, but there sometimes is. By the time the lawyers get into our court, even on a pro bono basis, we do have a substantial number who get fees under the Equal Access to Justice Act. Now that requires, one, that they prevail, and two, that the position of the Secretary was not substantially justified. There is a high rate of awards of EAJA fees in our court, but you are absolutely correct, it is not lawyer friendly at all, until the lawyers get to our court.

Mr. HUTCHINSON. Thank you, Judge.

The CHAIRMAN. Thank you. Mr. Reyes, that is a vote, second buzzer. If you have a real quick question, perhaps we can let the judge go and not have to come back.

OPENING STATEMENT OF HON. SILVESTRE REYES

Mr. REYES. Yes, just really quickly, and I wanted to apologize, but we have another—National Security is also in a hearing. I would just like to, on the one hand, associate myself with the comments of my colleagues here, because representing a veteran population of about 60,000 in El Paso, this is a very prevalent complaint that the veterans feel like they get chewed-up in the bureaucracy, and they feel like that the system is not user-friendly and it is not understanding in terms of the proportionate of what they are expected to do on their part. The issue of attorney representation is a very real one, because most attorneys simply don't want to touch it. There is nothing substantial in it for them, unless they have this pro bono interest in veterans' issues and affairs.

So, I would just like to ask, quickly, is there a recommendation—is there something we could be doing to address this very difficult issue with the bureaucracy?

Judge NEBEKER. I am ill-prepared to make a recommendation to that effect. My jurisdiction, my concern is so narrow by statute that I just don't have an opinion regarding what VA ought to do, or what you all ought to do, to move this system along. I did, about 3 years ago, address the structural problems within the VA at my State of the Court address, at one of our earlier judicial conferences. I would be very happy to make that public document available to you.

Mr. REYES. Okay, thank you.

[The information follows:]

CHIEF JUDGE NEBEKER:

It is traditional for the Chief Judge to give a state of the Court address. What I am about to say today is my own personal view. I do not purport to speak for my colleagues, who may or may not agree with everything I have to say.

In addition, what I am about to say applies both to the past and to the current administration of the Department of Veterans Affairs. I will speak to you about my

view of the state of the Court and the scope of authority within the veterans' benefits system.

Let us remember that Board mistakes and inconsistent results were deemed to warrant review and oversight on a case-by-case basis where the results were adverse to the claimants. Hence, the Court was created and began its operation five years ago today, or yesterday, the 16th. The reason that I remember that date is that it is also my wife's birthday. Each helps me to remember the other.

Before the advent of judicial review, the benefts system, as now, functioned in a two-tiered operation: agencies of original jurisdiction and the Board of Veterans' Appeals. Whether the former were within the direct chain of authority under the Board or acted as a separate surrogate to the Secretary seemed of no concern for many years. Now, I respectfully suggest, it is highly important.

The problem is not with the current statutory scheme, at least in theory, but relates to the statutory scheme in its actual implementation within the Department.

I am reminded of that line from Will Rogers, "All I know is what I read in the newspaper." An article last week in *The Washington Post* reported congressional enactment of a bill which would enable Gulf War veterans to receive compensation for "ailments that doctors have been unable to diagnose." The article noted that the Senate Veterans' Affairs Committee had initially thought such legislation unnecessary because, in the committee's view, the Secretary already had more than sufficient statutory authority to provide such compensation.

However, the article observed, the Senate acquiesced when it became clear that the Secretary would not act without specific legislation. In the words of Senator Rockefeller, the Senate Veterans' Affairs Committee was "forced to act on legislation to ensure that benefits would become a reality."

Five years of the Court's operation have demonstrated, at least in my view, that there is a vast gap between the theory and the practice of judicial review, and it is the gap which appears to be frustrating the original intent behind the enactment of the Veterans' Judicial Review Act and full implementation of the goals of meaningful judicial review.

Although Senator Rockefeller was speaking in a different context last week, his words may well apply to judicial review, and Congress may well be "forced to act on legislation to ensure that benefits," and, I interpolate, of judicial review, "would become a reality."

To apply the point to the goals of judicial review keep in mind one thing. In addition to being responsible for the overall control, direction, and management of the Department, the Secretary is responsible for deciding all questions of law and fact necessary to a decision by the Secretary under a law which affects the provision of benefits by the Secretary to veterans or the dependents or survivors of veterans. That, of course, is the familiar language from section 511(a) of title 38.

What does that say? Well, I guess it says "of the Secretary, by the Secretary, and for the Secretary," a bit Lincolnesque in its phrasing, but perhaps quite accurate. Although the Secretary may and has delegated authority for these decisions to the Undersecretary for Benefits, the Secretary remains ultimately responsible, and the Undersecretary is responsible to him for those decisions. In summary, therefore, the Secretary is one who is on the hook legally, if not factually.

Similarly, the responsibility and authority for deciding initial appeals is also a matter of statute. All questions in a matter which under section 511 of this title are subject to decision by the Secretary shall be subject to but one appeal to the Secretary. Final decisions of such appeals shall be made by the Board. And, of course, that's familiar language from section 7104(a) of title 38.

Under present law and a tried but true caveat that you can delegate your authority but you cannot delegate your responsibility, the Secretary bears the ultimate statutory responsibility both for agency of original jurisdiction operations, and decisions, as well as for BVA decisions. He may and has delegated the authority to carry out these functions to the VBA—the Veterans Benefits Administration—and to the Board, respectively. But the responsibility continues to rest with him. He is, in law at least, ubiquitous. He is the trial, the Department's appellate court, and the advocate before the Court of Veterans Appeals. He also just happens to be the downside party to each case in the Court.

Since the Court has the express power to affirm, modify, or reverse a decision of the Board, or to remand the matter, as appropriate, as well as "such assistance in the carrying out of the Court's lawful writ process, order or rule, decree or command, as is available to a court of the United States," it is indeed at least arguable, if not conclusive, that no additional legislation is required.

The past five years of the Court's operation, I believe, affords sufficient time and experience to give credibility to what I am about to recommend.

I ask that you join me in an exercise of our collective imagination. We will deal with a hypothetical situation, a political one. Imagine if you will the creation of a new government in a state of our union or one in the world of emerging nations. In that state, there is an executive and a supreme court and a court of appeals. At the local level, however, there are adjudicative bodies which initially resolve all disputes. But the constitution leaves the supreme court and the court of appeals with no direct authority over the local adjudicators.

It is only when the executive can be persuaded to issue the proper order that these local adjudicators must obey. Thus, the locals make determinations quite independent of the courts. They decide when and how they will decide matters before them.

I dare say none of you know a viable republican form of government with such a system, and it is not hard to see that it would not work well.

I believe my message is clear. There is, I suggest, no system with judicial review which has within it a component part free to function in its own way, in its own time, and with one message to those it disappoints: "Take an appeal."

That is, I am afraid, what we have today in many of the Department's agencies of original jurisdiction around the country. Neither the Court, through the Board, the Board, nor the General Counsel has direct and meaningful control over the agencies of original jurisdiction. Indeed, it is also clear that the VHA, the Veterans Health Administration, often ignores directives to provide specific medical opinions when they have been asked to do so. And this is resulting in unconscionable delays.

Let us examine judicial review. Remember, the Court and the Board do not make policy. The Secretary and the Congress make policy. The Court simply identifies error made below by a failure to adhere, in individual cases, to the Constitution, statutes, and the regulations themselves which reflect policy, a policy often freely ignored by many initial adjudicators whose attitude is, "I haven't been told by my boss to change. If you don't like it, appeal."

There is no question that a recommendation to place the Department's AOJs directly within the chain of authority, if adopted, would disrupt the status quo in those agencies.

I agree that, aside from the organizational change, training in a wholly different philosophy and method of operation will be necessary. Such change has been necessary for five years, and now many, including myself, see that the 1988 goal of judicial review is not complete. Too many of the Court's precedent opinions must focus on law clearly stated in statutes or regulations, but ignored below. Indeed, the rate of adjudication error is far too high for a healthy system.

Most importantly, though, these opinions should serve to guide future adjudications in similar cases. Why permit the initial adjudicators to ignore these decisions simply because their operational head ignores them and doesn't issue directives and provide training to follow them.

In the last five years, the Court has in various cases remanded matters to the Board with directions of one sort or another to bring about action at the regional office. Sometimes the Board, in its discretion, remands to the regional offices. There appears, however, to be no direct authority in the Board over the RO. Many ROs appear to do what they think they must when they get around to it.

In fact, recent examples show that attorneys in the General Counsel's staff, too, have little leverage to require cooperation when they attempt to obtain information concerning cases so they can meet their obligation to report to the Court on the status of particular cases.

The attitude in at least some of the ROs seems to be, "I don't care what the Court says the law is. I only care what my boss says it is."

Since the Secretary is before the Court in every appeal, it is possible for the Court, in the event it or the Board remands for RO action, to direct the Secretary independent of the Board to perform timely and complete RO action. Indeed, the Court has done so recently. But such a case-by-case approach does not solve the systemic problem created by a lack of contiguous chain of command.

To be sure, there are arguments to maintain the status quo. But I respectfully submit, one, that after five years of judicial review, they are not persuasive; they are quite defective and outmoded. And, two, I submit that they are nothing but an effort by those in particular positions to preserve administrative turf in a changed time. They are reflective of an institutional attitude which places the job, the position, first in the very government agency that by its history and policy is dedicated to putting veterans first.

I urge the Secretary and recommend that he use his authority to place the Department's agencies of original jurisdiction within the chain of authority established by law in order fully to effectuate the purpose of judicial review of decisions which

are adverse to claimants. Make them responsible for prompt compliance with remand directions issued by the BVA as addressed in 38 C.F.R. 19.38.

Section 511 of title 38 exempts proceedings before the Court from the statute's general preclusion of judicial review of actions by the Secretary. It is possible that amendment of section 511 to require that the Secretary comply with the Court's decisions in all adjudications and appeals would emphasize this duty.

While statutory authority already exists, perhaps as in the case of the benefits for veterans in the Gulf War, Congress may have to act. Given the unique nature of our situation and the Secretary's ubiquitous position, the Court should—could give serious consideration to directing all future remands to the Secretary, as opposed to the Board, for proceedings consistent with the opinion and fulfillment of his statutory responsibilities.

Then, of course, the Court, if it was forced to, could "compel action of the Secretary unlawfully withheld or unreasonably delayed." And that is, of course, the language from section 7261(a)(2) of the Veterans' Judicial Review Act.

Mr. Secretary, as an individual, you have devoted decades of your life to putting veterans first. Several years ago, then acting General Counsel Bob Coy likened the Department to an ocean liner being required to change course on the high seas. One thing is certain: The orders to change course, to follow the Court, must come from the captain of the ship, the Secretary himself.

I ask you, Mr. Secretary, to make unequivocal use of the power vested in your office to give that order, thus to ensure that precedent opinions are followed and that judgments in specific cases are met with full and prompt compliance—all of this, I submit, to the end of reinventing government.

Thank you. That concludes my State of the Court address, and it is now my duty and pleasure to recognize Judge Ivers for the next aspect of our program.

The CHAIRMAN. Judge, thank you very much. It is necessary for the committee to stand at recess until we complete this vote. Mr. Kennedy did you have a question for Judge Nebeker? Have you voted?

Mr. KENNEDY. No, I haven't.

The CHAIRMAN. Well, we'll have to; we don't have but a few minutes left. If you have a question, we will ask the judge to stay over.

Mr. KENNEDY. No.

The CHAIRMAN. All right, Judge, thank you very much, and we look forward to working with you on that other bill.

[Recess.]

The CHAIRMAN. The committee will please come to order. Our next witness is the Assistant Secretary of Labor for Veterans' Employment and Training, Mr. Al Borrego. Mr. Borrego is making his first appearance in his capacity as Assistant Secretary, a post for which he was confirmed last fall. However, he is no stranger to this committee and its hearings on veterans' and employment issues, and we welcome you this morning, Mr. Secretary. Your statement will be printed in its entirety in the record. If you would care to summarize, you may do so. We will proceed in any way you want.

STATEMENT OF ESPIRIDION "AL" BORREGO, ASSISTANT SECRETARY, VETERANS' EMPLOYMENT AND TRAINING SERVICE, U.S. DEPARTMENT OF LABOR

Mr. BORREGO. Thank you. Good morning, Mr. Chairman, Mr. Evans.

I appreciate the opportunity to present the fiscal year 1999 Department of Labor budget request for veterans' employment and training programs. Before I begin to discuss our budget request, I would like to say that it is a personal honor for me to be the first Assistant Secretary for Veterans' Employment and Training Service to come before this committee to present our funding in the context of a government-wide balanced budget submission. I want to

acknowledge the dedicated efforts of this committee, the Congress, and the administration for working together to achieve this important goal. I want to assure you that the employment and training needs of America's veterans will be well-served by our 1999 appropriations request.

Bipartisan congressional support for the needs of America's veterans in the civilian labor force, along with strong support from other government agencies and the Veterans' Service Organizations, has enabled us to achieve some notable successes. With our partners in the State employment agency, more than 510,000 veterans had found jobs when the program year ended on June 30, 1997. Of these, over 41,000 were veterans with some form of physical or psychological disability. Our overall placement rate was close to 25 percent of the just over 2 million veterans who registered for assistance. That compares very well to the non-veteran placement rate of just over 16 percent. That means we are continuing to meet our legislative mandate that veterans do better than non-veterans and receive priority of services. Helping veterans find quality jobs also means we are increasing our efforts to ensure that Federal contractors, the source of numerous employment opportunities, meet their lawful obligation to list their jobs with the Public Employment Service, and file their VETS 100 report describing their efforts to employ Vietnam era and special disabled veterans.

Our grants under JTPA IV–C to 12 States showed that 2,824 eligible veterans received services and 1,612, more than 57 percent, entered employment. Funding for the National Veterans' Training Institute allowed almost 2,600 veteran service providers to sharpen old skills and hone new ones. Under USERRA, VETS closed 1,261 cases, more than 80 percent of them within 90 days of the claim being filed. To better serve our customers, we developed a user-friendly computer program, now available on the Internet, which will explain the most common rights and responsibilities under USERRA. It can easily be found on VETS home page, which is part of the Labor Department's Internet address.

These are some of my agency's accomplishments, but I believe that this is not the time to rest on our successes; it is an opportunity to build on them, and that is what our 1999 fiscal year budget is designed to do. We used the requirements of the Government Performance Results Act to carefully examine where VETS is going as an agency, and how the changing needs of veterans fit into our strategic plans, program goals, and outcome measures.

Before I discuss the specific impact of our fiscal year 1999 budget request on VETS' ongoing program activities, I would like to present to this committee a dramatic new veterans employment initiative. President Clinton intends to introduce legislation that will increase funding for the educational entitlement programs of the Department of Veterans Affairs. The legislation will include reimbursement to VETS to support training and employment programs for older veterans, dislocated veteran workers, homeless veterans, and veterans on public assistance. The remainder of our appropriations request supports programs at funding levels comparable to our 1998 budget. Grants to States for DVOPs and LVERs total $157 million, the same as provided in fiscal year 1998. Seven point three million dollars is requested for JTPA IV–C

grants. Our request for $2.5 million for the Homeless Veterans' Reintegration Project will allow us to award and monitor up to 20 grants with service providers. We hope to serve about 4,000 homeless veterans and find jobs for about 2,200. Twenty-three point six million dollars is requested to pay the salaries and benefits of the 254 members of our staff. Two million dollars is requested for the continued funding of the National Veterans' Training Institute, so it can conduct more than 60 classes and train more than 1,400 service providers. Both of these funding requests are substantially unchanged from their 1998 levels.

Before I conclude my statement, I would like to discuss two agency initiatives, whose importance is not reflected in specific monetary outlays. Much of the work to achieve these goals will be accomplished by old-fashioned sweat equity on the part of both national office staff and field staff.

The first concerns our efforts to make sure that veterans don't miss out on the chance to move quickly into good jobs because of lengthy, extensive certifications and licensure requirements to qualify for the same job they did in the military. Making armed services training translate to the private sector work force is a key to one of Secretary Herman's goals for the Labor Department, that every American worker is provided with the assistance and tools needed to achieve success in today's job market, and in the job market of the 21st century.

The second initiative concerns section 4311 of USERRA. Section 4311 prohibits an employer from discriminating in employment or taking any adverse employment action against a person because of his or her past, present, or future military obligations.

I appreciate the opportunity to give this committee some of the highlights of the fiscal year 1999 budget request. I look forward to working with the committee on behalf of our Nation's veterans, and would be pleased to answer any questions that you might have.

[The prepared statement of Mr. Borrego appears on p. 106.]

The CHAIRMAN. Thank you, Mr. Secretary. Mr. Evans.

Mr. EVANS. Mr. Chairman, I have a number of questions I would like to submit for the record, and would ask that the answers and the questions be made part of the record.

The CHAIRMAN. Without objection, certainly.

(See pp. 229 and 249.)

The CHAIRMAN. Mr. Rodriguez, no questions?

Mr. Secretary, let me ask you—the President has proposed to transfer $100 million from Veterans' to Department of Labor to fund additional joint training partnership, backed—I believe it is under title IV–C.

Mr. BORREGO. Yes, sir.

The CHAIRMAN. This program is now funded at $7.3 million. Can you tell us, briefly, what IV–C does, and can you really effectively and wisely use that $100 million in the first year?

Mr. BORREGO. Yes, sir; our JTPA IV–C is the money that we get to provide training for veterans. In discussions I think what the Veterans Administration's—I think this arises out of our work with them and an understanding of the importance of employment for many of the veterans receiving veterans' benefits. We have those

e.g., the Montgomery GI bill, but the ultimate goal is job placement.

I was just over at the VA talking with them on Monday. We are in the process of putting together an interagency VA/VETS task force to take a look at structuring this. This would be money that we could place in every State, so that every State would have the opportunity to provide training for the veterans in that State. There is a lot of flexibility in the IV–C, and that is one of the reasons that the $100 million was put into the IV–C program.

The CHAIRMAN. Thank you, Mr. Secretary. We thank you for your appearance here today, and I apologize for the lack of members.

Our next panel: representatives of the *Independent Budget*, if you would come up please. Let me just say, while you are on your way up, that I am not apologizing, but there are three committees. I know that Armed Services and Agriculture and this committee's meeting, in addition to being on the floor. But I think it is inevitable that we are going to be forced into this kind of attendance, because we have fewer than 60 legislative days left in this year. So, scheduling is going to be near impossible, but we are trying the best we can.

The third panel consists of the four veterans' service organizations, who have prepared the *Independent Budget*. Gentleman, we appreciate the effort you have put into the preparation of this document and the cooperative spirit which this document represents. It is used—believe me, we use it, and we appreciate the work you have done.

Each of you may have 5 minutes, if you would, to explain your part of it, and we can proceed in any way you wish. Unless somebody wants to take the initiative, I will go down the list here, but does anybody want to start out?

STATEMENTS OF KENNETH STEADMAN, EXECUTIVE DIRECTOR, VETERANS OF FOREIGN WARS; GORDON MANSFIELD, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA; DAVID GORMAN, EXECUTIVE DIRECTOR, DISABLED AMERICAN VETERANS, AND CHUCK BURNS, NATIONAL SERVICE DIRECTOR, AMVETS

STATEMENT OF KENNETH STEADMAN

Mr. STEADMAN. Mr. Chairman, members of the committee, on behalf of the 58 organizations who make up the *Independent Budget*, we want to thank you for the opportunity to present our views. We would request our executive summary of the *Independent Budget* be placed in its entirety in the record.

The CHAIRMAN. Certainly will.

Mr. STEADMAN. I am Ken Steadman, the executive director of the VFW's Washington office. I am joined up here by the executive directors and the National Service Director of the foreign major veterans' organizations that comprise the *Independent Budget*.

On my far right, Mr. Gordon Mansfield, the executive director of the Paralyzed Veterans Association, on my left, Dave Gorman, the executive director of the Disabled American Veterans, Chuck Burns, next to me on the right, the National Service Director of

AMVETS. Mr. Chairman, with your approval, perhaps we could begin with testimony from Gordon Mansfield, PVAs executive director to address medical care and programs.

STATEMENT OF GORDON MANSFIELD

Mr. MANSFIELD. Mr. Chairman, and members of the committee it is a pleasure to be here this morning. I am Gordon Mansfield, the executive director of PVA. My primary focus today, will be to discuss the *Independent Budget's* view of the fiscal year 1999 budget for veterans' health care. I would like to submit a statement for the record.

The administration has proposed a VA health care appropriation of $17.028 billion, a decrease of $29 million over this year's level. Even including the estimated collection of third party receipts, total resources available for medical care are estimated to be $40 million less. Total outlays are estimated to be $140 million below this year's level. This would be the third year in a row that the appropriation will have been frozen at this level with no increases for the effects of inflation or to cover a needed new program, and this freeze is to continue over the next several years.

It comes at a time when the effects of VA reorganization have not yet been seen, whatever decreasing resources are being transferred under VERA, and it comes at a time when, under upcoming enrollment rules, the actual number of dollars available to a medical facility will determine which veterans get into a hospital. The freeze comes at a time when PVA members, and all veterans, are increasingly concerned about the protection of specialized services, such as spinal cord injury care.

The *Independent Budget* warned last year of the serious uncertainty in relying only on receipts from third-party payers to provide increases for health care support. The proposal undermines the traditional responsibility of the Federal Government as being the sole provider in caring for those who have defended this nation. Collections, historically, have been inconsistent. Insurance companies are not always willing partners responding to calls for reimbursement from the VA. Increasing numbers of sick and disabled veterans continue to need quality health care. Our question is, Who is going to be there to pay for it? The Congress, or Blue Cross and Blue Shield? Third-party reimbursements should be used to enhance appropriated dollars, not substitute for them.

The *Independent Budget* recommends that Congress appropriate $18.838 billion for VA medical care for fiscal year 1999. This figure represents a core appropriation of $18.178 billion, an amount that was carefully calculated to have the appropriation keep pace with inflation and meet the administration's own proposed workload-based targets. Only after these appropriated levels are met do we add in the third-party reimbursements to reach the $18.8 billion level that I mentioned earlier.

The third-party reimbursements are clearly earmarked in our proposal for needed improvements to the system—for the most part, enhanced long-term care services. The *Independent Budget's* position is that the administration's request is $1.1 billion less than our core appropriation and $1.8 billion less than the core appropriation with the reimbursement.

The administration has requested $60 million for the medical administration and miscellaneous operating expenses account. The *Independent Budget* recommends $66 million to add vitally-needed staff. Now is not the time to further reduce staff used to monitor and ensure quality of care throughout the system. The President has required VA to comply with the Health Care Consumer Bill of Rights. There is an ever-increasing need for comprehensive approaches to quality issues in the VA. MAMOE must be provided with the necessary resources. The committee must make quality a major issue during this Congress, including patient protections, guaranteeing access to services, confidentiality, and appropriate individual choice for veterans using the VA in changes to title 38.

We want to congratulate Chairman Stump and Representative Bill Thomas for making progress in developing a Medicare subvention proposal for the VA. This is a major initiative in the *Independent Budget*, and Mr. Chairman, we look forward to working with you on this proposal.

Finally, we are greatly concerned by the administration's proposal to deny service connection and health care to veterans for disabilities associated with addiction to tobacco. It is especially outrageous that the proposal would terminate providing service-connected benefits to certain veterans, and then only use a meager portion, $1.5 billion out of $17 billion, of these "savings" for veterans in programs that serve them. It is clearly indicative of the anti-veteran bias expressed in this budget proposal. We strongly urge the committee to reject this scheme.

We, likewise, call on the committee to exert its influence to see that the VA health care system can receive its just share in any settlement with the tobacco industry to help cover the dramatic cost of caring for tobacco related illnesses.

Mr. Chairman, as we have in the past, we are looking to you, this committee, and this Congress to set this veterans' budget back on the right track. We look forward to working with you and assisting you in every way possible to see that this is done.

That concludes my testimony. I would be happy to answer any questions that I can.

[The prepared statement of Mr. Mansfield appears on p. 119.]

The CHAIRMAN. Thank you, Gordon.

Mr. STEADMAN. Mr. Chairman, he will be followed by Mr. Dave Gorman, of the Disabled American Veterans.

The CHAIRMAN. Mr. Gorman.

STATEMENT OF DAVID GORMAN

Mr. GORMAN. Good morning, Mr. Chairman. My remarks today will focus on the DAV's primary area of responsibility of the *Independent Budget*, and the corresponding areas in the President's budget, that being benefit programs and general operating expenses.

The President's budget recommends a cost-of-living increase for compensation and dependency compensation to be effective December 1, 1998. Benefit rates must be adjusted annually to keep pace with the rise in the cost-of-living, and this proposal agrees with our recommendation in the *Independent Budget*. The President's budget recommends increases in the Montgomery GI bill and the Sur-

vivors and Dependents Educational Assistance Program. We also recommended increases for these programs in this year's *Independent Budget*.

The case for increased allowances in both is compelling in both programs. Although the law provides for automatic annual adjustments in the Montgomery GI bill, the adjustments have either been withheld or reduced in annual legislation over the years. We, therefore, recommend an increase sufficient to make up for the consequent erosion in the value of these benefits.

Congress once regularly adjusted the allowance rates for the Survivors' and the Dependents' Educational Assistance Program, commonly referred to as chapter 35. However, that program last saw an increase in 1989, over 9 years ago. Therefore, while the costs of higher education have continued to increase, the rates under chapter 35 have remained the same for nearly a decade.

Mr. Chairman, Congress should not only adjust the rate of the chapter 35 allowance to make up for the loss and value during this period, Congress should also change the law to provide for automatic annual adjustments in this benefit to keep if from continually eroding year after year.

On the subject of the necessity to regularly adjust benefit rates, let me also point out that the grants for specially-adapted housing and specially-equipped automobiles have, likewise, not been raised since 1988. Considering the substantial rise in real estate and construction costs, over this 10-year period, there is little question what the effect of this has been on disabled veterans. The current $38,000 grant is only a fraction of the cost of specially-adapted housing today. Similarly, the current $5,500 grant for specially-equipped automobiles is also insufficient. Historically, the allowance was initially intended to cover the full cost of an automobile. Today's grant represents but 25 percent of the average cost of a new automobile, without the special equipment. We urge you to make appropriate adjustments in these grants, and to provide for future automatic annual adjustments.

Mr. Chairman, going back to the Montgomery GI bill and chapter 35 programs for a moment, let me say, as pleased as we are that the President's budget recognizes the need for increases, we are, at the same time, extremely disappointed that the President's budget holds these meritorious raises hostage to a change in law to prohibit service connection for tobacco-related illnesses. This, Mr. Chairman, is one of the most disturbing proposals in the President's budget, and we strongly oppose it. In the *Independent Budget*, and in my prepared statement, we have discussed that for several reasons this proposal is unfair, in our judgment. Here, I would just point out that VA is the only Government agency that would penalize customers, that being veterans, and the victims of the addictive and harmful effects of tobacco use.

A necessary premise of liability of the tobacco companies to the Government is that, because the tobacco companies concealed the addictive and injurious properties of tobacco, they are responsible for the adverse effects on the population, not the smokers themselves. Yet, the President, Mr. Chairman, would blame veterans, and hold them personally responsible, unlike the rest of the general

public. This abruptly reverses VA policy, which previously has held that tobacco use is not deemed willful misconduct.

Even more objectionable, I think, is that only $1.5 billion of the proposed $17 billion in savings would be invested back into veterans' programs. Let me repeat that, Mr. Chairman: of the $17 billion in savings, but $1.5 billion would be put back into veterans' programs. Obviously, the administration has other agendas in mind for this money, and veterans do not appear on their agenda.

We urge you to reject this proposal, Mr. Chairman. Foremost, because it is without merit, but also because the administration would unscrupulously sacrifice veterans' programs for some other motive. That the President's budget would divert funds away from veterans' benefits and services is only one indicator of the lack of appreciation for the priority and the needs of veterans' programs.

Again, we are extremely disappointed at the recommended funding and staffing levels for the Veterans Benefits Administration. To keep and get the claims of backlog under control, staffing levels for the compensation service need to be increased substantially, by 500, at least. The new training and transition for re-engineered work processes VA is undertaking require a short-term increase in human resources to attain long-term quality improvements and increased efficiencies. To maintain an acceptable level of services in the other benefit programs, Mr. Chairman, staffing levels should be maintained at fiscal year 1998 levels. The President's budget requests only 7 FTE—7 more FTE for the C&P service, and proposes to reduce other VBA staffing by 132. For the reasons I have stated, Mr. Chairman, this is inadequate.

That concludes my statement, Mr. Chairman. I would be glad to try to respond to any questions that you may have at a later time.

[The prepared statement of Mr. Gorman appears on p. 125.]

The CHAIRMAN. Thank you, David.

STATEMENT OF KENNETH STEADMAN

Mr. STEADMAN. Mr. Chairman, members of the committee, the VFW is proud to be a co-author of the *Independent Budget*. Our contribution lies in the construction portion. In my prepared testimony, I outlined a number of the VFWs special concerns for health care for the budget and for smoking, and I will omit those to my written statement in the interest of time, and move directly to the construction projects, if I may.

More VA construction—most VA construction activities are funded through the major construction appropriation, or the minor construction appropriation, a third appropriation finances the Parking Garage Revolving Fund. Veterans Health Administration construction accounts for most expenditures falling within these three appropriations. VA also provides grants for constructing State extended-care facilities and State veterans' cemeteries.

The creation of the VA's Veterans' Integrated Service Network, the VISN system, comes at a time when congressional appropriations for major and minor construction will be minimal. As VISNs reconfigure programs and shift resources in an effort to integrate networks efficiently, the risk of local shortages and service capacity increases. We recommend that network directors be given the authority and flexibility to alter their priority lists of proposed major

construction projects without fear of losing construction dollars. Network directors must also develop 5-year construction plans, taking into consideration the impact on capital requirements of mission changes, the Veterans' Equitable Resource Allocation, and, of course, eligibility reform.

We believe that VA's construction program must emphasize expanding primary care access, making facilities more modern and attractive, and increasing long-term care capacity in non-institutional and institutional settings. The need for enhanced outpatient and extended-care facilities and infrastructure improvements has replaced the need for additional hospital beds. Unfortunately, many renovation projects are threatened because cost will exceed the minor construction project ceiling of $4 million. Therefore, the *Independent Budget* recommends that the minor construction cost ceiling be adjusted annually, using an inflation-adjusted matrix, so funding shortfalls due solely to inflation do not continue to occur.

We also ask the committee to urge the Appropriations Committee to provide the remaining $20 million required to complete the 100-bed Tampa, Florida Replacement Spinal Cord Injury Center. This committee has supported that endeavor, and has helped to get the $26 million that has already been spent on the project. It should not suffer any further delays.

The Enhanced Use Leasing Program seems to be an extremely useful asset management tool. It allows VA to acquire needed facilities, goods and services, that would otherwise be unavailable or not affordable. We recommend that Congress make the Enhanced Use Leasing Program permanent. We also recommend that VA require all such leasing projects to fully comply with the stated mission, and, therefore, benefit veterans by improving both access to and the quality of patient care.

Additional community-based outpatient clinics are needed to reach veterans, who would otherwise travel long distances to obtain VA health care. VHA must ensure that eligible veterans have equal access to timely, quality health care throughout the nation.

Thank you, sir.

[The prepared statement of Mr. Steadman appears on p. 132.]

The CHAIRMAN. Thank you, Ken.

STATEMENT OF CHUCK BURNS

Mr. BURNS. Mr. Chairman, my name is Chuck Burns. I am the national service director for AMVETS. We appreciate the opportunity to be here this morning.

We will focus on our area of concern, the National Cemetery System. We feel that, despite the continuing high standard of service rendered by NCS and the administration's proposal for an $8 million increase in budget authority for fiscal year 1999, we feel the system has been, and continues to be, underfunded.

Since 1973, the annual burial rate within the NCS has almost doubled to 73,000. Most World War II veterans are in their mid-seventies now; even us Vietnam veterans, the average age is now 50; none of us is getting any younger. The overall projected veterans' death rate is expected to peak in the year 2008 with more than 620,000 deaths. Already, as is well-known, the average monthly death rate of World War II veterans is 36,000. And, even

with the projected completion of new cemetery projects in Chicago, Cleveland, Albany, Seattle, and Dallas-Fort Worth, and the projected expansion of six other existing cemeteries, NCS will be hard-pressed to meet the demands—meet the growing demand for space. We join with this committee in encouraging the administration to consider adding even more cemeteries to meet the growing demand for burial in a national cemetery.

Historically, only about 10 percent of eligible veterans opt for interment in an NCS facility. Despite this seemingly low demand rate, if funding is not forthcoming for new acquisitions and development of existing land, the legal entitlement will be an empty promise, as veterans are denied access based on non-availability. A truly National Cemetery System must have the unqualified budgetary support of both the Executive and Legislative branches to ensure that all eligible veterans, who so choose, have the right to interment is a national cemetery. We repeat our call for a national cemetery, or State supported cemetery within 75 miles of 75 percent of the veteran population.

National Cemetery System is faced with a number of serious challenges, not the least of which being chronic underfunding. It is the most serious and presents the greatest challenge. Some of the other areas of concern, again, include the inadequate burial space. We would recommend that Congress ensure that adequate burial space be available for all eligible veterans and their families who desire burial in a national cemetery. Funding for the State Grant Program must be adequate to cover all State funding requests.

Additionally, we recognize the need for dignified burials for deceased veterans. Citing budgetary constraints, the military services have not been providing Honor Guard for veterans' funerals beyond the single representative of the Department of Defense, who presents the flag to the deceased veteran's family. We feel that this denial of appropriate honors is particularly shameful during this time when so many World War II veterans are being buried in a national cemetery.

We would recommend that Congress enact legislation guaranteeing all veterans being buried in national cemeteries receive appropriate military honors. Further, Congress should direct a transfer of funding from the Department of Defense to VA that would be sufficient for VA to contract for these appropriate services.

Lastly, regarding Quantico National Cemetery, originally opened in 1983, it was viewed as the alternative site for burial for Arlington National Cemetery. Presently, less than 6 percent of Quantico's 790 acres have been developed for burial. Because of its large inventory of available, yet undeveloped land, Quantico holds the potential of becoming the largest of all the national cemeteries. We would recommend that VA develop, and Congress support, an aggressive marketing strategy and major construction plan to make Quantico National Cemetery a desirable and well-utilized alternative to burial in Arlington.

Obviously, any remarks on our National Cemetery System cannot be finished without focusing, without making mention of Arlington. Mr. Chairman, your earlier announcement this morning regarding introduction of your legislation to tighten regulations for

Arlington burials is most welcome, and we look forward to reviewing your legislation when it is available to us.

We would urge the Congress, and we did so in the *Independent Budget*, to enact legislation that would require all waivers for burial be subject to an apolitical uniform process that ensures objectivity, and guarantees the integrity of current regulations regarding burial in Arlington.

Our recommendations to ensure the integrity of the National Cemetery System for fiscal year 1999 cost out at approximately $99.9 million, an increase of $13 million in budget authority over fiscal year 1998, and includes the cost for our recommendation of an additional 275 full-time employee equivalents to meet current and future staffing needs.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you, or any of the members of the committee, may have.

[The prepared statement of Mr. Burns appears on p. 135.]

Mr. MANSFIELD. Mr. Chairman, also we would like to recognize Mr. Robert Carbonneau, executive director of AMVETS, who is not here with us today. He has served as the chairman of the policy committee and its budget project for this year's effort. He has been a firm, yet fair leader, in guiding us to the production of this *Independent Budget* proposal.

The CHAIRMAN. Thank you, Mr. Mansfield.

Several of you have mentioned the Arlington Cemetery, and that bill will be introduced today. We invite you to take a copy of the draft before you leave here. We intend to act on that very soon, and we welcome your input.

As far as Arlington itself, we are in the process of looking at some surrounding land that we may be able to tie up for future expansion of Arlington, but on a restricted basis. For other veterans, I think that Quantico is about the closest one around here.

The Chair recognizes the ranking member Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman. I want to thank the panel for the excellent testimony that they have given us this morning. It is a valuable service as we look at the budget to have your recommendations. I know many of us are concerned about the VA not going after their fair share of the tobacco settlement money, and the other issue of cutting off veterans who were addicted to tobacco when they were in the armed forces and now they are suffering as disabled veterans at this point. So, we thank you very much for your information.

I am going to ask that my questions be enterod into the record and that the responses to those questions be made part of the record.

(See pp. 260 and 266.)

Mr. EVANS. And I will supply you with one question that deals with a section of the larger budget, a bill that came out regarding the relationship between DOD's budget and the VA's budget, and I would like that question answered as well in the record.

Mr. MANSFIELD. I could answer that one right now, and say no.

The CHAIRMAN. Thank you.

Mr. EVANS. You're referring to page 154?

Yes, sir.

Mr. MANSFIELD. The answer from PVA is no.

The CHAIRMAN. Mr. Peterson, we are up to you, if you would like to ask a question before you leave?

Mr. PETERSON. No; I am going to the agriculture committee.

The CHAIRMAN. All right, sir. The Chair recognizes the gentleman from Louisiana, Dr. Cooksey.

OPENING STATEMENT OF HON. JOHN COOKSEY

Mr. COOKSEY. Thank you, Mr. Chairman.

We are always glad to have all of you here today to make your presentations, and I hope that we are able to fund you as fully this year as we did last year. I understand there has been some concern about the committee not being tenacious enough on the tobacco settlement. We had two or three meetings last week, and I chaired the meeting, this meeting last week, because everyone else was at another meeting; they were worried about Saddam Hussein. And I stated this position then; I feel that—I am a physician you know, and I think that two of the biggest problems in this country today are tobacco and trial lawyers. I think this whole tobacco settlement is a farce, and I think there are too many people putting too much—setting their expectations too high that we are going to get all this money out of the tobacco industry. All that comes from the tobacco industry is going to be coming from insurance companies, and if it comes from insurance companies, who pays insurance premiums? We pay insurance premiums. So, it is just recirculating the money, and you know, as usual, the trial lawyers get an obscene portion of it. I think that cigarette smoking is devastating. I know it is devastating.

I am an eye surgeon; I did general practice before I did eye surgery, but my patients, before I got this day job, as I call it, were our elderly patients. And I have a lot of old patients. I have patients—I operated on a man 2 years ago that was 113; he is 115 now, but I don't see any 90-year-olds who are smokers or overweight. They just don't exist; they have already been buried.

Smoking is absolutely devastating. But, since 1964, there has been a warning message on cigarette packages that smoking was bad for you, and people should not smoke. I drive a car too fast; I'm willing to pay a price for that—I actually already have, but I will do it again. But, when you do something like that, you have got to accept some responsibility for doing dumb things like driving cars too fast sometimes and smoking. And, I just don't think that we can expect to solve all the funding problems for VA with a tobacco settlement.

I feel very strongly that this Nation owes a great debt and a great responsibility to all veterans, and I think that we need to fund the Veterans Administration with real dollars from this—from the taxpayers of this country and don't put the whole budget up on some questionable settlement.

Thank you, Mr. Chairman.

Mr. GORMAN. If I could respond, Mr. Chairman?

The CHAIRMAN. Yes, just briefly, because I think it is an issue that can go on for a long time.

Mr. GORMAN. I think we can all agree that the tobacco industry for sure will not fund veterans' programs, because not anything is

going into veterans' programs from this tobacco settlement with the exception of that small amount of—not from the tobacco settlement itself, but from the withholding of service connection.

But the issue of addiction and the issue of veterans being treated on a parity with the rest of the population, it is not the tobacco settlement per se that rises or raises so much ire in at least the DAV's position; it's the way the administration is taking one cohort of citizen, that being those who—whether they do or they don't, and that remains to be seen—benefit from the outcome of any tobacco settlement that ever is agreed to or reached, but they take the general public and say it is going to be good enough for you because the tobacco industries have been these bad people all these years; they have concealed, they have misled, all those kinds of things. So, we are going to take care of paying back the health care costs to the States and the individuals to address the very issues you are raising.

But, on the other hand, when you look at it, what do veterans get out of this? It is not that the veterans are holding themselves out like we should get something out of it, but what is being taken away. Veterans are being penalized for the mere fact that they are veterans, and that is where we draw the line. Although—and you get into the minutiae of all of this, I think the issue—but the fact of the matter that, perhaps warning labels appeared on cigarettes as early as the mid-1960's, but if you were in Vietnam in the late 1960's, as I was, Gordon was, and many others in this room were, those labels didn't appear on any cigarettes that we received.

So, there is an addiction issue; there is also treating two groups of citizens differently and disparately, and in this case, it is veterans that are getting, not only the short end of the stick, they are not getting any of the stick. And, they are being penalized for the mere fact of being veterans. That is where we take the exception, because on the one hand you have a philosophical view that the tobacco settlement—again, if it ever is reached, should do this—you also have a brand-new philosophical view from the same administration that says, but we are not going to do it for these veterans. We are going to penalize them for the very behavior that we are now holding a third party, being the tobacco industry, responsible for. That is where, at least from DAV's perspective, that is where the inequity lies.

Mr. COOKSEY. I accept that point. But, I think there are too many people expecting to get this great tobacco settlement, and I think this administration is planning half of their budget on the tobacco settlement, which may not ever materialize. It may, I don't know.

The CHAIRMAN. Thank you, doctor. Mr. Evans, any other comment?

There is going to be a fight on the tobacco question or issue. There is no question about it. I would simply say that I don't know of any other American that is being compensated, other than this proposal to compensate veterans. And, it is going to be a tough decision, whether the American people are going to be willing to accept compensation for any tobacco-related illness, which in fact could be probably construed to almost any illness now, if you smoked long enough. But those are some fights we are going to

have to face and decisions we are going to have to make. You can rest assured, as we have in the past, we are going to increase this budget that has been proposed by the administration. We have in the past, and we certainly will now.

Mr. Mansfield, did you have any——

Mr. MANSFIELD. Just a comment and maybe a question. You mentioned that you don't know anybody else that is being compensated. You might ask your counsel to check and see if individual American citizens who are disabled by reason of tobacco-related diseases are receiving social security disability income or SSI.

The CHAIRMAN. I will check into that. Any additional comments?

Mr. GORMAN. Could I make one, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. GORMAN. I don't want to hold anything up——

The CHAIRMAN. That is all right.

Mr. GORMAN. The issue was raised of the so called page 154 in the budget document that comes out of the big budget book, not the VA section, but the Federal budget itself, and titled accurately "recognizing and reporting veterans' benefits,' and it is very distasteful, in my opinion anyway—the statement about how they treat—how the Government should treat veterans' issues. But, there is one particularly offensive statement in here, and this is the administration's document, and it says: "without defense," meaning the Department of Defense, "veterans' programs would not exist." I don't think any of us have ever used as an incentive to go into the military that we would want to take advantage of the VA's disability compensation program some years later.

And, I would say that, without veterans, we probably would not be sitting here discussing these very issues today, nor would the country be enjoying the prosperity that it is enjoying today, or the freedoms it is enjoying. So, it is an offensive statement to me, personally. It is to the Disabled American Veterans and the million members of my organization that have gone off to war and lost life, limb, and sometimes minds—or, the ultimate sacrifice—in defense of this country. I just wanted to make that point.

The CHAIRMAN. Mr. Gorman, I am sure this committee agrees with you, and that certainly was not a motivation, in my opinion, for anyone that ever went into the service, so that he could get those benefits. Dr. Cooksey?

Mr. COOKSEY. I agree with you. I was in the Air Force in 1967, 1968, and 1969, and there was a war going on, and I agree with you. Where was that statement? I would like to see it.

Mr. MANSFIELD. Page 154, it's in the entire Federal budget. I am not sure of the document's title. I would be more than happy to give you a—or print you a copy.

Mr. COOKSEY. Sure.

Mr. STEADMAN. Mr. Chairman, if I may speak for the *Independent Budget*, we certainly applaud your statement with respect to providing an adequate budget for veterans.

The CHAIRMAN. Thank you. No further comments?

Gentlemen, thank you, very much. If we could have the fourth panel, please.

Good morning, our fourth, and final panel consists of Carroll Williams, American Legion, and Larry Rhea of the NCOA, testifying on behalf of the Military Veterans' Alliance.

Gentlemen, we appreciate you waiting, and we appreciate your work. You are recognized to proceed in anyway you see fit.

STATEMENT OF CARROLL WILLIAMS, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION; LARRY RHEA, NON COMMISSIONED OFFICERS ASSOCIATION, ON BEHALF OF THE NATIONAL MILITARY VETERANS ALLIANCE

STATEMENT OF CARROLL WILLIAMS

Mr. WILLIAMS. Thank you very much, Mr. Chairman. I would like to wish you and this committee a pleasant morning, and I would also like to inform you that it is a pleasure to be present this morning to present the American Legion's views on the President's proposed fiscal year 1999 budget for the Department of Veterans Affairs.

In the American Legion's judgment, the proposal includes some recommendations that agreeably exceed our expectations and our recommendations that—there are other recommendations that failed to meet certain basic requirements. The American Legion presents is fiscal year 1999 budget recommendations for key VA programs in its prepared testimony.

Mr. Chairman, the American Legion is supportive of the re-engineering efforts currently underway within the Veterans Health Administration, and the Veterans Benefits Administration. With many of the objectives already attained or in progress, these and future changes will greatly benefit the Department and its beneficiaries. However, the Department will not be able to achieve all of its objectives solely through the re-engineering process. A consistently reliable level of funding and staffing is needed to ultimately make the VA modernization efforts successful.

Over the past 3 years, the Veterans Health Administration has been evaluating and reinventing the way it provides services to maximize limited dollars and resources. The VHA is in the second year of its 5-year 30–20–10 plan. The American Legion closely monitors the impact of the recent changes within VHA. We are aware of both progresses and problems.

Mr. Chairman, there is a great amount of uncertainty over how the Veterans Health Administration will deliver health care in the year 2002 and beyond. The American Legion is concerned the VHA could reduce its core programs and services too much in its zeal to become more cost-efficient. The recent VHA Office of Medical Inspector Report on two New York medical centers, primarily Montrose and Castle Point, is a testimony to how reality sometimes conflicts with the preferred outcome. The Veterans' Equitable Resource Allocation, or VERA, model is an attempt to provide fair and consistent access to care throughout the VHA system. However, regardless of how the medical care budget is distributed, the annual budget allocations do not adequately cover unavoidable medical care cost increases and inflation.

In brief, the American Legion believes the VHA system requires further reform and needs to establish specific interim objectives, as well as identify the ultimate goal of its strategic plan. As this committee is aware of, the American Legion offers the GI Bill of Health as a workable solution to preserving and improving the Veterans Health Administration well into the 21st century. And, we look forward to this committee holding timely hearings on this proposal.

Mr. Chairman, for a variety of reasons, the American Legion does not share the administration's views or conclusions concerning tobacco-related illness claims. Regardless of whether the estimates of the potential number of claims and benefits costs involved are reasonably accurate, or overstated, the solution to the Veterans Benefits Administration funding dilemma should not be predicated on the arbitrary elimination of the benefit or a failure to make an adequate request for resources.

The American Legion is strongly opposed to the legislation currently pending to prohibit any future tobacco-related claims as being fundamentally unfair to veterans who become ill or die of an illness related to their military service. The American Legion is also adamantly opposed to the principles of taking away those benefits earned by one group of veterans to fund benefits for other veterans.

Mr. Chairman, the American Legion urges the administration and the Congress to protect veterans and the current VA disability and medical benefits by pursuing a comprehensive Federal settlement with the tobacco companies.

Mr. Chairman, in summary, the Department of Veterans Affairs promises to improve the timeliness and quality of services of both the Veterans Health Administration and the Veterans Benefits Administration with vastly fewer resources. Based on the fiscal year 1999 budget request for medical care and the benefit claims program, as well as future year projections, it is undetermined whether the VA will be able to deliver on its promises.

Mr. Chairman, that completes my statement, and I will be glad to answer any questions that you may see fit to ask. Thank you, very much, sir.

[The prepared statement of Mr. Williams appears on p. 139.]

The CHAIRMAN. Thank you, Mr. Williams. Mr. Rhea.

STATEMENT OF LARRY RHEA

Mr. RHEA. Thank you very much, Mr. Chairman. Good morning. I am Larry Rhea of the Non Commissioned Officers Association, and I am pleased to present testimony this morning on the fiscal year 1999 VA budget on behalf of the National Military and Veterans Alliance.

The Alliance is composed of nationally-prominent military and veterans' organizations that collectively represent more than 3 million members of the seven uniformed services. That includes officers and enlisted individuals, people on active duty, people serving in the National Guard and Reserve, retirees, veterans, plus their families and survivors.

In our prepared testimony, Mr. Chairman, the alliance mentioned several areas of this budget that we support; for example, the cost-of-living adjustment, the 10 percent increase in medical re-

search. We are pleased that the administration is, again, backing the idea of Medicare subvention, and we are greatly appreciative for the activation money for the four national cemeteries in Chicago, Dallas, Saratoga-New York, and Cleveland-Ohio.

The Alliance does, however, have several areas of concern and outright objection in this budget. We, like others, are concerned that the administration is placing too much reliance on third-party recoveries for veterans' health care. We, like others, believe that VA should be allowed to collect and retain third-party reimbursements, with that money being used to improve the delivery of health care to veterans. Collecting reimbursements, and then offsetting appropriations in an equal or near equal amount, is a zero- or negative-sum proposition. It is a shell game that will never allow VA to make up the ground lost in earlier budgetary cycles.

While the $92 million in fiscal year 1999 for the National Cemetery System represents an $8 million increase over the fiscal year 1998 level, this budget proposal does not address at all the long-standing and growing list of requirements for maintenance and equipment replacement. This committee is aware of that backlog in this area confronting the National Cemetery System, and the Alliance is hopeful that this will be the year that we start to address this problem.

When one looks at VA's intentions, beyond opening the four cemeteries I mentioned earlier, there are no plans for the National Cemetery System. Yet, even with the addition of those four new cemeteries, the system is not adequate to meet the burial needs of the World War II population alone. When this area of the budget was briefed, the VA briefer stated that they have adopted a wait-and-see attitude. Wait and see in this area, Mr. Chairman, is not good enough. A properly-funded plan needs to be in place that will accommodate future requirements—a plan that includes the National Cemetery System, complimented by the States' Veteran Cemetery Program. It appears, though, that VA wants the State Cemetery Grants Program to ultimately take over what should be part of the National Cemetery System.

The Alliance was pleasantly surprised with the proposal for a 20 percent increase in the education benefit for the Montgomery GI bill. That elation turned to disappointment, and then to anger and frustration, when we learned of the conditions attached. I will remind the chairman and the members of this committee that in last year's budget debate, and in the Balanced Budget Act, the veterans' education benefit was completely ignored, even though more than $100 billion in combined increases and tax incentives for non-veteran education was approved.

I would respectfully suggest to the chairman and the committee, that if Congress can find $100 billion, as was done last year and another $26 billion, as is proposed this year for non-veteran education, then the Alliance believes that Congress can find, and has the moral obligation to do so, a substantial increase to the Montgomery GI bill benefit, and do so without any conditions or strings attached.

The Alliance is opposed, like everyone else here this morning, to disallowing compensation benefits for tobacco-related illnesses. The Alliance believes, quite frankly, that VA is making this an issue

where one might not exist. According to VA, the very integrity of their system is at stake on this one issue. If that is the case, Mr. Chairman, if their integrity is at issue on smoking, they would have moved a long, long time ago to discontinue some of the practices that they still do. Somehow, VA does not object to spending massive amounts of money on alcoholics, drug addicts, and veterans with AIDS, but somehow now a veteran who smoked is a threat to their otherwise pristine system.

And the alliance believes that the evidence is more persuasive to establish service connections for some tobacco-related illnesses and for some veterans than for any or all of the aforementioned conditions. In the strongest possible terms, Mr. Chairman, the Alliance urges you to reject the administration's proposal.

The Alliance is also opposed to the $25 fee on the VA program. Because, here again, that represents another chipping away at a benefit that does absolutely nothing to add value to the home loan program.

Perhaps one of the most interesting proposals with long-term implications in the administration's budget is in the DOD portion regarding the current budgetary treatment of veterans' programs. In a measure that the administration claims will more accurately measure the true cost of national defense and better serve veterans, they want to create an accrual accounting program for VA benefits in the military personnel accounts of DOD.

Mr. Chairman, this proposal could seriously diminish the value of regular military compensation. Additionally, it would vest funding responsibility in an agency that has no requirement to provide services. DOD does not have responsibility for VA programs, and the Alliance does not believe that veterans would be afforded the priority and the advocacy they deserve. The alliance would support accrual accounting and funding of VA programs within the VA budget. VA is the appropriate place to address this initiative, not DOD.

In conclusion, Mr. Chairman, Mr. Evans had it right in his opening remarks. We simply believe that this committee has an obligation to advocate funding for veterans' programs and benefits without linking any increases to additional fees, conditioning increases to outside sources, or repeal of the tobacco payment authority. We believe that we can do better for veterans, and that veterans have earned more than the uncertainty and the questionable things that this budget offers.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rhea appears on p. 150.]

The CHAIRMAN. Thank you. Mr. Evans had some questions that he wanted to submit for the record, if you would, please.

(See pp. 260 and 266.)

The CHAIRMAN. And, let me assure you this committee shares your frustrations over the shortcoming in the administration's budget request. We expressed our disappointment to the Secretary the other day on the lack of effort, I think, in collecting third-party collections, and whether it was anticipated, whether it was a case of over-projecting, or whether it was a case of not being diligent enough, and that we will resist any attempt to try to offset this budget with those funds. That was not the purpose of us seeking

that third-party collection and being able to retain it, and we are going to fight it.

I guess, since I am the only one here, I have no more questions. I thank you, gentlemen, for waiting, and look forward to working with you, and thank all of you for all of the effort you have put in.

[Whereupon, at 11:20 a.m., the committee adjourned subject to the call of the Chair.]

APPENDIX

STATEMENT OF HONORABLE LANE EVANS
RANKING DEMOCRATIC MEMBER
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

OPENING STATEMENT
ADMINISTRATION BUDGET REQUEST FOR FY 1999

FEBRUARY 4, 1998

I am very pleased to welcome the Honorable Togo D. West, Jr., the Acting Secretary of Veterans Affairs, and the employees of the Department who are accompanying him. We look forward to your presentation and the information which you will provide us on the Administration's proposed fiscal year 1999 budget for veterans' benefits and services.

Because we have had so little time to review the Administration's budget, I am certain we will have additional questions after we further examine this proposal. All of us will appreciate the Department responding promptly to the questions we will be forwarding to you after today's hearing.

In some respects the proposed budget is very commendable. It is, however, equally troublesome in other respects.

In recognition of our veterans honorable service to our nation, over the years Congress has established a number of veterans benefits and services. These important programs have historically been funded by federal taxpayer dollars -- authorized and then appropriated by Congress. In the past, these programs have generally been adequately and appropriately funded and, in several important accounts, the Administration's proposed FY 1999 budget continues this support.

In recent years, however, there has been an erosion of this historical commitment to funding veterans programs. This budget accelerates this erosion.

I am very pleased to see a long, overdue benefit increase for the Montgomery GI Bill education program as well as for the Survivors' and

Dependents' Education program. The real value of these programs has been eroding for years, and the needs of our veteran students have been ignored for too long.

I am also very troubled, however, by the Administration's apparent linkage between the increase in VA educational benefits and enactment of legislation by Congress to repeal existing authority to provide compensation for tobacco-related disabilities. I strongly believe that if we in Congress approve this legislation, we will be breaking faith with America's veterans -- and establishing a frightening precedent. I must also wonder what benefit repeal will Congress next be called on to enact? Which veterans or dependents will next be called on to forego current benefits?

The benefit increases included in the Administration's proposed budget are the right thing to do – and because our veterans have earned these benefits through their service to America, these programs should be directly funded – no gimmicks, no strings attached.

For veterans health care, the Administration proposes to provide higher quality care to more veterans with a smaller appropriation. What we saw last year -- and what we are witnessing again today -- is a dramatic and disturbing change in the philosophy related to funding for veterans' medical care. It remains risky for VA to assume that nonappropriated revenue will fully provide the funds not appropriated to meet the VA health care system's needs. Third-party reimbursements are eroding and no authorization for VA to collect and retain Medicare funding exists. Yet this is the source of funding that VA is depending on in lieu of appropriations. This is a gamble. I, for one, am not willing to take with our veterans' health care.

What was to be a freeze last year in appropriations for veterans health care is becoming a deep freeze. Last year we saw the beginnings of what will become, if we don't reestablish our national priorities, the Ice Age for veterans' medical care. We on this Committee must take a stand now -- this year -- and insist on a thaw. We must insist that America keep the promise articulated so well by President Abraham Lincoln – "to care for him who shall have borne the battle."

Every Member of this Committee has said at one time or another that the federal budget should not be balanced on the backs of veterans. With the projected saving from the proposed enactment of legislation to deny compensation for smoking related disease, it now appears the Administration is using the backs of veterans as a foundation for a budget surplus. This Committee must examine what veterans are being asked to contribute to this surplus while the VA health care system is laying off thousands of workers and while veterans must sometimes wait years for the adjudication of their claims for benefits. In this revived economy, it is not fair for others to feast while VA starves.

For the record, let me note again that in terms of real purchasing power veterans' benefits are the only federal social program whose outlays are projected to decline during the fiscal year 1998-2002 period. Will this be the legacy of this Administration and the 105th Congress to our Nation's veterans? If so, it will be a sad and tragic legacy indeed.

We who serve on this Committee and, in fact, all Members of Congress, have a solemn obligation, on behalf of our fellow citizens, to provide appropriate benefits to those who protect and defend America through service in our Armed Forces. We must have the courage to fight for those benefits – and it's clear to me those benefits will not be provided without a fight. In 1864 President Lincoln said the following: ".... The soldier puts his life at stake, and often yields it up in his country's cause. The highest merit, then, is due to the soldier." Once again, Lincoln's words are as true today as they were more than 130 years ago. I commit to doing all I can to remind every member of this body that the highest merit is due to the soldier – and sailor, and airman, and Marine – and I invite every Member of this Committee to join me in this effort.

Again, I welcome you, Secretary West, and I look forward to your testimony.

Statement by Rep. Luis V. Gutierrez
House Veterans' Affairs Committee
FY 99 Veterans Administration Budget Request
February 4, 1998

Thank you Mr. Chairman.

While our last budget hearing was nearly one-year ago I can't help but feel a sense of deja vu today because many of the same questions asked last year remain unanswered.

As many of my colleagues recall, last year, the Administration sent to Congress a fiscal year 1998 veterans medical care budget that was based largely on theoretical projections.

We were asked by the Administration to support a plan we did not know would work.

I felt then that it was not wise to gamble with the health care needs of veterans through untested funding methods. Thus, I was pleased that the members of this committee recommended that veterans health care be funded through direct appropriations and not on the basis of third-party reimbursements.

Last year, this committee unanimously recommended that $475 million be added to the Administration request for veterans health. This was the responsible action to take and I commend my colleagues for their foresight.

However, today, this committee is once again confronted with a veterans medical care budget that I believe is inadequate.

The $17.7 billion request for medical care is the same as received in the fiscal year 1998.

From this, the Department of Veterans Affairs (VA) estimates that $677 million will be collected from third parties, copayments, per diems and various torts under authority granted the VA in last year's budget pact.

It was an important achievement to ensure that the VA could collect these non-appropriated funds. An acheivement we all worked for.

But at this time I don't believe we should assume that $677 million will be retained in this manner by the VA.

This funding mechanism has not been examined over the course of time. And we have yet to pass medicare subvention legislation despite all our efforts.

I still believe that third-party resources and medicare reimbursements when available should be used to supplement the medical care budget and not be substituted for appropriated dollars.

As we all can attest, the veterans health system is undergoing an immense transformation. The search for the most cost-effective and efficient forms of health care continues.

As this conversion progresses, I believe we must not risk the gains we've made until we know for sure that funding for veterans programs nationwide is stable.

Admittedly, I am also concerned about the Administration's proposal to deny compensation for tobacco-related disabilities. While I am open to the discussion of the merits of this proposal, I am not sure how in fact tobacco-related disabilities would be defined.

Because the Administration's Montgomery GI and VA medical research budget is so dependent on the estimated $17 billion in savings this proposal may entail we certainly have a lot to consider in the coming months.

Allow me also to voice my support for the VA's request for greater medical research funding. It is a welcome surprise that the members of this committee will not be forced to recommend a higher-level of funding for these programs we all believe are so important.

Secretary West, welcome. It is good to have you in these chambers.

I look forward to working through these tough issues with you.

Thank you Mr. Chairman.

Statement of the Honorable Mike Doyle [PA-18]

Committee on Veterans' Affairs

Hearing on the President's FY99 budget proposal

for the Department of Veterans Affairs

February 4, 1998

First, I would like to join my colleagues in welcoming Acting Secretary West to this hearing. The VA Secretary's post has been vacant for some time now. I'm pleased to see that this vacancy hasn't meant that our nation's veterans are going unrepresented in the Executive Branch of our Government.

Today this committee is considering the President's VA budget request for FY99. While we have to consider this funding plan in the overall context of the federal budget, it is also my job to consider what this funding plan will mean for the veterans of Western Pennsylvania.

My first priority is to ensure that our veterans are receiving the VA benefits and medical care that this Government promised to them. And while balancing the federal budget is a goal that I came to Congress to help achieve, we cannot do it by breaking these promises. This country made a commitment to these men and women in exchange for their service, and we cannot forget that their efforts have allowed our country to prosper.

That is why I come to this hearing somewhat critical of the budget plan we are considering today. I am most concerned by the funding level for VA health care. My community has one of the highest populations of veterans in the nation. And to respond to those needs, we have 3 VA Medical Centers in our area.

These centers have already prepared for budget cuts resulting from the VA's new funding reallocation plan. My concern is that the budget plan we are considering today will not adequately meet the needs of all of our nation's VISNs, and more importantly, the needs of the veterans of Western Pennsylvania and the VA medical facilities in our area.

While there are positive items in this budget proposal, such as the funding increase for VA medical research and the proposed smoking cessation program, these efforts must be made in addition to continuing to provide adequate medical services to our veterans. Our veterans should not have to choose between additional medical services and basic health care.

I look forward to hearing more about this budget proposal, and I hope that this Committee will be working over the next few months to ensure that the spending plan we finally settle on in the Congress does indeed meet the needs of all of our veterans.

REMARKS OF CONGRESSMAN SILVESTRE REYES

VETERANS AFFAIRS COMMITTEE HEARING ON DEPARTMENT OF VETERAN'S AFFAIRS FY 1999 BUDGET REQUEST

FEBRUARY 4, 1998

Good Morning, Chairman Stump and Congressman Evans, and to all the members of the Veterans Affairs Committee, I want to join in welcoming Acting Secretary of Veterans Affairs Togo West.

I want to first say that it is a pleasure to have Mr. West before this committee, and I think with his experience as Secretary of the Army he brings a full understanding of our men and women in service to our country.

With regard to the VA budget for Fiscal Year 1999, I appreciate VA continuing to set out an ambitious goals with its 30-20-10 strategy. However, I remain concerned that with the administration expecting to open 71 outpatient clinics, treating an additional 134,000 veterans, that we ensure that Veteran Health is not compromised. With growing numbers of aging veterans requiring additional care, we must remain vigilant.

Your intent to increase medical research by 10 percent I welcome, as you look to provide further support for Gulf War Illnesses and diabetes which is a major concern for veterans in my district.

The large budget increase in the Montgomery GI Bill is welcomed and has been long overdue. But relying on legislation to disallow compensation for tobacco-related disabilities may not be realistic. We need to look at a more satisfactory way to fund additional educational opportunities for our veterans.

Finally, with the movement of veterans from the North East corridors of our country to the Southwest, and my district in El Paso, full implementation of the Veterans Equitable Resource Allocation system is essential.

With this in mind, Secretary West, I look forward to your testimony today, and I am confident that you will remain dedicated to our men and women of the military, who look to you now as veterans for adequate quality health care and benefits that properly provide for their well being that our country has promised.

Thank you.

PREPARED STATEMENT OF CONGRESSMAN MASCARA

Good Morning Mr. Chairman and Acting Secretary West. I am glad you have called this hearing so we can review and access the Administration's budget request for all those important and critical programs which touch the lives of veterans all across our country.

While I am pleased that the Administration is requesting a small increase, and particularly wants to boost the Montgomery GI benefits, I share the view that will be expressed next week by the veterans' service organization that it is not nearly enough!

Every function of the Department of Veterans Affairs—health care, cemeteries, the Veterans Benefits Administration—all need more funds to provide veterans with the timely and quality care and assistance they earned and deserved.

Our veterans population in Pennsylvania is aging. We need more ways to provide long-term care and more cemetery space. I unfortunately do not see enough added funds for these purposes called for in the Administration's proposal.

What particularly is troubling to me is the fact that the Administration is counting on this Committee to come up with nearly $17 billion in savings by approving legislation denying smoking-related disability benefits to veterans.

Last year, the Committee briefly discussed this issue and I think all of us generally agreed it would be unconscionable for us to turn our backs on veterans suffering from service-related smoking illnesses, particularly when at least into the 1960's soldiers were still being offered free cigarettes and encouraged to smoke when the smoking lamp was lit.

I also am troubled by your estimate that the VA health care facilities will collect about $700 million in third-party payments.

I wish that was the case and that this money would be used to supplement VA health care appropriations, not to substitute for them.

We are likely going to achieve a balanced budget in the months ahead and face the pleasant prospect of having a budget surplus.

I think the President's proposals for trying to improve health care, education and medical research efforts are right on target.

However, I am afraid this budget leaves the impression that the VA is a stepchild. Instead, it should be at the front of the line, sharing its percentage of the anticipated surplus and new program funding.

If we do not start giving the VA the funds it truly needs, I am afraid in the not to distant future we will end up with a shell of veterans' programs.

Those who fought and served this country to preserve our freedom deserve much, much more!

I look forward to the Committee working together to improve this budget request.

Thank you Mr. Chairman and I yield back the balance of my time.

STATEMENT OF THE HONORABLE TOGO D. WEST, JR.
ACTING SECRETARY OF VETERANS AFFAIRS
FOR PRESENTATION BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS

FEBRUARY 4, 1998

Mr. Chairman, members of this committee, I am pleased to present the President's FY 1999 budget request for the Department of Veterans Affairs (VA). We are requesting $42.8 billion in new budget authority for veterans' programs.

Throughout my professional life, most recently as Secretary of the Army, I have witnessed the unique contributions of our men and women in uniform. Their sacrifices have kept us free, secure and prosperous. I am privileged to have been asked to help keep the Nation's promise to the veterans of many different eras for their very special contributions to the United States.

Working with Congress over the past five years, VA has torn down bureaucratic barriers between veterans and their health care and compensation benefits, has reorganized its health care system, and has revised eligibility rules to best meet the needs of our veterans. VA right-sized, cut back, did more with less, and reallocated resources to accommodate the changing needs of those we serve. VA is making good on our promise to the Nation's veterans in the 21st century.

My goal will be to keep VA on this aggressive course. As we approach the new millenium, we will work to ensure the improved delivery and accuracy of compensation and pension benefits, continue the transformation of our health care system, and fully integrate the Department's organizational elements into "One VA." Our systems must operate in unison and our focus must be on the veteran. VA has the talent and the will to accomplish these goals. To ensure our success, we must provide a workplace free of discrimination and harassment in all forms. Employees must be recognized for their innovation and be provided the appropriate tools for their work.

Our budget request builds on our previous accomplishments and positions us for the future. Highlights of our proposal by major component are:

- **Medical Care**. The budget provides $17.7 billion (includes $700 million in medical collections), to provide medical care to eligible veterans. By continuing to improve the delivery and access of outpatient care, the Department will open 71 new outpatient clinics and treat 134,000 more veterans in 1999 than in 1998, a four percent increase. The Medicare demonstration program is again recommended by the Administration.
- **Montgomery GI Bill and Readjustment Benefits**. The budget proposes to increase mandatory Montgomery GI Bill education benefits by 20 percent, or $191 million, in 1999 – the most significant increase in benefits since the program's inception. The budget also proposes an increase of $100 million ($500 million over five years) in VA's readjustment benefits account to reimburse Department of Labor (DOL) programs to train, retrain, and assist veterans to find employment (Vietnam era). Since almost 30 percent of adult males are veterans, this would be aimed at helping older, displaced workers.
- **Medical Research**. The $300 million request includes a ten percent increase over the 1998 enacted level for research into illnesses affecting veterans and the general population. This program is included in "The Research Fund for America."
- **Veterans Benefits Administration**. The budget provides $806 million, $52 million over the 1998 enacted level, a seven percent increase, to ensure the smooth delivery of compensation, housing, education, pension and insurance benefits to veterans.
- **National Cemetery System**. The budget requests $92 million, $8 million above the 1998 enacted level, to operate the National Cemetery System. At this level, the Department will open four new cemeteries during the next two years – a number unprecedented since the end of the Civil War.
- **Smoking Cessation**. The budget proposes to establish a $87 million smoking cessation program for veterans who began to smoke during military service.

Further details on our FY 1999 request are as follows.

Provide Quality Healthcare

Dramatic change has occurred in the veterans healthcare system in the past three years. Our primary consideration is providing quality healthcare to as many patients as

possible. We also must continue to emphasize our goals of achieving greater value for the expenditure of healthcare dollars, and we are committed to reaching our other strategic goals. Some of our strategies may be similar in principle, or practice, to what other healthcare organizations are doing to become more efficient and effective, but our efforts must be understood within the context of VA's special mission of serving veterans, many of whom have unique medical conditions not well suited to "market-based" strategies. We are also dedicated to educating the next generation of healthcare providers and researching solutions to some of healthcare's most perplexing problems.

One of VA's key strategic objectives is the enhancement and system-wide standardization of quality. Through the integration of strategic planning, performance management and financial goals and targets, VA has organized a system of coordinated healthcare delivery focused on continuous quality improvement that is patient-oriented, ambulatory care-based and results driven. Better care management is one of the major strategies that will transform the healthcare delivery system to treat patients in the most appropriate setting. Use of primary care providers/teams to coordinate health services is already enhancing quality and the cost-effectiveness of care. As we continue to perfect functional performance measures, management and patients will be able to assess whether or not high quality healthcare has been achieved. We continue to emphasize the importance of employing new technology and education and research capabilities to increase efficiencies, reduce costs, and enhance quality of healthcare provided to veterans. We believe this strategy will preserve the viability of the healthcare system well into the next century and prepare VA to continue to meet the diverse healthcare needs of the veteran population, especially the special needs of those groups of veterans for whom VA is the hallmark provider or who cannot afford other healthcare options. The reinvented VA system is on its way to becoming a model for future integrated healthcare systems, public and private.

Emphasize a Business-like Approach to Healthcare

VA will continue the course set in 1998, emphasizing and supporting a dynamic business-minded approach to healthcare delivery within a framework of quality. Retention of all medical collections and user fees will add tangible incentives for our employees to enhance customer service. The opportunity for additional patients to choose VA has the potential to improve the return on the VA infrastructure investment made by the taxpayer and to maintain the health of the VA healthcare system. We will continue to distribute medical care resources under the Veterans Equitable Resource Allocation (VERA) system. The financing of additional workload in 1999 reflects our ability to serve more veterans with their care financed by a system-wide unit cost reduction achieved by increased emphasis on primary care services.

VA will expand and improve healthcare delivery without any increase in appropriated funds above the current 1998 enacted level for Medical Care. Resources include the Medical Care account's annual appropriation ($17 billion), sharing and other reimbursements ($147 million), and the Medical Care Collections Fund ($677 million). We expect to provide quality healthcare to more than 3.4 million unique patients, including 3.0 million veterans, an increase of approximately 134,500 unique patients. The new funding level should support almost 695,000 inpatient episodes and 37 million outpatient visits.

Starting in 1998, VA committed to the goals of reducing per-patient cost for healthcare by 30 percent, serving 20 percent more veterans, and increasing alternative revenue sources to 10 percent of all medical Care funding by 2002. This five-year projection assumes FY 1998 authorization of Medicare subvention, successful pilot testing, and expansion nationwide. It is important to emphasize that the per unique patient price reduction of 30 percent is dependent upon the workload increase of 20 percent. This dynamic allows VA to spread its fixed cost across an expanded workload base.

Improving Benefits Delivery

We have made a strong commitment to improving compensation and pension claims processing through better management and development of a Balanced Scorecard for measuring progress. Using five core measures –customer satisfaction, speed, accuracy, unit cost, and employee development and satisfaction—Veterans Benefit Administration (VBA) will upgrade the delivery of benefits and services to veterans and their families. In pursuing the Balanced Scorecard, VBA will establish new management information systems and revise existing ones. This will be accomplished in a manner that is consistent with our departmental efforts to generally improve information content management. Some current performance measures and targets will change as new systems are implemented with new data consistent with the Balanced Scorecard. Eventually, VBA will use a data-driven Balanced Scorecard to

link effective strategic planning and performance management with annual budget requests and truly become a data-driven organization.

This budget requests $22.6 million to continue VBA's Business Process Reengineering (BPR) initiatives aimed at producing significant improvements in processing compensation and pension claims over the next few years. We are also requesting additional funds to fully automate our education assistance payments for veterans and their dependents, making it much more convenient for them and less costly to the taxpayer. We are requesting increases for other program enhancements aimed at providing better service for veterans at reduced cost, including creative use of information technology and expanded training opportunities.

Ensure a Lasting Tribute for Veterans and Family Members

We project that annual veteran deaths in the U.S. will increase over 14 percent, from 525,000 in 1996 to 601,200 in 2003. Annual veteran deaths are expected to peak at 620,000 in 2008. As the number of deaths increase, the National Cemetery System (NCS) projects increases in the number of annual interments from 71,786 in 1996 to 104,900 in 2008.

Our request for the NCS continues to position VA to meet these future requirements. The budget includes funding and personnel to continue the activation of four new cemeteries during the next two years – an increase unprecedented since the end of the Civil War.

State veterans cemeteries are a complement to VA's system of national cemeteries and have an important role in meeting future burial demand. To foster an enhanced partnership with the states, as proposed last year, legislation is under consideration to amend 38 U.S.C. 2408 to encourage the establishment, expansion, and improvement of State veterans cemeteries by increasing the maximum Federal share of the costs of construction from 50 percent to 100 percent. The legislation would also permit Federal funding for up to 100 percent of the cost of initial equipment for cemetery operations. States would be responsible for providing the land and paying all costs related to the operation of the state cemeteries and for subsequent equipment purchases.

Improve Performance-Based Budgeting

The Government Performance and Results Act is the primary vehicle through which we are developing more complete and refined strategic goals and performance information. This will allow us to better determine how well VA programs are meeting their intended objectives. We are continuing to move our focus away from program inputs and toward program results.

During FY 1997, we published our initial strategic plan under the Results Act. This plan covers FY 1998 through FY 2003 and was submitted to the Congress in September 1997. The strategic plan is structured around two themes—*Honor, Care and Compensate Veterans in Recognition of their Sacrifices for America*; and *Management Strategies*. The first theme addresses the strategic goals for VA programs through which benefits and services are provided. The second presents process-oriented strategies that will help VA operate as "One-VA"—a unified organization delivering seamless service to veterans with a focus on providing world-class customer service, ensuring a high performing workforce to serve veterans, and providing the taxpayer maximum return on investment. The Departmental goals and objectives in the strategic plan are the driving forces for budget formulation and performance planning.

We have also completed our first performance plan under the Results Act. This plan contains specific performance goals, performance measures, and target levels of performance within each program that support the broader general goals in the strategic plan. We have integrated the FY 1999 performance plan into our budget request to begin to draw a closer relationship between resources and performance.

We will continue to strengthen our strategic management process during FY 1998 by developing improved outcome-oriented goals and performance measures (particularly for the benefits programs) and developing a prioritized schedule of program evaluations that will assist us in determining how well our programs are meeting their intended objectives.

I will now briefly summarize our 1999 budget request by program.

Medical Programs

MEDICAL CARE

The 1999 request recognizes that dramatic changes have occurred in the veterans healthcare system over the past three years. Commitment to improving the quality of healthcare and to maintaining a standard of quality is a key strategic objective. VA has implemented a new national network management structure. Duplicative administrative functions and clinical services are being consolidated and geographically proximate facilities are being integrated. Resources are being shifted from inpatient care, which was specialty focused, to primary care delivered on an outpatient basis. It is the continuation of aggressive business-minded approaches coupled with a clear understanding of healthcare priorities that has allowed VHA to come so far so quickly and which will allow continued progress in 1999. In the four years to follow, VA is committed to its 2002 targets reducing per-patient healthcare costs by 30 percent, providing quality health care to 20 percent more veterans and increasing the portion of the operating budget obtained from third party medical collections and other alternative revenue sources to 10 percent.

The allocation of medical care resources under the Veterans Equitable Resource Allocation (VERA) complies with Public Law 104-204, ensuring that veterans across the country have fair and equal access to VA healthcare. The Eligibility Reform Act, Public Law 104-262, affords a great opportunity to provide improved healthcare value to current users; expand the number of users; attract new revenue generating customers who bring insurance or Medicare payments with them; and, provide value to taxpayers.

This budget is a continuation of the Administration's policy, established last year to straight-line appropriation requirements through 2002 along with retention of expanded medical collections, anticipated passage of Medicare subvention, increased sharing revenues, and anticipated improved management efficiencies.

The Balanced Budget Act of 1997, Public Law 105-33, allows VA to retain all collections from third parties, copayments, per diems, and certain torts after June 30, 1997. These collections are deposited in the new Medical Care Collections Fund (MCCF) and beginning, October 1, 1997, were available for transfer to the Medical Care appropriation to remain available until expended. As estimated from individual network plans, MCCF will transfer collections of $677 million to the Medical Care account in 1999 to support veterans' healthcare, an increase of 13 percent.

VA is enhancing its customer focus. The department is measuring customer satisfaction and timeliness of services, and comparing our quality measures to community standards. VA is committed to the enhancement and system-wide standardization of quality. Additional staff from within the budget for the Office of the Medical Inspector reflects a commitment to improving healthcare quality in VA facilities. These staff will conduct investigations, site visits, reviews, and other evaluations of quality of care issues.

The Administration supports enactment of a demonstration program in 1998 to test the feasibility of "Medicare subvention", i.e., - collecting from Medicare for healthcare services provided to Medicare eligible, higher income veterans without compensable disabilities. The advantages of this initiative are that: veterans will have more options in selecting a quality healthcare provider closer to where they reside; Medicare will be billed at costs which will be lower than the private sector; and VA will be able to use underutilized capacity to provide healthcare to Medicare-eligible veterans. The Administration will work with Congress to ensure passage of the Medicare subvention pilots this year.

To promote more efficient management of resources, VA proposes a change in the appropriation language that provides for a two-year spending availability for up to 8.3 percent of resources made available. This percentage is equivalent to approximately one month of spending authority. This proposal promotes more rational spending aligned with business-type decisions, recognizes the need for management flexibility during this period of significant change, and reflects the GPRA concept of integrating budget decisions with planning.

SMOKING CESSATION

The Administration is requesting authorization of a five-year smoking-cessation program for any honorably discharged veteran who began smoking in the military. Private providers, on a per capita basis, will deliver the program to the extent that resources are available. Once this program is authorized, the Administration will submit a budget amendment requesting an

appropriation of $87 million for this new activity. A legislative proposal to authorize this program will be transmitted in the near future by the Administration. It is estimated that between 1.3 million and 2.6 million veterans would avail themselves of this valuable program over the next five years.

MEDICAL AND PROSTHETIC RESEARCH

Funding for Medical and Prosthetic Research is proposed as part of the Research Fund for America. This proposal highlights the Administration's priority to support needed and sustained investments in important Federal research programs on a deficit neutral basis. A total of $300 million will support over 1,795 high priority projects and VA research's general goal to meet the needs of the veteran population and contribute to the Nation's knowledge about disease and disability. VA research will continue to focus on designated research areas that are of particular importance to our veteran patient population including: Gulf War illnesses, aging, chronic disease, mental illness, substance abuse, and sensory loss.

The additional $28 million requested will allow continuation of ongoing programs and the start of major research initiatives that take advantage of VA's unique assets in clinical outcomes and rehabilitation research and our large integrated healthcare system. The first of the initiatives will establish a new Quality Enhancement Research Initiative (QUERI) to accomplish unprecedented collaboration between research, policy and performance, patient care and informatics. Target areas for this initiative include prevalent conditions, such as, cancer, prostate disease, depression and consequences of chronic spinal cord injury. Other initiatives will focus on medical therapy and surgical treatments of Parkinson's Disease; rehabilitative research in the areas of vision and hearing, aging with a disability, and prosthetics; and prevention of complications of Type II Diabetes Mellitus. In these areas, no other federally supported clinical or research entity can initiate or complete such critical and ambitious research activities on behalf of America's veterans.

MEDICAL CARE COLLECTIONS FUND

The enactment of Public Law 105-33 established the Medical Care Collections Fund (MCCF) and enabled VA to retain third party recoveries and other copayments from the provision of healthcare services and to use those resources to provide additional care to veterans. In an era of government efficiency, where fewer federal dollars are being spent to provide more services effectively, MCCF will allow the VA to have the necessary flexibility to produce more funding through user fees while maintaining no increase in appropriated funds.

In 1999, VA expects to increase collections by 13 percent from the previous year to a total of $677 million. To improve recoveries, MCCF is focusing on consistent utilization of existing billing and collection software; better documentation of detailed clinical and cost data on insurance bills; implementation of billing rates based on reasonable charges; and continued development of automated recovery processes.

Benefits Programs

VA benefits programs provide assistance to veterans in recognition of their service to their country and to aid their transition to civilian life. We provide compensation payments to veterans who suffered disabling illnesses or injuries as a result of military service and to survivors of those who died from service-connected causes; pension payments to needy disabled wartime veterans and the needy survivors of wartime veterans; education and training assistance to active duty personnel and to veterans to help them readjust to civilian life; vocational rehabilitation and counseling assistance to help disabled veterans obtain employment; credit assistance to enable veterans and active duty personnel to purchase and retain homes; and life insurance. Delivery of these benefits must put veterans first, foster partnerships between VA and veterans and their service representatives, exploit advances in information technology and training, and place management focus on desired customer service improvement as well as efficiency.

The Administration is requesting $21.9 billion to support FY 1999 compensation payments to 2.4 million veterans, 305,000 survivors and 2,000 children of Vietnam veterans who were born with spina bifida, and to support pension payments to 390,000 veterans and 283,000 survivors. The mandatory appropriation request includes the estimated cost of providing compensation for disabilities and deaths attributable to tobacco usage during military service estimated at about $17 billion over five years. VA's General Counsel has determined that under current law, service connection of a disability or death may be established if injury or disease resulted from tobacco use in the active military service. VA already has received and

begun to adjudicate tobacco-related disability and death claims. The budget proposes legislation to disallow benefits for these disabilities or deaths attributable to diseases which began after military service and after any applicable presumptive period, and based solely on tobacco use during military service. Discretionary resources in the budget assume enactment of this legislation.

We are also proposing in this budget a 2.2 percent cost-of-living adjustment (COLA), based on the projected change in the Consumer Price Index, to be paid to compensation beneficiaries, including spouses and children receiving Dependency and Indemnity (DIC) at an estimated cost of $287 million in FY 1999. Proposed legislation is included to pay full disability compensation benefits to Filipino veterans and DIC to their survivors residing in the U.S. currently receiving these benefits at half the level that U.S. veteran counterparts receive. The cost of the proposal will be approximately $5 million a year, for a total of $25 million over five years.

This budget request also reflects a need for an additional $550 million for the FY 1998 Compensation programs. The COLA that took effect December 1, 1997, is responsible for $303.4 million of this increase. The remainder is primarily attributable to higher than expected increases in average benefits, with an increase of veteran cases as well as the inception of compensation benefits and vocational training for children of Vietnam veterans who were born with spina bifida. Several factors contribute to the increase in the average benefit payments. Among them are (1) the processing of older cases as emphasis on reducing backlogs continues, which generates significant retroactive benefit payments; (2) increases in the number of service-connected disabilities claimed and granted to veterans; and (3) higher than expected average benefit payments to Vietnam and Gulf War veterans. These changes, along with estimated tobacco-related claims, result in the increase over the original budget estimate.

An appropriation of $1.2 billion is requested for the Readjustment Benefits program to provide education opportunities to veterans and eligible dependents and for various special assistance programs for disabled veterans. Education benefits will be provided for about 482,000 trainees in 1999 including 310,000 training under the Montgomery GI Bill. This request includes funds for the annual Consumer Price Index adjustment (estimated to be 2.0 percent effective October 1, 1998) for education programs. Legislation is proposed in this budget that will provide a 20 percent rate increase for the Montgomery GI Bill education program as well as for survivors' and dependents' education programs. This legislation will also propose additional funds in the amount of $100 million to be used for veterans training programs administered by the Department of Labor (DOL) under Part C of the Job Training Partnership Act. The estimated five-year cost of the rate increase and the reimbursement for DOL training programs is $1.5 billion.

This budget proposes legislation to eliminate authority to finance the sale of acquired properties (establish vendee loans) to the public. VA acquires properties incident to the foreclosure of guaranteed loans. Properties can be sold for cash (borrowers obtain their own financing), but in 80 percent of the cases VA finances the sale by establishing a mortgage loan receivable. The establishment of vendee loans and their subsequent sale extends VA's liability for many years. By selling all properties on a cash basis, future expenses due to foreclosure of pooled vendee loans will be eliminated. If enacted, this proposal is estimated to save a total of $42.2 million over five years.

VA is also proposing legislation to charge lenders a fee of $25 for each VA loan that is guaranteed. The fees would be earmarked for use in developing, maintaining, and enhancing a VA Loan Information System that would interact with the information systems used by lenders to make and service VA- guaranteed loans. Amounts collected will be deposited in the Supply Fund. VA may charge this fee for four years, not to exceed a total of $15 million.

Legislation is proposed as well to establish a reserve, from appropriated funds, to fully fund the "H" program (certain disabled veterans within the National Service Life Insurance program) and allow for the payments of future dividends. This legislation will require an initial transfer to the National Service Life Insurance fund of $4.5 million in 1999. The $4.5 million appropriation will be offset to the extent that annual appropriations to the Veterans Insurance and Indemnities appropriation to cover the costs associated with the "H" program will no longer be necessary.

GENERAL OPERATING EXPENSES

A total of $849.7 million is requested for the General Operating Expenses (GOE) appropriation in 1999. This funding level, combined with $160.2 million of administrative costs

associated with VA's credit programs (funded in the loan program accounts under credit reform provisions), $11.3 million in reimbursements from the Compensation and Pensions account for costs associated with the implementation of the Omnibus Budget Reconciliation Act of 1990 as amended, and $38.9 million from insurance funds' excess revenues, together with other reimbursable authority, will provide $1.224 billion to support operations funded in the GOE account.

Veterans Benefits Administration

The 1999 budget request for the Veterans Benefits Administration (VBA) of $651 million will support an average employment level of 11,221, which is 125 FTE's below the 1998 level. Much of the FTE decrease, however, relates to moving 80 FTE to the Franchise Fund for the Debt Collection Activity, and to reductions in the overhead, administrative support areas. Employment for direct processing of compensation and pensions claims increases by 140 FTE over 1998 within this total. This request, combined with $155.5 million associated with credit reform funding, will result in an increase of $52.5 million in discretionary appropriated funding over the 1998 level.

This budget reflects VBA's progress in implementing the requirements of the Government Performance and Results Act (GPRA). The integration of plans, resources and performance measures is constantly being improved. The 1999 budget reflects improvements over last year's version and will change further as our new team revises indicators and goals and establishes new ones.

There are several initiatives which, taken as a whole, comprise our new vision for processing compensation and pension (C&P) claims. Among those included in this request are the conversion to service centers, or the organizational and physical combination of Adjudication and Veterans Services Divisions at each of the 57 regional offices. Once completed, enhanced customer satisfaction as well as improved processing will follow. Also requested are funds for the pre-discharge exam initiative that provides an outreach effort prior to separation from the service at major sites across the United States. This is a critical element of the reengineered C&P vision for the performance of claims development, disability examination, and preparation of rating decisions for service persons awaiting discharge from active duty.

This budget also reflects funding for finalization of the ongoing geographical consolidation of loan processing and loan service and claims functions from 45 offices to nine Regional Loan Centers (RLCs). Consolidation will result in improved services to veterans at reduced costs through greater efficiency and economies of scale. Service to lenders will improve through greater consistency and responsiveness. This consolidation is expected to generate nearly $43 million in savings through 2003. Funds are also included to deploy a new Property Management Local Area Network (PLAN) System. Real property acquired by VA as a result of guaranteed loans requires management and disposal. Automated information support will be provided to promote the rapid acquisition and sale of properties in order to maximize recovery of the government's expenditures.

Other funds are also included to continue information technology initiatives that will support the needs of a reengineered environment. Education processing will benefit from completing installation of imaging technology into the VBA environment, reducing the dependency on paper documents and improving timeliness and accuracy of claims processing. Additionally, education systems will be modified to take full advantage of the efficiencies gained from recent technological advantages. The payment processing system for the Montgomery GI Bill – Selected Reserve program will continue to be developed in 1999 and serve as the foundation for all future education redesign efforts. VBA will also replace the current system of manual processing with an expert system and replace the current system of delivering monthly benefit checks to veterans by mail with either a voucher to be drawn through electronic benefits transfer or electronic transfer of funds directly into their bank accounts.

Another initiative will improve timeliness and quality of service while reducing costs for the insurance program. Paperless processing in this business line will require an imaging system be installed to provide electronic storage of insurance records and on-line access. Creation of a large database of imaged beneficiary forms will allow the retirement of almost 2.5 million insurance folders.

NATIONAL CEMETERY SYSTEM

The National Cemetery System (NCS) proposes a budget of $92 million. This represents an increase of $7.8 million over the 1998 level. The funding increase over last year's level is for: 1) workload increases at the Tahoma National Cemetery in the Seattle, Washington, area; 2) the continued activation of three new national cemeteries in Chicago, Illinois; Dallas, Texas; and Saratoga, New York; 3) the partial activation of a new national cemetery in the Cleveland, Ohio area; 4) the increased cost of the Integrated Data Communication Utility (IDCU) system conversion; and 5) for inflation and employee payroll costs.

General Administration

A total of $199 million is requested for the Office of the Secretary, five Assistant Secretaries and three VA-level staff offices. This request, combined with $4.7 million associated with credit reform funding, will result in a total resource level of $203.8 million.

Equal Employment Opportunity

During 1998, VA has restructured its Equal Employment Opportunity (EEO) complaint process. The 1999 budget reflects the creation of two new offices to handle EEO complaint intake, processing, and adjudication. The Office of Resolution Management (ORM) was created within the Office of Human Resources and Administration. In addition, the Office of Employment Discrimination Complaint Adjudication (OEDCA) was formed. This function will be located in the Office of the Secretary.

For 1999, funding for the new offices will be handled entirely on a reimbursable basis except for that portion of their operations performed for staff offices within the General Administration activity of the GOE appropriation (where ORM and OEDCA are housed). General Administration funds that supported the previous Equal Employment Opportunity process for VHA, VBA, NCS and the Office of the Inspector General have been moved to their respective budgets for 1999. Reimbursements are calculated on a per case basis.

Shared Service Center

The 1999 budget reflects the phased expansion of the Shared Service Center (SSC) to encompass additional VA employees and sites. The SSC will centralize payroll processing and personnel information. For 1999, the SSC is requesting $26.6 million in reimbursement authority from other VA organizations.

Board of Veterans' Appeals

The Board of Veterans' Appeals (BVA) will continue to pursue ongoing administrative productivity enhancement initiatives involving both automated and manual procedural changes. In 1998 and continuing into 1999, BVA expects to increase electronic exchanges of information with VBA and thus improve data currency and decrease administrative handling. BVA continues to work to reduce the time it takes veterans to receive decisions on appeals. A total of $40 million is requested for the Board in 1999.

Policy and Planning

The Office of Policy & Planning is requesting $11 million in 1999. Funding is provided for program evaluations ($2 million in 1999), establishment of an Office of the Chief Actuary ($2 million in 1999), and the National Survey of Veterans II ($1 million in 1999). This request builds upon funds provided by Congress in 1998 for these activities.

Office of General Counsel

The Office of General Counsel (OGC) is requesting $38.8 million in budget authority to support its operations in 1999. The 1999 request is $2.2 million above the 1998 current estimate. These additional funds will allow the General Counsel to maintain its current level of operations plus allow it to address the growing backlog at the Court of Veterans Appeals and field offices.

Office of Management

The Assistant Secretary for Management is requesting $49.4 million in budget authority in 1999. This request includes $900 thousand for an implementation strategy for the

replacement of the VACO Campus LAN. This strategy will focus on immediate short-term solutions to keep the system viable and long-term solutions that will allow the VACO community to have a dependable, reliable, and fully functional LAN network.

OFFICE OF INSPECTOR GENERAL

The 1999 request of $32.7 million includes funding for the Inspector General to continue to focus its efforts on high pay-off areas deemed most vulnerable to fraud, waste, inefficiency, and mandatory coverage areas such as audits of VA's financial statements.

Capital Planning

With the recognition of the need to improve its capital planning process, VA has initiated a process to ensure that major capital investments are based on good business decisions, tie to Departmental strategies and goals, and represent the best return to the taxpayer. Representatives from top management, in the form of the Capital Investment Board (CIB), make strategic decisions about capital expenditures. This is an evolving process that also fosters a "One-VA" approach to the use of capital funds by facilitating dialogue about major construction projects, leases, information technology, and major equipment purchases across VA management.

CONSTRUCTION, MAJOR PROJECTS

A total of $97 million is requested for the Major Construction program. The Major Construction request would fund a clinical consolidation/seismic project at Long Beach, California, a seismic corrections project at San Juan, PR, and columbarium projects at Ft. Rosecrans (California) and Florida National Cemeteries. Additional funds are requested to remove asbestos from VA-owned buildings and to support advanced planning and design activities.

CONSTRUCTION, MINOR PROJECTS

A total of $141 million is requested for the FY 1999 Minor Construction program. The request includes $123 million for Veterans Health Administration projects. Of this amount, $68.9 million is targeted for the outpatient care and support category. This will enable VA to continue its commitment to provide primary and preventive care. Additionally, $32.5 million is for inpatient care and support. This category includes projects that improve the patient environment, such as providing private and semi-private rooms. A total of $14 million is also included for the National Cemetery System. Funds in the amount of $2.4 million are requested for the Veterans Benefits Administration. Staff Office and Emergency projects are provided $1.6 million.

PARKING REVOLVING FUND

VA is requesting authorization of $13 million for a parking garage in Denver, Colorado. No additional funding is required as this project would be funded from unobligated balances currently available.

GRANTS FOR THE CONSTRUCTION OF STATE EXTENDED CARE FACILITIES

The FY 1999 request of $37 million for the Grants for the Construction of State Extended Care Facilities will provide funding to assist States to establish new, or renovate existing nursing homes and domiciliaries.

GRANTS FOR THE CONSTRUCTION OF STATE VETERANS CEMETERIES

The FY 1999 request of $10 million for the Grants for the Construction of State Veterans Cemeteries will provide funding to assist States to establish, expand, or improve State veterans cemeteries.

Legislation is again proposed to increase the maximum Federal share of the costs of construction from 50 to 100 percent. This legislation would also permit Federal funding for up to 100 percent of the cost of initial equipment for cemetery operation. The State would remain responsible for paying all costs related to the operation of the state cemeteries, including the costs for subsequent equipment purchases.

Closing

Mr. Chairman, the challenges before us are great but our dedication and commitment to ensuring the best possible care and service to our Nation's veterans are greater. We owe our veterans the best service we can provide. I look forward to working with you and the members of this Committee to meet these challenges.

THE HONORABLE JOSEPH P. KENNEDY, III
Opening Statement
Veterans Affairs Budget Hearing
February 12, 1998

Thank you, Mr. Chairman. What I care about is what our nation's veterans think of the VA budget request. They tell me the same thing they have said for the last few years - they are unhappy about the funding request for their health care, they believe the federal government doesn't consider veterans to be a priority, and they are frustrated with the appeals process.

So I appreciate the opportunity to hear the veterans speak today. I want to welcome representatives from the Paralyzed Veterans of America, Disabled American Veterans, AMVETS, VFW, American Legion, and Non Commissioned Officers. I also welcome Judge Nebeker of the Court of Veterans Appeals and Al Borrego from the Department of Labor's VETS program.

Regarding the budget, I am glad VA has requested increases in the budget for the Montgomery GI bill and Readjustment Benefits, for Medical Research, for the Veterans Benefits Administration, and for the National Cemetery System. But I am deeply troubled that VA is cutting corners in **health care** to the tune of $40 million.

That's why veterans believe the government doesn't consider them to be a priority, because we're back at the same process of needing at least $17.7 billion for health care, but VA is requesting just $17 billion in appropriations, and planning to rely on the Medical Care Collections Fund to bring in the extra $700 million.

Mr. Chairman, our Committee should get together and fight for all health care funding to come in appropriated dollars. The extra $700 million we're trying to collect from private health insurers should be a supplement to the appropriated dollars. Our veterans deserve the highest quality health care from VA. The problem with

47-894 98 - 4

Medical Care Collections, as VA has admitted, is we don't know how much money will come in, and when. So the veterans are feeling shortchange, and rightly so. The medical care collections program simply has not yet proven itself.

And VA is relying on this at a time when the VA health care budget isn't keeping up with inflation. I know the veterans' service organizations believe we should appropriate at least $18.8 billion for veterans' health care. They are asking for this figure because they get direct feedback from the veterans about their experience with VA health care. The veterans think VA's health care budget request is way too low.

Mr. Chairman, our veterans risked their lives in war, and I think we need to play hardball to get the health care funding our veterans need in fully appropriated dollars. To add insult to injury, the veterans are hearing all of this talk about how we should spend a budget surplus. But they tell me they never hear anyone say we should put more funding into veterans' health care. If we don't fight for them, we will really do them a disservice.

Second, Mr. Chairman, I am against VA's proposal to prohibit service connection for smoking-related disabilities, even if a veteran started smoking while at war. Mr. Chairman, I urge all Members of Congress to oppose this bill. What's worse, the veterans are outraged by what the government intends to do with the money. They expect to save $17 billion over 5 years if this bill were to pass. However, only $1.5 billion is earmarked to go to VA programs, while the other $15.5 billion is up for grabs anywhere within the federal budget.

Mr. Chairman, that is an outrage. If that bill were to pass, and I'll work hard so it doesn't, then our veterans deserve to get all of the savings, not a measly portion of them.

Mr. Chairman, I could comment on the other aspects of the budget, but I need to turn to the appeals process. Veterans are

frustrated over a few key points that I think we need to go in and fix.

First, when a veteran makes an appeal to the U.S. Court of Veterans Appeals, it takes an extraordinary amount of time for a decision to be made. The average time is about a year. When you are a veteran needing an appeal regarding compensation, for instance, a year is a long time to wait.

I'm told the problem is that the Court keeps granting VA one 30-day extension after another before the case comes before the Court. Mr. Chairman, for the veterans' sake, the Court needs to put its foot down with VA and stop granting all of those extensions.

Next, their are only 7 judges on the Court. Since it began in 1988, they all have 15-year terms, which means they'll all retire at about the same time. What does that mean for the veterans? It means they will go to Court someday and face new judges with no experience. Mr. Chairman, we owe it to our veterans to offer the judges an early retirement option. This will stagger their retirement, and give the veterans a chance to face experienced judges while new judges are coming on board.

Finally, Mr. Chairman, I'm told that the Court has a tendency <u>not</u> to overturn VA decisions denying a veterans' claim - that the Court tends to send back a finding to VA instead of ruling in favor of the veteran. For instance, the Court might review a decision that the Board of Veterans' Appeals makes, and then send it back, because the Court thinks a veteran didn't get the proper medical exam.

Mr. Chairman, the Court of Veterans Appeals should stop sending decisions back. Not only does that clog up the appeals system - which drives our veterans crazy - but the Court should simply <u>stop</u> sending cases back to VA, and <u>start</u> to rule in favor of giving the veterans the benefits they are appealing for.

Thank You, Mr. Chairman.

Statement by Rep. Luis V. Gutierrez
Committee on Veterans' Affairs
U.S. House of Representatives
February 12, 1998

Thank you Mr. Chairman.

I feel strongly that the Administration's fiscal year 1999 budget proposal for veterans medical programs is entirely inadequate.

Once again, veterans health care spending is flatlined at the same level as the previous year.

Once again, the resources brought in from third-party collections are substituted for appropriated dollars and not used to supplement and ensure that all veterans receive the health care they have earned and deserve.

Once again, we are betting the future health care needs of veterans on theoretical projections, untested formulas and untried schemes.

So, we, the members of this committee, once again must take action to guarantee that our nation's obligations to the veterans community are honored.

Last year, this committee unanimously recommended that $475 million be added to the Administration request for veterans health. This was the responsible action to take and I commend my colleagues for their foresight.

This year we must follow these steps again.

I strongly believe that we must fund veterans medical care programs entirely through direct appropriations.

Third-party and if possible medicare collections should augment -- not replace -- regularly appropriated revenues.

The VA estimates that $677 million dollars will be collected from non-appropriated sources. This is an estimate. We have no clear idea how much will actually be collected.

I urge the members of this committee to recommend to the Budget Committee and to appropriators that we not gamble with veterans health care. We must allocate $677 million from the treasury and not risk the health care of those most in need.

I would also like to emphasize my support for the position of the veterans community as contained in the Independent Budget regarding the Administration's proposal to deny benefits for disabilities resulting from tobacco use in military service.

The debate about whether smoking is an individual choice is important and valid. However, as I stated at last week's hearing, it seems that the Administration is contradicting itself with this legislation.

The Administration budget relies on revenues obtained through a comprehensive tobacco agreement to fund many important programs. The agreement would hold the tobacco industry responsible for the medical ailments caused by its products.

In the same budget however, the Administration is discounting our government's responsibility to recognize its role in contributing to the tobacco addiction of men and women who served in the armed forces.

On one page of the bugdet, the Administration is telling the tobacco industry that it shares responsibility for the health consequences of smoking. On another page of the same budget, the Administration is telling veterans that they alone should bear the consequences of smoking.

We cannot have it both ways.

I welcome the increased funding provided in the Administration's budget for medical and prosthetic research, the Montgomery GI education programs and job training. Nevertheless, the proposed manner of funding, through the denial of benefits to veterans for tobacco related illnesses is highly questionable.

Mr. Chairman, once again , I thank you.

To our veterans hear today, Judge Nebeker and Assistant Secretary Espiridion I look forward to hearing your views.

Opening Statement
Rep. Cliff Stearns
February 12, 1998

Mr. Chairman, in deference to our witnesses, I'll offer only a brief opening statement.

Following this hearing, our Committee will be expected to develop formal views and estimates on the budget for Fiscal Year 1999. In that regard, I commented at our budget hearing last week that, as Chairman of the Subcommittee on Health, I was disappointed by the VA's FY 99 budget.

Without reiterating the points I made earlier, I am pleased to see that the veterans organizations and military associations testifying today raise many of the same concerns I voiced. While there are some positive elements to the VA's budget proposal, I think this Committee needs to listen carefully to our veterans and to urge the Budget Committee to provide needed increases in some of the key VA accounts. Mr. Chairman, I look forward to working with you to achieve a good VA budget for FY 99.

REMARKS BY CONGRESSMAN MASCARA

VA BUDGET HEARING

FEBRUARY 12, 1998

GOOD MORNING MR. CHAIRMAN.

AS I INDICATED IN MY STATEMENT LAST WEEK, I THINK THE ADMINISTRATION'S BUDGET REQUEST FOR THE DEPARTMENT OF VETERANS' AFFAIRS IS INADEQUATE.

LIKE THE VETERANS' SERVICE ORGANIZATIONS THAT WILL TESTIFY TODAY, I THINK THIS BUDGET SHOULD BE AT LEAST $2 BILLION MORE, ESPECIALLY TO INCREASE FUNDS FOR HEALTH CARE, BOOST MONTGOMERY G.I. BENEFITS, AND ADD STAFF IN THE VETERANS' BENEFITS ADMINISTRATION.

I THINK THE VA IS WRONG IN PUSHING FOR ENACTMENT OF LEGISLATION THAT WOULD SEVERELY LIMIT SMOKING DISABILITY BENEFITS

FOR THE SAKE OF SAVING $10-$12 BILLION DOLLARS OVER FIVE YEARS.

IT IS NO SECRET THAT THE MILITARY FOR YEARS ENCOURAGED SMOKING BY PASSING OUT FREE CIGARETTES AND SETTING ASIDE TIME FOR SMOKING BREAKS.

WE AT LEAST OWE THOSE OLDER VETERANS WHO BEGAN SMOKING WHILE SERVING THEIR COUNTRY, SOME HEALTH BENEFITS AND COMPENSATION.

AGAIN, I THINK VA OFFICIALS SHOULD INSTEAD BE CONCENTRATING ON GETTING SOME COMPENSATION FOR VETERANS UNDER THE NATIONAL SMOKING AGREEMENT THAT WILL LIKELY BE WORKING ITS WAY THROUGH THE HOUSE AND SENATE IN THE WEEKS AND MONTHS AHEAD.

THE BOTTOM LINE IS OUR COUNTRY IS GOING TO BE EXPERIENCING A SURPLUS IN THE NEAR FUTURE. VETERANS CERTAINLY DESERVE TO HAVE A FAIR SHARE OF THAT SURPLUS DIRECTED AT PROGRAMS THAT AFFECT AND SERVE THEM.

I HOPE MY COLLEAGUES ON THE COMMITTEE SHARE MY ASSESSMENT AND WE CAN WORK TOGETHER IN THE WEEKS AHEAD TO GET THE BUDGET COMMITTEE TO RAISE THESE NUMBERS.

IF WE WANT THE VA TO CONTINUE TO EXIST IN ITS PRESENT FORM, WE BETTER BEGIN TO FIGHT HARD FOR MORE FUNDING. I AM AFRAID IF WE DON'T WE WILL SOON BE LEFT WITH JUST A SHELL OF THE CURRENT VA.

I YIELD BACK THE BALANCE OF MY TIME.

--THE END--

FOR RELEASE ON DELIVERY
Expected at 9:30 A.M. EST
February 12, 1998

STATEMENT OF
HONORABLE FRANK Q. NEBEKER
CHIEF JUDGE, U.S. COURT OF VETERANS APPEALS
FOR PRESENTATION BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 12, 1998

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

On behalf of the Court, I appreciate the opportunity to present for your consideration the fiscal year (FY) 1999 budget of $10,195,000 for the United States Court of Veterans Appeals. The Court's FY 1999 budget request includes $865,000 requested by the Pro Bono Representation Program (Representation Program). The Program has provided its own supporting statement for its budget request.

The Court requests a 9% increase for FY 1999 over the FY 1998 appropriation. The budget request of $10,195,000 reflects an $876,000 increase over the funding for Court and Representation Program operations appropriated for FY 1998. This figure includes the $75,000 increase requested by the Representation Program and addressed in its supporting statement. The net increase for Court operations is $801,000. The increase is based on the costs of managing a greatly increased caseload and of meeting such obligations as providing the cost-of-living salary increases required by law.

As the Court's budget statement illustrates, in a chart the Clerk has compiled, after a drop in the number of appeals in FY 1994, the numbers have continued to climb, and the upward trend is continuing. The number of new cases filed in the Court had leveled off at slightly more than 1200 per year by FY 1995. In FY 1996 there were 1620 new case filings, an increase of 27%, and in FY 1997 case filings jumped to 2,229, an increase of almost 38%. The number of denials

by the Board of Veterans' Appeals (Board or BVA), from whose decisions the Court's appeals derive, increased from 6407 denials in FY 1995, to 10,444 denials in FY 1996, and to 15,865 denials in FY 1997. The Court anticipates a corresponding proportional increase.

Furthermore, as noted in the Court's budget submission, the statistics kept by the Board on "denials" do not include Board decisions that deny some, but not all, of the benefits sought. The denials in such cases are also appealable to the Court. Thus, the number of pending cases may continue to increase at an even greater rate than is predictable as a set percentage of the number of "denials" reported by the Board.

Unrepresented appeals continue to pose a challenge. The percentage of appeals filed by unrepresented appellants remained almost constant at 73% in FY 1997, down from its highest level--80%--in FY 1995. This rate is much higher than the 46% unrepresented civil appeal rate in U.S. courts of appeals. That rate is not surprising because nearly half of the claimants who were denied all benefits by the BVA were unrepresented there, or were represented by organizations which do not provide representation before the Court. In addition, by law, attorney fees may not be charged for representation until the BVA has rendered a final decision on a claim.

For FY 1999, the Court requests funding for 80 full-time equivalent (FTE) positions. This is one FTE position above the FY 1998 authorized level of 79 FTEs. Last year in my testimony I noted that the Court had, voluntarily, kept pace with the recommendations of the National Performance Review, which propose an 11.5% FTE reduction over six years. I commented that further reductions in staff might need to be re-evaluated based on the likelihood of an increased caseload and a percentage of pro se appellants that continues to be relatively high. Caseload has in fact increased nearly 38% over the FY 1996 level, and the rate of pro se filings has proportionally increased. The upward trend appears likely to continue. I so conclude on the basis of projections of the number of final decisions at the Board and the statutory expansion of the Court's jurisdiction to include review of claims of clear and unmistakable error in decisions of the Board rendered at any time in the past. Pub. L. No. 105-111, 111 Stat. 2271 (Nov. 21, 1997).

The requested 80 FTE positions are required to maintain high-quality service to benefits claimants seeking judicial review, particularly those who come to the Court unrepresented. Even with the 1-FTE increase from the FY 1998 approved personnel level, the Court has achieved a cumulative 7-FTE (or 8%) reduction from the FY 1993 level. The additional FTE will provide computer support for the Court's case management database and software. Increased case load and other changes in the Court's processes instituted over the last several years have made it necessary to revise the Court's automated case management system. Full-time database management support of the case management system is required. Such support is beyond the capability of the current computer systems staff. The Court will continue to reevaluate its personnel requirements.

In addition to personnel requirements, there are four other Court activities which require an increase in budget. One is rewriting of the Court's outdated case management system for Windows compatibility. A second is a 3% increase in rent plus the cost to the Court of security upgrades required by the General Services Administration. A third is security personnel pay (under contract with United States Marshals Service). And the fourth is travel by appropriate Court personnel as necessary to implement conversion of the finance and accounting system and for limited training, by Court personnel, of pro bono attorneys and non-attorney practitioners at locations outside Washington.

In the last two years I have urged that the Pro Bono Representation Program be authorized and funded outside the Court's appropriation. I outlined the reasons for the Court's concern with the continued inclusion of the Program's funding in the Court's appropriation. That concern remains. Linking the Court to any party before it can serve to undermine the public's trust and confidence in judicial review of veterans claims. However, the Appropriations Committee's consideration of the Program's request as separate from the Court's budget request and the removal of discretion from the Court over the Program's funding level has separated the Court, to the greatest extent possible under current legislation, from direct involvement in the Program.

Consistent with Congress' direction, the Court is forwarding the Program's FY 1999 request for $865,000 as an appendix to the Court's submission and, also consistent with that direction, is including that amount in the Court's total FY 1999 budget request. The Program has provided its own supporting statement for its budget request.

In conclusion, I appreciate this opportunity to present the Court's budget request for fiscal year 1999. On behalf of the judges and staff, I thank you for your past support and request your continued assistance and a favorable report to the Appropriations Committee on our budget request. I, or those with me, will be pleased to answer any questions you may have.

STATEMENT OF ESPIRIDION "AL" BORREGO
ASSISTANT SECRETARY FOR
VETERANS' EMPLOYMENT AND TRAINING
SUBMITTED TO THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

February 12, 1998

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to submit for the record the Fiscal Year 1999 Department of Labor budget request for veterans' employment and training programs.

Before I formally present the budget request and focus on new directions and efforts, I would first like to note some of our accomplishments in fiscal year 1997 and address some of our efforts in fiscal year 1998. During fiscal year 1997 the Veterans' Employment and Training Service had an opportunity to examine itself and where it is headed as a result of the Government Performance Results Act (GPRA) and our development of a long term strategic plan. My predecessor defined the agency's mission, which I would like to restate as a backdrop to my presentation.

The mission of the Agency is to help veterans, reservists and National Guard members in securing employment and the rights and benefits associated with such, through existing programs, the coordination and merger of programs, and the implementation of new programs. Services provided are to be consistent with the changing needs of employers and the eligible veterans' population.

VETS delivers employment services to veterans in partnership with State Employment Security Agencies, also called Job Service or the public employment service system. VETS administers grants to these agencies to support Disabled Veterans' Outreach Program (DVOP) staff and Local Veterans' Employment Representatives (LVER) in each State, who personally help veterans and other eligible persons. Their specific purpose and responsibilities are

described in Chapter 41 of Title 38, United States Code. VETS establishes performance standards to reinforce priority of service for special disabled and disabled veterans, veterans, and other eligible persons and evaluates the States' policies and processes to ensure that veterans receive services leading to economic security and well being. The State Employment Security Agencies (SESAs) function on a program year. For the program year that ended on June 30, 1997, SESAs helped 510,375 veterans into jobs from the slightly over 2 million veterans that registered for assistance. This means that we helped close to one quarter of the veterans seeking our assistance find jobs. Of those we helped into jobs, 17,521 were special disabled veterans, and 41,378 were disabled veterans.

Generally, LVERs supervise services to veterans by other local employment service office staff to ensure that they provide maximum employment and training opportunities to disabled veterans, veterans, and other eligible persons. They also provide job placement and supportive services directly to veterans. LVERs also network with employers, community and veteran service organizations, and other public agencies to assure that veterans receive the best available services. LVERs helped 154,968 of the total number of veterans helped by SESAs into jobs.

DVOP staff conduct outreach, particularly directed at special disabled and disabled veterans, and develop job opportunities with employers. DVOP staff spend about 20 percent of their aggregate time stationed at VA facilities and other places where veterans can be found who may be in need of employment and training assistance. DVOP specialists helped 153,234 veterans into jobs.

DVOP and LVER staff, in cooperation with the Department of Defense, the Department of Veterans Affairs, VETS Federal staff, contract facilitators and human resources' staff from private employers, deliver Transition Assistance Program workshops to separating service

members and their spouses at over 185 military installations in 42 States. These efforts resulted in over 132,000 service members and their spouses participating in TAP workshops. This is a decline from last year, which is partly due to a lesser number of separations during fiscal year 1997 from the military services.

DVOP and LVER staff also work cooperatively with the Department of Veterans Affairs, Vocational Rehabilitation and Counseling program (VR&C) staff to provide individualized attention to VR&C participants and help those completing VA training programs find suitable employment. Through the National Veterans' Training Institute (NVTI), VETS offers a special training program to make sure that we are effective in helping Vocational Rehabilitation Program participants. During fiscal year 1997, a total of 8,452 Vocational Rehabilitation and Counseling Program participants were registered by the State Employment Security Agencies, of these 3,693 were helped into jobs by DVOP and LVER staff.

As you will see in our budget request, LVER staff will continue to give particular emphasis to monitoring Federal contractor job listings. As a result of amendments by the 104th Congress and the Department's issuance of new regulations that facilitate the referral of a larger number of higher paying jobs to the SESAs by Federal contractors, new approaches have been initiated to maximize the receipt of and referrals to these higher paying jobs. These include enabling Federal contractors to list their vacancies electronically in America's Job Bank. VETS is working with SESAs to help them upgrade or purchase new equipment to enable LVER staff to see such job openings and promptly refer quality veteran applicants for these jobs. VETS is also seeking to identify a larger number of Federal contractors and subcontractors and maintain a data base that is made available to DVOP and LVER staff to facilitate job development contacts, and to enable visits to explain their job listing responsibilities and seek job openings. Several Appropriation Acts for Federal agencies included language asking Federal contracting officers not issue new contract awards to current Federal contractors or renew contracts unless the

contractors had filed the report required by title 38, section of 4212 — the VETS-100 report. As a result, we contacted the agencies affected and made sure they understood their responsibilities and made enhancements to the reporting system for the VETS-100 to facilitate our ability to respond to requests from contracting officers as to whether a Federal contractor had filed a VETS-100 or not, and coordinated with the Department's Office of Federal Contract Compliance Programs to establish new procedures that ensure better compliance with statutory requirements. This effort resulted in a new Memorandum of Understanding between VETS and OFCCP, which was finalized during fiscal year 1997.

VETS is also relying on the One-Stop Career Services concept and new electronic tools, including a resume-writer developed specifically by VETS for veterans, to enable DVOP and LVER staff to more efficiently help our customers -- veterans. VETS will encourage SESAs to use the resulting time savings to give more time and attention to special disabled, disabled, minority, female, young and recently separated veterans under a case management approach to service delivery.

Consistent with the VETS vision that it be recognized as a "world class" organization ensuring employment, training and enforcement services to our veterans. I expect VETS through its staff to keep pace with the demands and rewards of putting our customers -- veterans and their prospective employers -- first. This will give each veteran a chance for real job security and job opportunity in a changing world.

Our Veterans' Employment and Training Service employees provide direct services to veterans, Reservists and National Guard members to protect their employment and reemployment rights, including anti-discrimination, seniority and pension rights, as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). In FY 1997, VETS staff opened 1,245 cases under USERRA, and continued processing of 223

complaints filed during the previous fiscal year. From this total, 1,261 were closed -- 80% of these within 90 days from the filing of the claim. VETS also joined with other agencies of the Department to develop the USERRA Advisor system. This system provides electronic information on USERRA to employers and USERRA - eligible individuals from the new VETS Internet Home Page. The VETS Home Page is part of the Department's Internet presence and can be found at "www.dol.gov."

The National Veterans' Training Institute (NVTI) trained 2,587 veteran service providers during the fiscal year. NVTI continued to place emphasis on training DVOP and LVER staff on case management, provided TAP training to Department of Defense participants under reimbursement agreement with the Department of Labor, and developed and offered a new Veterans Program Orientation (VPO) for One-Stop-Services implementation States. This course was designed to be delivered in conjunction with One-Stop-States conferences or training sessions, to orient One-Stop-Services employees on veterans' priority of services and the roles of DVOP and LVER staff in the new environment. This course was offered off-site at the individual States enabling VETS to reach a wide audience effectively. NVTI also developed and offered an "Investigative Techniques" course to support USERRA and fact-finding related to our Memorandum of Understanding with the Office of Personnel Management.

Funds provided for Veteran Employment Programs under Title IV, Part C of the Job Training Partnership Act (JTPA IV-C) supported continuation grants to 12 States based on their ability to show successful performance during the previous program year. The funds were used to provide training, supportive services and/or employment assistance. The fiscal year 1996 funds supported the original multi-year competitive grants for program year 1996, which ended June 30, 1997. Reports from program year 1996 operations show that 2,824 received services and 1,612 veterans were placed in jobs (57 percent of those enrolled). The funds remaining after the grants to States were set aside for innovative, pilot, demonstration and research projects and

to support seven organizations with grants to help eligible veterans who are homeless in cold climate regions. VETS also supported an American Legion study to assess certification, credentials and licensure issues faced by recently separated veterans when trying to obtain civilian employment in their military occupations; and to effective pilot or demonstration projects.

Fiscal Year 1999 Budget Request

The Agency's FY 1999 request is designed to promote the maximum employment and training opportunities for veterans, particularly those in veteran subgroups who suffer higher than average unemployment rates -- disabled veterans, minority, female, young and recently separated veterans within Government-wide resource constraints. To do this, the Veterans' Employment and Training Service (VETS) has been streamlining, shifting resources to where they will do the most good, and promoting the use of electronic tools to better serve our customers.

The Agency's request is divided into three activities: (1) State Grants, which is further divided between the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representative (LVER) program; (2) Administration, which includes funding for the Transition Assistance Program (TAP) for separating service members; the investigation and resolution of Uniformed Services' Employment and Reemployment Rights Act (USERRA) claims from veterans, Reservists and National Guard members; fact-finding related to complaints filed by veterans who believe they were denied the requisite veterans preference in applying for federal jobs; and funding for VETS' grant administration operations; and (3) National Veterans' Training Institute (NVTI), which provides training to Federal and State employees and managers involved in delivery of services to veterans.

Funds are requested under the Training and Employment Services account of the Department of Labor for employment and training programs for veterans under the Job Training Partnership Act, Title IV, Section C at 29 U.S.C. 1721 (JTPA IVC) and the Stewart B. McKinney Act at 42 U.S.C. 11448 (as amended by the 104th Congress) for Homeless Veterans Reintegration Projects (HVRP).

The Department is requesting $7,300,000 for the JTPA IV-C. It is anticipated that $6,000,000 of these funds will be awarded through a competitive process to State entities through each State's Governor's office. This competition will result in up to 20 grant awards to provide employment and training services to eligible veterans. The remainder of the funds will be used to provide specialized and targeted services as well as research and demonstration projects at the Assistant Secretary's discretion. It is expected that such grants will continue to target those eligible veteran subgroups experiencing higher unemployment rates (e.g., minority, female, recently separated and disabled veterans). Overall, VETS will process, award and monitor up to 30 grants to various service providers.

The request includes $3,000,000 for the Homeless Veterans Reintegration Project program under the Training and Employment Services account. It is anticipated that these funds will be awarded through the continuation of this year's competitive process, requiring the processing, awarding, and monitoring of up to 20 grants with service providers. The funds provided will support services to more than 4,000 homeless veterans and the resulting placement of about 2,200 in jobs.

The Agency requests a total of $157,118,000 for grants-to-States, the same funding provided in FY 1998. The FY 1999 funding request for the LVER program is $77,078,000, which we project will support about 1,300 positions, resulting in about 150,000 veterans being helped into jobs. The funding request for the DVOP is $80,040,000, which will support about 1,440 positions and will result in another 150,000 veterans being helped into jobs.

LVERs will continue to functionally supervise the provision of priority services to veterans by 1,800 local employment service offices plus 525 One-Stop-Services centers. They will also continue to provide labor exchange services, focusing increasing attention on the referral of veterans to, and job development efforts with federal contractors. VETS will monitor

closely the distribution of LVER positions to obtain the maximum coverage of local service delivery locations and focus their efforts on special disabled and disabled veterans and veteran subgroups with higher than average unemployment rates.

The centralized listing of vacancies by Federal contractors should result in better paying jobs for veterans. The efforts started last year to help Vocational Rehabilitation and Counseling program participants will continue, and we expect that, through closer coordination with the VA and better training of those working with program participants, we will do better both this year and during FY 1999.

Both DVOP and LVER staff will ensure delivery of services to those needing intensive help, with a primary focus being VA Vocational Rehabilitation and Counseling program participants, using a case management approach to services. They will also devote more time and effort to help veterans with employability barriers or those who cannot successfully compete in the civilian labor market. They will also continue to assist veterans who are better prepared to compete successfully for jobs by helping them access and use the electronic tools available, such as America's Job Bank and Talent Bank, the electronic resume writer, and hopefully a soon to be developed 'electronic job scout', as well as other resources and services available at the local offices.

The current priority given to TAP workshops, VR&C program participants and priority of services to special disabled and disabled veterans, veterans and other eligible persons will continue. These efforts are projected to result in more than 10,000 special disabled veterans getting jobs in fiscal year 1999. Emphasis will also be placed on getting better quality and better paying jobs for veterans.

A total of $23,601,000 is requested for the administration of the Veterans' Employment and Training Service. This funding level is sufficient to support about 254 employees. VETS is responsible for ensuring that the legislative mandates for providing special services to veterans, Reservists, National Guard members, and other eligible persons are provided by the DOL and its grantees in accordance with Chapters 41, 42, and 43 of Title 38, United States Code. VETS administers grants-to-States for the Local Veterans' Employment Representative (LVER) program and the Disabled Veterans' Outreach Program (DVOP). It also administers grants-to-States and other entities as authorized under the JTPA IV-C and HVRP programs. VETS also ensures the delivery of services by State Employment Security Agencies (SESAs) to veterans on a priority basis through on-site monitoring and management assistance.

VETS also acts as liaison with other Federal agencies, including the Office of Personnel Management, to protect veterans' hiring preference in the Federal sector; the Office of Federal Contract Compliance Programs, to ensure the enforcement of affirmative action requirements for special disabled and Vietnam-era veterans; the Department of Veterans Affairs, to coordinate vocational rehabilitation and on-the-job training programs; the Departments of Defense and Veterans Affairs, to conduct the Transition Assistance Program providing service members separating from active duty with labor market information and job search skills training to expedite their transition from military to civilian employment.

VETS staff provide assistance directly to veterans, Reservists, and National Guard members to protect their employment and reemployment rights, including anti-discrimination, seniority, and pension rights, as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). VETS administers the Job Listing component of the Federal Contractor Program (FCP), under 38 U.S.C. Section 4212, which requires Federal contractors to list their openings with SESAs and to submit annual employment reports on special disabled and Vietnam-era veterans. The agency is responsible for fact finding when a veteran complains that a Federal agency violated veterans preference provisions in hiring

activities and coordinates resolution of such complaints with the Office of Personnel Management.

In addition, VETS collects and summarizes information, as required by law, concerning the quantity and quality of services provided to veterans by DOL and DOL-funded programs, and provides this information to the Congress. VETS administers the National Veterans Training Institute (NVTI) which trains veteran service delivery providers.

VETS staff will continue to work on the following priorities:

* Maintaining an effective Transition Assistance Program. The agency, along with its partners, will maintain the capacity to present workshops to 160,000 separating service members and their spouses. To do this, we will utilize DVOP and LVER staff, Federal contract facilitators and VETS employees. Efforts to support TAP for separating military personnel realize cost savings that are significantly greater than the amount being requested due to the fact that TAP participants obtain their first civilian job three weeks faster than do non-participants--demonstrating that there is a substantial return on investment in this program. The high priority we place on TAP is supported by recent findings in a Department of Defense study, which indicated notably high satisfaction ratings among service members who had attended TAP workshops. VETS staff will give emphasis to increasing participation in TAP workshops by 10 percent and to improving the quality of TAP workshops. A new participant handbook developed at the end of FY 1997 and currently being distributed to TAP sites should help in this endeavor.

* Improved use of technology. The Agency sees improved use of technology as the means of getting better quality and better paying jobs for veterans coming into the DOL service

delivery system. I view improved technology as a means to improve the access of veterans to employers and vice-versa and a way of improving efficiency among VETS and DVOP and LVER staff. America's Job Bank is a good example of where we are headed. The veterans' resume-writer is another good example. Each of these makes the job of the service providers a little easier and enables them to use the time that is saved to help those with severe employability barriers. Although we acknowledge that not all veterans or our service providers are versed in the new electronic tools, we are developing plans to train our Agency staff and work with SESAs to train service deliverers in the use of these electronic tools.

* Placing emphasis on services to young, recently separated, minority, female, and disabled veterans. VETS will work with SESAs to ensure that services to those veteran sub-groups suffering from higher than average unemployment rates increase, and we will strive to increase consciousness as to their employability barriers and how they can be mitigated.

A total of $2,000,000 is requested for the National Veterans' Training Institute which provides training to Federal and State employees and managers involved in delivery of services to veterans. The funding will support over 61 classes and train more than 1,400 service providers.

The training institute has proven to be an extremely effective instrument for significantly improving both the quality and quantity of services provided to veterans. NVTI has proven efficient at meeting new training needs as they arise, such as in the case of TAP, USERRA, grants management, and case management. VETS programs and operations will have to change substantially to meet the challenges set forth by the One-Stop Career Services concept, to concentrate its resources on training and retraining and on case management for those most in

need. This will require training and retraining not only of DVOP and LVER staff, but also of VETS staff and program recipients. In addition, One-Stop Career Service providers will need training on the veterans' priority of service requirements and the case management approach used by VETS for those that have severe employability barriers.

I want to acknowledge the efforts of this Committee and others in Congress and the Administration who made it possible for the Department of Labor and its Veterans' Employment and Training Service and our State agency partners to continue to offer "world class" services to our customers.

I appreciate this opportunity to give you some highlights of the FY 1999 budget request for the Veterans' Employment and Training Service. I look forward to working closely with the Committee on behalf of our Nation's veterans.

STATEMENT OF

GORDON H. MANSFIELD, EXECUTIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON VETERANS' AFFAIRS

CONCERNING

THE INDEPENDENT BUDGET

AND THE PRESIDENT'S BUDGET REQUEST TO CONGRESS

FOR FISCAL YEAR 1999

FEBRUARY 12, 1998

Mr. Chairman, Ranking Democratic Member Evans, and members of the Committee, the Paralyzed Veterans of America (PVA) is honored, on behalf of our members and the *Independent Budget*, to present our views on the fiscal needs of the Department of Veterans Affairs (VA) Health Care system. We are proud to be one of the four co-authors, along with AMVETS, the Disabled American Veterans, and the Veterans of Foreign Wars, of the *Independent Budget*. This year will mark the twelfth year of the *Independent Budget*, a budget that addresses the true fiscal and policy needs of the VA. This year, as in past years, PVA has been responsible for the Medical Programs section of the *Independent Budget*, and it is in this area that I will primarily address my remarks.

This year, as last year, veterans face real and significant funding cuts while other federal programs are increased. The Administration has proposed a VA health care

appropriation of $17.028 billion, a decrease of $29 million over Fiscal Year (FY) 1998 levels. Total resources available for medical care are estimated to be $40 million less, and total outlays are estimated to be $140 million less. These are not just numbers, but rather, represent real threats to the health care afforded veterans and the system that serves them.

If approved, the Administration's request would be the third year in a row that VA's health care appropriation has been frozen, with no increases for the effects of inflation or to cover new programs. Instead of keeping faith with veterans, this Administration, and this Congress have advocated other priorities. Instead of squarely meeting the financial needs of veterans' health care, this Administration, and this Congress have decided to rely on insurance companies to uphold a national commitment, and a national promise.

This freeze on medical care appropriations, a freeze that is to continue over the next number of years, comes at a time when the full effects of VA reorganization have not yet been realized. This freeze comes at a time when ever-decreasing resources are being transferred from some sections of our country to other sections. This freeze comes at a time when PVA members, and all veterans, are increasingly concerned about the protection of specialized services, such as spinal cord injury or dysfunction care, within VA.

This year, the *Independent Budget* recommends that Congress appropriate $18.838 billion for VA medical care for FY 1999. This figure represents a core appropriation of $18.178 billion – an amount necessary to keep up with inflation and meet the Administration's workload based targets. Added to this core appropriation to come up with the $18.838 billion figure are amounts equal to *Independent Budget* estimates for Medical Care Collections Fund (MCCF) receipts. With the financing scheme embarked upon in FY 1998, dollars collected in MCCF were essentially "subtracted" from appropriated dollars. The *Independent Budget* position on this is clear – MCCF dollars should not be substituted for appropriated dollars, but rather should be used to begin to repair damage done by chronic under-funding and to begin to address the long-term care needs of an

increasingly elderly population of veterans. Appropriated dollars should not be cut because of these outside funds. We ask that you assist us in restoring these cuts in appropriated dollars and work with us to use these collections to insure that the health care received by veterans is of the highest quality.

The Administration's proposed health care appropriation of $17.028 billion is $1.1 billion less than the core appropriation, and $1.8 billion less than the core appropriation with amounts equal to MCCF collections restored as appropriated dollars. Health care is not cheap, and health care prices do not remain static. The users of VA health care are growing older, and many veterans have specialized needs, factors that can easily lead to increased health care costs. The *Independent Budget* finds it inconceivable that a budget that proposes a continuing freeze on appropriated dollars and fewer resources for VA health care could even be considered. We ask that you assist us in restoring vital resources to VA health care.

The MCCF financing scheme essentially places veterans at risk. It is yet to be seen whether or not this risky plan will live up to its billing; its efficacy has not been shown and its full effects have not been felt. Veterans must be assured that proposed collections are indeed collected, and we ask that Congress continue the guarantee instituted in FY 1998 to make sure that VA receives these promised resources.

The *Independent Budget* co-authors salute the Administration's proposal to provide $300 million for Medical and Prosthetic Research in FY 1999. It is heartening that this Administration has finally recognized the importance of VA research within the larger national research effort. VA research has improved the lives and health of veterans, and all Americans, and with adequate funding in the future, we look forward to many more ground-breaking discoveries. The *Independent Budget* has recommended an appropriation of $314 million for Medical and Prosthetic Research, an amount necessary to meet the statutory requirements of title 38.

Although we salute the Administration's FY 1999 request for research, we are also alarmed that this is the last increase proposed for VA research through FY 2003. While the National Institutes of Health is slated to receive an increase of $6.5 billion by 2003, VA research is proposed to be flat-lined. Yet again, veterans' programs will see real cuts, cuts that question our national promises to veterans.

The Administration has requested $60 million for Medical Administration and Miscellaneous Operating Expenses (MAMOE). This is the same amount requested and appropriated in FY 1998. The *Independent Budget* has estimated that $62 million is needed just to maintain a current services level, and $66 million to add vitally needed staff. As health care quality issues become increasingly important, now is not the time to further reduce staffing levels. When the President has required VA to comply with the Health Care Consumer Bill of Rights, and when there is an ever-increasing need for a comprehensive approach to quality issues in VA, MAMOE must be provided with the necessary resources.

This Committee should design its own list of protections, guaranteeing access to services, confidentiality, and appropriate individual choice for veterans using the VA. Veterans must be assured that the health care they receive is second to none. We have grown concerned that in the midst of Veterans Health Administration reorganization, certain quality assurance mechanisms involving reporting and data collection, from the Veterans Integrated Service Network (VISN) level to the National Headquarters, have grown lax. Quality assurance should be a number one consideration to spot small problems before they become big problems. Veterans deserve the right to have full confidence in the health services they need and receive.

We want to congratulate Chairman Stump and Representative Bill Thomas, Chairman of the Health Subcommittee of the Committee on Ways & Means on making progress in developing a Medicare subvention proposal for VA. Medicare reimbursement is a vital part of exploring alternative funding streams to augment VA health care. Medicare subvention would give veterans real choice, and real options, while saving taxpayer

dollars and conserving the Medicare Trust Funds. VA would benefit by caring for more veterans and collecting additional revenues to support the system. However, we also ask that you insure that veterans currently in the system not be displaced by Medicare-eligible veterans in this climate of ever-decreasing budgets. We ask that you insure that veterans with specialized needs are protected and that all veterans are assured the same health care choices.

Finally, I must comment upon the Administration's proposal to deny benefits to veterans in order to "save" $741 million in FY 1999 and $17 billion over five years. The *Independent Budget* is adamantly opposed to this proposed legislation, legislation which would deny benefits for disabilities or deaths resulting from tobacco use in military service. You are all aware of the federal government's tacit encouragement and facilitation of smoking in the armed services, encouragement and facilitation that stretched over half-a-century. It is especially outrageous that this Administration has proposed using only a meager portion, $1.5 billion out of $17 billion, of these "savings" for veterans and the programs that serve them. At the same time that this proposal is being put forward, the Administration has proposed using revenue, estimated at $65 billion over five years, from any global tobacco settlement for a host of programs. While the VA medical system has paid millions and millions of dollars over the years for tobacco-related illnesses, the VA would be left out of any such agreement. We ask that you oppose the Administration's proposal and work to insure that VA receive a portion of any global tobacco settlement.

Veterans need your help, and your assistance, to restore these cuts to the programs and benefits that serve them, the programs and benefits that demonstrate our national fidelity to the promises made to generations of veterans over the course of this century. The VA health care system is a national resource, one that benefits all Americans. The federal government must not shirk its responsibility to veterans, a responsibility that is national, not a responsibility for insurance companies. Veterans have not served this Nation, have not stormed the beaches of Normandy to fight against Fascist tyranny or gone anywhere

in the world that our Nation has called them to go, to have to rely on Blue Cross and Blue Shield to fund their health care.

We ask that you work with us to restore these cuts in appropriated dollars, to insure that outside funding is a supplement, and not a substitute, for an adequate core appropriation for VA medical care. Veterans programs must not be frozen and cut to pay for other programs, programs that do not benefit veterans. We ask you to reaffirm our Nation's commitment to veterans, to remain faithful to generations of sacred promises. The health, the wellbeing, and the lives of veterans are at stake.

On behalf of PVA and the *Independent Budget*, thank you for this opportunity to testify. I will be happy to answer any questions you might have.

STATEMENT OF
DAVID W. GORMAN
EXECUTIVE DIRECTOR, WASHINGTON HEADQUARTERS
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 12, 1998

Mr. Chairman and Members of the Committee:

I am pleased to appear before you to present the views of the more than one million members of the Disabled American Veterans (DAV) and its Women's Auxiliary on the President's fiscal year (FY) 1999 proposed budget for the Department of Veterans Affairs and related issues of importance to America's veterans.

The DAV, AMVETS, Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars of the United States (VFW) join together each year to assess the state of veterans' programs and their real resource needs. We present our collective views on policy questions, programmatic issues, and resource requirements as an *Independent Budget* (*IB*).

Because we are not motivated or constrained by the politics of the Federal budget process, our analyses are more objective and can be more candid than the assessments presented by VA officials. Because our goals are purely related to what is best for veterans and thus what is best for their programs, and because we are not concerned with political exigencies of the moment, we focus on long-term efficiency and effectiveness rather than short-term, budget-driven goals inherent in the Administration's approach. We therefore believe our recommendations more accurately reflect the resources necessary to enable VA to provide an acceptable level of benefits and services for our Nation's more than 25 million veterans and their dependents and survivors.

My statement will focus on the DAV's areas of primary responsibility in the formulation of the *IB* for FY 1999, Benefit Programs, General Operating Expenses, and the United States Court of Veterans Appeals. We appreciate the courtesy this Committee has extended to us by allowing us to present our views in this format.

Of the $42.8 billion budget authority the Administration requests for FY 1999, $23.9 billion is for benefit programs. Of this, $21.9 billion is for compensations and pensions and related benefits funded under that appropriation. The President's proposal requests $1.5 billion for readjustment benefits, which include vocational rehabilitation, education benefits, and special housing and automobile grants for disabled veterans. Budget authority of $422.7 million is requested for housing programs, and $46.5 million is requested for insurance programs.

The Administration's budget would provide $849.7 million for General Operating Expenses. Of this, $806 million would fund the operations of the Veterans Benefits Administration (VBA), and $199 million would be for General Administration functions.

VA proposes a cost-of-living adjustment (COLA) for veterans' disability compensation and survivors' dependency and indemnity compensation. This would be effective December 1, 1998, and based on the rise in the cost of living as shown by the Consumer Price Index. The *IB* supports this benefit adjustment, of course, because it is necessary to offset the rise in the cost in living to ensure compensation for lost earning power keeps pace with inflation.

The *IB* includes several other recommendations for improving or preserving the integrity of benefits funded under the compensation and pension appropriation. These include:

47-894 98 - 5

- change the law to permit career military veterans to receive disability compensation and military retired pay without offset
- change the law to remove the offset between military nondisability separation, severance, or readjustment pay and disability compensation
- change the law to authorize temporary increases in compensation to be effective on the date of the hospitalization or medical care that results in temporary total disability
- change the law to permit veterans to recover taxes withheld on disability severance pay or exempt retired pay beyond the current 3-year period
- maintain the integrity of VA's *Schedule for Rating Disabilities* by rejecting any suggestions to intrude into the current methodology of its formulation
- change the law to restore eligibility for dependency and indemnity compensation in the case of remarriage of spouses and marriage of dependent children whose marriages are subsequently terminated by death or divorce and whose claims are filed after October 31, 1990
- conduct a VA study to determine if reinstatement of the prior age-65 presumption of total disability for pension purposes would result in savings
- change the law to restore the reimbursement for a headstone or marker acquired privately in lieu of furnishing a Government headstone or marker
- change the law to permit the payment of fees under the Equal Access to Justice Act to nonattorneys who represent eligible VA claimants before the Court of Veterans Appeals in cases in which the Government's position was not substantially justified

We ask that you also consider these recommendations.

The *IB* strongly opposes the legislative proposal in the Administration's budget to preclude service connection for disabilities resulting from tobacco use during military service. This might unfortunately be an attractive proposal to those who do not fully understand its implications, background, and an apparent ulterior motive to divert funding away from veterans' programs to other areas. Although this proposal might appear fair and responsible on its surface, it is in reality unfair and unjustified. This proposal not only constitutes an abrupt and unsupported reversal of long-standing VA policy and directly contradicts the premises underlying the President's stance on the national tobacco liability litigation, it relies on a tenet that is inconsistent with its intended effect.

Under the law, service connection is awarded for any disability incident to service. Disabilities due to willful misconduct are an exception to that rule, however. "Willful misconduct" is an act involving "conscious wrongdoing or known prohibited action." It means a deliberate or intentional act with "knowledge of or wanton and reckless disregard" of its probable consequences. Tobacco use in service has never been a prohibited action. In fact the military environment fostered and facilitated tobacco use. VA has previously held expressly that tobacco use is not willful misconduct. Congress passed a law that authorized VA to issue free tobacco to hospitalized veterans. Now, annotations in several places in VA's budget submission state that the proposal is "based on the Presidential policy of not paying tobacco-related benefits." We heard the Under Secretary for Benefits state during the VA's budget testimony of February 4, 1998, that the proposal represented a VA philosophy that a veteran should not be compensated for disabilities that result from a personal choice to smoke.

The President has taken a prominent role in pressing for a settlement from the tobacco companies that will be more favorable to the state and Federal governments. The premise for any tobacco company liability is necessarily that the companies are culpable for marketing a product with knowledge and concealment of its injurious and addictive properties to consumers who were consequently largely unaware of many of the risks inherent in tobacco use. The premise for the legislative proposal here, however, is that veterans were somehow in a position of

knowledge and understanding superior to the general public on the nature and extent of the risks and potentially harmful effects of tobacco, and are thereby personally responsible where all other consumers are not. Moreover, we are unaware of any other Government agency that is seeking to deny benefits on this basis. Indeed, the state and national governments are seeking to recover from the cigarette manufacturers the added costs of benefit programs attributable to tobacco-related illnesses.

Although VA publicly states that this proposal is founded on the view that the Government should not be responsible for disability due to a conscious and knowing personal choice, the effect of the proposed prohibition does not correspond to that stated principle. The connection between a disability and military service can be established in essentially four different ways: (1) the disability manifested or was aggravated during service, (2) the disability manifested to such a degree within a short time after service that it is assumed service connected under a statutory presumption, (3) the disability with a typically delayed onset first clinically manifests after service and any presumptive period but is shown to be from exposure or causes attributed to service, or (4) the disability is the secondary result of a service-connected disability. Disabilities due to radiation exposure, post-traumatic stress disorder, and almost any other condition characteristically of delayed onset can be established as service connected under the third method. VA's proposal would not preclude service connection for tobacco-related disabilities under the first two methods. The proposal seeks only to bar service connection under the third and fourth scenarios. If the disability from smoking in service became evident during service or within any presumptive period applicable to the particular disability, service connection would be in order, but if the disability due to smoking during service or nicotine addiction of service origin did not manifest until some time after service and any applicable presumptive period, service connection would not be in order.

In short, it is nothing more than the timing of the onset of ascertainable disability that VA for some inexplicable reason finds objectionable, rather than the fact of a personal choice to smoke. Casting more doubt on VA's "personal choice" reason for this legisaltion is the fact that VA proposes no change in law to preclude disability pension where smoking is responsible for the disability. VA's proposal and its stated justification are incongruent. If the division were between the veterans of today and the veterans of tomorrow, it would then be based on the absence or presence of a fully informed and conscious choice.

To add insult to injury, at a time when VA is suffering from underfunding and in dire need of additional resources for both the Veterans Benefits and Veterans Health Administrations, this proposal would divert the bulk of the projected savings from this change in law away from veterans' programs. We understand that VA would retain and invest only a small part of the savings into veterans' programs. Even if the legislation were justified—and it is not—robbing veterans' programs for the benefit of some other agenda is indefensible.

Incidentally, we also note a significant disparity between the budget submission and the Acting Secretary's prepared statement. The prepared statement at page 9 describes the proposed legislation as follows: "The budget proposes legislation to disallow benefits for these disabilities or deaths attributable to diseases which began after military service and after any applicable presumptive period, and *based solely on tobacco use during military service*." (Emphasis added.) The budget submission, volume 1 at page 1-26, states: "This provision would amend title 38 to prohibit service connection of disabilities acquired after service and based solely on it being attributable, *in whole or in part*, to the use of tobacco products in service." (Emphasis added.) Obviously, denial of service connection for a disability in which tobacco use played only some minor role is much more inequitable than denying it where the tobacco use was the sole cause for the condition.

For these reasons, we urge you to reject the Administration's proposal to change the law to prohibit service connection for tobacco-related disabilities.

Under the appropriation for readjustment benefits, the Administration's budget proposes increases in the Montgomery GI Bill and the Survivors' and Dependents' Education assistance programs. The recommended legislation would also provide $100 million for veterans' training programs administered by the Department of Labor.

The *IB* recommends increases in the rates of the education allowances under the Montgomery GI Bill and the Survivors' and Dependents' education program. Both of these proposals are meritorious, and we urge their enactment. We understand, however, that, under the Administration's proposal, the costs of this legislation would be covered by the change in law to prohibit service connection for smoking-related disabilities. Because we oppose that change in law, we oppose funding these increases in that manner. While we also support veterans' training programs and support providing necessary funding for them, we oppose funding them by prohibiting service connection for tobacco-related disabilities, and we question why this cost should be borne by the VA budget rather than the Department of Labor budget inasmuch as it is a Department of Labor program.

The *IB* includes the following additional recommendations for improving other readjustment benefits:

- extend the authority for participation in unpaid work experience to jobs in the private sector
- change the law to adjust the amount of the special housing and adaptation grants provided for seriously disabled veterans and provide for automatic annual adjustments indexed to the rise in the cost of living
- change the law to adjust the amount of the allowance for specially equipped automobiles for seriously disabled veterans and provide for automatic annual adjustments to keep pace with the rise in the cost of living

We ask that you refer to the *IB* for more detail on the merits of these recommendations.

The *IB* also recommends a change in law to remove the 2-year limit on payments to entitled survivors from amounts accrued but not paid to the beneficiary at the time of the beneficiary's death.

We are disappointed in the President's proposed funding for General Operating Expenses and staffing levels for VBA. The General Operating Expenses appropriation funds the administration of VA nonmedical benefits and support functions for VA. At a time when VBA has commendably embarked upon an ambitious plan to provide better customer service to veterans, the VA budget proposes to reduce staffing by 132 FTE total from among the education, housing, insurance, and vocational rehabilitation programs. With this reduction, VBA's staffing level will have been reduced from 13,861 in FY 1992 to 11,221 in 1999, representing a loss of nearly one-fifth of the workforce. Based on the signs that these programs have suffered all the reductions they can stand without starting to seriously degrade the quality and timeliness of service to veterans and their dependents, the *IB* recommends maintaining current levels of staffing for the benefit programs administered by VBA, with the exception of the compensation and pension program for which the *IB* recommends increased staffing.

At a time when the Compensation and Pension Service (C&P) is struggling to overcome large claims backlogs and pervasive quality problems, only 7 FTE would be added under the Administration's budget. To correct serious deficiencies in its claims processing, which require rework of claims and result in backlogs, VA has initiated a comprehensive business process reengineering (BPR) plan designed to attack the problems at their source. The BPR plan involves many interrelated and interdependent elements, including extensive training and certification of decisionmakers and improved information technology support for claims processing. Redesigned work processes, with merging of job functions and conversion to work teams, will be implemented with physical reconfiguration of VA facilities from the existing regional office structure to service centers.

All of these changes and efforts will necessarily initially divert human resources from direct claims processing at a time when staffing levels have already proven inadequate just to stay abreast of the current demands. A reasonable expectation is that substantially increased staffing will have to be devoted to the compensation and pension program in the short term, or else the claims backlog will quite likely increase to such insurmountable levels that the BPR

improvements will be ineffective. If the claims backlog were to increase in such a manner, VA might be forced to revert to the old ways of focusing on quantity rather than quality, the very thing that created this unacceptable situation to begin with. The attainment of long-term efficiencies not only justifies an initial increased investment of resources, it absolutely requires it. Moreover, the long-term efficiencies are not simply a matter of desired goals, they are essential to overcoming one of VA's most pressing and persistent problems. Based on observation and informal discussions with VA personnel, the *IB* recommended that staffing for the compensation and pension program be increased by 500 over the FY 1998 level to permit VA to fully and effectively implement BPR and recover from the effects of premature staff reductions in the past.

In its August 1997 report to Congress and VA from a comprehensive study of VBA, the National Academy of Public Administration (NAPA) was unequivocally critical of VBA's past and planned staff reductions. NAPA noted there was no sound basis to conclude that fewer FTE will be able to handle the future workload.

The NAPA study also concluded that VBA's most fundamental need is to develop the leadership and organizational capacities that will enable it to plan and manage its functions strategically. NAPA found that VBA management has a history of operating in a reactive rather than a proactive mode. NAPA observed that VBA focuses principally on short-term issues, without any comprehensive, effective long-term strategy to solve its problems and permanently improve program performance and service delivery. NAPA saw a repetitive pattern in which VBA is good at generating plans but not good at carrying them out.

According to NAPA, VBA's efforts to develop comprehensive performance improvements have failed because of a lack of precision planning and the discipline required to push a generalized vision through to operational reality. During the implementation process, systematic oversight, tracking, and coordination have been inadequate. No systematic cycle has existed for review of effectiveness of the results of implementation. No management action has been taken to keep the organization focused on achieving its goals.

Additionally, because lines of authority are not clear, VBA leaders are not held firmly accountable for high levels of performance. NAPA noted that VBA's operational control is decentralized, with power residing in the area and regional office directors. NAPA found that a sense of powerlessness to take action permeates VBA. In turn, field personnel perceived VBA's Central Office staff as incapable of taking firm action. NAPA said that a number of executives interviewed by its study team indicated VBA executives have difficulty giving each other bad news or disciplining one another. NAPA concluded that, until VBA is willing to deal with this conflict and modify its decentralized management style, it will not be able to effectively analyze the variations in performance and operations among its regional offices. Neither will it be able to achieve a more uniform level of performance. Regarding C&P especially, NAPA concluded that the C&P director's lack of influence or authority over its field office employees would greatly hamper any efforts to implement reforms and real accountability. NAPA recommended that the Under Secretary for Benefits strengthen C&P influence over field operations and close the gaps in accountability. NAPA also thought that the new Secretary must give the Under Secretary an unequivocal charge to "fix the place."

The *IB* therefore recommends that VBA develop a strong and decisive leadership with clear accountability for performance requirements. We therefore recommend specifically that the Under Secretary for Benefits immediately formulate a plan (1) to correct management deficiencies in VBA, (2) to gain control and leverage over field office performance, and (3) to make field office directors accountable to C&P and the other program directors at VA Central Office. We recommend that Congress request the Under Secretary to provide it with this plan and begin a process for regular reporting on progress in implementation.

The *IB* also recommends that Congress provide VA with the necessary support and resources to allow the full and prompt implementation of the BPR plan. The *IB* includes several other recommendations for improving VBA's performance and services to its customers. Among those recommendations are toll-free telephone service to the VA's Regional Processing Offices for education claims, several suggestions for improvement of the vocational rehabilitation program, and a recommendation that the Board of Veterans' Appeals follow the same rules

applicable to VA regional offices. We would appreciate your review and consideration of these recommendations.

In the *IB*, we made two recommendations pertaining to the operations of the United States Court of Veterans Appeals. Because six of the Court's judges were all appointed within approximately 1 year of each other, their 15-year terms will expire near the same time. Because retirement of most of the Court's judges within the same year would not be desirable, we recommended, as has the Court, a change in law to permit early, and thus staggered, retirement of the judges.

Our other recommendation regarding the Court addresses a long-standing and serious problem for which the Court itself is partially responsible. The Court grants VA's attorneys multiple extensions of time to file their appellate briefs, contrary to the Court's own rules and jurisprudence, and often over the legitimate objections of appellants' counsel. This practice typically delays veterans' appeals for months. The *IB* therefore recommends that the Chief Judge review and correct this problem. In the event the Chief Judge were to fail to take prompt and appropriate action, the *IB* recommends Congressional oversight hearings to address the issue.

The Administration's budget proposes the permanent extension of the following expiring authorities for cost-savings in the medical care programs:

- authority to collect a $2.00 pharmacy copayment for certain prescriptions and a $5.00 and $10.00 per diem charge for certain nursing home and hospital care
- authority to verify income through the Internal Revenue Service and Social Security Administration for medical care purposes
- authority to collect from insurance companies the costs of health care provided to service-connected veterans for nonservice-connected conditions

We note that these temporary provisions were enacted as deficit reduction measures. We have never opposed their temporary extension for additional savings. Now, with budget surpluses projected, we believe it inappropriate to continue to collect the copayments from veterans. We therefore oppose any extension of temporary authority to collect copayments.

We have always opposed VA's previous proposals to permanently extend the other cost-saving measures and continue to do so now. We believe permanent extension unwarranted and urge you to reject those recommendations.

Regarding Department of Labor proposals, we are concerned that even with a balanced budget and a surplus, the Administration has not requested enough money to meet the authorized levels for Local Veterans' Employment Representatives (LVER) and Disabled Veterans' Outreach Program specialist (DVOP).

The FY 1999 budget requests $77 million for LVER and would support 1,300 positions. Current law provides for a minimum of 1,600 positions. The projected costs for those additional 300 positions would total $94 million, an addition of approximately $17 million over the Administration's request.

The FY 1999 request for DVOP positions is $80 million and would support only 1,440 positions. The number of DVOP positions authorized is based on a formula and justifies 2,081 positions, 641 more than the numbers being requested. In order to fully fund that level of authorized positions, an appropriation of $116.1 million would be needed. This is approximately $36 million more than that being requested. We believe, given the projected budget surplus, it is reasonable to expect the Administration to request a budget consistent with Federal statute authorizing these positions.

Current law authorizes $10 million for FY 1999 for homeless veterans projects. The Administration budget request is only $2.5 million or 25% of that authorized. According to estimates, veterans consistently represent approximately 36% of all homeless veterans. Again,

we believe the Administration should have requested an appropriation of the entire authorized amount of $10 million.

According to the Department of Labor's Veteran Employment and Training Service (VETS) budget briefing material, "President Clinton will request authority for the VA to reimburse $100 million a year for 5 years to the JTPA IV-C account." We have previously offered our comments on this proposal. And while, we would like to see this additional $100 million be provided to the Department of Labor, we believe it should be a direct authorization rather than the funding method being proposed.

The Department of Labor has a contract with the University of Colorado at Denver to administer the National Veterans' Training Institute. The FY 1996 appropriation was $2.67 million; the FY 1997 appropriation was $2 million; and the FY 1998 appropriation was $2 million. The FY 1999 budget request remains static at $2 million, which we believe is inadequate. We believe that amount should be increased at least to the FY 1996 level of $2.67 million, and we would support a line item amount of $3 million.

This concludes DAV's testimony on the FY 1999 VA budget and related matters. We hope our analyses of the issues and VA's funding needs will be helpful to you. We appreciate the opportunity to present our views, and we thank this Committee for its continuing support for this Nation's veterans.

STATEMENT OF
KENNETH A. STEADMAN
EXECUTIVE DIRECTOR
VETERANS OF FOREIGN WARS

BEFORE THE

BUDGET COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO
THE INDEPENDENT BUDGET

WASHINGTON, DC FEBRUARY 12, 1998

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Once again, the VFW is proud to be a co-author of the veterans' Independent Budget. As in the past, our contribution lies in the construction portion. But, as an organization of two million, the Veterans of Foreign Wars obviously is concerned for all aspects of the VA's budget. With that, I feel an obligation to first mention our deep concerns with this budget. I will then conclude with some specific comments on the VA construction program.

The budget proposed by the Administration for the Department of Veterans Affairs in Fiscal Year 1999 is potentially devastating to our nationÆs veterans. Indeed, because it ignores our past warnings and that of the Congress about serious underfunding, this budget may be the worst in recent years.

The proposed health care budget falls $1.1 billion dollars short of what we believe is necessary to meet current health care needs of veterans who are already mandated for such care. An $18.178 billion appropriation is needed to allow VA to properly care for today's veterans while preparing for the future.

For the third year in a row, the health care appropriation is flatlined at just over $17 billion, providing for absolutely no increases to cover either new programs or inflation. Historically, annual increases ranging from $700 million to $1 billion have been required just to cover the costs of inflation and other uncontrollable spending increases. The Administration's VA health care budget is worse than a no growth budget; it's a "negative growth" budget.

The Administration proposes to make up the difference in health care appropriations with the collection of funds from third-party payers, such as insurance companies. Fiscal Year 1998 is the first year that VA had authority to collect and retain all collections, yet in the first quarter of FY98, the VA was running $9 million or seven percent short of their goal for this year. We suspect it is because the VA does not have the proper infrastructure in place to meet their goals. Last year, this Committee and Congress put into law a "safeguard" for the current fiscal year providing that any third-party collection shortfall in excess of $25 million will be covered by appropriated dollars. No such protection is in place for FY99. The VFW strongly urges that the Congress make such a safeguard permanent.

Receipts from third-party insurance companies should be used to grow the health care system, not substitute for appropriations. These receipts should enable non-mandatory veterans to gain access to the health care system.

Construction Cost Ceiling be adjusted annually, using an inflation-adjusted matrix, so funding shortfalls due solely to inflation of any costs do not continue to occur with each passing year.

We also ask the Committee to urge the appropriations committee to provide the remaining $20 million required to complete the 100-bed Tampa, Florida Replacement Spinal Cord Injury Center. The project has been in the planning stages for over 25 years. The Veterans Affairs Committees have authorized this project two times. Most importantly, VA has already spent $6 million in design funds and $20 million on the first phase of the project. This important project should not suffer any further delays.

The Enhanced Use Leasing Program seems to be an extremely useful, asset management tool, allowing VA to acquire needed facilities, goods and services that would otherwise be unavailable or not affordable. We recommend that Congress make the Enhanced Use Leasing Program permanent. We also recommend that VA require all such leasing projects to fully comply with the stated mission and, therefore, benefit veterans by improving both access to and the quality of patient care.

Additional community-based outpatient clinics are needed to reach veterans who would otherwise travel long distances to obtain VA health care. VHA must ensure that eligible veterans have equal access to timely, quality health care throughout the nation.

Thank you, Mr. Chairman.

The Veterans Benefits Administration budget fails to provide adequate resources. They are projected to lose 125 personnel at a time when more resources are necessary to continue the recent improvements in the timeliness and quality of decisions made on entitlement and benefit claims. The Independent Budget projects an increase of 500 FTE for VBA to have any chance of success on their Business Process Reengineering plans and objectives.

Mr. Chairman, we join you and the other members of this Committee who are expressing concern about the Administration's proposed legislation to deny compensation for certain tobacco-use related disabilities. The VFW is on record by resolution and past Congressional testimony in opposing this proposal. We believe smoking related claims should be adjudicated under the same criteria as all other potential service-connected disability claims. Further, the Administration's assertion that some $17 billion would be saved over five years by denying such claims is a baseless exaggeration. Since the previous 1993 moratorium on tobacco-use related claims was lifted on January 28, 1997, and as of November 1, 1997, only an additional 2,600 claims were filed for a total of 6,800. Of these, 1,100 had been adjudicated with just 85 granted compensation.

In return for our support of this legislation, the Administration proposes a 20 percent increase in Montgomery GI Bill benefits at a cost of $1 billion over five years. My question to the Administration is "What is it doing with the other $16 billion it proposes to save by denying veterans' claims?"

Four new cemeteries (Chicago, Dallas, Cleveland, and Saratoga, NY) are planned but--in agreement with this Committee--we believe this expansion is not sufficient to avert the lack of available burial space by the year 2005.

All this is occurring at the same time the Administration is projecting a budget surplus and proposing billions of dollars of spending for new programs but the Montgomery GI Bill increase is the only new program of substance for veterans. It is very disturbing that there is such a lack of concern for veterans especially when the Administration now wants to expand the overall government spending levels.

Fiscal Year 1999 will be a watershed year for the VA. I say that because both Eligibility Reform and the VBA's Business Process Reengineering in the Compensation and Pension Service will be at the flood-tide of implementation. We are going to see whether medical care funding will be equal to expected enrollment.

Let me now address the VFW's primary responsibility on the Independent Budget. Most VA construction activities are funded through the Major Construction appropriation, which finances projects costing $4 million or more, or the Minor Construction appropriation, which pays for projects costing less than $4 million. A third appropriation finances the Parking Garage Revolving Fund. Veterans Health Administration construction accounts for most expenditures fall within all three appropriations. VA also provides grants for constructing state extended-care facilities and state veterans' cemeteries.

The creation of VA's Veterans Integrated Service Network (VISN) system comes at a time when congressional appropriations for major and minor construction will be minimal. As VISNs reconfigure programs and shift resources in an effort to integrate networks efficiently, the risk of local shortages in service capacity increases. We recommend that network directors be given the authority and flexibility to alter their priority lists of proposed major construction projects without fear of losing construction dollars. Network directors must develop five-year construction plans taking into consideration the impact on capital requirements of mission changes, the Veterans Equitable Resource Allocation, and Eligibility Reform.

We believe that VA's construction program must emphasize expanding primary care access, making facilities more modern and attractive, and increasing long-term care capacity in non-institutional and institutional settings. The need for enhanced outpatient and extended care facilities and infrastructure improvements has replaced the need for additional hospital beds. Unfortunately, many renovation projects are threatened because costs will exceed the Minor Construction project ceiling of $4 million. Therefore, we recommend that the Minor

Statement of

Chuck Burns
AMVETS National Service Director

before the
House Veterans Affairs Committee

on the
VA Budget Fiscal Year 1999

Thursday, February 12, 1998

Room 334
Cannon House Office Building

Mr. Chairman, I am Chuck Burns, National Service Director for AMVETS, The American Veterans of World War II, Korea and Vietnam. We appreciate this opportunity to testify before you and the Committee today. Neither AMVETS nor myself have been the recipient of any federal grants or contracts during FY 98 or the previous two fiscal years.

Our testimony today will address primarily the National Cemetery System (NCS). Since its establishment, the NCS has provided the highest standards of compassionate service to each eligible veteran and family member eligible for interment in the system's 115 cemeteries. The National Cemetery System, its monuments, its land and the historical interments contained within are indeed national treasures which must be maintained, nurtured and, most of all, protected.

Despite NCS's continuing high standard of service and the Administration's proposal for an $8 million increase in budget authority for FY 99, we feel the system has been and continues to be under-funded. Since 1973, the annual burial rate within the NCS has almost doubled to 73,000. Most WW II veterans are in their mid-70's and the overall projected veteran death rate is expected to peak in the year 2008 with more than 620,000 deaths. Already, the average monthly death rate of WW II veterans is 36,000.

Even with the projected completion of new cemetery projects in Chicago, Cleveland, Albany, Seattle and Dallas-Fort Worth in calendar year 1999 and projected expansion of six other existing cemeteries, NCS will be hard pressed to meet the growing demand for space. We join with this Committee in encouraging the Administration to consider adding even more cemeteries to meet the growing demand for burial in a National Cemetery.

Historically, only about 10 percent of eligible veterans opt for interment in an NCS facility. Despite this seemingly low demand rate, if funding is not forthcoming for new acquisitions and development of existing land, the legal entitlement will be an empty promise, as veterans are denied access based on non-availability. Of the 115 National Cemeteries, 22 are closed to new burials and 36 are only open to cremated remains. Within the next two years, the number of National Cemeteries open to first interments of casketed remains will be further reduced by 50%.

Donations of space have helped ease the crunch somewhat, although in a piecemeal fashion. A truly national system must have the unqualified budgetary support of both the Executive and Legislative branches to ensure that all eligible veterans who so choose have the right to interment in a National Cemetery. We repeat our call for a National Cemetery or state-supported cemetery within 75 miles of 75% of the veteran population. We remain steadfast in our support for fiscal responsibility, but it must not come at the expense of denying an eligible veteran the most enduring benefit -- burial in a National Cemetery.

The members of the Independent Budget acknowledge the ability of the dedicated staff of the NCS who continue to ably perform their mission despite budgetary shortfalls, inadequate staff, aging equipment and increased workload. The NCS

is a labor intensive workplace, which, in the foreseeable future, cannot be supplanted by machinery. The unique maintenance needs of the NCS can only be met through adequate staffing. Currently, the NCS is deficient 275 FTEEs (full time employee equivalents) that need to be funded to ensure the adequacy of cemetery operations.

The National Cemetery System is faced with a number of serious challenges. Chronic underfunding remains the most serious and presents the greatest challenge to accomplishing its mission of compassionate service to each veteran and family eligible for burial. We have identified other major areas of concerns and recommendations that are crucial to ensuring the integrity of the NCS.

- Inadequate Burial Space:

  Presently, NCS has approximately 330,000 gravesites available with the capacity for adding 1.5 million sites on undeveloped land, if resources become available. The State Grant Program, operated by VA, provides an reasonable and accessible alternative to those who desire burial in a national cemetery, but because of distance must forgo the use of the burial benefit. Recent state budget surpluses in many states have made it possible for more states to participate in this program.

RECOMMENDATION:
Congress must ensure that adequate burial space is available for all eligible veterans and their families who desire burial in a national or state veterans cemetery.
Funding for the State Grant Program must be adequate to cover all state funding requests.

- Dignified Burials for Deceased Veterans:

  Citing budgetary constraints, the military services have not been providing honor guards for veterans funerals, beyond a single representative of the Department of defense who presents a flag to the deceased veterans's family on behalf of the Government. This denial of appropriate honors is particularly shameful during this time when so many WW II veterans are being buried in national cemeteries.

RECOMMENDATION:
Congress should enact legislation guaranteeing that all veterans being buried in national cemeteries receive appropriate military honors; further Congress should direct a transfer of funding from DoD to VA that would be sufficient for VA to contract for these appropriate services.

- Quantico National Cemetery:

  Opened in 1983, Quantico was viewed as the alternative site for burial for Arlington National Cemetery. Less than six percent of Quantico's 790 acres have developed for burials. Because of its large inventory of available, yet undeveloped land, Quantico holds the potential of becoming the largest of all the national cemeteries.

RECOMMENDATION:
VA should develop and Congress should support an aggressive marketing strategy and major construction plan to make Quantico National Cemetery a desirable and well-utilized alternative to burial in Arlington.

Recently, national attention has focused on possible abuses regarding eligibility for burial in Arlington National Cemetery. Burial in Arlington for casketed interments is reserved for military personnel who died on active duty, career military retirees and holders of our Nation's highest military valor awards, such as the Medal of Honor, Silver Star, Distinguished Service Medal and Purple Heart, among others. Under the rarest of circumstances waivers are granted to individuals for compassionate reasons or other reasons related to high government service.

During the last few years, requests for waivers have grown from a handful during previous Administrations to more than 69 during the Clinton presidency. The veterans community is duly concerned about the perceived arbitrariness of the waiver process in this Administration. Inequities in the application of the process demeans the honor of burial in a national cemetery. We urge the Congress to enact legislation that would require all waivers for burial be subject to an apolitical, uniform process that ensures objectivity and guarantees the integrity of current regulations regarding burial in Arlington National Cemetery.

Our recommendations to ensure the integrity of the National Cemetery System for FY 99 cost out at approximately $99,919,000 an increase of $13 million in budget authority over FY 98 and includes the costs for our recommendation of an additional 275 FTEE's to meet current and future staffing needs.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or the Committee may have.

STATEMENT OF CARROLL WILLIAMS, DIRECTOR
NATIONAL VETERANS AFFAIRS AND
REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 1999 BUDGET

FEBRUARY 12, 1998

Mr. Chairman and Members of the Committee:

The American Legion appreciates the opportunity to present its views on the Administration's proposed budget for the Department of Veterans Affairs (VA) for Fiscal Year (FY) 1999.

Overall, the President's FY 1999 request includes $42.8 billion for Department of Veterans Affairs' discretionary and entitlement programs. The proposal reflects an increase of approximately $80 million over the FY 1998 budget of $42.7 billion. The proposal provides for certain programs and functions as follows:

FISCAL YEAR 1999
DEPARTMENT OF VETERANS AFFAIRS BUDGET PROPOSAL

	Proposed FY 1999	American Legion Recommendation
Medical Care (includes MCCF receipts)	$17.7 billion	$18.2 billion
Medical Research	$300 million	$ 292 million
Construction		
Major	$ 97 million	$150 million
Minor	$141 million	$200 million
State Grants Program	$ 37 million	$ 80 million
National Cemetery System	$ 92 million	$ 87 million
Veterans Benefits Administration (GOE)	$817 million	$867 million

MEDICAL CARE

Over the past three years, the Veterans Health Administration (VHA) has been evaluating and reinventing the way it provides services, in order to maximize limited dollars and resources. The VHA system has organized its 172 medical centers into 22 regional systems known as Veterans Integrated Service Networks (VISNs). Under each VISN umbrella, several VA medical centers and their associated partners are charged with working collectively to deliver health care to their regions' veterans in the most efficient and effective way possible. All of this planning and reorganization is focused on how to do more with less and how to do it better.

The VHA has made many changes over the past several years. These changes have been especially evident in the transition from an inpatient-focused, specialty-driven, fragmented collection of services, to one that is increasingly providing a coordinated continuum of care that is grounded in ambulatory and primary care. Illustrative of this change is that, according to VHA data, since September 1994, 42 percent of all VHA acute-care hospital beds--some 22,000 beds--have been closed.

From Fiscal Year (FY) 1994 through FY 1997, annual inpatient admissions have decreased by more than 250,000, and bed days of care per 1,000 patients have decreased by 50 percent. Also, 50 percent of substance abuse treatment programs have shifted, or are in the process of shifting, from inpatient to outpatient, and 22 percent of PTSD treatment programs have shifted, or are in the process of shifting, from inpatient to outpatient status. Additionally, ambulatory surgeries increased from 35 percent of all surgeries performed in FY 1995 to 69

percent in FY 1997. Through these many changes, The American Legion is most concerned that VHA maintain a consistent level of high quality care among all clinical programs.

Since March 1995, 144 new community-based outpatient clinics (CBOCs) have been, or are in the process of being established, and an additional 21 CBOCs have been submitted for congressional approval. During FY 1997, VHA recorded 32.6 million ambulatory care visits, an increase in the annual number of ambulatory care visits of 6.6 million, or 26 percent, compared to FY 1994.

Many other changes have occurred within VHA over the past few years. VHA is actively responding to the market forces that are transforming America's health care system and to the federal appropriations process that has failed to keep pace with medical care and other inflationary pressures. The question is still open as to whether VHA will be able to successfully reinvent itself and provide high quality health care to all eligible veterans within existing appropriations.

Mr. Chairman, according to a recent report by the Health Care Financing Administration (HCFA), health care inflation for 1996 was 4.4 percent, compared to an overall inflation rate of 3.3 percent. That was the smallest increase in the 37 years the federal government has been tracking health costs. Additionally, Medicare spending increased 8.1 percent in 1996. At the 1996 health care inflation rate, VHA funding for FY 1997 would have increased by approximately $748 million. In reality, the total Medical Care Collections Fund receipts for FY 1997 totaled $523 million, while the cost to collect these funds was $120 million.

In accordance with the 1996 Balanced Budget Agreement, direct VHA medical care appropriations are frozen at the FY 1996 level of $18 billion. The only increased revenues anticipated by VHA through FY 2003 will be via the Medical Care Collections Fund (MCCF). The American Legion thinks it is highly suspect whether the MCCF fund will consistently enable VHA to match the annual medical care inflation rate and all other unavoidable cost increases. This concern was also expressed by the General Accounting Office (GAO) in an October 1997 report. In response to the GAO report, The American Legion is pleased to see VHA taking specific steps to improve its MCCF performance.

The FY 1999 budget proposal represents the second year of VHA's 30-20-10 plan. Beginning in FY 1998, through FY 2002, VHA proposes to reduce its cost per patient care by 30 percent, increase the number of patients treated by 20 percent, and obtain 10 percent of its total resources from non-appropriated revenues. All the while, its federally appropriated funding would be frozen at roughly $17.0 billion (not including the Medical Care Collections Fund receipts).

In the effort to revamp the VHA system, other important changes have occurred, or are in the planning process. The Veterans Equitable Resource Allocation (VERA) system is in place for FY 1998, after becoming effective the second half of FY 1997. In response to Public Law 104-262, VHA is currently pilot testing a veterans' enrollment system that is to be implemented on October 1, 1998. Additionally, VHA is currently negotiating the parameters of a Medicare reimbursement pilot program for higher income, non-service connected veterans.

Mr. Chairman, it is difficult to predict the successfulness of the changes underway or planned within VHA. Invariably, the level of direct Federal appropriations has a profound impact on VHA services and programs. VHA can only achieve limited fiscal efficiencies. Beyond that point, the system will require increased revenues.

The American Legion is pleased that VHA will be able to continue to retain third-party reimbursements under the President's FY 1999 budget proposal. Without these receipts, the amount of direct medical care appropriations would have to be increased. The Legion is also pleased that legislation passed in August 1997, Public Law 105-33, protects VHA funding for FY 1998 if MCCF receipts do not meet projected goals. The American Legion supports a permanent extension of this authority.

Mr. Chairman, The American Legion supports the efforts to reform the VHA system. The Legion believes VHA must be careful to maintain consistent standards of high quality health care across all 22 VISNs. The American Legion commends VHA for placing a heightened emphasis

on improved customer satisfaction and for developing system wide performance standards. Still, VHA is only in the process of transformation. Many potential obstacles remain before a successful transformation is achieved.

For Fiscal Year 1999, The American Legion recommends an appropriation of $18.2 billion for the veterans health care system.

THE GI BILL OF HEALTH

The American Legion developed the GI Bill of Health (GIBOH) as a workable solution for preserving and improving the Veterans Health Administration. The GIBOH reinforces VHA's long-standing commitment to service-connected veterans and poor veterans and allows other eligible veterans and dependents an opportunity to access VA health care on a cost-sharing basis. The GI Bill of Health would permit all potential VA beneficiaries greater access to VHA services, through both VHA and private sector providers.

Federal funding to support the VHA system has not increased at a rate sufficient to compensate for the increased cost of medical care over the past 20 years. Future appropriations will likely not keep pace with the rising cost of health care for VHA's unique workload. The GIBOH would progressively restore financial stability to the system through a combination of Federal appropriations, third-party insurance reimbursements, Medicare subvention, Tri-Care funding, and on a premium basis for veterans and dependents who elect to use the VHA system as their provider of choice.

The VHA system is experiencing tremendous change. In an era of smaller staffs and leaner budgets, VHA must create effective partnerships with community medical providers and discard outmoded management systems. However, VHA must be careful not to completely integrate its unique health care delivery systems with the prevalent private sector models. VHA must retain its identity of providing veterans the variety and level of care that differentiates it from all other health care systems.

Much of the change occurring within VHA is proactive and directed at doing more with less. In this regard, the Veterans Integrated Service Networks allow VHA to maximize resources and available medical capabilities. Eligibility reform authorized VHA to provide care in the most appropriate and cost-effective setting.

Still, these changes do not address VHA's principal problem: Without a sufficient combination of direct appropriations and other alternative revenues, the propensity to down size and reduce the scope of VHA provided services will continue.

The GI Bill of Health would enhance access to coordinated and comprehensive care for all veterans and their dependents, including primary and preventive care, and would facilitate the expansion of VHA services into rural communities and home health care settings.

The GI Bill of Health outlines a plan for where VHA should be heading. Currently, it appears that the VHA system is striving to fix its identified problems but the final blueprint for the system is still unclear.

Certain elements of the GIBOH have already been partially implemented. Public Law 104-262 lifted the complex eligibility restrictions, but established seven priority categories of care, subject to available resources. The legislation authorized VHA to provide expanded health care services on a reimbursable basis to DoD beneficiaries, and provides greater authority for contracted services. The law also mandates VHA to establish a veterans' health care enrollment system. Public Law 105-33 allows VHA to retain all MCCF receipts. All of these actions moves VHA closer to the provisions contained in the GI Bill of Health.

The GI Bill of Health would expand on the advances made over the past two years. In particular, if enacted, the GIBOH would:

- Reform VA health care to increase and improve access to care for all veterans and eligible dependents through the establishment of defined health care benefit packages that could be purchased on an optional basis;
- Allow VHA to develop additional alternative revenue streams;
- Assist the many military retirees and dependents who are currently unable to access DoD medical facilities and are forced to rely on Tri-Care or Medicare;
- Establish Medicare subvention, with defined health benefit packages for certain Medicare-eligible veterans;
- Restore the integrity of all VHA missions: health care, education and training, medical and prosthetic research, and the military and civilian contingency back-up medical system.

MEDICAL AND PROSTHETIC RESEARCH

The American Legion commends an appropriation level of $300 million for VA medical and prosthetic research for FY 1999. For many years, VA medical and prosthetic research funding has been subject to uncertain appropriations. The Congress has been an advocate of a strong funding base for these activities, oftentimes increasing the Administration's inadequate appropriations request. The proposed FY 1999 increase of $28 million and 161 full-time employees (FTE) is requested as part of the Administration's Research Fund for America.

The FY 1999 research funding proposal will provide for a total of 65 new research initiatives. Included are 34 projects for Health Services Research; 21 new Rehabilitation Research projects; 4 Cooperative Studies projects; 2 new field programs in Quality Health Care Initiatives; 2 new Epidemiology Centers; and 2 new Rehabilitation Research Centers for Vision and Hearing Impairments, and Acute Brain Injury or Spinal Cord Injury.

Mr. Chairman, The American Legion is hopeful that the proposed FY 1999 medical and prosthetic research appropriation is the beginning of a new era for this program. Too often in the past, Medical and Prosthetic Research Service had no stability from year-to-year in the number of initiatives performed and in maintaining consistent staffing levels. In essence, too much budgetary uncertainty unnecessarily challenged the program. The American Legion believes that a FY 1999 funding level of $300 million should be the basis from which the service will be able to plan future activities.

MAJOR CONSTRUCTION

The Administration proposes major construction funding of $97 million for FY 1999. Projects proposed include clinical consolidation and seismic corrections at the Long Beach, CA medical center ($23 million), seismic corrections at the San Juan, PR medical center ($50 million); columbarium development at the Florida national cemetery ($6 million); and a columbarium development project at the Fort Rosecrans national cemetery in San Diego ($6 million). Both the Long Beach and Puerto Rico projects are included on the Department's five highest priority major construction project list.

It is interesting that with VHA's recent emphasis on ambulatory care and primary care that no major ambulatory care construction projects are proposed. In particular, of the five highest scored projects on VA's priority major construction list, three ambulatory care projects are included. These are Cleveland, OH ($28 million, of which $7 million has already been spent on design and advanced planning purposes); Tucson, AZ ($25.2 million); and Washington, DC ($29.7 million).

Mr. Chairman, VHA's own study indicated it would be less costly for these three sites to provide direct patient care in an expanded ambulatory setting than to purchase this care through the private sector. It is our understanding that the Office of Management and Budget (OMB) recommends to forego these critical projects and to contract the necessary care within the community. Mr. Chairman, The American Legion recommends that this Committee review the credibility and scope of the aforementioned ambulatory care projects. It is unimaginable that within a health care system as large as VHA that no significant ambulatory care expansion or renovation projects are justified.

The American Legion recommends a major construction appropriation of $150 million for FY 1999. This appropriation would authorize the approval and funding of the major ambulatory care outpatient projects at VAMCs Cleveland, OH; Tucson, AZ; and Washington, DC.

MINOR CONSTRUCTION

Mr. Chairman, equally astounding as the limited FY 1999 major construction proposal is the Administration's minor construction request. For FY 1999, $141 million is requested for system wide minor construction projects. This represents a decrease of $34 million from current year levels.

No practical justification is presented with the lower FY 1999 minor construction request. At a time when the VHA system and its 22 VISNs are increasingly refocused on providing less inpatient care and greater ambulatory service, a reduction of $34 million will limit the networks' ability to meet its reingineering objectives.

For the past several years, minor construction funding has ranged from $175 million to $200 million. **For FY 1999, The American Legion requests minor construction funding in the amount of $200 million**.

GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES

Mr. Chairman, a proposed FY 1999 budget of $37 million for the construction of state extended care facilities will permit a total of three new projects. The State Extended Care Grants Program currently has a backlog of 98 unfunded projects, representing a budget shortage of $116.2 million. The Administration's proposed FY 1999 budget will not begin to address the needs of this program.

For FY 1998, the Administration proposed $40 million for the state grants program. Wisely, the Congress appropriated $80 million for this function in FY 1998. The American Legion is confident that the Congress will again provide adequate resources for this vital program.

The American Legion recommends an appropriation of $80 million for the States Construction Grants Program in FY 1999.

NATIONAL CEMETERY SYSTEM

The American Legion is pleased that the Administration recommends $92 million for the National Cemetery System in FY 1999. The proposal recognizes that four new national cemeteries, plus an increase in workload, requires additional resources. The planned new national cemeteries and their projected openings are, Chicago, IL (August 1999); Dallas/Ft. Worth, TX (May 1999); Albany, NY (Saratoga National Cemetery -- August 1999); and Cleveland, OH (tentative -- December 1999).

The American Legion's position on the National Cemetery System is that it is the responsibility of the Federal government to ensure that veterans and eligible dependents have reasonable access to burial in national cemeteries. In this regard, VA must continue to develop viable strategic plans so that all veterans have a realistic option to be buried in a national cemetery. Additionally, The American Legion recommends that the pre-1982 burial and plot allowances be restored for all veterans. The VA must examine the cost-effectiveness of reestablishing the pre-1982 burial benefit allowances versus the current policy of not recommending the construction of any new national cemeteries. Now that the Federal government reportedly has attained a balanced budget, it is time to restore certain burial benefits that were eliminated due to previous Omnibus Budget Reconciliation bills.

VETERANS BENEFITS ADMINISTRATION

Mr. Chairman, for FY 1999, the proposed appropriation for all VA benefit programs which includes compensation, pension, education, vocational rehabilitation and training,

insurance, and housing totals $21.8 billion. This represents an increase of some $123 million over the estimate for FY 1998. The additional funding reflects an overall increase in both the number of beneficiaries and the average benefit payments. There are also several legislative proposals which would provide a 2.2 percent cost-of-living (COLA) in disability compensation and DIC monthly benefits, increased educational assistance benefits, support to veterans' employment programs in the Department of Labor, and increased compensation to certain Filipino veterans.

Legislative Initiatives

Mr. Chairman, The American Legion is concerned both by the nature of the majority of these initiatives and the fact that VBA's ability to provide the increased benefits depends entirely upon the passage of legislation introduced in the First Session of the 105th Congress which would statutorily bar future claims for service connection for any tobacco-related disability or death occurring after service. The prospects for the enactment of this bill are, at present, problematic. The funds that would otherwise be payable for tobacco-related claims would used to: increase educational assistance rates under the Montgomery GI Bill for veterans as well as active duty personnel and members of the Selected Reserve under 38 USC, Chapter 30 and for survivors and dependents under 38 USC, Chapter 35; provide increased support to programs administered by the Department of Labor for education and training programs to help veterans of the Vietnam Era legislation find employment; and pay the full rate of disability compensation to Filipino veterans and DIC to their survivors residing in the United States. Legislation will also be proposed to eliminate the direct home loan program and provide VA with authority to charge lenders a $25 fee on each VA loan guaranteed.

Mr. Chairman, The American Legion seriously questions Congress's and the President's commitment to veterans when their repeated proposed increases in spending for higher education, do not include veterans' education assistance benefits. The Balanced Budget Resolution provided $50 billion in new education spending over the next five years, but there was no provision for additional funding for the Montgomery GI Bill (MGIB) programs. This action, whether intentional or not, has the effect of discouraging military service and denies needed financial assistance to thousands of veterans, active duty personnel, and members of the Selected Reserve in meeting the growing cost of higher education.

The American Legion, however, is strongly opposed to taking away statutory benefits from one group of deserving veterans in order pay benefits to another group of equally deserving veterans. This is precisely what would happen if the tobacco claims legislation is enacted. It is not only short-sighted, but discriminatory and dishonorable. The original GI Bill of 1944 demonstrated the impressive power of educating veterans. It also helped transform America from an industrial giant into a technological leader. Equally important, monies the government invested in veterans' education has been returned up to eight times through taxes on higher salaries.

The American Legion has supported efforts to recognize the service of former members of the Philippine Commonwealth Army in the Armed Forces of the United States as qualifying military service for VA benefit purposes. Providing compensation and DIC benefits at the same rate as other eligible U.S. veterans constitutes a long-delayed commitment and is one of the many long-term costs of World War II. However, The American Legion remains adamantly opposed to taking earned benefits from one group of service disabled veterans to pay for new or additional benefits for another group of veterans. We have urged that Congress appropriate the additional funds needed for this purpose in order to negate any adverse impact on current VA benefit programs.

GENERAL OPERATING EXPENSES (GOE)

Mr. Chairman, the underlying premise of the VBA budget request for the General Operating Expenses account is to try and more accurately align personnel and budget with specific functions and areas of responsibility. Requested staffing for the VBA administration and benefit programs or 'business lines" for FY 1999 is 11,221 FTE. Although this is a reduction of 125 FTE from the FY 1998 level, staffing resources allocated to claims processing and adjudication will increase from the current level of 4,041 FTE to 4,181 FTE. Requested personnel levels are predicated on implementation and continuation of VBA's Business Process Reengineering (BPR) plans for each of the 5 business lines -- Compensation and Pension,

Educational Assistance, Housing Assistance, Vocational Rehabilitation and Counseling, and Insurance -- and other initiatives.

Mr. Chairman, after years of budget requests that described unrealistic and overly ambitious promises of improved production, timeliness, and service with vastly fewer resources, The American Legion is encouraged by the tone and substance of the projected budget for programs of the Veterans Benefits Administration in FY 1999. It appears there is a serious commitment to addressing many of the long-standing concerns and complaints voiced by veterans and the veterans service organizations. In each business line, there will be many new and ongoing service-related initiatives involving improvements in information and telecommunications technology. It is anticipated these will enhance productivity and efficiency with more accurate claims processing and benefit payment. There will also be improved management information, as well as increased communication and outreach to veterans and stakeholders, and enhanced training opportunities for VBA personnel.

Mr. Chairman, The American Legion is also encouraged by the shift in emphasis and priority in the BPR plans for the C&P Service from production to a series of initiatives addressing the need to improve the quality of claims adjudication. While the continued reduction in claims processing time and the reduction of the backlog of pending claims are important and desirable goals, they must be subordinated to action which will make claims decisions more accurate and utilize available resources in a more cost-effective manner. The immediate and long-range goals are to improve overall service and increase the ability of the regional offices to handle current and future workloads levels. The achievement of these goals will also necessitate addressing the causes of the large number of appeals filed annually and the subsequent remands by the Board of Veterans Appeals. In addition, to provide management accurate data on the amount of time it takes to correctly process a claim, a complete overhaul of the current work measurement system is required. The American Legion believes this will also be essential to appropriate current and future resource allocation.

BUSINESS PROCESS REENGINEERING PROGRAM (BPR)

Mr. Chairman, The American Legion is supportive of VBA's efforts to develop and implement a multi-year, comprehensive, systematic, and integrated approach to improving "customer service" and "customer satisfaction" in its benefit programs. In FY 1995, VBA established its Business Process Reengineering (BPR) program as part of the Department's implementation of the Government Performance and Results Act (GPRA). The BPR efforts are intended to fundamentally change the way VBA does business and includes a variety of initiatives underway and planned. These actions provide solutions to many long-standing operational and service-related problems.

The BPR plan for FY 1999 continues this evolutionary process. It provides detailed, integrated strategic and yearly plans along with specific performance outcome goals and measures, and data development which are common to all programs or business lines. The various plans and initiatives represent VBA's vision of how improvements in performance and service will be measured. They are focused on increased efficiency, resource utilization, and accountability. There is a similar concern for involving the needs of VBA's personnel with initiatives to improve training, pay, and morale. According to the plan justification, the various initiatives will contribute directly and indirectly to improved quality and timeliness of service to veterans and other beneficiaries. A key feature of the plan is the continuation of the current user survey program to develop accurate and timely information on the level of customer satisfaction and the standard of service being provided. This overall approach which includes new work measurement and quality assurance programs should also enable VBA local and Central Office managers to more effectively monitor the impact of the various initiatives on service and operating efficiency and measure progress made toward particular goals. It should also help improve the allocation of current resources in relation to workload demands at individual field stations and system wide. Equally important, this type of information provides the necessary basis to support future budget requests.

As previously noted, an additional 141 FTE will be provided to the Compensation and Pension (C&P) Service for direct support to the claims processing and adjudication function. This is to be achieved primarily through the organizational and physical consolidation of the

Adjudication and Veterans Service Divisions which is currently underway. The added staffing resources will be complemented by enhanced computer based training of adjudication personnel. Consistent with the BPR's emphasis on improving both the quality and level of service provided to veterans, their dependents, and survivors, VA regional offices are to be designated as Veteran Service Centers. There will also be the continued expansion of the pre-service discharge claim and examination program to expedite the processing of claims of individuals prior to their separation from service.

There are a variety of other initiatives which are part of the BPR plan which should also help VBA employees improve the processing of benefit claims. These focus on improving the quality of decisions made on individual claims, increased information and interaction with the claimant, and the timeliness of adjudication. This will involve establishing a closer working relationship or partnership with veterans' representatives. The emphasis will be to try and ensure that claims are resolved in a fair and equitable manner. In cases on appeal, there will be provision for a formal post-decision review by an individual who will have the authority to change an unfavorable decision based on a difference of opinion. Implementation of the Decision-Review Officer (DRO) program has already begun and will be expanded. It is anticipated the DRO program will provide a number of service improvements: claimants will be better served if more appeals can be resolved without resort to the Board of Veterans Appeals or the reopened claim procedure; claims will be more completely developed which should enable the Board of Veterans Appeals to make an increased number of final decisions without the need for unnecessary remands; and by reducing the regional offices' appellate and remand workload, more adjudication resources will be available to process benefit claims.

Mr. Chairman, VBA has once again set some very ambitious service improvement goals for the C&P Service in 1999. We do not disagree with the basic need for improvement and the stated goals. However, without a reliable, accurate work measurement system to evaluate processing time it is difficult to determine if the identified resources are adequate or sufficient to achieve the service improvements envisioned in this plan. The current year volume of new and reopened claims and appeals for all types of cases, including Gulf War, Agent Orange, clear and unmistakeable error and tobacco-related is formidable and projected to increase in FY 1999. This level of activity casts considerable doubt on C&P's ability to achieve the claims processing goals set in the current year budget. However, we have strong reservations as to the accuracy or reliability of the projected workload and benefit cost associated with tobacco-related claims in particular. We believe these may be much overstated.

Mr. Chairman, in addition to the concerns previously expressed regarding the possible use of funds that would otherwise be used to pay claims for disability and death due to tobacco-related illnesses, The American Legion is very concerned by the fact that tobacco-related claims are factored out of workload projections for FY 1999. This is based on VA's repudiation of its current legal position on claims for service connection for tobacco-related disability and death. Throughout the C&P portion of the budget there is an assumption that pending legislation will be enacted in this Congress barring future claims for tobacco-related illness, thereby relieving them of substantially increased future workload and benefit costs. We believe this position is contrary to the historical concept of service connection and the fact that compensation and VA medical care for veterans are among the long-term costs of the nation's defense.

Mr. Chairman, The American Legion is on record opposing this legislation. We believe the Federal government has a moral obligation and responsibility to those generations of veterans who now become sick or die from illnesses related to their tobacco use in service. It ignores the fact that the Federal government, including the Department of Defense and VA until very recently, for years promoted the use of tobacco. Rather than slamming the door in the face of veterans who are ill and denying them financial assistance and medical care, VA along with other Federal agencies who have similar benefit and medical care programs such as the Department of Defense, the Health and Human Service Administration, and the Indian Health Service, should urge the President and Congress to aggressively pursue a comprehensive Federal settlement with the tobacco companies which would address their respective funding needs. Any such settlement should be over and above that involving the various states.

VOCATIONAL REHABILITATION AND COUNSELING SERVICE (VR&C)

Staffing requested for the Vocational Rehabilitation and Counseling (VR&C) Service for FY 1999 is 977 FTE. This is approximately the same level as provided for in the current year budget.

Problems within the VR&C program as highlighted by the General Accounting Office (GAO) in their 1992 and 1996 reports have been the subject of continuing congressional concern and criticism. The American Legion shares these same concerns. Staffing and overall service in recent years has decreased rather then increased in the face of growing workload demands. Other problems and deficiencies have also affected the service being provided disabled veterans. Public Law 104-275 enabled VA to restrict eligibility for this program as a means of reducing the demand for service and workload. This action was strictly budget-driven and intended to obviate the U.S. Court of Veterans Appeals decision in Davenport v. Brown. The American Legion believes this restriction was very unfair and should be repealed. It penalizes many disabled veterans who would otherwise have been able to benefit from needed education and employment assistance through the Vocational Rehabilitation Program. It denies them the opportunity to provide a better life for themselves and their families.

VBA's overall strategic plan for FY 1998-2002 provided excellent general marching orders to the managers and staff of the VR&C Service. However, too much time has passed and development and implementation of a comprehensive, detailed business reengineering plan by the VR&C Service has lagged. We believe inadequate and overworked personnel are principal factors hindering the program's current ability to adequately meet the needs of disabled veterans.

While the plans and goals for FY 1999 appear to be logical and measurable, the prospect of any substantial improvement in service without an infusion of additional resources is unlikely, in our view. The re-establishment of a quality assurance program to closely monitor VR&C activities at each of the 57 VA regional offices or Veterans Service Centers is an absolute necessity. The successful execution of the FY 1998 and 1999 plans will be critical to achieving the stated general goal of assuring the Vocational Rehabilitation Program is meeting the needs of service disabled veterans. This will necessitate focusing more on outcomes. For most disabled veterans, this means not only the successful completion of their education or training program, but the placement in suitable, meaningful employment as the most desirable goal. For the VR&C Service, this means making more effective use of outside resources, such as the States' Department of Rehabilitation, State Employment Service Agencies, and contract service providers.

BOARD OF VETERANS APPEALS

For FY 1999, an additional 3 FTE attorneys are requested for the Board of Veterans Appeals (BVA or the Board). This will bring the number of attorneys at the Board to 251 and total staffing to 494.

BVA's objectives and goals for FY 1999, consistent with VA's expressed commitment to "putting veterans first", emphasize customer service and the need to provide high quality, timely decisions and service in the most efficient manner possible. The plans set forth to achieve these will focus on developing an effective quality assessment program together with quality baseline data and annual improvement goals. Steps will also be made to reduce the number of remands by the U.S. Court of Veterans Appeals. The American Legion, however, is concerned by the fact that the key positions of Chairman and Senior Vice Chairman remain unfilled. We believe prompt action by the Administration and Congress is required to ensure that the necessary leadership is provided to the Board in carrying out its mission and responsibilities as outlined in this budget request.

Mr. Chairman, veterans and other appellants are currently having to wait 1,000 days for action on an appeal. Most of this delay occurs at the regional office. By any measurement, this is far too long. Efforts will be made by the Board to specifically improve the timeliness of action on a case once it arrives at the Board from 150 days currently to 145 days in FY 1999. These initiatives will focus not only on continued increases in production, but a 2 percent reduction in the number of appeals that have to be remanded to the regional offices. Historically, VBA claims adjudication and BVA appeals adjudication have functioned as separate entities with different

goals and priorities. Poor quality decision making at the regional office level has undoubtedly contributed directly to the continued high volume of appeals and remands. Currently, approximately 18,000 cases or approximately 45 percent of the Board's decisions must be remanded back to the regional offices for further development and readjudication. This further adds to the workload of the regional offices and ultimately the Board, since approximately 60 to 70 percent of remands are eventually returned to the BVA. These actions consume substantial resources which are already in short supply. We are, therefore, encouraged by the fact this problem will be addressed through collaborative initiatives with the Veterans Benefits Administration. We believe the planned coordination is long overdue and will have an important and beneficial impact on the future workload and timeliness of both the Board and the regional offices.

Mr. Chairman, The American Legion is very supportive of the Board's goal of "getting it right the first time" as a means of providing the best possible service to appellants, avoiding further frustrating delays and additional workload associated with otherwise unnecessary appeals to and remands by the U.S. Court of Veterans Appeals, and ensuring that the law and regulations are properly applied. If the effort to reduce the number of cases which are appealed to the Court is successful, this should eventually have a beneficial effect on the appellate workload demand and staffing for the OGC needs of the Office of the VA General Counsel (OGC) which represents the Department before the Court. For FY 1999, staffing will increase by 11 FTE due to a projected increased volume of appeals.

SUMMARY

The Department of Veterans Affairs' promises to improve the timeliness and quality of services of both the Veterans Health Administration and the Veterans Benefits Administration with vastly fewer resources. Presently, both Department's are undergoing major restructuring initiatives. Still, it is an unsettled question whether the VA will be able to deliver on its promises.

The Veterans Health Administration is in the second year of its 30-20-10 plan. All of the 22 VISNs are geared to plan for health care for a defined veteran population across a specific geographic area. VISNs are exploring ways of developing a greater degree of integration as a Network, as each VISN is distinctly unique. However, even as the VISNs are becoming more efficient, the annual budget allocations do not adequately cover certain medical care cost increases and inflation.

The recent VHA Office of Medical Inspector (OMI) report on two New York medical centers is a testimony to how reality sometimes conflicts with the preferred result. Since early 1997, the message from VHA was that the reductions in funding in VISN #3, as a result of the Veterans Equitable Resource Allocation (VERA) model were manageable and that achieving greater program efficiency would help to offset the funding reduction. All the while, VHA assured veterans and their families that the quality and timeliness of care would not suffer within VISN #3. The OMI review found more than 150 substantial problems at the two surveyed medical centers, concerning patient care, plant cleanliness and basic management oversight. Had it not been for this specific review, VHA could simply continue to imply that all is well. For FY 1998, the VISN Director will have to absorb an additional $80 million in budget reductions.

The American Legion is concerned about the impact of insufficient resources on all Veterans Integrated Service Networks. That includes the 16 VISNs that received budget increases under VERA, and even more so for those that have to absorb budget reductions. The bottom line is that the overall medical care appropriation is not keeping pace with the true system requirements.

Mr. Chairman, The American Legion believes the GI Bill of Health is a correct blueprint for resolving some long-standing VHA concerns. We commend VHA for making some significant changes over the past few years. We also believe the VHA faces many future challenges. We are concerned at this time that there is a great deal of uncertainty over where VHA is headed. The American Legion believes the VHA system requires further reform and reingineering and needs to establish some specific interim objectives as well as identify the ultimate goal of its strategic plan.

Mr. Chairman, for a variety of reasons, The American Legion does not share the Administration's views or conclusions concerning tobacco-related illness claims. Regardless of whether the estimates of the potential number of claims and benefit costs involved are reasonably accurate or overstated, the solution to VBA's funding dilemma should not be predicated on the arbitrary elimination of the benefit or a failure to make an adequate request for resources. The American Legion is strongly opposed to the legislation currently pending to bar any future tobacco-related claims as being fundamentally unfair to veterans who become ill or die of an illness related to their military service to this nation. The American Legion is also adamantly opposed to the principle of taking away those benefits earned by one group of veterans to fund benefits for other veterans. Mr. Chairman, we urge the Administration and the Congress to protect veterans and the current VA disability and medical care benefits by aggressively pursing a comprehensive Federal settlement with the tobacco companies.

Non Commissioned Officers Association of the United States of America

225 N. Washington Street • Alexandria, Virginia 22314 • Telephone (703) 549-0311

STATEMENT OF

LARRY D. RHEA

DEPUTY DIRECTOR OF LEGISLATIVE AFFAIRS

AS ENDORSED BY THE

NATIONAL MILITARY/VETERANS ALLIANCE

BEFORE THE

COMMITTEE ON VETERANS AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

ON THE

FISCAL YEAR 1999 BUDGET

FOR THE

DEPARTMENT OF VETERANS AFFAIRS

FEBRUARY 12, 1998

The Non Commissioned Officers Association of the USA (NCOA) appreciates the opportunity to appear today and testify on the Administration's budget proposal for the Department of Veterans Affairs for Fiscal Year 1999. The Association thanks the Distinguished Chairman for your invitation and trusts that our testimony will be helpful in the deliberations undertaken by the Full Committee.

NATIONAL MILITARY/VETERANS ALLIANCE

NCOA is pleased to inform the Committee that our testimony has been endorsed by the National Military and Veterans Alliance (NMVA). The Alliance is comprised of nationally prominent military and veterans organizations that collectively represent over 3 million members of the seven uniformed services – officer, enlisted, active-duty, National Guard and Reserve, retired and veterans, plus their families and survivors.

NMVA organizations endorsing this testimony are: Air Force Sergeants Association, American Military Retirees Association, American Retirees Association, Korean War Veterans Association, Military Order of the Purple Heart, National Association for Uniformed Services, Naval Enlisted Reserve Association, Naval Reserve Association, Society of Medical Consultants to the Armed Forces, Tragedy Assistance Program for Survivors, Veterans of Foreign Wars and The Retired Enlisted Association.

A CONFUSING CONTRADICTION

Last year about this same time Mr. Chairman, NCOA testified before this Committee on the Administration's Fiscal Year 1998 Budget proposal. Although described by the Administration as "historic and innovative", NCOA indicated then that the trend being set forth was deeply troubling to this Association. While there are some positive aspects in the FY99 VA Budget, the proposal being discussed today continues the troublesome path started last year. NCOA's concern last year, and today, is that VA seems to be increasingly

seeking outside sources to fund veterans programs and benefits. In this regard, the Association wishes to reiterate that taking care of the needs of the Nation's warriors and providing a proper, eternal resting place are federal responsibilities. Relying on third-party reimbursements to fund health care is an abrogation of a core federal responsibility. Asking States to assume long-term and permanent responsibility for burying the Nation's veterans is wrong. And, attaching strings to a long overdue increase in the veteran education benefit is shameful in NCOA's view.

In NCOA's view, it is the philosophical trend continued in this budget that is more worrisome than the dollars associated with any particular area. In this regard, the Association trusts that the Committee will examine closely the future implications that are underway for veterans programs and benefits. For many, many years veterans were asked to do, and did do, their "fair share" to help put the Nation's fiscal house in order. "Pay-Go" was rigidly applied to any initiative. In some cases, COLA's were frozen or enacted at one-half the legislatively mandated rate. In other programs, fees were added or increased.

Now Mr. Chairman, the talk is not about budget deficits. The talk is even shifting away from a balanced budget. The national conversation today is about budget surpluses and whether those surpluses will be spent, returned to the taxpayers or applied to the national debt. The total federal budget for FY99 as proposed by the Administration exceeds $1.7 trillion. Of that, approximately $200 billion is for new programs and initiatives. In FY99 as in FY98, overall federal spending is dramatically increasing and more and more government programs are being created.

Yet in this big mix of government spending, the FY99 budget proposed for veterans is essentially a "hold the line" proposition. Medical care spending remains at the FY98 level with increasing reliance placed on outside sources to fund the actual requirement. A dramatic change is again proposed relative to veteran's cemeteries. The increase in the veteran education benefit is tied to a yet to be decided tobacco settlement or the increase will have to be funded by an offset in some other veteran program. And, another fee is to be added to the VA home loan program.

Hence, the contradiction Mr. Chairman. If $200 billion more dollars in FY99 can be spent on the creation of new, aud expansion of existing, government programs, then NCOA respectfully suggests that veterans programs and benefits can be adequately funded, unconditionally.

SPECIFICS SUPPORTED

NCOA is grateful for and supports the following provisions of the FY99 budget:

- **The cost-of-living adjustment (COLA) to all compensation beneficiaries**
- **The 10% increase to $300 million for medical research**
- **The Medicare-subvention demonstration program to test the feasibility of VA billing Medicare eligible, higher-income veterans without compensable disabilities**
- **The level requested ($806 million, a 7% increase) for administration to ensure delivery of benefits**
- **The activation money for the National Cemeteries in Chicago, IL, Dallas, TX, Saratoga, NY, and Cleveland, OH**
- **The provision to provide $100 million for veterans training programs administered by the Department of Labor**

OBJECTIONS AND CONCERNS

Medical Care – NCOA believes that the Veterans Health Administration is moving in the right direction, with one exception. Eligibility reform is rightfully focusing attention on the service-connected disabled veteran. The emphasis on outpatient versus inpatient care and on preventive care is welcomed. The Veterans Equitable Resource Allocation system holds a promising and fair potential. Medicare subvention is a common-sense issue in NCOA's view.

The one exception to the above positive trends is the increasing reliance on outside funding and those estimates then being used to reduce health care appropriations. Mr. Chairman, NCOA has stated it before but it needs repeated again today. This Association believes that VA should be allowed to collect and retain third-party reimbursements with that money being used to improve the delivery of health care to veterans. Collecting reimbursements and then offsetting appropriations, in an equal or near equal amount, is a zero-sum proposition. It is a shell game that will never allow VHA to make up the ground lost in earlier budgetary cycles.

National Cemeteries and State Veterans Cemetery Grants Program - As stated earlier, NCOA is appreciative for the funding requested to activate or partially activate four National Veterans Cemeteries. While the $92 million in FY99 represents an $8 million increase over the FY98 level, this budget proposal does not address the long-standing and growing list of requirements for maintenance and equipment replacement. This Committee is aware of the backlog confronting the NCS and NCOA urges you to make 1998 the year that we begin to address this problem.

Mr. Chairman, NCOA wants to again state the Association's opposition to the legislative proposal regarding the State Veterans Cemetery Grants program. This is another example of the trends that NCOA finds troubling. When one looks at VA's intentions beyond opening the four cemeteries discussed earlier, there are no plans for expansion. Yet, even with the addition of four new cemeteries, the system is not adequate to meet the burial needs of the WWII population. When this area of the budget was briefed, the VA briefer stated that they have adopted a "wait and see" position. It is this attitude Mr. Chairman that causes NCOA to oppose the proposal for the state program. It is clear to this Association that VA wants out of the cemetery business.

In the past, NCOA has supported the state veterans cemetery grant program because appropriations have not been sufficient to expand the capacity of the national system to meet the needs of veterans. Never once though did NCOA look upon the state program as a replacement for the national system. "Wait and see" is not good enough Mr. Chairman.

A properly funded plan needs to be in place that will accommodate future requirements, a plan that includes the National Cemetery System complimented by the state veterans cemetery program. NCOA urges the Committee to look closely at the long-term implications of this proposal – not only in terms of dollars and cents – but in terms of the moral principle this Nation once held sacred.

Education Benefits - NCOA was pleasantly surprised with the proposal for a 20% increase in the Montgomery GI Bill education benefit. That elation turned to disappointment, however, when NCOA learned of the conditions attached. The Association's disappointment, Mr. Chairman, then turned to anger and frustration. In last year's budget debate and in the Balanced Budget Act, the veteran education benefit was completely ignored, even though more than $100 billion in combined increases and tax incentives for non-veteran education was approved. New non-veteran education spending is again touted in FY99 by the Administration.

Here we are again today talking about an increase to the MGIB that has a huge "IF" attached to it. "IF" the tobacco suit is settled, the MGIB gets an increase. "IF" not, then pay-go rules apply. Plainly stated Mr. Chairman, relying on the tobacco settlement is a short-term sham. It's an easy way to say an increase is being funded while the real increase with appropriated dollars is going elsewhere. If Congress can find $100 billion, as was done last year, and another $26 billion as proposed this year, for non-veteran education, then NCOA believes Congress can fund, and has the moral obligation to do so, a substantial increase to the MGIB benefit, and do so without any conditions or strings attached.

Compensation Benefits for Tobacco Related Conditions - The FY99 VA budget contains a legislative proposal to disallow compensation benefits for tobacco-related disabilities. Mr. Chairman, NCOA is opposed to this proposal and most certainly opposed to it without the benefit of Congressional Hearings. This Association believes that VA is making this an issue or problem when one may very likely not exist. According to VA, the very integrity of the disability compensation system is at stake on this one issue. If VA's integrity was at issue, they would have moved a long time ago to discontinue some of their

practices. VA somehow does not object to spending massive amounts on alcoholics, drug addicts, and veterans with AIDS, but somehow a veteran that smokes is a threat. In NCOA's view, the evidence is more persuasive to establish service-connection for some tobacco-related conditions than for any or all of the aforementioned conditions. In the strongest possible terms, NCOA urges the Committee to not act on this question until hearings are scheduled and conducted.

VA Home Loan Program – The FY99 budget proposes to charge a $25 fee for each VA home loan that is guaranteed. That amount, Mr. Chairman, alone is not significant but NCOA is adamantly opposed. It represents another chipping away at a benefit that this Association will not support. Over the years, the home loan program has steadily lost its value. Another fee does nothing to increase the value of this program for veterans and NCOA urges the Committee to reject the proposal.

ACCRUING VA BENEFITS IN DOD

The Administration is also proposing in the DOD portion of the budget a plan regarding the current budgetary treatment of veterans programs. In a measure claimed "to more accurately measure the true cost of national defense and better serve veterans," the Administration wants to create an accrual accounting program for VA benefits in the military personnel accounts.

Mr. Chairman, this proposal could seriously diminish the value of regular military compensation. Additionally, it would vest funding responsibility in an agency that has not requirement to provide services. DOD does not have responsibility for VA programs and NCOA does not believe veterans would be accorded the priority and advocacy they deserve. This Association would support accrual accounting and funding of VA programs within the VA budget. VA is the appropriate place to address this initiative, not DOD.

Conclusion

In conclusion, NCOA simply believes that this Committee has an obligation to advocate funding for veteran's benefits and programs without linking any increases to additional fees, couditioning increases to outside sources, or repeal of tobacco payment authority. In our view, too much reliance is being placed on third-party insurance collections for health care. Third-party collections this year are already falling well short of expectations. The general trend of this budget, continuing the trend started in FY98, is wrong. In the mix of a $1.7 trillion federal budget, NCOA believes we can do better and that veterans have earned more than the uncertainty that this budget offers.

Thank you.

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DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Non Commissioned Officers Association of the USA (NCOA) does not currently receive, nor has the Association ever received, any federal money for grants or contracts. All of the Association's activities and services are accomplished completely free of any federal funding.

STATEMENT FOR THE RECORD

of

Linda Boone
Executive Director

National Coalition for Homeless Veterans

Regarding the

FY 1999 Budget Submission
of the
United States Department of Veterans Affairs
and the
United States Department of Labor

before the

Committee on Veterans' Affairs
United States House of Representatives

The Honorable Bob Stump, *Chairman*

February 12, 1998

Mr. Chairman, I am Linda Boone, Executive Director of the **National Coalition *for* Homeless Veterans (NCHV)**. On behalf of our members, located in thirty-nine states, the District of Columbia and Puerto Rico. I thank you for the opportunity to present the views of NCHV in regard to number of the priorities expressed in the FY 1999 Budget proposal submitted by the President to the Congress.

We thank you for your leadership, Mr. Chairman, as well as your distinguished colleagues on this Committee for your efforts in carefully reviewing the FY 1999 Budget in order to do everything you can to ensure that our Nations' covenant with the men and women who have served in the United States military is fully met.

The **National Coalition *for* Homeless Veterans (NCHV)** strongly endorses the recommendations of the ***Veterans Independent Budget and Policy*** **(IBVSO)** for Fiscal Year 1999. In general, **NCHV** endorses the IBVSO recommendations for overall appropriations for all aspects of operation of the United States Department of Veterans Affairs' (VA) programs for FY 1999. The **IBVSO** correctly points out the drastically diminished purchasing power of funds appropriated for medical care since 1980, and the fact that such appropriation for the Veterans Health Administration has lagged far behind the rate of increases for the private sector and for Medicare.

In particular, **NCHV** would draw your attention to the recommendation that third party payments only be used as a supplement to appropriated dollars, and not as a substitute for appropriated funds. This is a particularly important issue for homeless veterans. Virtually no homeless veterans have any private medical coverage, and many may not qualify for any Medicare coverage. Many homeless veterans suffer from neuropsychiatric medical conditions, in addition to physiological problems. Most private insurance plans provide very minimal coverage for neuropsychiatric treatment, and typically specifically exclude coverage for war related injuries, including Post Traumatic Stress Disorder (PTSD). The concern is that the substitution of the third party payments for appropriated funds cannot help but affect the shape and emphasis of the service delivery, both in range and quality services delivered, to adjust to the funding stream(s). This is particularly likely to occur if the third party collections are relied upon for basic operations, no matter how conscientious and vigilant the structure of the *Veterans Health Administration* (VHA) may be in trying to guard against these phenomena. **NCHV** firmly believes that such collections should augment, not supplant funds appropriated in the best interest of the Nations' duty to veterans.

The **National Coalition *for* Homeless Veterans (NCHV)** believes that a glaring major omission in the FY 1999 VA Budget request is the lack of a clear commitment to creating adequate transitional housing. The dramatic shift that continues to take place within the

Veterans Health Administration from inpatient models of service delivery to outpatient models of service delivery as a primary methodology has created significant difficulties in providing quality medical treatment for low income veterans, homeless veterans, and other veterans in "at risk" situations. That problem is becoming larger and more pressing each month. While perhaps it will be the case that truly objective research in the future will bear out the contention that the outpatient mode of delivery of neuropsychiatric treatment and services is as effective or more effective than the more expensive inpatient delivery of such treatment, that will only be the case when there are safe, clean, and sober transitional housing facilities available to veterans under treatment in that locality. This is already a major (although generally publicly unacknowledged) problem at the majority of VA Medical Centers.

As one illustration of the negative impact on medical care caused by the lack of adequate units of safe, clean, sober transitional housing, the success rate of the "Homeless Veterans Outreach Program" at one VA Medical Center (VAMC), in a major metropolitan area in the Eastern United States, diminished from success with more than 50% of their veteran patients to less than 30% success. This was in the first year after the length of the stay on the psychiatric wards and the substance abuse wards was reduced to one week or less for all but the handful of veterans at the very greatest risk to themselves and others. All concerned believed that the lack of safe, clean, sober transitional housing for these veterans is the major impediment to the outpatient treatment and services offered to be effective. **NCHV is in strong agreement with the IBVSO that the lack of adequate safe, clean, sober transitional housing is a quality of medical care issue.** Perhaps one of our more active members (who served as a medic in Vietnam) phrased this problem most aptly when he says: "You cannot deliver definitive medical care when you are still in the mud and under fire. You must first get the casualty to a safe and clean place that is set up for medical care." We urge the Committee to urgently address this crucial problem.

NCHV believes that what is needed to begin to rectify this growing problem that directly affects medical care vitally needed by many veterans most in need is for early passage by the Congress and enactment by the President of the fine legislation you introduced, H.R. 3039, *the "Veterans Transitional Housing Act of 1997."* The **National Coalition *for* Homeless Veterans (NCHV)** is grateful to you, Mr. Chairman, for your strong leadership to create more transitional housing facilities by means of introducing this highly creative yet very prudent loan guaranty authority program. As important and useful as early enactment of H.R. 3039 would be, the need is of such a magnitude a geographic distribution that additional actions must be taken to ensure quality medical care at each VA medical facility. Specifically, NCHV believes that the *VA Grants and Per Diem Program for Homeless Veterans to* be put on a "line item" basis, with funding

by the Congress at least at the level of $80 Million per year, on a par with the construction funds currently allocated for building and/or remodeling state veterans' homes, as well as providing for the ongoing operation of the state veterans' homes. The availability of per diem funds at the rate of $16 for each veteran for each day of care and services for facilities operated under the *VA Grant & Per Diem* program would continue to be the same as for the state homes, but must be more assured than it is today. Indications under the current legal and administrative arrangements are such that there will be little in the way of new funds available for new construction or renovation in FY 1998. There is even some question as to whether there will be enough per diem funds allocated by the VA internally to fully fund the per diem for activities taking place in transitional facilities already created pursuant to this program. This is an unacceptable situation. **NCHV** asks for the leadership of the Committee on Veterans' Affairs to rectify this situation where the vital needs of veterans may go unmet.

The **National Coalition *for* Homeless Veterans (NCHV)** is very concerned that the continuing process of ostensibly decentralizing decision making authority within the *Veterans Health Administration* (VHA) by transferring authority for some decisions to each of the twenty-two Veterans Integrated Service Networks (VISNS) is having the effect of precluding VHA from even having the capacity to produce any standardized reporting on a National basis. This makes it difficult to obtain a clear picture of the rapid changes in both the amount and the types of medical care and services being provided at facilities across the United States. In a recent report, the Senate has correctly pointed out that virtually all systemic quality control/quality assurance programs have been in effect eliminated or debilitated by the kaleidoscopic changes, both at the VISN level and at the VA Central Office level. **NCHV** holds that perhaps it would be most efficient and effective if authority as to how best to accomplish the mission(s) of VHA should be decentralized. However, the responsibility for setting the mission(s), and holding the VISNs and each VA facility accountable for how well that mission is being accomplished has been given to the Secretary of Veterans' Affairs and to the Undersecretary for the *Veterans' Health Administration*. NCHV strongly believes in the military principle of "You may delegate authority; You may *NOT* delegate responsibility." This principle is certainly applicable to these two officials. The VA must do a better job of standardizing reporting, and in re-instituting meaningful and effective quality assurance systems.

The **National Coalition *for* Homeless Veterans (NCHV)** is also very concerned about many anecdotal reports from our members about the further diminishment of neuropsychiatric services to veterans. Not only is the organizational capacity of the *Veterans Health Administration* to deliver inpatient care for Post Traumatic Stress Disorder (PTSD) and for substance being destroyed, but the justification of shifting resources over to outpatient modes of delivery appears to not be keeping pace with the

stripping of resources from the inpatient neuropsychiatric programs. In other words, the ability of the *Veterans Health Administration* facilities to be able to address the neuropsychiatric wounds of war and the requirements of the veterans' population for such care, which was already inadequate in the face of the overwhelming documented needs, is being further diminished. As the **IBVSO** correctly points out, this diminishment is further compounded by the lack of safe, clean, sober transitional housing for veterans who are ostensibly being assisted by outpatient neuropsychiatric programs or partial hospitalization programs. NCHV urges the Committee and the Congress to take steps to more fully assess this apparent diminishment of neuropsychiatric services at VA. Further **NCHV** urges the Committee to take the steps necessary to halt and reverse the destruction of the organizational capacity of VA to properly address the neuropsychiatric wounds of war as well as to properly fund the creation and maintenance of enough units of transitional housing and community services in proximity to every VA facility in the Nation.

The **National Coalition *for* Homeless Veterans (NCHV)**, as noted above, endorses the ***"Veterans Independent Budget and Policy"*(IBVSO)** for Fiscal Year 1999, as presented by top representatives of the four sponsoring organizations (AMVETS, the Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of foreign Wars of the U.S.). The **IBVSO** is in many ways a much more complete and thoughtful document than that presented by the VA, particularly in the sections dealing with Seriously Mentally Ill, Post Traumatic Stress Disorder, Substance Abuse Treatment, and Homelessness. It is not just a matter of the differences in the amount of resources called for to properly address these problems in the **IBVSO** (although the IBVSO did call for more resources to adequately address these vital problems). Rather, the **IBVSO** reflects a more proper understanding the magnitude of these problems, and what is resources and actions are needed to begin to provide for quality medical treatment and high quality, effective services. **NCHV** specifically commends these sections of the **IBVSO** to you and your colleagues on the Committee on Veterans' Affairs for closer scrutiny as you ponder on the correct course(s) of action and communicate your recommendations to your distinguished colleagues at the Committee on Appropriations in regard to Fiscal Year 1999.

The **National Coalition *for* Homeless Veterans (NCHV)** wishes to also point out that the section of the VA FY 1999 Budget request documents that specifically addresses the *"Homeless Veterans Treatment and Assistance Program"* (pages 2-24 to 2-26) is the only set of goals for assisting homeless veterans that VA has publicly stated in an official document. The aforementioned goals are identical to those set forth in the most recently available VA "Strategic Plan "(October 1997), which is publicly available on the Internet Web site of the United States Department of Veterans Affairs.

The problem that **NCHV** has with these "performance goals" is that they are so very minimal. The first goal of trying to increase the percentage of VA facilities that perform outreach to homeless veterans should not even be an issue. A simple direct order from the Secretary of Veterans' Affairs should be all that is needed to ensure that all VA facilities are doing their job in this regard, without spending any more of the limited time of VA Central Office staff in trying to cajole facilities into doing what they should have been doing assiduously all along. The second goal of creating 500 new community based beds by the end of FY 2000 might in fact be a reasonable and possibly adequate figure for beds in safe, clean, sober environments if we were discussing the need for such beds for veterans in outpatient treatment in Arizona and Illinois *only*. However, the VA is here speaking of the *Nation*. This figure is startlingly inadequate in the face of the need being created by VHA's elimination of inpatient treatment capacity and very heavy reliance on outpatient and "partial hospitalization" modes of treatment service delivery for neuropsychiatric care. Similarly, **NCHV** strongly believes that the goal of providing per-diem payments to offset operating costs for up to 3,500 such beds by the end of 2003, *if the funds are available*, is simply inadequate in the face of the very significant need which is largely created by VA's own actions.

As to the last of the performance goals contained in this section, **NCHV** agrees that it will prove to be extremely valuable to all concerned, particularly the Congress, if the VA can establish outcome measures for housing, employment, mental health, mental health status, and substance abuse related to veterans who acquire secure living arrangements at the time of discharge from a supportive housing program. The problem we have here is that VA estimates there are at least 275,000 veterans who are homeless on any given night of the year, with more than double that number homeless at some point during the year (i.e., more that 500,000 veterans homeless at some point during the year). The highest estimate is that VA has some contact with about 30,000 homeless veterans during the course of the year (excluding the prodigious activity of the VET CENTERS). Establishing outcome measures and indices, while useful, cannot really be considered to be strategic goals to address a problem that is of the documented magnitude as is the number of homeless veterans. It may in fact be a useful tool, but it is *not* a goal.

The United States Department of Veterans Affairs needs a *Strategic Plan* that contains goals and objectives which can (and will) serve as a blueprint for each of the twenty two *Veterans Integrated Service Networks* (VISNs) to prepare operational plans and objectives that will begin to meet the pressing vital needs of this most vulnerable group of our Nation's veterans. To accomplish this purpose, the goals need to be realistic but "large enough" to be worthy of our Nation and the men and women who served in military service to country. As one example, **NCHV** would suggest that every VA effort

and program to assist homeless veterans be evaluated to ensure that the explicit goal of assisting the veteran to reach the point of being able to "obtain and sustain employment at a reasonable living wage" is central to each and every effort and program.

United States Department of Labor - Veterans Employment & Training Service

The **National Coalition *for* Homeless Veterans (NCHV)** is disappointed in the request for FY 1999 funds submitted by the Secretary of Labor for the *Veterans Employment & Training Service* (VETS). The program of most direct interest to our member organizations is the *Homeless Veterans Reintegration Program* (HVRP). The Secretary only requested $2.5 Million for this program, even though it was just reauthorized for $10 Million by the Congress late last Fall. **NCHV** points out that the Administration request is $500,000 *less* than the $3 Million appropriated for FY 1998. Although *HVRP* is a tiny program in relation to the total amount devoted to employment and training programs in the U.S. Department of Labor budget, *HVRP* is vitally needed because it is virtually the only source of funding for employment programs for homeless veterans. **NCHV** is frankly more than a bit baffled that this program is not a higher priority. It appears to **NCHV** that not only is it in the interest of the individual homeless veterans who are able to move to independence by means of the low cost services funded by means of this program, but it would seem to be in everyone's interest to help these veterans return to the ranks of taxpaying citizens contributing to the productive growth of our country. **NCHV** points out that the cost per placement in a job in the private sector by means of programs funded through *HVRP* is about $1,000, a small fraction of the cost per placement for other programs funded through the United States Department of Labor. Mr. Chairman, **NCHV** urges you and your distinguished colleagues on the Committee on Veterans' Affairs to prevail upon your colleagues at the Committee on Appropriations to fund this program at the full authorized level of $10 Million for FY 1999.

In regard to the rest of the FY 1999 Budget Request for veterans employment and training programs, **NCHV** is very interested in the item proposed for a $100 million training program for veterans, but wish to see some details of this proposal before committing to support this concept. **NCHV** would note, however, that if this program is worth enacting and implementing on the merits of meeting our Nation's obligation to veterans, then *it should not be dependent on a windfall from the prospective tobacco settlement*. **NCHV** also notes that if individual veterans and veterans service providers were able to receive a reasonable and proportionate share (equivalent with the incidence of veterans in the eligible population of citizens) of Title IIA (Economically Disadvantaged Adults) and Title III (Economically Dislocated Worker Adjustment Assistance program) of the Job Training Partnership Act, the amount would be a great deal more than $100 million. The current appropriation for these two titles combined is

more than $2.3 Billion. The House of Representatives, as part of the FY 1998 Labor, HHS, and HUD Appropriations Act, directed the Secretary of Labor to examine all employment and training programs operated through the Department of Labor to determine if veterans were receiving a proportionate "fair share." The Secretary was further directed to take steps to rectify any inequitable distribution of resources, to ensure that veterans are fairly treated. To our knowledge no action has been taken in this regard by officials at the Department of Labor. Mr. Chairman, **NCHV** asks for your assistance in this matter, and urges that you and your colleagues communicate with the Secretary of Labor to ensure that the intent of the Congress is met.

Lastly, **NCHV** would note that the request for FY 1999 for all of the programs operated under the *Veterans Employment & Training Service* at the United States Department of Labor (USDOL) is "flat-lined" for the third year in a row, while USDOL overall is seeking an increase of $426 million. Almost one half billion more for other programs, and not even $7.5 million more for a program that is proven to be effective and efficient to assist homeless veterans does not at first blush seem to **NCHV** to be a fair or even handed budget request.

Mr. Chairman, thank you for allowing the views of the **National Coalition *for* Homeless Veterans (NCHV)** to be included in the record of these proceedings.

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSES

DEPARTMENT OF VETERANS AFFAIRS
Washington DC 20420

FEB 26 1998

The Honorable Bob Stump
Chairman, Committee on
Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Acting Secretary Togo D. West, Jr. asked that I forward the responses for the record to the post hearing questions you submitted in your letter of February 4, 1998.

Please have a member of your staff contact me if we can be of further assistance.

Sincerely,

Phil Riggin
Acting Assistant Secretary
for Congressional Affairs

Enclosure

Questions from the Honorable Bob Stump

Question 1: The Department continues to propose expanding the State Cemetery Grant Program. Does the Department view this program as a substitute for constructing new national cemeteries? In its submission to OMB, did the Department request funds for any new cemeteries not now funded? If so, which?

Answer: The State Cemetery Grants Program is a complement, not a substitute, to VA's construction of new national cemeteries. It is one element of VA's three-pronged strategy to fulfill its burial service mission. The other elements are to open new national cemeteries and extend the service life of existing cemeteries as feasible. VA is in the process of constructing new national cemeteries in the areas of Chicago, Illinois; Dallas, Texas; Albany, New York; and Cleveland, Ohio. In each phase of its strategic management planning process, the Department will continue to evaluate other locations based on demographic need and its experiences activating these four new cemeteries.

The VA is proposing legislation to expand the State Cemetery Grants Program by increasing the Federal share of funds to states from 50 percent to 100 percent of the costs of construction, plus 100 percent of the initial equipment costs. This would make it possible for states to obtain Federal funding for establishing complete and fully equipped cemeteries for veterans. With this additional incentive, the Department hopes that new burial space could be provided to our Nation's veterans through this enhanced Federal/State partnership.

The VA's FY 1999 budget request to OMB did not include funding to construct new national cemeteries beyond the four already under development. This was consistent with the Department's Strategic Plan submitted to the Congress in September 1997.

Question 2: It is my understanding that VA asked for funds to accomplish three major remodeling projects to improve its ambulatory care capacity at Washington, DC; Cleveland, Ohio; and Tucson, Arizona. How much was in the budget for these projects and do you believe funding for them is still justified? Will you tell the Committee what VA's priorities were and how you fared with your submission?

Answer: The initial proposal included the three ambulatory care projects (Cleveland, Tucson, and Washington, DC), the parking structure at Denver, and the seismic correction project at San Juan. During budget negotiations, VA completed scope development on the clinical consolidation/seismic project at Long Beach, CA, and added this project to the list for OMB consideration.

The Major Construction projects below were submitted to OMB for FY 1999 consideration.

Location	Project Title	Score	Estimate
	Medical Program		
Long Beach, CA	Clinical Consolidations/Seismic	97.7	$23,200,000
Washington, DC	OP Clinic Expansion	96.5	$29,700,000
Cleveland, OH	Ambulatory Care Addition & Renovations	95.7	$28,300,000
Tucson, AZ	Ambulatory Care Addition	95.4	$25,200,000
San Juan, PR	Seismic Corrections	92.7	$50,000,000
	Parking Revolving Fund		
Denver, CO	Parking Structure	91.9	$13,000,000

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We have been seeking to improve our capital investment methodology over the last year. The improvement to the process will strengthen the development and justification of these projects as well as additional projects in the next budget cycle. These projects remain a priority to be evaluated within a new assessment process which includes a stronger analysis of alternatives in the community.

Question 3: The VA is constantly being asked to increase the quality, consistency, and accountability of veterans' healthcare and benefits delivery. If we are to accomplish this and at the same time lower costs with reduced budgets, it appears to me that the VA should work with the private sector and examine ongoing initiatives for their applicability to the VA. Has the VA examined how the private sector has employed integrated data base management systems and does the VA intend to partner and benchmark their computer modernization efforts with successfully deployed private sector information management systems?

Answer: VA's direct service providers have already taken advantage of private industry practices.

The Veterans Health Administration (VHA) manages one of the largest integrated and automated medical care systems in the United States. VistA (Veterans Health Administration Information Systems and Technology Architecture) describes the automated environment that supports day-to-day operations at VA healthcare facilities.

Within this environment, the expanse and maturation of the healthcare technology marketplace has enhanced the possibility of finding satisfactory commercial solutions.

information Technology (IT) developments over the last five years have led the VHA Office of the Chief Information Officer to evaluate its future IT direction and change its overall IT strategy to support the migration away from the existing legacy architecture to one that advocates open system technologies. This new approach involves replacing most outdated clinical and administrative systems with commercially available products. Recent systems surveyed are benchmarked against successful implementation in the private health care markets. VHA clearly understands that investments made in this conversion today will allow more rapid and less costly solutions that meet future emerging information requirements.

The VA Hybrid Open Systems Technology (VA HOST) Program continues to play an essential role in promoting the open systems concept throughout VA and participates in finding proven commercial solutions that will be implemented in the future IT environment. Additionally, the Decision Support System (DSS), a product used in the private sector and purchased by VHA, is nearing the final stages of full implementation in VA medical centers. DSS is an executive information system that directly impacts patient management by providing data on the patterns of care and patient outcomes linked to resource consumption and costs associated with the health care processes. Further, VHA continues to partner with the Department of Defense with the intention of leveraging our consolidated power toward the implementation of a computerized patient record which we will be turning to industry to supply.

At the time the Veterans Benefits Administration (VBA) started its modernization efforts, it conducted studies to find the best database management system alternative to meet VBA's current and future business and budgetary requirements. The studies showed a relational database management system (RDBMS) as the best choice. VBA has implemented Oracle's RDBMS, a leader in private industry. The studies also showed that a centralized integrated database would best increase the quality, consistency and accountability of VBA's data. VBA is developing a single, corporate database that will support all VBA business lines and replace its multiple application databases that are outdated and hard to maintain. The VBA corporate database will provide a centralized source of standard, non-redundant data.

VBA has compared its strategy with the private sector as well as other government agencies and has found we are in alignment with their technologies and strategies. VBA also employs contracting staff to advise on the applicability of emerging technologies to VBA's environment and take advantage of those technologies whenever possible.

VBA is also working with other parts of the Department as well as with other government agencies and private organizations to share data through innovative means to reduce duplication and effort.

In addition, VA is currently engaged in a benchmarking study to improve access. Information Technology (IT) is expected to be a major tool or enabler of providing better access for veterans so the access benchmarking study will find ways in which other

public and private sector organizations use IT to improve access. Likewise, IT planning and capital investment planning are major portions of the Department's overall strategic management processes and the benchmarking study will address how public and private sector organizations strategically manage everything, including IT.

One of the goals relating to benchmarking is to create an infrastructure that will ensure that benchmarking becomes an integral part of VA's management culture.

DEPARTMENT OF VETERANS AFFAIRS
Washington DC 20420

March 26, 1998

The Honorable Bob Stump
Chairman, Committee on
Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed are the responses for the record to the post hearing questions submitted by the Committee on February 17, 1998.

Please have a member of your staff contact me if we can be of further assistance.

Sincerely,

Phil Riggin
Acting Assistant Secretary
for Congressional Affairs

Enclosure

cc: The Honorable Terry Everett

Questions from the Honorable Bob Stump

Question 1: Dr. Kizer, the General Accounting Office is very skeptical of VA projections for third party collections. While your testimony suggests some confidence that FY '99 collections will not fall significantly short of projections, what empirical basis is there for confidence in projections for continuing significant increases in outyear collections, particularly in light of the issues raised by GAO and by this Committee last year?

Answer: A forecasting model by VHA's Health Services Research and Development has been developed for establishing a national benchmark for recoveries that takes into consideration meny of the concerns raised by the General Accounting Office. The current numbers are based on FY 1996 workload data and projects forward based on workload trends, insurance coverage, demographic trends, HMO penetration and other factors. We believe this model to be relatively accurate and that the current budget projections are within the model's ranges for collection potential.

Question 2: Mr. Thompson, VBA has experienced about a one-third reduction in FTEE over the past ten years and this year's budget proposes a further 125 FTEE cut. These reductions clearly contribute to the production and quality problems facing all VBA business lines. Are the numbers presented in the budget the same as sent to OMB by the Department? If so, why?

Answer: No, the FTE numbers presented in the budget are not the same as sent to the Office of Management and Budget (OMB) by the Department. The total Veterans Benefits Administration (VBA) FTE level sent to OMB was 11,301, which is 80 FTE higher than the budget level of 11,221.

The final decision to transfer the Debt Management Center into the Franchise Fund was not made until after the OMB submission. The difference in total FTE between the OMB submission and the budget reflects the transfer of 80 FTE from the Debt Management Center to the Franchise Fund.

Although the budget proposes a 125 decrease in FTE from 1998 to 1999, which includes the transfer of 80 FTE to the Franchise Fund, the FTE directly assigned to the business lines increases by 123 FTE. FTE reductions occur in the support functions, effectively reallocating personnel from overhead functions into claims processing activities. This allows redirection of funding to work directly related to the business lines.

Question 3: Mr. Thompson, VBA has been experiencing significant difficulties meeting veterans expectations for many years now, and the backlog of pending claims is growing again, approaching nearly 400,000 claims. Do you really believe you will meet your timeliness goals?

Answer: The FY 1998 processing timeliness goals shown in the budget are those previously established by Secretary Brown and VBA's Strategic Management Committee. With the introduction of the Balanced Scorecard and an added emphasis on accuracy, customer service, and other important measures introduced through Government Performance and Results Act (GPRA), we realize that the processing of claims within the time-frames specified in the budget may not be the best indicator of how well we are serving veterans. This does not mean that we are not directing resources and management support to the timely processing of claims. Our attention, however, will be placed on the entire process and our commitment to veterans and their families.

In addition, VBA is in the process of evaluating the data collection and data validation methodologies for all of the performance measures. The compensation and pension (C&P) timeliness measures and goals presented in our budget will change based on

work VBA recently initiated to review current measurement systems and problems associated with the accuracy of past data. Some objectives may reflect improved performance, while others may reflect poorer performance, as this learning process occurs.

We may not achieve some of the timeliness goals. However, timeliness should not be the premier measure of improvement. I ask you to support me during this transition year as we analyze current business processes and develop goals and measures that we believe will truly demonstrate success.

Question: Will the backlog continue to grow this year?

Answer: As of January 31, 1998, there were 441,963 pending claims. I recently established several special ad hoc teams to review specific areas of concern and to provide recommended actions. The Claims Team is currently looking at ways to address our growing backlog. When the team finalizes its work, it will be incorporated into a policy document, which I will share with you.

Question: How will the latest budget improve on this situation?

Answer: The latest budget incorporates C&P's comprehensive and ambitious reengineered vision for the future of claims processing. A vision that puts veterans first by redesigning processes to suit their expectations and unique needs; fosters partnerships between VBA and veterans and their representatives; exploits advances in information technology and training to improve claims processing timeliness and accuracy; and places focus on desired customer service outcomes. The strategy to implement the reengineered vision consists of several elements including deployment of the major components of the new work process and the aggressive development of the infrastructure necessary to support the vision. The latest budget requests the resources necessary to implement the new work design and build the infrastructure.

The fundamental changes envisioned by VBA demand the development of dynamic training programs. Funds have been requested to develop computer-based training packages for new Rating Specialists, advanced Rating Specialists, Veterans Service Representatives, and Decision-Review Officers.

Enhanced information systems support is critical for C&P to achieve the reengineered vision. Funds have been requested to bring interface requirements and processing software into conformity with the needs of the C&P vision; complete and integrate the Claims Processing System (CPS) into VBA's Benefits Delivery Network; enhance the Automated Medical Information Exchange (AMIE) system; and develop a Personnel Information Exchange (PIE) system.

The merging of regional office Adjudication and Veterans Services Divisions is the major near-term component of business process reengineering (BPR) implementation. Funds have been requested for the conversion to Service Centers.

A critical element in the BPR vision is the performance of claims development, disability examinations, and preparing of rating decisions for service persons awaiting discharge from active duty. Funds have been requested for the infrastructure to support an intensive pre-discharge examination outreach effort.

Funds have been requested to continue the annual administration of the "Survey of Veterans Satisfaction with the Compensation and Pension Claims Process." This survey gauges the customer satisfaction of veterans and beneficiaries who have had experiences in the area of C&P claims processing. The survey results will furnish data that can be used to monitor regional office, area, and national performance against customer service standards.

Funds have been requested to establish outbased customer service centers in large client catchment areas not located near current VBA Veterans Service Centers, VA Medical Centers, VA Outpatient Clinics, military installations, or military discharge centers. Such outbased centers would significantly improve the current level of service being provided by Regional Offices nationwide.

In the C&P vision, a portion of the claims will be developed by service organization representatives. Funds have been requested for nationwide implementation of Partner Assisted Rating and Development Systems (PARDS). This initiative will expand partnerships with National and County Service Organization/Officers to process and develop veterans' claims.

Question 4: Mr. Secretary, the need for strategic planning in the VA has never been greater. Yet despite the requirement that VA submit a strategic plan showing the Department's priorities for major construction projects in a manner that will allow us to consider these needs as part of the budget process, the VA has failed to submit this plan as required by law. Would you please tell the Committee what action you plan to take to bring the Department into compliance with this law?

Answer: The Department's priorities for major construction projects are being submitted as part of VA's response to P.L. 104-262, Section 204. The report is in the concurrence process and will be forwarded in the near future.

Question 5: The budget rhetoric cites the importance of community-based programs to avoid institutionalizing chronically ill, aging veterans. But many veterans who need these services to stay out of nursing homes won't get it under this budget. Is this just not a priority?

Answer: Home and community-based programs, serving chronically ill and aging veterans, are a priority area, reflected in a proposed 5 percent increase in expenditures in the proposed FY 1999 budget. VA expects these services to become an increasingly vital component in the continuum of care. VA has never planned to care for all veterans who need these or other post-acute and long-term care services. Rather, VA plans to care for a percentage of those veterans in need of home and community-based care. Other veterans elect to use their Medicare and Medicaid eligibility to access service.

Question 6: VA planners project that 75,000 Category A veterans need home-care services. Yet this budget would support a census of fewer than 14,000. Does this budget meat veterans' home-care needs, or is this a matter of competing priorities?

Answer: There are competing budget priorities in a straight-line VA budget, however, VA is proposing an increase for these services. VA's planning for these services will be greatly enhanced by the forthcoming publication of a National Strategy for Home and Community Based Care. This document will provide the necessary concepts to develop viable local plans to expand home and community based care. This budget will meet 14 percent of the Category A veterans who need these services. This is approximately the same level of care that has been historically provided to veterans needing nursing home care.

Question 7: Are you aware of projections furnished to your Advisory Committee on long term care showing that the Department meets only 7 percent of Category A veterans' need for non-institutional community-based care? Do you recognize these services as an area of increasing need among the many chronically ill, elderly veterans? If not, why not? And if so, why didn't you request additional funds?

Answer: The 1999 President's budget will provide for 14 percent of the Category A veterans who need non-institutional community-based care. VA expects major recommendations in this area from the Federal Advisory Committee on the Future of VA

Long-Term Care. A review of the Committee's preliminary work indicates strong support for home and community based care services. VA will continue to build capacity for these services. The proposed budget allows for a modest increase in funding and takes into account the time it takes to assess needs at the local level, to plan appropriately, and to put the organizational infrastructure in place to use additional funds most effectively.

Question 8: Mr. Secretary, perhaps the one substantial increase in the Medical Care budget is a legislative proposal to offer smoking cessation services to any veteran, regardless of income or service-connected status. Yes or no, did VA make a specific request to OMB for this special authority and special funding?

Answer: The legislative proposal to offer smoking cessation service is not intended for any veteran. It is limited to those veterans who claim to have started smoking while they were in the military. VA supports this effort to assist those veterans who developed a smoking addiction while in the military but who now wish to quit the smoking habit. No, VA did not make a specific request to OMB.

Question 9. Mr. Secretary, is funding for tobacco cessation dependent on congressional approval of the national tobacco settlement or any other proposed tobacco legislation?

Answer: No, funding for the new proposed smoking cessation program is a separate program independent of any other proposed tobacco legislation. Once this program is authorized, the Administration will submit a budget amendment requesting an appropriation for this new activity.

Does this budget propose additional funds for any existing veterans' programs based on a national tobacco settlement, such as to support the medical care budget which spends billions on tobacco-related illnesses?

Answer: VA programs were not at issue in the litigation the parties now seek to settle, and therefore not active participants in the settlement negotiations. VA, however, has gone on the record within the Administration insisting that if reimbursement of Federal health care costs is to be an element of the final agreement, VA should share in that recovery. VA did not make any assumptions on how a potential tobacco settlement might impact any existing veterans' programs such as to the health care provided to veterans with tobacco-related illnesses.

Question 10: Dr. Kizer, VA already has authority to provide tobacco cessation treatment to veterans who enroll for VA care. Yet the Administration is taking the extraordinary step of proposing a special appropriation of $87 million for tobacco cessation programs, regardless of a veteran's income. If the Administration can find an extra $87 million for veterans health needs, why not home health care for chronically ill, service-connected or indigent veterans, for example?

Answer: Currently, VA's authority to provide tobacco cessation treatment is limited to those veterans who are eligible to be enrolled in the VA. This special appropriation for $87 million for tobacco cessation programs will be used to provide smoking cessation, in the private sector, for veterans who are not currently enrolled in VA and who might not otherwise be eligible for any VA services, but who attribute their smoking to their military service. It is important to realize that providing smoking cessation to veterans, who are not now enrolled in VA, may reduce future VA medical care appropriations by preventing smoking related illnesses.

Question 11: Dr. Kizer, under this proposal, any veteran could get free smoking cessation treatment. Yet, under new eligibility rules which you requested, many of those same veterans would be ineligible for other VA preventive health services related

to smoking, like cancer screening, hypertension screening, or EKG tests. In light of these inconsistencies in eligibility, does the Administration's proposal make sense?

Answer: Smoking cessation intervention offers the greatest opportunity to improve the current and future health of veterans. Eliminating smoking is the single most preventive measure to reduce the likelihood of developing certain chronic and debilitating diseases. This legislative proposal will authorize smoking cessation programs for veterans, who may not currently be eligible for enrollment in the VA health care system. If smoking cessation is not offered to these individuals many would become eligible for VA care due to their inability to defray the cost of medical care for smoking related illnesses.

Question 12: Mr. Secretary, you propose to cut VA's Medical Care appropriation level in the face of uncontrollable increased costs of $659 million. You say these costs will be partially offset through $582 million in "management efficiencies," to include cutting your workforce by some 2,600 FTE. Since the staffing cuts probably save no more than about $130 million, what kind of "efficiencies" would yield the remaining $450 million?

Answer: The $582 million is the estimated net savings in 1999 associated with progressing towards the FY 2002 targets of a 30% per patient expenditure reduction, a 20% workload increase and 10% of funds from alternative sources. VHA's decentralized management strategy is expected to continue generating network efficiency savings. Decentralized decision making authority allows the 22 VISNs the greatest latitude possible to achieve efficiency of operations within their resource targets. Samples of recent achievements include:

- Acute bed days of care per 1,000 unique users dropped 29%. The FY 1997 ratio of 1,782 per 1,000 is almost half the FY 1994 ratio of 3,430 per 1,000.
- Total operating beds declined 21 percent and occupancy rose to 78 percent a rate which compares favorably with that of the private sector. Since 1994, VA has closed over 43% of its acute care hospital beds.
- Sixty-nine percent of surgeries and procedures are now performed in an ambulatory setting. This reflects a 33% improvement from FY 1996, and almost a doubling compared to FY 1995.

Question 13: Dr. Kizer, given the age of VA's physical plant, its construction budget is pathetically small – two major projects to avoid the risk of earthquake damage and a cut of $34 million in minor construction. Limited major construction might be understood if you expanded funding to renovate physical plant through minor projects (less than $4 million), but you don't. What is the rationale for these cuts?

Answer: The Congressional appropriations for both the major and minor construction programs were increased over the President's request in 1998. The 1999 request is consistent with the spending levels agreed for FY 1999 that were included in the President's 1998 request.

Question 14: Dr. Kizer, given a $100 million backlog of unfunded State home projects for which states have already appropriated their share of construction costs, what possible justification is there for a severe funding cut in this account?

Answer: The President's 1999 budget request is consistent with the original FY 1998 President's budget. In appropriation action, Congress added $39 million to the 1998 request. This program is an important element of our plans for meeting the long-term health needs of eligible veterans, the request level reflects the consideration of priorities for funds within the levels established by the FY 1998 President's Budget.

Question 15: Does the Department intend to update the 1987 cemetery study to determine where we should build new cemeteries?

Answer: The Department does not plan to provide another update at this time. In 1994, VA provided an update to the 1987 Report to Congress. Like the 1987 report, the 1994 report identified ten areas of the country most in need of a new national cemetery based on concentrations of veteran population. Since the 1994 Report was provided, VA has opened the Tahoma National Cemetery in Washington in 1997. In addition, construction is in process for the establishment of new national cemeteries in the areas of Chicago, Illinois; Dallas, Texas; Albany, New York; and Cleveland, Ohio. This will result in the opening of new national cemeteries in 5 of the 10 locations identified in the updated 1994 Report to Congress. For the remaining 5 sites, the data and methodologies included in the 1994 report remain a reliable source of information for planning purposes. VA will continue to use the 1994 report to evaluate other locations for establishing new national cemeteries.

Question 16: How much has the Department spent on VETSNET over the past three years? What have we gotten for those funds? How much do you propose to spend on VETSNET under this budget and what will that spending accomplish?

Answer: Between 1996 and 1997, the Department spent a total of $6.4 million on VETSNET C&P (compensation and pension payment system replacement). A total of $3.9 million is budgeted in 1998 and $452,000 in 1999 for completion of the construction phase of VETSNET C&P.

Treditionally VBA has developed program-specific applications resulting in stove-piped applications that do not share information across program lines. In addition, these applications have been costly to build, maintain and enhance. The efforts undertaken by the VETSNET C&P development team respond to some of those past deficiencies with the establishment of a baseline development environment which can be used by other development project teams. This environment promotes reuse of application components within and across projects. It promotes standardized and efficient development, provides for easy enhancement and maintenance, and it simplifies development of the highly complex technical infrastructure for the C&P project as well as for future applications.

Using this environment, the VETSNET C&P team has begun to realize the benefits as work continues toward the completion of the first increment of the application. During fiscal year 1998, required functionality will continue to be built into the application. Construction of VETSNET C&P will be completed in December 1998, followed by user acceptance testing and beta testing with initial deployment in June 1999. The result of VETSNET C&P Version 1.0 will be a payment system that replaces the current functionality of the Benefits Delivery Network (BDN) for compensation and pension benefits.

The VETSNET C&P will provide an on-line payment system that provides existing Benefits Delivery Network (BDN) functionality; matches or exceeds current system responsiveness; is easy to use; and is Year 2000 compliant.

VETSNET will position VBA to achieve a fully integrated, secured system, providing faster claims processing; interface with other agencies for greater access to timely data; and develop a user-friendly and open system that is easy to maintain and enhance.

Question 17: The budget requests about $2.5M for electronic imaging for the education service. What does this include?

Answer: Approximately $1.1M will be used to purchase imaging systems for the Buffalo and Muskogee offices. Having all four education processing stations using the same system to control work and utilizing the electronic education claim "folders" will standardize Montgomery GI Bill processing and improve the transfer of folders between the four stations. It will also simplify the development and installation of other electronic claims processing initiatives. The remaining $1.4M is intended for expansion of the

imaging technology to the other education benefits, enhancements to the software, limited updating of the equipment presently in use, and design enhancements that will improve processing speeds.

Question 18: What do you feel is the single most important provision in this year's VBA budget and why?

Answer: Our long term goal is to make significant improvements in the service of benefits delivery. There are numerous initiatives in the 1999 VBA budget that will move the agency ahead in providing better service for our veteran customers.

From 1995 to the present, VBA reduced employment from 13,147 to 11,200, approximately 15 percent. There have been workload decreases that occurred at the same time, which made this reduction somewhat easier to accommodate. However, the C&P workload is expected to increase and the claims are expected to be more complicated. The 1999 budget requests additional resources to maintain overall employment at 1998 levels. The 1999 request technically shows a slight decrease (125), but this primarily reflects the transfer of Debt Management positions from VBA to the Franchise Fund.

VBA's long term initiatives are built on the assumption there will be a stable workforce that continues to provide better service each year. This is why the maintenance of a stable employment level for 1999 is so important.

Question: What is the one thing you would add to the budget that is not in it now?

Answer: While I am very satisfied and support the budget request for VBA, I have had the opportunity, since its submission, to evaluate various issues in VBA. Two areas that I believe require further analysis and review, are quality and the plan for Business Process Reengineering (BPR) implementation. In order to improve quality throughout the system, I believe we need to re-institute quality reviews in each of our business lines. We also need to refocus our BPR efforts. The front-end computer based training planned as part of BPR will enhance our claims processing and improve the quality of our claims. As personnel are engaged in learning these new tools it takes time from the processing of claims and increases the pending workload. Yet these initiatives must take place in order to realize long term gain across the system.

Question 19: Have you looked at each VBA business line to determine what are the core functions that can only be done by VA? What are some examples of non-core functions that could be performed by non-VA staff? Do you see partnership opportunities with state and local agencies as well as community based organizations as a potential solution to the loss of VA staff?

Answer: In the normal course of program review, as well as in responding to the mandates of the Government Performance and Results Act, each of the VBA business lines has had the opportunity to seek out and consider alternative ways of providing the best possible customer service. Determining which functions are core to the process have been included in those reviews, and in some cases examples of non-core functions which could be performed by non-VA staff have been addressed.

With respect to partnership opportunities, the Department of Veterans Affairs, in the VA Strategic Plan, placed an increased emphasis on the development of partnerships and alliances, with both federal and private sector organizations, that will result in better service for the veteran. VBA continues to develop and expand partnerships and alliances with suppliers and our partners. VBA has existing partnerships and alliances with the Department of Defense, the Department of Labor, the insurance industry, the mortgage industry and the Veterans Health Administration. VBA is continuing to explore innovative opportunities to utilize partners and non-VA organizations for both mission critical core functions and non-core functions that could be better accomplished by others. Further details, by business line, are outlined below:

Compensation and Pension. While the C&P Service reengineering project did identify core functions of the compensation and pension business line, it did not specifically identify what functions could only be performed by VA. However, in the normal course of program review we consider all alternatives for providing the best service. For example, a VA pilot program will evaluate the effect of contracting for medical examinations from non-VA medical sources to determine eligibility for VA disability compensation and pension benefits. The use of non-VA employees to handle Gulf War telephone inquires is another example of a core function that is being handled by non-VA personnel.

Many administrative and clerical functions such as transcription and data collection could be performed by non-VA employees. Training, depending on the subject matter, could be conducted by non-VA staff. For example, a recent course on interpersonal communications skills was provided to selected VA Decision Review Officers by the USDA Graduate School.

The C&P business line is actively pursing partnership opportunities with Veterans Service Organizations and County Service Officers to provide valuable assistance in processing claims for compensation and pension benefits. In addition, opportunities for greater partnership with other government agencies are being explored.

Education. Through business process reengineering (BPR) efforts and the implementation of an activity based costing (ABC) model in the Education Program, nine core education processes were identified. Most are not done exclusively by VA, but are already cooperative efforts with other entities. They are as follows: benefit claims processing; enrollment updates; inquiry resolution; outreach and communication; program approvals; institutional compliance monitoring; State Approving Agency (SAA) contract administration; work study administration; and debt management.

Information technology and telecommunications support, in varying degrees, can be (and are) performed by non-VA staff. For example, contractor support is used to develop and install claims processing systems. Non-VA staff will be used to enhance telecommunications services we currently provide. We will continue to explore opportunities to use external sources in performing our mission.

We depend heavily on other entities to assist in serving the needs of education beneficiaries. For example, we contract with State agencies to provide assurances that education and training opportunities available to veterans meet the requirements of title 38 as well as standards imposed by each State. Due to the reduction in staff who have performed compliance and liaison activities in the past, we are enlisting the various State Approving Agencies to expand their roles in outreach, oversight, liaison, and training to school officials. In addition, we rely on each educational and training institution serving VA beneficiaries to provide VA with accurate and timely enrollment information and to serve as a resource for beneficiaries who seek answers to VA education questions. Knowledgeable school officials are able to resolve many inquiries that would otherwise overwhelm VBA offices and jeopardize our ability to serve effectively and efficiently.

Loan Guaranty. In the Loan Guaranty Program, we have had on-going reengineering efforts which include delegation of important functions to the lending industry. These include appraisal and origination of guaranteed loans and certain servicing functions to mitigate losses due to foreclosure. There is probably no single function that could not be contracted out to the private sector.

As stated above, the entire Loan Guaranty Program could be contracted out. The question would be is this beneficial to veterans and is it cost effective to do so.

We have not identified viable partnership opportunities with State and local agencies in delivery or management of the home loan benefit.

Vocational Rehabilitation and Counseling. VR&C has reviewed its functions to determine which are core functions and can only be done by VA. We do not find that we provide non-core functions which can be performed by non- VA staff. We outsource tasks and processes, which supplements VA staff in delivery of core functions. VR&C's business case emphasizes the need to nurture existing partnerships and also to build new alliances, in our efforts to improve and even expand services to Chapter 31 participants. Partnerships can support efficient and effective use of limited resources, as well as providing a partial solution to loss of VA staff. Traditionally, we have partnered with DOL, VHA facilities, rehabilitation and training facilities, the state-federal vocational rehabilitation program, and other state and community resources. We see a particular need to partner with the business community and organizations which support it, for it is business, primarily, which provides to our program participants opportunities for suitable employment. Through effective partnerships we can share information and resources, both critical in achieving our mission.
Insurance. For the Insurance program, core functions that can only be performed by VA include, at a minimum, those things that involve determination of eligibility for benefits such as the processing of death claims, issuance of Service-Disabled Veterans Insurance and Veterans Mortgage Life Insurance coverage, granting of disability insurance benefits, declaring and issuing dividends and the granting of policy loans and surrender benefits. Under Title 38 of the United States Code, chapter 19, the authority to administer the Insurance programs is vested in the Secretary of Veterans Affairs. As such, determinations of entitlement to benefits can only be accomplished by VA. Additionally the statutes granted the Secretary the authority to declare dividend distributions, and to prescribe regulations governing administration of the programs. Insurance functions that do not involve determination of eligibility for benefits include such things as ADP support, processing remittances and limited clerical functions such as changing policyholders' addresses. (It is possible that legislation would be needed in order to allow non-VA personnel to take over even these functions). However, having some of these functions processed outside of VA, such as address changes, would expose the program to increased risks from an internal controls standpoint. Disbursements of policy benefits are mailed to the address of record. If individuals outside VA had authority to change the policyholder's address on our master records, it would be more difficult to maintain adequate controls against the risk of fraud. The Insurance program already works in partnership with a number of organizations including veterans service organizations and state and county service officers. These organizations provide support by disseminating information, counseling policyholders and beneficiaries and assisting them in completion of death claims, disability claims and other applications. It would be possible to expand the role of the Veterans Service Officers and County Veterans Service Officers by giving them direct access to our database for read-only purposes. This would require that, as part of the certification procedures/process, they agreed to be bound by the Privacy Act and would agree to only access records at the direction and with the consent of the policyholder. This expanded role would not involve computer record changing or updating capabilities and would not represent a significant increase in internal control risks.

Question 20. Your budget states that VBA wants to remove barriers to usage of the GI Bill. Two major bottlenecks in the system are: 1) the application process; and 2) monthly certification. Does the electronic data interchange/electronic data transfer proposal for the education service include a way for veterans to file their monthly certifications via phone or internet? If no, why not?

Answer: The electronic data interchange (EDI) initiative as originally proposed focused on the processing of enrollment certification data that schools must provide before an education award can be made rather than on the monthly verification of pursuit the Montgomery GI Bill (chapter 30) student is required to make in order to receive

payment. The recent Education Service sponsored development of ECAP (Electronic Certification Automatic Processing) has demonstrated, on a pilot basis, the benefits of the EDI concept. In reviewing the state of our information technology (IT) initiatives to insure the best use of the available funds given the present IT environment, the EDI funding will be used for an expansion of ECAP, the development of an Internet capability for MGIB students to do their monthly verifications of pursuit, and for schools to submit enrollment certifications via the Internet.

Question 21: It currently takes about three weeks for VA to send out MGIB monthly certification forms, the veteran to complete the forms and to mail them back to VA, and VA to cut the check and send it to the veteran. In the age of electronic transactions, this delay seems excessive. There is no performance goal to reduce the turnaround time for monthly MGIB certifications. When can we expect such a goal, and what should it be?

Answer: Education Service personnel conducted several stakeholder interviews as part of their Business Process Reengineering (BPR) efforts. From these interviews and earlier focus group results, the BPR project team has recommended "Payment Turnaround Time" as a sound performance measure and suggested a goal of three days.

When we are able to implement monthly verification of pursuit on the Internet or on the telephone, it will be possible to eliminate the mail time that presently consumes two of the three weeks it now takes. However, we do not anticipate being able to implement the monthly verification of pursuit on the Internet or the telephone before early FY99 for several reasons. First, Year 2000 programming changes, as well as other legislative changes that must be made to the MGIB programs before October 1998, have priority over this initiative. Second, implementing this enhanced verification effort requires either support from our limited programming staff at the Hines Data Processing Center (DPC) or the use of contractors who generally cannot produce immediate results.

Question 22: There was no proposal in the budget regarding pension simplification. Can we expect a legislative proposal this year?

Answer: Pension simplification is a part of the Business Process Reengineering (BPR) vision, but it is a very complex issue. We are currently examining proposals to submit and will provide them to you as soon as they are available. This is not a proposal I am willing to present to you until we can be absolutely sure that all required analysis has been completed. Among the many charges I have placed on VBA, one is to develop excellent data by which we can accurately test and measure proposals like pension simplification. These activities are underway already. Although I cannot give you an exact date of when you will receive it, or even what will be included, I will be happy to provide you with periodic updates.

Question 23: AFGE has also raised concerns that buyouts and early retirements have had an uneven impact throughout the Regional Offices? If so, what do you plan to do to address that problem?

Answer: Veterans Benefits Administration (VBA) was authorized to use buyouts and early retirements as a device to reduce employment levels. Although VBA has made periodic adjustments in their organization, locations, and processes over the years, these changes generally followed state boundaries, and paid little attention to business costs or service opportunities. In order to continue to meet the benefits delivery and service of needs of veterans and their families, VBA is developing a comprehensive strategic plan which will provide integrated, cost effective and service-oriented direction for reengineering business processes in all of their organization's business lines, activities, projects and initiatives.

Based on authorized funding and current employment levels VBA was authorized to approve up to 500 buyouts. Employees at all locations were eligible to apply for a buyout incentive. Certain categories of employees were excluded from receiving a buyout. The nation-wide excluded categories were:

- Information Resources Management staff assigned to the year 2000 project in Central Office, Hines, IL; Philadelphia, PA; and Austin, TX
- Employees assigned to VETSNET (an organization seeking to improve Claims Processing),
- Rating Specialists and other personnel actively involved in adjudicating claims, and
- Staff assigned to the Insurance Center at Philadelphia, PA.

Question 24: Under the loan guaranty restructuring program, unit costs for loans all go up and the estimated inventory time for foreclosed properties increases by a half year. Isn't consolidation supposed to reduce unit costs? Why the increases?

Answer: Administrative unit costs per loan guaranty issued increases from $322 in 1998 to an estimated $347 in 1999. Without restructuring, the unit cost would have been $363. Administrative unit costs per loan default processed will decrease from $401 in 1998 to $379 in 1999. Without restructuring, the unit cost would have increased to $414.

Unit costs are driven by two things, the total administrative costs of the program and the volume of loans or defaults. Largely due to restructuring, the total cost of the Loan Guaranty Program is decreasing from $156.2 million in 1998 to $154.9 million in 1999, despite the required cost of living increase in salaries. As noted in the Business Plan, unit costs will vary from year to year as the workload fluctuates, since VA has certain fixed costs in running the program that are incurred regardless of the workload. For example, VA must maintain relations with over 4,000 different lenders whether the volume is 600,000 loans or 150,000. Unit cost per loan guaranty increases because the expected loan volume drops from 240,000 in 1998 to 222,000 in 1999.

Property management functions are not affected by the restructuring. The estimated property holding time is expected to increase by about half a month (not half a year), from 5.6 months in 1997 to 6.2 months in 1998. We are making a special effort to dispose of hard-to-sell properties which have been in inventory for more than 12 months. As more of these older properties are sold, the average holding time for properties disposed will increase.

Question 25: How will the potential government windfall from the possible tobacco settlement improve the health care provided to veterans.

Answer: We cannot at this time make any assumptions on how a potential tobacco settlement might impact health care provided to veterans. Because VA programs were not at issue in the litigation the parties now seek to settle, we have not been active participants in the settlement negotiations. VA, however, has gone on the record within the Administration as requesting that if reimbursement of Federal health care costs is to be an element of the final agreement, VA should share in that recovery.

Question 26: Recent news reports have indicated that the incidence of AIDS has decreased markedly in the past number of years, and yet the VA's funding request for its AIDS program continues to increase. Why?

Answer: Two primary factors cause AIDS funding to increase. First, the number of veterans with HIV infection that are entering the VA's medical system continues to

increase. In 1997, of the over 17,000 veterans with HIV infection being treated in VA, 3,132 were treated in VA for the first time. We expect this trend to continue.

Second, is the increasing costs of buying new, more effective HIV therapies. Over the past several years, the availability of much improved drugs to treat HIV has slowed progression to the diagnosis of AIDS for many people. The fact which has been widely reported in the media is that the effect of these new and better therapies is slowing progression to AIDS, not that there are fewer people with HIV infection.

These new drugs are keeping veterans with HIV infection healthier for a longer period of time but they are expensive. Fortunately, the success of these therapies is decreasing the death rate from AIDS and, thus, more veterans require longer treatment. VA has implemented system-wide treatment guidelines developed by a consensus of the world's HIV/AIDS experts. These guidelines recommend early and aggressive treatment for persons with HIV infection in order to maintain health and delay the time to a diagnosis of AIDS. VA firmly believes that keeping veterans healthy and productive is our priority.

Question 27: Mr. Secretary, the Department proposes a $25 fee for each loan guaranteed by lenders to finance information technology improvements for the loan guaranty program. How much revenue do you estimate this fee will provide.

Answer: It is estimated that approximately $15 million will be collected from lenders over the next four years. This is based on estimates of 220,000 loans per year.

Question: Isn't this a backhanded way of adding to the origination fee already imposed on veterans who use their loan guaranty benefit?

Answer: The funding fee (origination fee charged by, and paid to, the lender) imposed on veterans goes to offset the costs to the government of future claims under the guaranty on the loans. Under VA's proposal, the Information Technology Development Fee will be imposed on the lender to be paid directly to VA. Lenders will be prohibited from either directly or indirectly charge or otherwise transfer responsibility for payment of the fee to the veteran or to any other party to the transaction. Administrative expenses, including costs of upgrading systems, are currently paid entirely from annual appropriations. We believe that a temporary fee placed on lenders is appropriate to pay for enhanced systems that will directly benefit those lenders and lower their cost of making VA loans.

Question: Do you really think that lenders will not pass this cost on to the veteran borrower?

Answer: As noted above, the fee will directly result in systems that will lower the lenders' cost of making VA loans. The enhanced systems will not be available immediately. However, lenders should be willing to temporarily absorb the small cost per loan until they begin to reap the savings from the system. Lenders currently make huge up front investments in technology that will only later produce savings. The VA fee would be no different.

Questions from the Honorable Terry Everett

Question 1: In the Budget Summary for FY 1999 (vol. 5 of the budget), in part 2, the VA's performance plan and budget summaries are discussed. It is real progress to see these now presented side-by-side. It appears to me that what remains to be achieved is the direct dollar linkage for the VA's business lines to the budget, program by program, in terms of the performance plan. I recognize that this is not easy to do and is not the way VA or the rest of the federal government has traditionally done business. But until it happens, the Government Performance and Results Act will not be fully implemented.

How long will it take VA to achieve full compliance with this objective and are there specific interim steps planned?

Answer: I share your interest in showing a linkage between resource requests and expected performance. Although we have come a long way to improve program performance management in VA, we recognize that we still have much to do before we will have a mature process. Three actions we have initiated will move us in this direction:

- developing improved outcome goals and measures;
- developing activity based costing for all programs; and
- restructuring budget accounts.

During FY 1998, we will develop improved outcome goals and measures for all our programs, and begin a series of program evaluations. This will help us determine whether the programs are meeting their intended purposes. This year we will also implement activity based costing for some programs and pursue implementation for other programs. Our third action, budget account restructuring, requires us to work with the Office of Management and Budget and Congress to design a structure that satisfies all our needs, while being consistent with the aim of the Government Performance and Results Act. This issue has been discussed within VA for some time; we are now prepared to broaden our discussion to include stakeholders outside the Department. We do not have a timetable for this task as yet because it is the most complex of the three, requiring high level agreement on the structure and a great deal of technical work to effect implementation. Taken together, these three actions will allow us to present a budget and performance plan that directly links resources to results.

Question 2: Mr. Secretary, the VA is striving, some might say struggling, to achieve Year 2000 computer compliance, so that on January 1, 2000, the VA's computers do not lock-up, crash or produce garbage because of software inability to recognize the correct date.

How much is the VA budgeting for FY 1999 to deal with this challenge, and have you been briefed on the consequences for the VA and veterans of failure to effectively deal with the problem?

Answer: Our estimate for resolving Year 2000 problems in FY 1999 is $67 million. This estimate includes such cost as personnel, hardware, software and contractor expenditures. VHA has completed inventories and has assessed to the extent possible the Year 2000 compliance of their medical devices. Preliminary results indicate a renovation cost that can be managed within our current funding base to replace or upgrade non-compliant devices. However, compliance information from some major manufacturers has been promised to VHA in April 1998 by those manufacturers. VHA is analyzing these preliminary estimates and biomedical cost estimates will be provided in our May quarterly update to the Office of Management and Budget (OMB) on VA's Year 2000 progress .

VA's Chief Information Officer (CIO) has submitted a Year 2000 briefing for my review. We are scheduling a briefing in the near future with VA's CIO as well as VHA and VBA CIO's.

Question: Are you confident Year 2000 compliance will be achieved and where is this on your list of priorities?

Answer: VA has made significant progress in resolving Year 2000 problems. Overall, VA has renovated (made Year 2000 compliant) over 70 percent of our systems to date, representing one of the highest compliance rates in the federal government. VA is on schedule to resolve Year 2000 problems well before any system fail date. In addition, VA will meet the recently accelerated Year 2000 dates set by OMB.

VA is committed to ensuring our information systems will provide uninterrupted service supporting benefits delivery and medical care for the Year 2000 and beyond. We continue to make significant progress in resolving Year 2000 problems and this project has the highest priority with the Department. I will continue to closely monitor our Year 2000 efforts to ensure that we stay on schedule.

Questions from the Honorable Lane Evans

Question 1: Why would a Medicare-eligible veteran who has established relationships with caregivers in whom he has trust and confidence, choose to come to VA for his health care particularly if VA only offers managed care to Medicare-eligible veterans and 80% of the American people reportedly choose fee-for-service and not managed care when given a choice?

Answer: Medicare beneficiaries who are veterans are entitled to equity of access in health care just as non-veteran Medicare beneficiaries. A veteran may choose to come to VA if he does not have a regular provider, is unsatisfied with his current provider, or would like to use VA but is now denied access (because discretionary funding does not cover the cost of care for Category C veterans). VA, as a not-for-profit organization, will manage preventive, acute, and other services to promote optimal care so veterans are neither undertreated nor overtreated.

Also, on an editorial note, various healthcare experts have opined that VA offers probably the best opportunity available to treat the principles of managed care in an environment not clouded by competing financial incentives.

Question 2: Dr. Kizer was recently reported to have said that without an agreement allowing VA to obtain funds from Medicare, veterans health care will soon "hit the wall." What does veterans health care hitting the wall mean, and when will VA health care hit the wall?

Answer: Sufficient alternative revenues are an essential funding ingredient for veterans' healthcare considering the static appropriation through 2002. Faced with inflation each year which will be partially funded by anticipated revenues from third-party collections, sharing reimbursements, and management efficiencies, Medicare revenue is a logical source of additional funds. All networks planned on Medicare revenues to meet their strategic targets and live within their respective budgets.

"Hit the wall" in this case means that we can achieve legitimate efficiencies for only so long before we have to start further rationing of services if there is no way of offsetting inflation and the higher cost of doing business.

Question 3: VA officials have said they believe VA's computerized patient data files are far ahead of the standard of the private sector (December, 1997, Modern Healthcare). Please explain the basis for this conclusion and provide the advantages and disadvantages of VA's computerized patient data files to those most commonly used in the private sector.

Answer: Historically, the private sector has procured best-of-breed departmental systems. Generally, these systems do an excellent job of servicing the need of a particular department such as laboratory or pharmacy but, typically, do not provide an integrated view of patient information. Some health information systems (HIS) vendors have offered a suite of applications, but these often suffer at the user level and true integration of information was often elusive.

Using MUMPS as our development language, and File Manager as our data base management system, VHA's information system was designed to support standardization and integration. We also agreed to share a common set of files across modules including a common patient file. These early decisions allowed information from the departmental systems we then built to be easily associated with a single patient record. That specific capability is the focus of the Modern Healthcare quote.

During the 1980s, private sector clinicians would often have only reports generated from departmental systems when treating patients. Online access would typically be limited to terminals tied directly to a single departmental application. Multiple systems meant

multiple terminals. By contrast, in our medical centers a clinician could view lab data, pharmacy data, radiology data and other clinical information from a single terminal by exercising a series of menu options. During the 1990s, we continued to add clinical information while also providing more integrated online views of the data. This has culminated in the recent release of our first graphical Order Entry/Results Reporting interface. This tool presents information electronically to a clinician much as he or she would be looking at a physical chart. We have also added images and sound to our patient data set through the recent release of a graphical imaging application.

Today, VHA manages one of the largest automated medical care systems in the United States. *VISTA* (Veterans Health Information Systems and Technology Architecture) describes the automated environment that supports day-to-day operations at local VA healthcare facilities. Further, all VA facilities are electronically interconnected to centralized databases for administrative and clinical use. This interconnection allows data exchange throughout the entire VHA network. With more than 120 clinical applications, VistA contains a breadth of clinical information that has often been absent in the private sector. The advancement of standards such as HL7 for the sharing of information, the introduction of tools such as interface engines which simplify the process of moving information between unique systems.

Question 4: Are patient rights and protections in VA at least equal to current best practices in health care? (effectiveness of grievance and appeals procedures; patient advocacy programs; effectiveness of advanced directives; prohibition of "gag rules;" etc.)

Answer: Yes, for the most part. VHA recently reviewed it's patient's rights and appeals processes in preparing a response to the President's Commission's draft of a Patient Bill of Rights (BOR). There were areas pertaining to veteran appeal rights that will need to be looked at and the likelihood that VHA may want to consolidate its patient rights information into a succinct and easily accessible Patient Bill of Rights brochure. In general, however, it appears that VHA's patient rights and protections are comparable to that found in the private sector. VHA's Patient Advocacy Program calls for at least one full-time Patient Advocate in every VA medical center. Network Directors' performance agreements contain a measure on End of Life Planning. This measure includes the use of advanced directives when clinically appropriate. Patients' rights are spelled out in published customer service standards which include timeliness, courtesy, preferences, education, continuity, coordination, and physical comfort. These are measured periodically with feedback to the individual facilities. Also of note, VA views mental health benefits in the same way as what are sometimes called "physical health" benefits. This parity of benefits is substantially better than what is available in the private sector.

Question 5: VA has announced an agreement with DoD that provides for separating or retiring service members who expect to file a claim for VA disability compensation to undergo a single physical examination prior to discharge which will satisfy the needs of both VA and DoD. Compare the current average cost of VA compensation physical examinations to the projected average cost of physical examinations to be conducted under the agreement with DoD. What percent of the cost of physical examinations conducted under the agreement with DoD will VA pay?

Answer: At present, at Fort Lewis and McCord Air Force Base and the Puget Sound Health Care System (HCS); Fort Hood and the Central Texas HCS; Fort Knox and VAMC Louisville; and Great Lakes Naval Training Center and North Chicago, the service personnel report to the VA facility for the exams. Other than the cost of bus transportation between Fort Knox and Louisville, our basic costs have not changed. Obviously, costs will be shifted to VA facilities close to major DoD bases, but overall exam costs are not expected to be greatly impacted. Agreements with Camp

Pendleton, CA, Naval Air Station (NAS) Jacksonville, FL, and NAS Lemoore, CA do entail shared costs. Normally, VA will provide the examining physician and the military will provide space, x-ray, and lab services. This should produce some small savings to VA even though costs will be shifted somewhat among our facilities. In only one agreement between the Lincoln Regional Office and Offutt Air Force Base is the military absorbing all the cost.

The completion of C&P examinations to support VBA claims adjudication process is a core VHA responsibility. Since the timeliness of exam completion is a key factor affecting eligibility for high priority VA healthcare as well as entitlement to compensation, it is most desirable to accomplish them at the earliest possible time.

Veterans Integrated Service Network (VISN) Directors have been directed to consult with their DoD Regional Lead Agents and VBA Area Directors to work out effective means of performing these pre-discharge exams. Appropriate use of both DoD and VA facilities and other resources is encouraged.

This program should greatly benefit veterans who are separating from the service. A recent study published by our Management Decision and Research Center (MDRC) reported on the assessment of scenarios by which VA and DoD met the military separation needs of both agencies with one examination accomplished prior to military discharge. The study found that VA claims processing timeliness, measured from date of military separation to VA award authorization, was greatly improved. While the average days to process claims by the control group was 134 days, the average for the pilot scenarios was only 42 days.

Question 6: What is the projected cost of the marketing program to attract Medicare-eligible veterans to participate in VA managed care? What is the projected cost of the marketing program per Medicare-eligible enrollee? Does the proposed budget contain all the resources needed to successfully market VA to these veterans? What results would be considered successful by VA?

Answer: Medicare subvention will be successful if, within its existing resources and without increasing costs to the Medicare Trust Fund, VA increases the number of veterans treated by providing care to veterans who would previously have not been able to receive care from VA. Because legislation has not been finalized and the potential target market has not been defined, VA has not developed a marketing program. Marketing efforts will begin when more details are available on who will be included in the pilot project.

Question 7: Historically, VA health care has been taxpayer financed with appropriated dollars to meet the nation's obligation to those who served in uniform. Today, VA is decreasing its reliance on appropriated taxpayer dollars to meet veterans health care needs. Is veteran health care less of a national obligation today than before?

Answer: VA is taking advantage on non-appropriated resources because they are available and it is in the veterans best interest that they be used to enhance VHA services. We would hope that the VA's actions would be viewed as positive steps taken to ensure, that even in a constrained budget environment, quality VA healthcare would be available to veterans.

Question 8: The Administration has requested authority to provide health care for veterans who were treated with nasopharyngeal radium irradiation. (How much is requested in the proposed budget for this health care?) Does the Administration favor, or oppose, granting these same veterans eligibility for service-connected compensation for disease related to this treatment?

Answer: Veterans with disabilities resulting from nasopharyngeal radium irradiation treatments during military service are eligible for service-connected compensation under the provisions of Pub. L. 98-542 and 38 CFR 3.311.

The estimated cost for providing health care to veterans for conditions possibly related to their naospharyngeal (NP) radium irradiation treatments in service is approximately $3 million over five years.

Question 9: Explain why there are long term institutional care policy and practice differences between Veterans Integrated Service Networks and between facilities within the same Network. Identify in order of importance the determinates of veteran access to long-term institutional care provided by, or on behalf of, VA.

Answer: Inherent in the ongoing reorganization of the veterans healthcare delivery system is the recognition and growing acceptance that community-based care systems can serve for some veterans, as effective and preferred alternatives to institutionally-based care. Veterans Integrated Service Networks (VISNs) are engaged in network-wide long term care planning intended to ensure that eligible veterans have appropriate access to a comprehensive continuum of long term care services. We have strongly supported population based planning for long term-care that addresses the unique characteristics of locally available resources at the network level. Historically, the capabilities and geographic location of local health service resources have been primary forces in the shaping of patient referral patterns.

The intensity of clinical care required by the individual veteran remains the primary determinant of institutionally-based long-term care service. VA serves approximately 15% of the total population of Category A veterans in need of long-term care.

Question 10: When and how will VA administratively provide or furnish emergency health care to veterans for whom VA is their primary health care provider? Does the proposed budget contain all the resources needed for VA to achieve this? Will VA provide emergency care to Medicare-eligible veterans who chose VA as their health care provider?

Answer: VA is currently able to provide emergency health care to veterans either at VA facilities or at non-VA facilities which have sharing agreements with VA to provide emergency services. In addition, certain veterans may receive emergency care at anynon-VA facility for life-threatening conditions related to service-connected or adjunct conditions. Currently, VA is not authorized to offer emergency care at any non-VA facility to all enrolled veterans in the future.

Enrollment by priority groups is intended by Congress to be the means for VA to manage services within the budget. Expansion of eligibility for emergency treatment at any non-VA facility to all enrolled veterans would necessitate limiting the number of lower priority veterans who could be enrolled and treated in a given year under a fixed budget.

Medicare eligibility would not be a relevant consideration in the decision of whether or not to provide emergency care to veterans who chose VA as their health care provider. The answer to the first part of this question indicates the emergency care VA is currently able to provide. As indicated there, a legislative proposal would be necessary to offer emergency care at non-VA facilities to all enrolled veterans.

Question 11: Describe the extent of VA use today of case management for resource-intensive patients and provide the cost and benefit consequences of this case management.

Answer: VA has a draft directive titled VA Care Management (the term "Care Management" includes "Case Management" in VHA). VA Care Management is

designed to provide patient centered, easily accessible, coordinated, continuous, high quality healthcare. The extent of care management required by any one patient can

vary over time and not all patients need care management. VA care management is designed to improve overall coordination of care and to improve patient satisfaction with care. VA care management is often interdisciplinary and is provided most intensively for patients with complex conditions that require care in multiple settings or by multiple providers, such as the frail elderly, patients with spinal cord injury, and others with complex chronic illness. Case management for these patients has been integrated into the care process for a long time and is part of the operational structure of many of the VA programs that provide care specifically to these populations. VA is now expanding care management to additional populations in other care settings.

Risk factors of patients to be served have been taken from information published in the health care literature. These risk factors may include, age, functional impairment, medical co-morbidities (ex. CHF, COPD, HIV/AIDS, dementia) as well as social risk factors such as homelessness and lack of caregiver support. These risk factors have been well studied and published in the literature and will become the basis for VA determination of patients who will benefit from care management. VA's approach to care management is to improve overall coordination of care and access to appropriate levels of care and supported social services, as well as to improve overall patient satisfaction. VA recognizes the benefits that have been gained from using care management in the VA for some patient populations. We are now expanding that to additional groups. Because care management for these additional groups is in its early stages no cost/benefit analysis has yet been conducted.

Question 12: What is VA's current estimate of its increased pharmaceutical costs if access to the Federal Supply Schedule is expanded to state and local providers? Does the proposed budget contain all the resources needed by VA to meet its estimated increased costs for pharmaceuticals due to expanding access to the Federal Supply Schedule to state and local providers? Does the Administration support expanding access to the Federal Supply Schedule to state and local providers?

Answer: VA estimates an increase in pharmaceutical costs of $250 million per year. The proposed budget does not contain an increase to meet the estimated costs for pharmaceuticals if expanded access to Federal Supply Schedule is given to state and local providers. The current budget has adequate resources to provide care for the anticipated number of veterans that will seek care.

The Administration opposed repeal by the Treasury, Postal Service, and General Government Appropriations Act for FY 98 of cooperative purchasing authority that was provided in section 1555 of the Federal Acquisition Streamlining Act. This authority would have allowed states and localities to buy products and services off of Federal supply Schedule contracts. The Administration supported a compromise provision that would permit such purchases for a number of specified product categories in demand by State and local government and whose affected producers have not objected. This compromise also included a limited pilot program for pharmaceuticals used to treat life-threatening conditions, beginning with drugs used to treat HIV. Administration discussions regarding cooperative purchasing are ongoing.

Question 13: What are the administrative costs of providing six 30-day vs. two 90-day outpatient prescriptions?

Answer: For refilled prescriptions filled at a VA CMOP the administrative costs incurred by the VAMC and the CMOP total $2.00. For new prescriptions filled at a VA CMOP the administrative costs incurred by the VAMC and the CMOP total $3.00. For prescriptions not filled by a VA CMOP the administrative costs incurred by the VAMC total $4.00.

Therefore the administrative costs of providing six 30 day vs. two 90 day outpatient prescriptions range from: $12.00 to $24.00 for six 30 day prescriptions vs. $4.00 to $8.00 for two 90 day prescriptions.

Question 14: What goals have been established to improve transfer of military medical history to VA? Identify the resources required and the resources available to achieve these goals.

Answer: The VA/DoD Executive Council, chaired by Dr. Kizer, Veterans Administration (VA) and Dr. Martin, Department of Defense (DoD) charged their respective agencies to collaborate on Information Technology. As a result of this effort, a partnership was formed among VA, DoD, and Indian Health Service to create the Government Computer-based Patient Record (G-CPR).

The vision of this partnership is to improve public and individual health status by sharing clinical information. The primary goal is to create a collaborative partnership to appropriately share clinical information via a comprehensive lifelong medical record.

- The CPR will revolutionize the documentation of health care provided to beneficiaries. The CPR provides paperless documentation of health care delivered to an individual over the course of his/her lifetime, regardless of where the care is provided.

- The momentum for this project is such that a contract for this joint effort is expected to be awarded October 1, 1998. The selected vendor will use industry standards to the greatest extent possible to facilitate the seamless transfer of all patient data between Federal, State, VA and DoD medical care providers.

Although the anticipated costs of this comprehensive system are unknown, we believe the current projected costs can be accommodated within our existing budget.

Question 15: VA's Summary of Medical Programs indicates that certain veterans apply for, but are never scheduled for care in VA. Is this an accurate measure of care denial by VA? Does VA have accurate data on the number of veterans who present at VA for care and do not receive it? Please provide this information.

Answer: Currently VA does not have a method to determine the number of veterans who do not receive continuing treatment following their application for care. The disposition categories for those, who present themselves for care but do not receive it, are listed in the Summary of Medical Programs are defined as follows:

Medically Examined/No Further Care Required – Includes the number of applicants who have received a physical examination and are found not to be in need of any medical care or treatment, including prescriptions.

Cancelled – Includes the number of applications which were cancelled before a determination of need for care could be made. Cancellation may have occurred because the applicant failed to complete the required physical examination or to otherwise cooperate.

Not Eligible for Care Needed – Includes the number of applicants who were found not to be eligible for the care applied for or who had a discharge that was a bar to VA benefits.

Treatment Modality Not Available – Includes the number of applicants for which the treatment modality was not available at the medical facility where the patient applied for care. This includes patients who were referred to other VA facilities or placed in the fee basis treatment program because the local facility could not provide the necessary treatment.

Question 16: Are costs associated with implementing eligibility reform reducing resources for providing care? Please explain your answer.

Answer: No. Costs associated with the administrative aspects of implementing eligibility reform are primarily salary costs for administrative personnel. With few exceptions, ER implementation activities are absorbed within existing staff without incurring the additional salary costs that would accompany new hires. Incremental costs for equipment and staff to process applications for enrollment and confirm eligibility status will be offset by savings from consolidating many of those functions at one location.

Question 17: What is the total cost of all VA capital facility improvements needed today and how much is contained in the proposed budget for capital facility improvements?

Answer: The FY 1999 through 2003 is a cumulative budget estimate based on outyear targets. The five year planning level for VHA major construction would allow for consideration of funding the top 18 medical facility construction projects.

Program	FY 99 Budget Est.	FY 99-03 Cum. Est.
	(dollars in millions)	
Veterans Health Administration:		
Major Construction	$ 84	$ 425
Minor Construction	123	615
Non-recurring Maintenance (NRM)*	270	1,300
Veterans Benefits Administration:		
Major Construction	$ 0	$ 0
Minor Construction	2	10
National Cemetery System:		
Major Construction	$ 12	$ 60
Minor Construction	14	70
Staff Offices:		
Major Construction	$ 0	$ 0
Minor Construction	1	5

*Both non-recurring maintenance (NRM) for VHA and maintenance and repair (M&R) for NCS are funded from their operating budgets and serve the same function.

Question 18: Has VA-DoD sharing achieved its potential? What are the goals for VA-DoD sharing in Fiscal Years 1998 and 1999? Identify the obstacles to achieving each goal.

Answer: VA and DoD's health care systems continue to benefit from increased cooperation and resource sharing. The number of sharing agreements and shared services continued to grow in FY 1997 despite the closure of several military hospitals. As TRICARE is rolled out in DoD, more VA facilities are becoming TRICARE providers – 55 by the end of FY 1997. We expect to reach 65 in FY 1998, and 79 in FY 1999. The biggest obstacle to expanded sharing under VA-DoD authority has been the need for a comprehensive billing system in VA that is fully compatible with TRICARE, Medicare, and insurance industry standards. VA has recently begun a requirements analysis and process definition for a comprehensive managed care system. This new information technology direction will incorporate industry standards for enrollment and billing by implementing a proven commercial solution. Given the scope of this endeavor, an interim TRICARE billing solution, released in FY 1997, will be refined by FY 1999 to further facilitate TRICARE billing through fully automated methods.

Question 19: How many VA facilities will be consolidated or integrated during this fiscal year and during the next five years? How many VHA facilities will be closed this fiscal year and during the next five fiscal years?

Answer:

Integrations. Currently there are two integration proposals awaiting review and final approval by the Secretary before implementation begins. We expect that implementation of these two proposals, which involve 4 facilities, will take place this fiscal year.

Three more integrations, involving six facilities are still in the early stages of conceptualization. If initial exploration of the concept of integration shows that such a move would be practical, they will be submitted for "approval in concept" and returned for further development. Therefore, it is not clear, at this time, if the implementation of these three potential integrations will occur this fiscal year.

Network Directors continue to review the need for integrations and can submit proposals for consideration at any time; however, at this time we cannot predict how many additional integrations, if any, will be submitted for review and approval over the next five years.

Closures. We have no current plans but possible mission changes.

Question 20: Describe the changes needed to improve VHA health care for minority veterans and the current estimated cost of each of these changes. Does the proposed budget contain all the resources needed to achieve these changes during FY 1999? If not, provide the target date for achieving these changes.

Answer: This question is very broad, and the data needed to fully answer it is not as available as it needs to be. The health care needs of minority veterans vary according to race, age, gender and other factors. Historically, VA has not collected complete demographic data in this regard. This impedes efforts to specifically target minority veterans. To improve this situation the Center for Minority Veterans, in collaboration with other VA agencies and the Advisory Committee on Minority Veterans, is currently assessing the needs of all minority veterans and making recommendations on how VA can best improve care, services and benefit delivery. In the meantime, at the Network and facility level, there are many innovative initiatives reaching out to meet the special needs of minority veterans. Among them are the formation of Minority Advisory Groups in a medical center; arranging special transportation for minority veterans living in rural areas; providing sensitivity and cultural training for care providers and administrative employees who interact with the minority veteran; including special, cultural modes of health care (such as the Sweat Lodge and Tribal Healer for native American veterans); and conducting special outreach efforts to meet the needs of special groups of veterans.

Question 21: Describe the changes needed to improve VHA health care for women veterans, the current estimated cost of each change and the target date for achieving each change. Does the proposed budget contain all the resources needed to achieve these changes during FY 1999? If not, provide the target date for achieving these changes.

Answer: VA has an active Women Veterans Health Program. In 1997 VHA appointed the first full time Director, Women Veterans Health Program. In addition, there are four Deputy Field Directors and each VA facility has a Women Veteran Coordinator. We don't anticipate major changes other than to continue improving access, quality, and the continuum of care. Women veterans are a part of the continuous quality improvement

program in VHA. Preventive health care services are widely available. For example, data indicates 87% of women ages 50-59 received their mammograms in the past two years and 75% of women veterans between the ages of 40 and 49 reported having received a mammogram within the past 2 years. This is considerably better than reported from the private sector.

The only area under exploration that may require funding is patient privacy and these expenditures will be handled as part of VA's capital improvement program. It is impossible to estimate the cost of privacy needs at this time. The changes needed to improve services for female veterans are the same as the changes needed for male veterans.

Question 22: Identify each VHA Specialized Program (spinal cord injury, PTSD treatment, prosthetics, etc.) which has a waiting list, provide the number of veterans currently on each waiting list, the extent of delay these veterans will experience in receiving this care from VA and explain the cause or causes of these waiting lists.

Answer: Waiting time information of the special disability programs will be provided in the report, "Maintaining Capacity to Provide for the Specialized Treatment and Rehabilitative Needs of Disabled Veterans." This report is due to Congress on April 1, 1998. Access (waiting time) measures have been identified for the following special disability programs: Spinal Cord Dysfunction, Blindness, Traumatic Brain Injury, Amputations, Seriously Mentally Ill, PTSD, Substance Abuse, and Homeless that are chronically mentally ill. This information is currently being developed but is not yet available. However, we must emphasize that the measure of waiting time varies from program to program depending on what is important for the program. In some cases, it is the number of days it takes to get the appointment; in others, it is the number of veterans waiting during FY96 and FY97.

Question 23: Provide the value of VA's current sale of health care services and the goals and results to date for sale by VA of health care services. Provide the goals for the value of the sale of health care services by VA for each of the next five fiscal years.

Answer: In FY 1997, VHA had approximately $49.6 million in reimbursables in the combined VA-DoD, TRICARE, CHAMPUS, and enhanced sharing programs.

Goals for the next five years (in millions):

	1998	1999	2000	2001	2002
Sharing Reimbursables	$76.8	$118.7	$156.9	$205.8	$269.1

Question 24: What are VA's goals for net revenue by fiscal year from sale of VA provided health care to non-veterans? Identify the strengths of the VA health care system and opportunities for capitalizing on these strengths to obtain revenue from their sale to non-veterans without any reduction in access, timeliness or quality of health care sought from, and provided to veterans by VA?

Answer: See answer to question 23 for goals by fiscal year. These goals include revenue from the sale of a variety of health care resources, not just from the sale of direct care services.

The VA health care system has many strengths and assets. Under Enhanced sharing, a key asset for VA is to maximize use of space which is currently unused. Agreements are in place for the use of research laboratory space, research animal facilities, educational facilities, rooftop, and office space. None of these uses have any potentially negative impact on veterans health care and generates revenue for veterans care. Also in demand are services such as laboratory diagnostic services, DNA mapping, and reference lab services. Contracts also are in place for second readings of mammography films, and the custom manufacture of certain prosthetic items and

research laboratory equipment. VA has been proceeding somewhat cautiously with the sale of direct care services to non-veterans under the enhanced sharing program in order to ensure that there is no negative impact on veterans access, timelines, or quality of care. As a first priority in offering direct care capacity, we have been focusing on non-veterans who are part of the veteran/military family and have been actively pursuing provider agreements with the DoD TRICARE contractors. Fifty-five of these agreements were in place by the end of the last fiscal year. A recently completed study by Price Waterhouse of these TRICARE contracts showed no adverse impact on veterans care as a result of VA providing care to non-veterans.

Question 25: What is the annual cost of maintaining (a) unused and (b) underutilized inpatient space in VHA facilities? Describe your goals for converting unused and underutilized inpatient space in VHA facilities from a liability to an asset. Quantify the current extent of underutilized VA inpatient facilities and describe VA's plans, including cost estimates and timetables, to convert these liabilities to assets.

Answer:

Unused space: According to VHA's 1997 Capital Asset Review, 4% or 5.8 million gross square feet of VHA's space is vacant. The extent to which that vacant space was *inpatient* space is not known.

Underutilized space: Identifying underutilized space is a much more subjective matter. We have straight statistical comparisons that could lead one to make assumptions of space efficiency. However, it would be misleading not to recognize the mitigating factors that come with facility age. Older facilities require more space than newer ones to handle a similar workload. Overall facility layout (campus vs. urban) and historic preservation are two more of the many factors which should be considered before one can attempt to make statistical estimates of space utilization. The ultimate assessment of which space is underutilized lies with the users at the network level.

VA's plans to convert liabilities to assets: VA's 1997 Capital Asset Review was the first step in the process of defining VHA's space efficiency. Information was gathered on a nationwide basis, efficiency was charted, comparisons were made and the results disseminated to network officials. This information is useful to those officials in locating enhanced use potential and in competing for new national programs that help utilize excess space (PAY-VA, Office of Resolution Management Field Offices are two of the most recent programs to turn empty VHA space into an asset.)

Question 26: Will VA administratively adopt a patient bill of rights as proposed by President Clinton and if so, when? Does VA have the resources to fully implement patient bill of rights as proposed by the President by the date provided in response to the first portion of this question?

Answer: VA has the resources and will administratively adopt a VA patient bill of rights as proposed by President Clinton. VA expects to be in compliance with the Bill of Rights (BOR) by September 30, 1998. The most significant issue that faces VA is the provision of emergency care. If legislation is required, final implementation will extend beyond September 30, 1998. Of note, VA already complies with almost all of the BOR provisions, and substantially exceeds the BOR in the area of mental health and behavioral health.

Question 27: Please provide current projections for net revenue to VA from MCCR, treatment of Medicare-eligible veterans and copayments for each Fiscal Year 1999-2003.

Answer: The chart below projects anticipates revenue associated with the Medical Care Collection Fund for Fiscal Years 1999 – 2003.

(dollars in thousands)

MCCF Fund	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Third Party Recoveries	$599,092	$701,415	$786,949	$874,094	$904,811
Pharmacy Copayments	37,186	38,710	40,116	41,522	42,768
$5 Nursing Home, $10 Hospital Per Diems	3,539	3,645	3,755	3,868	3,984
Means Test Copayments	31,407	32,224	33,030	33,851	34,867
Other Fees (Chapt. 17 Req.)	5,618	5,787	5,959	6,140	6,323
Total MCCF Funds	$676,842	$781,781	$869,809	$959,475	$992,753

The chart below provides projected revenue generated from the treatment of Medicare-eligible veterans. These estimates assume Medicare collections are capped through the year 2001 and that the necessary authorizing legislation is enacted no later than June 30, 1998. This chart also assumes that the demonstration is successful and does not increase Medicare costs and will be extended nationally.

(dollars in thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Medicare Collections	...	$50,000	$50,000	$281,533	$448,475

Question 28: Describe VA's contingency plan to fully provide the health care sought from VHA if goals for non-appropriated funds are not met.

Answer: We have contingency reserves set aside in case networks fall short in their collection efforts or encounter fiscal problems due to any unforeseen circumstances. Reserves are held at the Network and National level. Networks also have access to $139 million that was collected and retained from the fourth quarter of 1997.

Furthermore, VA has developed an implementation plan for Public Law 105-33. This addresses the process that is to be followed. Below is the plan.

Implementation Plan:	Target Date
1. Monitor monthly deposits in Medical Care Collection Fund (MCCF) to U.S. Treasury 36 5287.1	Beginning November 1, 1997
2. Provide estimates to Secretary of Veterans Affairs regarding deposits to MCCF and necessary action to be taken if shortfall of $25,000,000 below estimated recovery level of $604,000,000 is projected as contained in Public Law 105-33.	April 1998 July 1998
3. If shortfall exists as noted in No. 2, prepare certification to the Secretary of the Treasury identifying the amount of the estimated shortfall.	August 1998
4. Establish policy and mechanisms to distribute, in the same manner in which it was collected, any additional dollars provided by Congress as a result of this provision of P.L. 105-33.	September 1998
5. Reconcile the estimates certified by the Secretary of Veterans Affairs for FY 1998 as a shortfall to actual MCCF deposits to the Treasury and make adjustments assuring that $579,000,000 shall be available for veterans'	October 1998

Implementation Plan:	Target Date
medical care.	

Question 29: Should VA health care be an entitlement? Please explain your answer.

Answer: Congress thoroughly considered the issue in the Health Care Reform legislation recently enacted and their determinations about health care eligibility seem appropriate.

Question 30: Does VA have sufficient resources to fully meet the health care needs of all eligible veterans who seek VA health care in Fiscal Year 1998? 1999?

Answer: Yes. By utilizing alternative funding sources and continuing to improve the way VA delivers healthcare, we believe we will be able to meet the healthcare needs of eligible veterans who are expected to apply for care. However, we will continue to assess our performance against our established goals and will inform the Administration and Congress if problems develop.

Question 31: Identify the costs and benefits of consolidating VA data centers.

Answer: In June of 1996, a VA contractor developed a data center consolidation stratagy to conform with (OMB) Bulletin 96-02, *Consolidation of Agency Data Centers*. The strategy recommended a single-site, cross-servicing alternative as the consolidation solution offering the best overall value. This strategy projected a total life cycle cost of $216.5 million (present value), which provided an estimated $48.7 million (present value) in savings over 6 years when contrasted with the status quo model, while it complied with all OMB requirements.

In April 1997, VA determined that Year 2000 compliance would be made our highest IT priority and consolidation of our data centers will follow. Our objective is to complete Year 2000 recoding of our benefit applications no later than December 1998. We are currently updating our plans to co-locate benefit delivery operations to the Austin Automation Center and project completion of the plan by April 1998.

Question 32: Identify the improvements needed in VHA-VBA communication in order of importance. What is the target date for achieving each improvement and does the proposed budget contain all the resources needed by VA during fiscal year 1999 to meet all the needed improvements in VHA-VBA communication?

Answer: Several improvements are needed for both VHA and VBA.

- Develop a Veteran-Focused IT Architecture
  - Target date: 2nd Quarter FY 2000
  - FY 1998 Cost: $1 million
  - FY 1999 Cost: $1.5 million (unbudgeted)

- Complete the Master Veteran Record National Data Broker
  - FY 1999 Cost: $400 thousand (budgeted) for non-VBA-specific efforts
  - FY 1999 Cost: $480 thousand (unbudgeted) for VBA-specific efforts
  - Recurring costs beyond FY 1999: $100,000/year

- Implement Information Centers to improve customer access to VA information and services
  - VBA Information Center activities will lay the foundation for implementation of the ONE VA vision for telephone based customer service enhancements
  - VBA chairs a Departmentwide committee to coordinate telephone based customer service improvements

- VHA participates with VBA business teams to identify and resolve common business process issues
- Target date for Prototype National Automated Response System (ARS): 2nd Quarter 1998
- Target date for Prototype Information Center: 1st Quarter 1999
- Cost: Hardware, software and services costs will be funded from the VA Supply Fund (Repayment to Supply Fund is projected at $1 million per year - 1999-2001)
- Recurring cost per year: approximately $900,000, beginning in 2001

- Build on the success of AMIE II by deploying the system nationwide. Outcomes of this effort are: elimination of telecommunication bottlenecks; reduction in the number of requests to conduct C&P Disability Evaluation Examinations; dramatic reduction in time to rate a case based on medical evidence; and reduction in operating costs and paperwork between VBA and VHA. Funds are included in VBA's FY 1999 budget request.
  - Target Date for completion of Phase I of VBA AMIE II Enhancements: 2nd Quarter FY 1998
  - Target Date for completion of Phase II of VBA AMIE II Enhancements: 4th Quarter FY 1998
  - Target Date for completion of Phase III of VBA AMIE II Enhancements: To Be Determined (dependent upon the results of a work group to be established late in 1998 to determine the functionality of this phase)
  - FY 1998 Costs for VBA AMIE II Enhancements: $300,000
  - FY 1999 Costs for VBA AMIE II Enhancements: $462,000 (estimate)

In addition, VHA is pursuing several internal communication initiatives:

- Ensure the current wide area network (WAN) frame relay technology is maintained. Widely deploy asynchronous transfer mode (ATM) technology.
  - Target Date for contract negotiations: 3rd Quarter FY 1998
  - Target Date for Migration to ATM: CY 2000
  - FY 1999 Cost: $20 - $30 million (estimated) to run parallel networks
  - FY 2000 Cost: $18 - $21 million (estimated) to continue operation of the new network

- Expand access for increased usage of the Internet.
  - Target Date: FY 1998
  - Cost to implement: approximately $20,000
  - Recurring Costs per year: approximately $960,000

- Complete the final phase of the Telecommunications Infrastructure Project (TIP) – facilities improvements. Funds were provided to the VISNs to accomplish the defined minimum TIP objectives necessary to bring all VHA medical facilities to an established baseline.
  - Target Date for Completion: 4th Quarter FY 1998
  - Cost: $278.5 million (estimate)

- Upgrade to the MS Exchange e-mail system to V5.5 and to the NT V5.0 domain structure.
  - Target Date for pilot testing: 3rd Quarter FY 1998
  - Target Date for completion: 4th Quarter FY 1999
  - Cost: approximately $25 million

The FY 1999 budget does not have funds specifically earmarked for VHA telecommunications other than maintenance of the WAN; however, resource needs for the activities listed above have been prioritized and will be implemented as funds become available in FY 1999.

Question 33: Provide the current total cost estimates for achieving VETSNET and the Master Veteran Record initiative and the target dates for achieving each. Provide the amount of additional resources needed to achieve each.

Answer:

Veterans Services Network (VETSNET)

The Veterans Services Network (VETSNET) consists of a number of separate application development projects which, when completed, will deliver an integrated network supporting the five VBA business lines. The VETSNET compensation and pension (VETSNET C&P) project is the initial effort on the part of VBA to implement Benefits Delivery Network (BDN) services on the new infrastructure platform. The redesigned application will be "Year 2000" compliant and will operate in a three tiered systems environment.

The total costs of VETSNET C&P from FY 1996 though completion of the construction phase in first quarter FY 1999 (December 1998) is estimated at $10.8 million. A total of $3.9 million is budgeted in 1998 and $452,000 in 1999.

Upon completion of the VETSNET C&P construction phase, resources will be required at a level equivalent to the FY 1998 allocation to address user acceptance testing , data conversion, systems testing and implementation of the initial application version. These resources will also allow for future application enhancements and modifications. Funding for post-construction phases will require VBA to reprogram funds.

Master Veterans Record (MVR)

Since FY 1995, the Office of Management has spent $400,000 of non-salary funds in each fiscal year to build the technical infrastructure needed to launch data sharing between cooperating offices. Again in FY 1998, funds are earmarked for MVR in the amount of $400,000. These funds are being used to sustain the "interstate highway" that permits data to be shared; and, as such, these funds do not go toward support of a specific program office. Another $400,000 is being requested for FY 1999 for Departmentwide efforts. Beyond FY 1999, it is envisioned the costs will decline to $100,000 per year to provide operation and maintenance for MVR's National Data Broker.

VHA-specific expanditures for MVR are absorbed in the Government salaries of existing personnel, primarily at the Atlanta HEC and the Albany CIO Field Office, assigned to do analysis, design, and specifications for VHA Information Systems and Technology Architecture based software.

The current cost estimate for completing the VBA-specific portions of MVR is approximately $480,000. These would be in addition to the $400,000 discussed already. With these resources, completion would be realized by 4th quarter FY 1999. VBA efforts for MVR, and toward which the $480,000 is required, include:

> **Phase I,** (*already completed*)—Route outbound First Notice of Death (FNOD) using the National Data Broker (NDB). **Because this phase has been completed, costs for this phase are not included in the $480,000.**
>
> **Phase 2**—Accept any inbound MVR message through the NDB. Cost: $197,000.
>
> **Phase 3**—Completely automate any inbound message transaction. Cost: $118,000.
>
> **Phase 4**—Provide all remaining outbound MVR messages to the NDB. Cost: $166,000.

We anticipate that approximately 90% of the funds would be used for development and 10% for implementation, primarily with contractor support.

The total non-salary costs for MVR in FY 1999 are estimated at $880,000; of this, $400,000 has been identified in the Department's budget, while the remaining $480,000 is unfunded.

In summary, the total estimated project lifecycle cost from FY 1995 through FY 1999 is $3.9 million. This total cost includes both non-salary and salary expenses across all participating program offices. The anticipated completion date for all MVR development is the 4th Quarter of FY 1999.

Question 34: Describe VA's current policy on duty to assist veterans develop a well grounded claim and describe and explain differences in duty to assist which exist today between VBA Regional Offices. Do you agree or disagree that VBA claims processing is both slow and error plagued in large measure because the initial development of claims is poor and inadequate? Please explain your response.

Answer: Under the Court of Veterans Appeals case law, the Department of Veterans Affairs' (VA) duty to assist does not attach unless a claimant has submitted a well grounded claim. The responsibility to submit a well grounded claim rests with the claimant. VA does, however, have a duty to inform claimants as to what evidence is necessary to complete their application. This duty to inform is limited to evidence which VA would reasonably be expected to have knowledge of, but does not extend to evidence of which VA has no knowledge or which may need to be created. *Robinette v. Brown*, 8 Vet. App. 69 (1995).

The Veterans Benefits Administration (VBA) is currently reviewing its regulations and procedures on the issues of well groundedness and the duty to assist in light of the many court decisions written on these subjects. At this time, we do not have data that describes variances in application of these principles among regional offices.

We are fully aware that our claims processing system is in need of re-design to improve both our timeliness and accuracy of claims. The recently appointed Under Secretary for Benefits has made this a priority and has reinforced with our field offices the importance of accurate reporting of performance in these areas. Additionally, there are efforts underway to account for and report on performance across a spectrum of measures, with emphasis being placed on the quality of claims processing, along with customer satisfaction, timeliness, cost, and employee satisfaction.

Your question specifically asks whether we consider the initial development of claims to be a significant part of the problem related to slow and inaccurate claims processing. We agree that there is work to be done in this area, and in fact development errors were one of the major findings of the recent special review conducted under the statistical technical accuracy review (STAR) protocol. Full development of claims is a significant aspect of claims processing, and its success ultimately affects both the timeliness and accuracy of claims. We are in the process of developing a broad-based strategy to identify actions necessary to correct this situation, including training specifically targeted to initial claims development.

Question 35: Describe VA's goals for military skills training being recognized as meeting requirements for civilian licensure or certification. (nurses/aviation mechanics/truck drivers).

Answer: The Department of Veterans Affairs (VA) is most interested in ensuring that returning servicepersons can transfer their military skills to civilian occupations. To this end, we have been working with officials of the State approving agencies who are responsible for the approval of programs of education and training for veterans. The State approving agencies will work with the appropriate licensing bodies in the States to

recognize military skills in the licensure process. We are also exploring development of a Memorandum of Understanding (MOU) with the Department of Labor (DoL) to jointly address this issue. The MOU would seek to establish an Interagency Task Force on Certification and Licensing of Military Personnel. The Veterans' Employment and Training Service (VETS), an agency of DoL, will represent DoL on the Task Force.

Question 36: What is the current job placement rate for vocational rehabilitation? What is the vocational rehabilitation job placement rate goals for fiscal years 1998 and 1999? Does the proposed budget contain all the resources needed during FY 1999 to achieve this goal by the current target date?

Answer: At present, 53 percent of all veterans who exit the program are determined to be suitably employed and rehabilitated. Our goals for FY 1998 and FY 1999 are 52 percent and 50 percent, respectively; however these goals are being re-evaluated as we move toward establishment of a balanced set of performance indicators for each of our programs, including Vocational Rehabilitation and Counseling. We believe that planned performance improvement initiatives and partnerships with the Department of Labor (DoL) and private contractors will improve this rate and we will achieve our goal of 57 percent in FY 2003. We have identified a training requirement for our field staff in the area of employment services. This requirement is consistent with Government Accounting Office (GAO) recommendations, but we anticipate that we will be able to satisfy the need within our allocations.

Question 37: Describe the current quality and timeliness of medical examinations for compensation claims, identify VA's goals for improved quality and timeliness of medical examinations for compensation claims and provide the target dates for achieving these goals. Does the proposed budget contain all the resources needed during FY 1999 to achieve these goals by the current target date?

Answer: The current routine examination quality report available documents the percentage of examinations returned for additional information or correction. During FY 97, 2.2 percent of examinations were returned as inadequate. Thus far, 1.4 percent have been returned this current fiscal year. While the examination return rate is a quality indicator, it is not a comprehensive quality measure. Regional Offices have been working with their Veterans Health Administration (VHA) counterparts at the local level utilizing phone, fax, and e-mail to correct any deficiencies in examinations. . Further progress depends on implementation of computerized (AMIE) transfer of information and parsonnel changes such as the adaptation of "Case Managers" in Regional Offices. Accordingly, further improvements in timeliness and progress will be tied to automation of the clinical record and specifically for AMIE implementation. This program of AMIE implementation, particularly in the Regional Offices is expected to be largely completed in FY 1998. In the clinical units, full utilization of AMIE is directly tied to the automation of the medical record, which is continuing process that will continue through FY 1999 and beyond. As we deploy enhanced medical information exchange (AMIE II), the communications between the regional offices and medical centers will be greatly enhanced.

The average processing time for examinations during FY 97 was 38 days. The average processing time has increased to 42 days for the current fiscal year.

Memoranda of Understanding between the Veterans Benefits Administration (VBA) and the Veterans Health Administration (VHA) stipulate minimum processing timeliness of an average of 35 days or better with an examination return rate of 3% or less. While attaining these goals is primarily a VHA responsibility, there are continuing joint efforts to improve the examination process including; development of detailed examination protocol worksheets which provide clear examination requirements, joint training sessions, and regular meetings of an Examination Process Work Group to review problem areas.

In compliance with PL 104-275, VBA developed a Contract Examination Pilot Project to evaluate the effectiveness of using contract examinations for disability determination purposes. A competitive performance based contract was initiated. Performance requirements include both quality and timeliness elements with incentives for superior performance. The contract requires less than 3% quality deficiencies and minimum average processing time of 25 days. Performance incentives target quality deficiencies of less than one percent and average processing of 15 days.

For VHA examinations, the minimum goals of 35 days and 3% are immediate. For Contract Examination Pilot Project, the minimum requirements are immediate with the ultimate goal of 1% error rate and 15 days average processing targeted for the end of the first year of contract performance. After a brief phase-in period, a full examination workload under the contract is expected to begin May 1, 1998.

The budget includes all resources required to obtain goal level performance for examinations conducted under the pilot project authorized by Public Law 104-275. Adequacy of funding for examinations conducted by the VHA must be addressed by VHA.

The program for Compensation examinations for military personnel is proceeding well based on a joint VA/DoD agreement that permits and encourages individual VA installation to make agreements with nearby military installations. A recent study published by the VA Management Decision and Research Center indicates that three pilot studies revealed that each of several arrangements, locally agreed upon, resulted in significant decrease in time for processing these claims. Subsequent recent data from several VA installations indicated continuing success of this program. Even when the examinations are performed in VA installations with VA personnel, the incremental costs to the Agency remain small.

Question 38: What are VA's goals for improving VBA Regional Office Quality Assurance by the end of this fiscal year and the end of fiscal year 1999?

Answer: We are in the process of totally revamping our quality review program. A new systematic review protocol that emphasizes assessing the technical accuracy of rating-related claims is currently under consideration. Historical data showed an accuracy rate in the range of 90 percent for compensation and pension claims work. To confirm that, we recently completed a special review of a nationwide sample of 384 rating-related claims, under the statistical technical accuracy review (STAR) protocol. That review found a 64 percent accuracy rate. That finding is the basis for a rigorous reappraisal of our appropriate goals for both 1998 and 1999 that is currently underway by the ad hoc teams the Under Secretary has assigned to evaluate all aspects of VBA programs to ensure that there is a clear vision of what each program is to accomplish and a well-defined set of directions to achieve the vision.

Question 39: Describe the results to date of VA/Federal Express collaboration and the goals of this collaboration.

Answer: VA is continuing to work closely with the FedEx Center for Cycle Time Research (FECCTR) in pursuit of new, innovative techniques to improve the delivery of benefits and services to veteran. VBA has been looking for opportunities to improve services primarily in the compensation and pension processing arena.

To date, the FECCTR team has reviewed the organization's business process reengineering (BPR) initiative and jointly developed and administered a survey instrument, with VBA. This survey instrument was designed as a tool to capture current adjudication division "best practices" from each of our regional offices. This survey prompted respondees to look specifically at unique practices that impact favorably on

claims processing timeliness. We are currently examining the results of the survey, with the expectation that the "best practices" techniques can be assessed and further developed for potential export throughout the system.

Question 40: What has been learned from VBA BPR lab sites?

Answer: The lab sites have been in existence since August 1997. Five major efforts have been the focus of their efforts during that time. These include merging of the Adjudication and Veterans Assistance Divisions, testing of claims processing system (CPS) which is the rules based development program, pre-discharge examination project, enhanced medical information exchange (AMIE II) with the Veterans Health Administration (VHA), and decision review officer (DRO) process which is the redesign of the appellate process within the regional office.

With respect to merger, the labs have been able to describe and quantify the training needs of affected personnel as well as hardware needs, especially in the telecommunications area which are needed for stations to merge. The resulting impact on workload management and the need for other stations to assist as stations go through the merge process has been clearly established.

The testing of CPS has identified additional functionality and the inevitable programming corrections that need to be incorporated to assure that the application sent to the field contributes materially to better and more timely claims processing. Based on findings at the labs a number of enhancements have been incorporated and a decision has been made to provide further enhancements before it is deployed nationally.

In the pre-discharge area the efforts of the lab sites clearly point to the fact that circumstances are different within and among the services and at different separation sites. Seattle is the most fully developed pre-discharge site and offers to separating service persons at Ft. Lewis and McCord Air Force Base outreach, counseling, examination, award processing, award explanation and other support activities. Their findings clearly indicate the nature of the workload and what can be accomplished when there is a good working relationship between the Department of Defense (DoD) and Veterans Benefits Administration (VBA) to better service veterans. For example, out of more than 2000 disability ratings, separating service persons expressed disagreement with only four decisions. Of those four disagreements three were resolved through either further explanation or the veteran submitting additional evidence. The fourth case could not be resolved by the Ft. Lewis activity because the individual no longer resided in the area.

In Houston, the pre-discharge process has just begun. They are delivering services similar to those provided by Seattle at Randolph Air Force Base. Thus far they have taken 40 claims. Due to the potential workload, the Houston office intends to phase in the other military bases in the San Antonio area as they are able to provide the service in a timely manner. Thus the two labs have provided a model for how pre-discharge examination can be conducted successfully where large concentrations of military personnel exist. Based on those experiences and recognizing that many military installations do not have the high populations that the Seattle and San Antonio locations have, VBA is developing a policy with resource and organizational choices flexible enough to fit the workload in each locale.

AMIE II has been tested at the Togus Regional Office and Medical Center (VAMROC) and Houston Regional Office (VARO). The results of the preliminary field tests resulted in a formal controlled test involving the St. Petersburg Regional Office and all of its servicing medical centers. That test established that delays in the receipt of medical records, where electronic ones exist, were virtually eliminated, that examinations could be improved through direct communication between the examiner and the rating official and that eligibility questions were virtually eliminated. Based on those findings we are moving ahead with full implementation of AMIE II this fiscal year.

With respect to decision review officer (DRO) process, we have accumulated data for the initial month of the test. The test began in December. The purpose of the test is to clearly define the procedures that will work in any station, quantify some of the new aspects of the process such as the frequency and length of informal conferences and determine the impact of the changed process in terms of cycle time to complete appeals, number of issues on appeal, reversal and remand rates and customer satisfaction. The current DRO test has not been in existence long enough to draw conclusions yet.

Question 41: What are VA's goals for increasing veterans literacy rate?

Answer: Today's veterans, both at the time of entry into service and at discharge are more literate and better educated than veterans of any previous generation. Improved educational attainment is a focus for both the Department of Defense and VA. This objective is reflected in our 1999 Congressional budget submission. Our success will be measured by improvement in the Montgomery GI Bill (MGIB) usage rate. Veterans who leave military service with eligibility to MGIB benefits will be encouraged to pursue their educational and vocational objectives knowing VA will provide financial assistance to help in these endeavors. While less than 40 percent of those eligible have chosen to use their earned benefit to date, we have established a target of 68.5 percent by the end of 2003. Activities planned to achieve the target include sending letters to service members informing them of their eligibility and providing guidance on how to apply for and receive the benefit. Information will be provided and available when recipients need it most, in time to plan for their post-military future before they leave active duty.

Question 42: Describe VBA Central Office plans to improve oversight of VBA Regional Offices and the goals of improved VBA Central Office oversight of VBA Regional Offices. Does the proposed budget contain all the resources needed during FY 1999 to achieve these goals by current target dates?

Answer: VBA Central Office plans to consolidate the activities performed by all four current Area Offices in order to improve the oversight of VBA regional offices. The consolidated function will reside in VBA Central Office and will assume responsibility for coordinating with the field offices and maintaining liaison with the program and services at the VBA level. We believe that this presence will improve communication between Central Office programs and the field, increase and ensure the continuity of support currently provided to the regional offices and also provide the continued direction and guidance to all VBA regional offices. These goals must be achieved before FY 1999, as we believe that this presence and oversight will be needed in order to improve the integrity of our data and reporting systems.

We believe that the FY 1999 budget provides us with adequate staffing levels to maintain current performance levels. The integrity of our data is the most significant goal that must be achieved as our targets for timeliness, quality, incoming work and forecasts for future staffing levels depend on the most accurate, current data available. The proposed structure will bring VBA closer to achieving this goal and developing baselines, a data measurement system and a performance measurement system which adequately captures the characteristics of the current environment.

Question 43: In rank order of importance, identify VA's priorities for information technology investments, provide the cost of each priority and target date for achieving each priority.

Answer: During fiscal year (FY) 1997, VA implemented the VA Capital Investment Board (VACIB). The role of the VACIB is to receive proposals from VA components for capital investments, evaluate those investments, and to rank those investments that meet criteria for funding. All capital investments from VA component organizations

exceeding specified thresholds are subject to review by the VACIB—including information technology investments. In the FY 1997 review cycle, the VACIB evaluated data pertaining to the development of the FY 1999 budget for the Department.

VA has been pleased with the results of this new process; however, it is worth pointing out the process has not fully matured, which may result in differing outcomes in the next review cycle (pertaining to the FY 2000 budget). During the review cycle for the FY 2000 budget, VA intends to implement lessons learned from our premier review.

The following chart provides information relating to information technology projects evaluated by the VACIB. Although all capital initiatives (including IT) were ranked and prioritized using the new capital investment methodology, as it was the initial iteration and is still a maturing process, no initiative was denied funding due to its ranking.

Initiative	FY 99 Cost ($ millions)	Target Completion Date
VISTA	176.4	Ongoing 1/
Master Veteran Record	0.6	4th Qtr FY 99 2/
Telecommunications Infrastructure	179.4	Ongoing 1/
VACO Campus Network Improvement	1.9	3/
Honeywell Mainframes	8.0	Ongoing 1/
Software Upgrade Maintenance	3.2	Ongoing 1/
IDCU Replacement	105.0	2nd Qtr FY 00
VETSNET	0.4	1st Qtr FY 99
Enrollment System	73.0	1st Qtr FY 99
Information Center	1.4	3rd Qtr FY 00
PAY-VA	36.2	1st Qtr FY 99
Field Network Systems (PCs)	4.2	Ongoing 1/
Central Processor/C&P	6.1	Ongoing 1/
Field Network Systems (LAN)	9.2	Ongoing 1/
VET-Focused IT Architecture	1.5	2nd Qtr FY 00
Financial Management System	15.0	Ongoing 1/

Notes:
1/ Projects denoted with a completion date of "Ongoing" represent efforts for which development has concluded and the resultant system has entered an "operations and maintenance" mode. Under criteria established by the VACIB, however, these projects must nonetheless be subject to competition each year with other technology and non-technology projects to receive a portion of the budget "pie."

2/ The completion date for MVR was extracted from VA's FY 1999 Budget Submission, vol. 4, General Operating Expenses.

3/ Contract award for this effort, resulting in the expenditure of all identified capital funds thus allocated, will occur in FY 1999. The statement of work for the contractor will require the development of an implementation plan that will determine the final implementation of this upgrade.

Question 44: If the proposed budget does not request all the resources needed by VHA and VBA to achieve by the end of Fiscal Year 1999 consumer service, which is at least equal to the best consumer service recognized today, what additional resources are needed to achieve this goal? Identify the benchmark for consumer service for VHA and VBA?

Answer: VHA's "Prescription for Change" outlines five Mission Goals. Goals one and two state, "VHA will provide excellence in healthcare," and "VHA will provide excellence in service as defined by our customers." Each of the five mission goals are supported by the Under Secretary of Health's commitment to provide those resources necessary to ensure their full implementation. VHA is in the process of updating its Customer Service Plan. This update, when completed in July 1998, will describe VHA's customer service resource needs in more specific terms. Organizations that will be considered as benchmarks for VHA, include; USAA, Southwest Airlines, Toyota Motor Sales and AT&T Universal Card Services. These companies have been identified in one or more of the recently completed NPR benchmarking studies as having best-in-practice customer service programs. Within VHA, there are also outstanding customer service programs which can be used to benchmark Customer Service practices. VHA's National Customer Feedback Center (NCFC) in Boston currently uses state-of-the-art survey techniques to collect and report trended customer service information to all VHA facilities. The success of the NCFC in providing accurate and timely data to facilities about how their customers perceive the care they receive, has caused the NCFC and VHA to be viewed as a benchmark organization for customer feedback analysis and reporting.

Question 45: It is recognized that VBA claims processing is both slow and error plagued in large measure because the initial development of claims is poor and inadequate in spite of VA's duty to assist the veteran develop his or her claim. Does the proposed budget provide all the resources needed by VBA to significantly improve the initial development of claims? What are VBA's goals for initial claim improvement for fiscal year 1998 and fiscal year 1999?

Answer: We believe that the FY 1999 budget, coupled with ongoing information technology initiatives, will allow us to achieve improvements in the area of initial development of claims. The claims processing system (CPS) is a primary example. It uses technologies such as expert systems, relational database management systems, client/server and visual programming to aid claims developers as they initiate the adjudication process. Another example is the enhanced medical information exchange (AMIE II) application which, through electronic interface, is designed to speed the accurate collection of medical evidence from VA medical centers. These technologies will help overcome the development errors discussed earlier by prompting the individual developing the claim into looking for specific types of evidence based on the claimed conditions. Historically, claims processing timeliness has been the primary measure of performance. Through implementation of the balanced scorecard, with its added emphasis on accuracy and customer service, employees will focus on ensuring that they are providing correct as well as timely service.

Question 46: What results are being attributed to VA's increased emphasis on Network and VHA facility director performance accountability?

Answer: VHA has established a performance-based measurement system in which all Network Directors are held accountable for specific performance measures. These measures span the domains of cost, access, quality, customer satisfaction, functional status, and also include workforce development and research. This measurement system is designed to assure that VHA provide quality service, in the most appropriate setting, in a cost efficient manner.

Results of Network Directors' performance on sixteen quantitative measures contained in their 1997 performance agreements were published in early November 1997.

The 1997 achievements were:

ACCESS

- Over 80,000 new Category A veterans used VA services in FY97 for a total of 2,555,512 Category A unique users. The total population served by VA in FY97 increased to 3.1 million, the largest number of persons ever served by VA in a single year.
- VA matched the Picker Institute benchmark performance for timeliness of access by cutting problems reported by VA patients in half. 75% of patients now report clinic waiting times of less than 30 minutes.

TECHNICAL QUALITY

- Immunizations for pneumococcal disease and influenza more than doubled to 61% in FY97, now exceeding the U.S. goal of 60% for the year 2000.
- Breast, cervical, and colorectal cancer screening rates (87%, 90%, and 62% respectively), exceed 1997 HMO national average performance (70%, 70%, and 55% respectively), as well as the U.S. goals for the year 2000.
- Documentation of patient involvement in decision-making about prostate cancer screening (an American College of Physician recommended practice) rose from 1% in FY96 to 37% in FY97. No private sector comparison is available.
- Counseling for tobacco consumption more than doubled to 79% in FY97. The 1997 HMO national average performance was 61%.
- 40% of VA outpatients are now screened for alcohol abuse *using a standardized instrument* (typically the CAGE). FY96 baseline performance was 2%. No private sector comparison is available.
- VHA FY97 rates of aspirin administration (92%), and beta blocker administration (83%) for ischemic heart disease continue to exceed 1997 private sector performance of 76% and 62% respectively.
- Counseling about lifestyle issues of nutrition and activity is now documented for 78% and 76% of patients with hypertension, and for 85% and 78% of patients with obesity. No private sector comparison is available. The U.S. goal for 2000 is for all patients to receive such counseling.
- VA's 69% rate of retinal eye exams for diabetics exceeds the 1997 HMO national average of 38%. 85% of diabetics have an annual Hemoglobin A1c. Sensory examinations of feet doubled to 69%. No private sector comparison is available.
- Every VISN has implemented at least 10 new nationally-developed clinical practice guidelines, including 2 that address special emphasis populations. 5 others were implemented in FY96.
- 67% of patients with incurable, end-stage illness now have a comprehensive plan to manage palliative care detailed in their medical record. No private sector comparison is available, but this accomplishment resulted in VA being given the first ever commendation in this regard by Americans for Better Care of the Dying.
- 77% of patients report that one provider or team is in charge of their care. The HMO comparison figure is 64%.

PATIENT REPORTED OUTCOMES

- The percentage of problems reported per patient dropped from 25% to 22% with a concurrent rise in the overall quality rating of ambulatory services from 61% to 63%.

FUNCTIONAL STATUS

- 60% of substance abuse patients seen in September underwent a standardized clinical assessment using the Addiction Severity Index. The private sector benchmark is 50%.

COST/UTILIZATION

- Acute bed days of care/1000 unique users (BDOC/1000 SSN) dropped 29%. The FY97 ratio of 1782/1000 SSN is almost half the 3430/1000 SSN ratio of FY94, and is now lower than HCFA's published FY96 ratio of 2102/1000 SSN for acute hospitals (for Medicare patients).
- Total operating beds declined 21% (13,640) to 52,706 while occupancy rates rose to 78%–a full 12% higher than the private sector.
- 69% of surgeries and procedures are now performed in an ambulatory setting. This reflects a 33% improvement from FY96.

WORKFORCE DEVELOPMENT

- 75% of employees identify the delivery of excellent customer service as a critical component of VA's mission. No private sector comparison data is available.
- 87% of employees know the mission of the new VA. No private sector comparison data is available.

The delivery of consistent, high quality healthcare is at the center of VHA's transformation. The 1998 network directors' performance plans include measures that advance quality within the context of broad organizational goals for patient- centered care and personal accountability across the continuum of care, while maintaining sound resource management.

Question 47: How many VHA and VBA senior management are performing satisfactorily and how many are not?

Answer: VBA senior managers for this response are defined as employees assigned to positions classified at General Schedule (GS) grades 14, 15 and to the Senior Executive Service. As of January 31, 1998, 351 senior management staff were performing satisfactorily. No senior management staff were performing at less than a fully successful level.

In addition to the Under Secretary for Health and the Deputy Under Secretary for Health, VHA currently has 223 senior executives (both Title 5 and Title 38) in senior management positions. According to annual performance report results, all are performing at a satisfactory or higher level of performance.

Question 48: The percent of veterans among the homeless population remains constant. Are the resources proposed in the budget for homeless veterans programs sufficient to reduce homelessness among veterans? What are VA's goals for reducing homelessness among veterans by the end of fiscal year 1998 and fiscal year 1999?

Answer: It is true that the percent of veterans among the homeless population remains constant. The budget identifies $86.730 million for homeless veterans treatment programs in 1998 and projects $89.372 million for these programs in 1999. These funds are sufficient to maintain funding levels for current special emphasis treatment programs for homeless veterans. These numbers do not include the far larger amount actually spent on providing medical care services to homeless persons.

VA's goals for reducing homelessness among veterans include developing new partnerships and expanding existing partnerships with other Federal agencies, state and local governments and non-profit organizations to improve treatment, housing and employment opportunities for homeless veterans.

Question 49: What actions has VA taken and what additional actions does VA need to take to become an employer of choice? Are the resources proposed in the budget sufficient for VA to become an employer of choice? What goals has VA established for fiscal year 1998 and fiscal year 1999 regarding being an employer of choice?

Answer: With respect to actions taken to help make VA an employer of choice, VA has:

- Reaffirmed its "Zero Tolerance" policy and completely reengineered its EEO process in conformance with PL 105-114.
- Issued policies which permit the usage of flexible work arrangements and alternative work schedules; e.g., flexitime and compressed work schedules.
- Established a Career Transition Center in headquarters to assist employees who either of necessity or by choice need to make a career change.
- Established a policy which requires that each field station has access to career transition services.
- Implemented a new performance management program that will more closely link individual employee or team performance plans to specific organizational goals to provide employees with a clear line of sight to VA's overarching organizational priorities.
- VA has monitored the Department-wide affirmative employment programs to ensure that all categories of employment reflect the diversity of the Nation's veterans and their dependents.

With respect to additional actions to be taken to help make VA an employer of choice, VA will:

- Provide refresher training on the prevention of discrimination and sexual harassment for all existing employees, and incorporate this training for all new employees.
- Take steps to ensure that managers in appropriate work units understand the effective use of flexible work arrangements and alternative work schedules in enhancing the work environment and in improving employee performance.
- Revise the incentive awards program to more effectively reward employees for achieving established outcomes linked to the organizational goals and objectives; i.e., employees will be rewarded for meeting objectives which further the VA's ultimate goal of improving service to the Veterans.
- Develop a succession planning model for all levels of the VA that will enable VA to identify, develop and maintain a workforce that reflects the diversity of our customers and has the appropriate mix of skills and competencies.
- Recruit a Dean for the soon to be established (virtual) VA Learning University (VALU) which will be customer focused, performance-based and cost effective. The VALU will use resources throughout the Department to deliver One-VA learning.
- Develop a One VA orientation program which promotes awareness of VA mission, vision, values and strategic direction. A variety of learning modalities will be used to deliver the orientation program to ensure accessibility to all employees.

- Continue to ensure that affirmative employment plans target under-representation, by incorporating accountability for managing diversity into the performance plans of senior officials and by recognizing accomplishments. Through VA's performance recognition system, measurable progress towards achieving full representation in all categories can be achieved.

- Develop and implement initiatives to ensure diversity.

With respect to the resources proposed in the budget being sufficient for VA to become an employer of choice, the necessary resources will come from throughout the Department. Therefore, we anticipate that resources will be sufficient to carry out these activities.

The following goals related to VA as an employer of choice were established for FY 1998:

- Develop a new employee performance management system that provides VA organizations with sufficient flexibility to develop their own programs to meet their needs and which support their strategic directions.

- Provide Department-wide training on cascading organizational goals into individual employee performance plans.

- Identify the core competencies, values, and skills critical to VA leadership needs in support of the development of a succession planning system.

- Conduct research and benchmark world class workforce planning systems to identify potential best models for VA.

- Increase representation of minorities, women, people with disabilities, and disabled veterans in all occupations and at all grade levels where there is under-representation.

- Review and revise policies and directions on rewards and recognition to conform to the revised performance management policy.

The following additional goals related to VA as an employer of choice were established for FY 1999:

- Issue instructions for properly addressing allegations of discrimination and sexual harassment.

- Issue definitions of unacceptable behavior in the work place.

- Ensure optimal use of flexible work arrangements and alternative work schedules.

- Develop succession planning model best suited to VA.

- Establish partnerships with community organizations such as the Hispanic Association of Colleges and Universities.

- Participate in recruitment and outreach efforts at key national conferences of groups of minorities, women, and people with disabilities.

- Coordinate VA's participation in targeted summer internship programs.

Question 50: What are the current goals for improved VHA-VBA-DoD communication?

Answer:

VBA's Goals

VBA's overall goal is to improve service to veterans through better and faster exchange of information among VBA, VHA and DoD, and to improve the quality of compensation and pension (C&P) examinations through closer coordination and cooperation with these organizations.

As a result of recent improvement efforts, there are now in place several systematic forums to address issues affecting C&P exams with VHA. One example of this higher level of cooperation is the revision of the Disability Examination Worksheets by a joint VBA/VHA work group with assistance from the Board of Veterans Appeals. The worksheets are generated through the automated medical information exchange (AMIE) system and provide the criteria that must be used by examiners at VA medical centers in performing examinations for disability claims The revised examination worksheets will improve the examination process for disability claims. With these improvements, VBA should also see a reduction in the number of inadequate examination reports which must be returned to the examiners for clarification and cause delays in processing veterans' disability claims.

VBA and VHA have also worked jointly to provide satellite broadcast training for disability examiners and rating specialists.

Similarly, VBA has been working closely with DoD to improve communications. Most notably, the three separation examination pilots tested with the Department of the Army in 1997 were very successful. There were significant improvements in customer service, completeness of claims development, and efficiency/quality of claims processing.

Each of the pilot test sites is working with the Army to continue cooperation in developing claims, examining disabilities and preparing ratings prior to or close to the dates of discharge. Cooperation between VAMC Temple, VARO Waco and Ft. Hood and between VAMC Louisville, VARO Louisville, and Ft. Knox has allowed pre-discharge development, examinations, and rating actions to continue since the formal termination of the test, resulting in hundreds of soldiers being assisted prior to service discharge and their benefits awarded in less than 21 days following separation. VBA and VHA are working closely with DoD to develop policies to facilitate implementation of the lessons learned from the separation examination pilots.

There are other examples of positive VA/DoD collaboration. Cooperation between VARO Chicago, VAMC North Chicago, and the Great Lakes Naval Training Center, since January 1997, has resulted in hundreds of Naval personnel having had all necessary medical and administrative information gathered and receiving VA protocol examinations prior to separation. On the day of separation, their disability ratings were signed and awards authorized which eliminated all previously required wait time subsequent to discharge. Several other regional offices, medical centers and military bases are entering into agreements to perform similar services.

In addition, VARO Roanoke relocated a rating specialist at the Portsmouth Naval Base to review claims for compensation and request examinations as part of the discharge exam by Navy doctors. The rating specialist will then review the service medical records, and the separation examination and prepare a rating decision.

VHA's Goals

During May of this year we will implement, nationwide, a substantially enhanced version of the Automated Medical Information Exchange (AMIE) system. This version (AMIE II) will have a number of advantages over the existing system and will have value both in terms of improved service to the public and cost savings for VA managers. Enhanced communications links will allow VBA users direct access into VHA systems to view and extract medical information contained in VISTA systems. This access will allow for the

completion of a significant number of claims without the need for C&P examinations. Access by VHA employees to the VBA Benefits Delivery Network (BDN) will facilitate real-time eligibility verification.

The partnership recently formed between DoD and VA to develop a Government-Computer-based Patient Record (G-CPR) will also benefit other agency goals. The G-CPR will satisfy the need to share clinical information via a comprehensive, lifelong medical record. Development of this collaborative effort is on a fast track, and four workgroups have been formed. The Infrastructure workgroup is charged to identify the infrastructure required to develop and implement a G-CPR that will cross agency lines. The Statement of Objective (SOO) workgroup will define the functional requirements needed to facilitate the passing of patient data between agencies. These requirements, when completed, will be posted for Industry to provide a proposal for award of contract. The Acquisition/Finance workgroup will determine the best contract vehicle and acquisition strategy for the SOO. The Marketing Group will identify target customer areas, both agency field-based customers and the vendor community, and will provide information on the strategy and plan for a comprehensive, shared G-CPR.

Question 51: Provide VBA Compensation and Pension Service employee training goals.

Answer: The recently selected Under Secretary for Benefits established several special ad hoc teams to review specific areas of concern and provide recommended actions. One of those teams was assigned to look at training. When the team finalizes its work, it will be incorporated into a policy document, copies of which will be provided to the Congress.

VBA's Compensation and Pension Service is concurrently developing several comprehensive training packages to meet employee training needs and goals for both the immediate short term and for the long term. Teams of training and subject matter experts are developing training packages on:

- the Veterans Service Representative position;
- the Rating Certified Veterans Service Representative position;
- development training; and,
- business process reengineering orientation training.

These training packages are expected to be ready for field use during April 1998, and will be placed on VBA's Intranet training site.

Concurrently, C&P Service will release a computer-based training module on "Certifying a Case to the Board of Veterans' Appeals". This appeals training will be directed toward those in regional offices responsible for ensuring that the appeals cases are properly handled and ready for review by BVA.

Use of this type of computer-based training is new for VBA, and it will require different skill sets for administering by local training facilitators/instructors. To prepare the offices for this, two train-the-trainer sessions will be held at the Baltimore Veterans Benefits Academy in March 1998. It is a two-week course on instructor development, presentation skills, and cooperative learning principles and techniques. At least one training facilitator will attend from each office.

The use of computer-based training is further under development by VBA under contract for a validated and tested training program for new rating specialists. The first training modules will be ready for field use in mid-summer 1998 and will include basic training on how to rate an original compensation case, how to rate an original pension case, and how to rate an original DIC case. Over the next several years additional training modules will be completed and released covering the basic tasks a new rating specialist needs to know.

In the long term, VBA plans to use other computer-based training programs to train new employees for the Veterans Service Representative position, for the Decision Review Officer position, and advanced training for the Rating Certified Veterans Service Representative position. For the latter, these are part of VBA's Business Process Reengineering plans over the long term of the next five years.

Question 52: According to VA, in Fiscal Year 1996, VHA paid over $900 million to non-VA healthcare practitioners to provide care to the veteran community. Provide the actual or projected amount paid to non-VA healthcare practitioners to provide care to the veteran community for each Fiscal Year : 1997, 1998 and 1999. How much is paid to non-VA healthcare practitioners to provide care to the veteran community in each of these fiscal years was based on a competitively awarded contract? What percent of (a) competitive and (b) non-competitive awards were subject to post-award audit? Describe the results of the audits.

Answer:

Projected dollar amounts for FY 1997-1999
(dollars in thousands)

	1997 Actual	1998 Estimate	1999 Estimate
Outpatient Dental Fees	$12,055	$13,245	$13,801
Medical & Nursing Fees	284,742	296,572	309,039
Contract Hospitalization	145,274	151,091	157,437
Community Nursing Homes	284,095	296,268	317,607
Personal Services Contracts	39,127	40,615	46,070
Scarce Medical Specialists	103,870	107,649	109,346
Total	$869,163	$905,440	$953,300

Since the VA beneficiary has the choice of provider under the fee basis, contract hospital, and fee dental program, none of these services are provided under competitively awarded contracts. These programs represent $442.1 million in 1997; $460.9 million in 1998 and $480.3 million in 1999.

Community nursing home program represents $284.1 million in 1997; $296.3 million in 1998; and $317.6 million in 1999. A national contract was competitively awarded and represented approximately 4% percent of the total in 1997. Local nursing home contracts are non-competitively awarded.

Personal Service contracts are contracts or agreements with individuals for personal services. It includes payments to individuals which are exclusively for their own personal services, e.g., professional and ancillary services, lecturers and organists. This also includes appraisals and compliance inspections. The costs of physician consultants and attendings contracts are charged to this account. These contracts, exercised in accordance to regulations, are normally small and done locally on an individual basis. The level of competitive vs. non-competitive awards is not known.

Based on a sample, ten percent of scarce medical specialist and enhanced sharing contracts were awarded on a competitive basis. These contracts represent 15 percent of expenditures under these programs. Thirty-five percent of the contracts were awarded non-competitively to non-affiliate contractors (primarily in more rural areas with sole source justification). These contracts accounted for 5 percent of expenditures. Fifty-five percent of the contracts were negotiated non-competitively with medical school affiliates, accounting for 80 percent of expenditures.

It should be noted that all of the new Community Based Outpatient Clinics are contracting for lease space and ancillary support services with about half the clinics being totally contractor operated. Few of the clinics proposed are to be operated by VA affiliates. This means that the proportion of competitively awarded contracts for health care services should increase significantly in future years.

The overwhelming majority of these resources are utilized at the local facility level for small individual activities. For many of the programs listed the beneficiary chooses the provider in accordance with established procedures and the contracts, while locally monitored from a care perspective, are not subject to a post-award audit. In the Community Nursing program, where a national contract is awarded for a portion of the care needed, pre-award reviews evaluate quality of services and pricing before the contract is let. However, there is no formal post-award audit process but the work performed under the contract is monitored at the local level. In addition, the Inspector General as part of a requested program review would review associated contract activities.

Question 53: In procuring goods and services, does VA provide a preference to veterans?

Answer: VA contracting activities are strongly encouraged to identify and solicit veteran-owned firms in order to meet their procurement goals.

Question 54: What percent of the value of fiscal year total procurement has VA established as its goal for procurement from veteran-owned or veteran-controlled enterprises?

Answer: Seven percent.

Question 55: What percent of the total value of VA procurement is obtained competitively?

Answer: In Fiscal Year 1997, 47.6% of procurement actions were competitive and 81.6% of procurement dollars were competitive.

Question 56: Compare the resources provided in the Fiscal Year 1999 budget to meet the needs of homeless, women and minority veterans to the resources provided in the Fiscal Year 1998 budget to meet the needs of homeless, women and minority veterans.

Answer: The 1998 budget requested $96.6 million for homeless veterans programs. However, since the actual 1997 obligations was less than $84 million, the 1998 request was reduced to $86.7 million in the FY 1999 budget. The 1999 request is $89.4 million. The actual 1997 obligations for women veterans was $577.3 million and is expected to remain constant in 1998 and 1999. We were unable to obtain obligations for minority veterans.

Question 57: What is the future of the National Cemetery System particularly with regard to the establishment of new national cemeteries not currently under construction?

Answer: The National Cemetery System (NCS) will continue to honor the military service of our nation's veterans by providing a dignified burial and lasting memorial for veterans, and by maintaining its cemeteries as national shrines.

NCS has developed multiple strategies for meeting its burial service mission. These strategies includes constructing four new national cemeteries; expanding existing national cemeteries where appropriate; developing more effective use of available burial space; and encouraging individual States to develop State veterans cemeteries through the State Cemetery Grants Program.

The Tahoma National Cemetery near Seattle, WA opened in September 1997, and VA is currently in the process of constructing four new national cemeteries in the areas of Chicago, IL; Dallas/Ft. Worth, TX; Albany, NY; and Cleveland; OH. The VA's 1999

budget request does not include funding to construct new national cemeteries beyond the four already under development. This is consistent with the Department's Strategic Plan submitted to the Congress in September 1997. In each phase of its strategic planning process, the Department will continue to evaluate other locations for establishing new national cemeteries based on demographic need, and its experiences activating Tahoma and these other four new national cemeteries.

Question 58: Identify the communities or areas most in need of the establishment of a new national cemetery.

Answer: In a report to Congress in 1994, VA identified ten areas of the country most in need of new national cemeteries based on concentrations of veteran population. The rankings were not a priority listing, but depict veteran population. The ten locations listed in the 1994 update are: 1) Chicago, IL; 2) Detroit, MI; 3) Cleveland, OH; 4) Dallas/Ft. Worth, TX; 5) Sacramento, CA; 6) Miami, FL; 7) Atlanta, GA; 8) Seattle, WA; 9) St. Louis, MO; 10) Albany, NY.

Of the areas listed in the 1994 Report to Congress as most in need of the establishment of a new national cemetery, the following projects have been completed, or are in process of being constructed. The Tahoma National Cemetery near Seattle, WA was opened in September 1997. On October 10, 1997 construction contracts were awarded for the Saratoga National Cemetery near Albany, NY; the Dallas/Ft. Worth National Cemetery near Dallas and Ft. Worth, TX; and a yet unnamed national cemetery in the Chicago, IL area. These cemeteries are expected to open during 1999. The 1998 Appropriation contained funding for the construction of a new cemetery in the area of Cleveland, OH; and the construction contract is expected to be awarded in July 1998.

Question 59: What is the total amount needed to provide VA's full match for all pending state home cemetery grant applications?

Answer: The total amount required to fund all pending applications for State Veterans Cemetery Grants at the proposed 100% level, including initial equipment, is $28.1 million.

Question 60: Please explain in detail how VA will accomplish the projected $582 million savings forecast for Medical Care.

Answer: The $582 million is the estimated net savings in 1999 associated with progressing towards the FY 2002 targets of a 30% per patient expenditure reduction, a 20% workload increase and 10% of funds from alternative sources. VHA's decentralized management strategy is expected to continue generating network efficiency savings. Decentralized decision making authority allows the 22 VISNs the greatest latitude possible to achieve efficiency of operations within their resource targets. Samples of recent achievements include:

- Acute bed days of care per 1,000 unique users dropped 29%. The FY 1997 ratio of 1,782 per 1,000 is almost half the FY 1994 ratio of 3,430 per 1,000.
- Total operating beds declined 21 percent and occupancy rose to 78 percent a rate which compares favorably with that of the private sector. Since 1994, VA has closed over 43% of its acute care hospital beds.
- Sixty-nine percent of surgeries and procedures are now performed in an ambulatory setting. This reflects a 33% improvement from FY 1996, and almost a doubling compared to FY 1995.

Question 61: The veterans' health care system's staff has literally been decimated over the last five years. Under its current configuration, how many more staff can VA eliminate before the quality of care provided is compromised?

Answer: Since 1994, VHA staffing has been reduced by eleven percent. During this same time it has treated more patients than ever before (including 8% more psychiatric/substance abuse patients and 19% more homeless patients), and VA's quality of care has dramatically improved. Reengineering of our VA healthcare system has resulted in improved service delivery and improved quality through shifting from inpatient to more clinically appropriate care settings. We do not know when the total employment will level out, although we do expect improvements to continue and healthcare to change in the future. We have developed an expert panel to assist staff who are providing care, in collaboration with management, to identify the adequacy of administrative, clinical and support services and to explore opportunities for systems improvements, work redesign and administrative restructuring within the context of budgetary realities. These expert panels, which are composed of those most knowledgeable of the patient population and the uniqueness of specific patient care areas, identify staff needed to meet clinical, administrative, education, continuous quality improvement and research needs.

Current VA restructuring efforts mirror the changes occurring or which have occurred in the private sector. In addition, a Congressionally directed Institute of Medicine (IOM) study found little empirical evidence that hospital quality of care is being adversely affected by hospital restructuring and changes in the staffing patterns.

Question 62: As you are aware, recent reports are critical of VA's ability to assure quality in its health care facilities. The FY 1999 VA Budget Submission adds 12 staff to VHA's Office of Medical Inspection, but takes 16 staff out of Medical and Miscellaneous Operating Expenses and three from the Office of the Inspector General – two accounts which provide for many quality assurance activities. What steps is VA taking to ensure that VA has adequate staff and resources to ensure adequate health care quality assurance activities?

Answer: As you noted, VA is adding 12 staff to the Office of Medical Inspector (OMI) which will increase the staff to a total of 22 positions. In addition, the role of the OMI has been clarified. The core functions of the office are: (1) to conduct investigations; (2) to conduct focused reviews and other evaluations of quality of care matters; (3) to monitor analyses of sentinel events, Boards of Investigations, and Focused reviews; (4) to analyze data bases; and (5) to develop QM oversight mechanisms. In addition, VHA recently directed each Network Director to establish a Network Quality Manager position. Among the duties of this position are (1) overseeing the Network's overall QM program to assure coherency and consistency with Network and system-wide goals and objectives; (2) monitoring and evaluating quality of care; (3) identifying innovative patient safety improvement practices for system-wide deployment; (4) identifying and communicating "best practices"; and (5) working to ensure the availability of support needed to enable staff to pursue and achieve excellence in health care quality. Finally, plans are being formulated to augment the staff of the HQ Office of Performance and Quality (10Q).

Question 63: VA is to report to Congress those programs and services it plans to contract for in the next fiscal year. This report has not yet been finished. Your budget identifies major reductions in staff. How does VA assess where it is appropriate to retain staff and where it is more beneficial to contract without the type of information this report retains?

Answer: As provided in Section 305 of Public Law 104-262, The Veterans' Health Care Eligibility Reform Act of 1996, the report will only "identify those specific activities that are currently performed at a Department facility by more than 10 Department employees which the [facility] proposes to study for possible contracting involving conversion from performance by Department employees to performance by employees of a contractor". The report does not provide information reflecting an intentioned contracting of activities that would have a direct relationship with the staffing reduction identified in the budget. Staffing decisions are intended to strengthen VHA medical programs and to improve the quality of health care; they may contribute to staff

reductions as well. Decisions to convert from Department employee performance to contractor performance must be cost effective, be in the best interest of veterans, comply with requirements to assist displaced employees, and be in the best interest of the government. The staff reductions in the FY 1999 budget continued implementation of Network efficiencies towards the FY 2002 30% unit reduction in expenditure.

Question 64: What portion of the more than 2,500 VHA employees are expected to be lost due to contracting for care?

Answer: The 2,598 FTE reduction in the budget request is part of the estimated net savings in 1999 associated with progressing towards the FY 2002 targets of a 30% per patient expenditure reduction, a 20% workload increase and 10% of funds from alternative sources. The reduction is an estimate. Actual FTE changes will be determined by the 22 VISNs.

Question 65: How much of the funding backlog for pending grants for the State Veterans' Homes would be funded by VA's request?

Answer: The funding backlog in FY 1998 is currently estimated at approximately $112 million. If no new grant applications are received between now and August 15, 1998, the fiscal year 1999 backlog is estimated at slightly over $75 million.

Question 66: As many state veterans' homes were established a number of years ago, should VA's methodology for determining the priority of grants give renovation projects a higher priority? Please explain.

Answer: Public Law 99-576 provided the legislative basis for the current prioritization methodology, which was implemented for the first time in 1987 to address the greater unmet need on a national basis, provide a means to serve more veterans, and encourage greater State participation in the construction grant program. The prioritization methodology has provided an equitable, precise, and nonpartisan means to establishing a priority list once each year, and to funding the applications in ranking order. Projects for new facilities go to the top of the list only in States with the greatest unmet need. We are currently scrutinizing all of the State Home Program regulations and focusing substantial attention on the prioritization methodology. We recognize that a restructuring of the methodology is needed within the next two years. Any changes to the current prioritization methodology, however, will require legislative and regulatory changes.

Question 67: Describe how priorities are set for major construction. Are VA's requested projects different than those given the highest priorities using the described methodology. If so, why?

Answer: Recognizing the need to enhance capital asset planning, VA initiated a planning process to improve the prioritization methodology for all capital assets, including construction, in support of the FY 1999 budget request.

The capital investment evaluation criteria employed by VHA include factors that address the strategic goals in the "Journey of Change," the net present value/rate of return on the investment, and the quality of alternatives analysis that is achieved.

The criteria utilized by the Capital Investment Board emphasized importance in bringing about the achievement of departmental mission and goals. In addition, the performance gap between current assets and projected requirements, as well as return on investment were also considered.

At this time, the Department level methodology for capital planning is under review by a contractor who will incorporate best practices from the public and private sector to refine

the existing process. VA will also strengthen this process by perfecting trade-offs at the department level and cut across functional areas, ensuring that projects are tightly aligned with goals and managerial accountabilities at the program level, strengthening analysis of alternatives, and improving population and workload projections. It is expected that the Departmental capital planning process will be continually refined to meet the constantly changing needs of the Department.

The San Juan seismic corrections, Long Beach consolidations/seismic, the Denver parking garage projects, and columbarium projects at Ft. Rosecrans and Florida National Cemeteries are the Department's priorities for the FY 1999 budget.

Question 68: VA has requested a significant increase in its research budget as part of the Administration's Research Fund for America. Has VA identified additional priority areas in which to invest these additional funds?

Answer: Yes, the VA has identified priority areas in which to invest new funds. Of the total increase of $28 million, $9 million is for current services. The additional $19 million will allow the start of three major new research initiatives that exploit VA's unique assets in clinical research, including: 1) outcomes research; 2) rehabilitation research; and 3) large scale cooperative studies of new therapies. These areas capitalize on our locus within a large integrated health care system. The first of the three initiatives includes VA's new outcomes research initiative on quality of care - the Quality Enhancement Research Initiative (QUERI) - which establishes unprecedented collaboration between research, policy and performance, patient care, and informatics. Presumptive target conditions for this initiative include such prevalent conditions as cancer, heart disease, diabetes, mental illness, such as, depression, cerebrovascular disease, and possibly chronic spinal cord injury. This initiative will cost between $8-10 million. Second, we propose to invest an additional $2-3 million on Rehabilitation Research initiatives, especially in the areas of vision and hearing, aging with a disability, and prosthetics. Also, we propose to add a new research center of excellence in Acute Brain Injury. Third, in the area of large scale clinical trials we plan to initiate major new cooperative studies, costing $8–11 million, as follows: 1) Parkinson's Disease - $3-4 million for research focused on medical therapy (neuro-protective agents) and surgical treatments (pallidotomy); 2) Diabetes and its associated major clinical problems of blindness and amputation ($3-4 million); and, 3) heart and kidney disease ($2-3 million). In these areas, no other federally supported clinical or research entity can initiate or complete such critical and ambitious research activities on behalf of America's veterans.

Question 69. The FY 1998 Office of Inspector General's (OIG) budget was insufficient to accommodate the floor of 417 FTE that is currently in statue. For FY 1999, the Administration has submitted a legislative proposal to eliminate the floor on the OIG's staffing levels. In response to questions submitted after the October 8, 1997 Subcommittee on Health hearing on VA Risk Management initiatives regarding whether the Inspector General was appropriately staffed, Dr. John Mather stated, "Current FTEE levels are significantly below the statutory floor, creating a situation where the OIG's ability to cover VA programs is vulnerable." The FY 1999 Budget requests an average number of employees that is even fewer than the FY 1998 level. Will this budget allow you to do your job? How much in additional resources are needed to achieve the statutory staffing level?

Answer: Balancing the many competing statutory demands for resources is an extremely complex and difficult process. Statutory mandates are dependent upon the funds that are appropriated to meet that mandate. In that regard, I am informed that the Department has been unable to meet the specific statutory FTEE floor for the Office of Inspector General with the funds appropriated to that office. This difficulty which arises is a result of the conflict between the President's responsibility to recommend a budget to the Congress and a statutory mandate requiring the President to submit a budget sufficient to fund a specific FTEE level for the Office of Inspector General. Recognizing this conflict, the Department has proposed legislation to eliminate the statutory employment floor. Nevertheless, the Department will continue its commitment to

providing adequate resources to the Inspector General to carry out its mission. The President's Budget provides $32.7 million for OIG operations, a 5.5 percent increase over the FY 1998 enacted level, and a level sufficient to meet the Department's responsibilities. Meeting the statutory floor could require additional funding of as much as $9.5 million in FY 1999.

Question 70: Dr. Kizer, you have often said that VA does not receive the same budgetary treatment as Medicare and Medicaid in that it does not receive compensation for inflation or the number of people it treats. Should VA health care be an entitlement like those other programs? Please explain your answer.

Answer: I don't know. What exactly would it mean for VA health care to be an entitlement, what exactly would be entitled, and how would this entitlement mesh with other entitlements? Your question is unanswerable as asked.

Question 71: The VA Budget Submission emphasizes the availability of Medicare funding as critical to meeting the Veterans Health Administration's needs until FY 2003. Has VA done any market research to determine demand for using Medicare benefits in VA? Does it disadvantage VA to offer only managed care to Medicare-eligible veterans when 80% of Medicare users choose fee-for-service when given a choice?

Answer: Medicare reimbursement is a critical element of VHA's long-range goals. Currently, the only practical way VA can treat Category C veterans is if they are allowed to bring their own funding with them to VA. This alternative funding source will also enable VA to reach further down in the eligibility reform priority list to treat veterans.

As indicated in the answer to question 6, VA will begin market research when legislation is finalized and more details are available on who would be included in the pilot project target market.

Both the Health Care Financing Administration and the private sector are aggressively promoting managed care as critical to controlling the costs of healthcare in America. VA believes it is an appropriate approach, but is building a system that neither under treats nor over treats patients. VA, as a not-for-profit public organization, will manage preventive, acute, and other services to promote optimal patient health with the right intervention at the right time in the right location.

Question 72: Is 24-hour access to emergency care part of the benefits package VA will provide its enrolled users?

Answer: The benefits package includes 24-hour emergency services provided at designated VA facilities. Emergency care at non-VA facilities will be available only if VA has a sharing contract with a non-VA provider for that service, or if an individual veteran is eligible for non-VA care on fee basis. This would include veterans requiring emergency care at non-VA facilities for life-threatening conditions related to service-connected or adjunct conditions. A legislative authorization is necessary before VA may offer emergency care at any non-VA facility to all enrolled veterans.

Question 73: How will VA furnish this benefit?

Answer: VA will provide this benefit in a combination of VA facilities, non-VA facilities having sharing agreements with VA, and non-VA facilities for veterans eligible for fee basis care.

Question 74: Does the proposed budget contain all the resources needed for VA to achieve this?

Answer: VA has sufficient resources to provide the benefit as described in the answer to question 73. Enrollment by priority groups is intended by Congress to be VA's means of managing services within the appropriated budget. Expansion of eligibility for emergency treatment would simply limit the number of lower priority veterans who could be enrolled and treated in a given year under a fixed budget. We are unable to estimate how many fewer at this time.

Question 75: Will VA provide emergency care to Medicare-eligible veterans who chose VA as their health care provider?

Answer: VA is currently able to provide emergency health care to veterans either at VA facilities or at non-VA facilities which have sharing agreements with VA to provide emergency services. In addition, certain veterans may receive emergency care at any non-VA facility for life-threatening conditions related to service-connected or adjunct conditions. Currently VA is not authorized to offer emergency care at any non-VA facility to all enrolled veterans in the future.

Question 76: Is VA using case management for its patients? To which types of patients is case management best targeted and why? Has VA assessed the costs and benefits of case management? Please provide the results to this assessment.

Answer: VA has a draft directive titled VA Care Management (the term "Care Management" includes "Case Management" in VHA). VA Care Management is designed to provide patient centered, easily accessible, coordinated, continuous, high quality healthcare. The extent of care management required by any one patient can vary over time and not all patients need care management. VA care management is designed to improve overall coordination of care and to improve patient satisfaction with care. VA care management is often interdisciplinary and is provided most intensively for patients with complex conditions that require care in multiple settings or by multiple providers, such as the frail elderly, patients with spinal cord injury, and others with complex chronic illness. Case management for these patients has been integrated into the care process for a long time and is part of the operational structure of many of the VA programs that provide care specifically to these populations. VA is now expanding care management to additional populations in other care settings.

Risk factors of patients to be served have been taken from information published in the health care literature. These risk factors may include, age, functional impairment, medical co-morbidities (ex. CHF, COPD, HIV/AIDS, dementia) as well as social risk factors such as homelessness and lack of caregiver support. These risk factors have been well studied and published in the literature and will become the basis for VA determination of patients who will benefit from care management. VA's approach to care management is to improve overall coordination of care and access to appropriate levels of care and supported social services, as well as to improve overall patient satisfaction. VA recognizes the benefits that have been gained from using care management in the VA for some patient populations. We are now expanding that to additional groups. Because care management for these additional groups is in its early stages no cost/benefit analysis has yet been conducted.

Question 77: In the last Congress, VA was given enhanced "sharing authority." Explain a few of the best ways VA has used this enhanced authority. VA expects to collect a total of $640 million from sharing over the next five years, with revenues increasing in each year. How will VA get there?

Answer: In 1997, the VA-DoD and Enhanced Sharing programs accounted for more than 60% of reimbursements in the budget category "Other Sharing/Reimbursements". Also included in this category are collections from other Federal agencies, worker's compensation, ineligibles, and a variety of other sources. VA expects that growth in the enhanced sharing program over the next five years will account for an increasingly larger percentage of the $640 million total. In the past 15 months, VHA has approved

almost 240 concept proposals from medical centers to sell a wide variety of health care resources. VHA, OA&MM, and the Office of the General Counsel are providing ongoing training to the field on the enhanced sharing program. National, VISN, and medical center level training is conducted at every opportunity. For example, in January-March 1998, training will be provided at the national Revenue Generation Conference (Denver), VISN 12 (Chicago), OA&MM Contracting Symposium (San Diego), VISNs 1 and 2 (Syracuse and Bedford), and the Regional Counsel Conference (DC). A VACO Rapid Response Team works daily with medical centers to provide program assistance. Examples of successful contracts include a number for the use of rooftop space for cellular antennas, parking, use of research lab equipment and space, animal research facility services, DNA viral mapping, biomedical equipment repair, diagnostic testing, cardiology assessments for police/fire departments, incineration of medical waste, nursing assistant training for a public housing authority, and the custom fitting and manufacture of specialized prosthetics. All funds generated from the enhanced sharing program have been used to support health care services for veterans; funding for several of the new community based outpatient clinics is coming from these sharing efforts.

Question 78: VA claims to have "millions of square feet" of unutilized or underutilized VA inpatient space. VA has stated that they would like fewer restrictions on enhanced use projects and a process for asset disposal. Exactly what proposals will VA put forward and when?

Answer: The VA is currently working with the Administration and GSA on a proposal to be submitted along with the FY 2000 budget.

Question 79: Are some VA health care facilities obsolete today?

Answer: This question cannot be answered without defining what constitutes "obsolete."

Question 80: Will some VA health care facilities in use today be obsolete in five years?

Answer: VA is unable to predict whether any facilities will become "obsolete" in the foreseeable future, even if those facilities were to be closed or their mission changed. They may not be obsolete, but there may be insufficient demand to support them. Certainly, facility and program adjustments can be anticipated as VA responds to changes in demographics, entitlements and enrollment, technology and modes of care, funding constraints and equitable distribution, and other influences. VHA capital assets plans will be formulated to achieve the greatest possible return on taxpayer investment, namely, system-wide access and quality and economic efficiency. VA will pursue maximum benefit from capital resources through reconfiguration, consolidation and integration, enhanced use agreements, sharing, joint venturing, and other innovations. Capital funding and authorizations will be requested as appropriate to implement these strategies.

Question 81: How much did VA request initially from the Office of Management and Budget for Medical Care for FY 1999?

Answer: VA requested $17,696,876,000 (includes a $670,030,000 transfer from Medical Care Collections Fund) from the Office of Management and Budget for Medical Care for FY 1999.

Question 82: At what stage is the Veterans Health Administration in implementing the Veterans Equitable Resource Allocation? When VA officials met with the New York delegation on Tuesday, February 3, 1998, the VISN 3 Director acknowledged that there would be shortfalls in his network due to both the impact of the VERA distribution and to having to absorb inflation costs. Is the situation similar for other networks adversely affected by VERA? How much funding would VA need to assure that no networks had to take cuts under this phase of the VERA model implementation?

Answer: The Veterans Equitable Resource Allocation (VERA) system was implemented on April 1, 1997. VERA is intended to provide veterans throughout the country with fair and equal access to VA medical care, without adversely affecting care to any veterans. In FY 1997, VERA shifted $182 million among networks. This was accomplished despite a six-month delay in implementation from the beginning of the fiscal year. A 5% cap was also imposed on the amount that any one network could lose to avoid any adverse impact on the level or quality of services. Had VERA been implemented for the full year without caps, nearly $500 million dollars would have shifted during VERA's first year. VERA redistributed an additional $239 million with the FY 1998 budget allocations. The FY 1998 allocations were initially provided to the networks in August 1997 based on the President's budget and updated in November 1997 based on the Congressional Appropriation. With the FY 1998 network budget allocations, VHA has already shifted 81% of the funds planned to move through VERA over the next several years. It is now projected, depending on appropriated funding levels, that all funding shifts will have occurred by the year 2000 to completely correct the past inequities in funding.

Regarding the impact of the VERA distribution and absorption of inflation costs, all networks are dealing with the effects of inflation on their budgets. The attached table presents for each network the cumulative effect from FY 1996 to FY 1998 of VERA, inflation, and non-appropriated revenue. As shown in the table, Network 3 must manage a cumulative loss of 5.8% in real dollars over these two years. However, this is in line with the challenges faced by other networks. For example, Network 1 must deal with a 7.0% loss of real dollars. Networks 2 and 12 face reductions similar to Network 3 at 5.6% and 5.7% respectively.

In this phase of VERA with the FY 1998 allocations, without accounting for inflation, as shown in the attached table, only Network 1 has a decrease of –1.1% or -$10 million in FY 1996 – FY 1998 allocations with VERA and receipts (alternative revenue streams) included.

Change in Allocations, FY 1998 – FY 1998, with Receipts and Inflation
(dollars in millions)

	Network	FY 1998 Base	FY 1997 VERA Adjustment	FY 1998 VERA Adjustment	Alternative Revenue Stream (ARS)	FY 1998 Budget (incl. ARS)	Percent change from FY 1998 to FY 1998	% Inflation Adjustment, FY 1996-1998	Constant Dollar Change, FY 96-98
1	Boston	$854	($9)	($35)	$35	$844	-1.1%	-5.97%	-7.0%
2	Albany	$437	($3)	($18)	$23	$438	0.4%	-5.97%	-5.6%
3	Bronx	$1,022	($5)	($43)	$49	$1,024	0.1%	-5.97%	-5.8%
4	Pittsburgh	$775	$4	($0)	$41	$819	5.8%	-5.97%	-0.6%
5	Baltimore	$424	$18	$18	$25	$485	14.3%	-5.97%	7.4%
6	Durham	$682	$25	($3)	$45	$749	9.9%	-5.97%	3.4%
7	Atlanta	$778	$36	$42	$40	$896	15.1%	-5.97%	8.2%
8	Bay Pines	$960	$59	$53	$42	$1,112	15.9%	-5.97%	9.0%
9	Nashville	$688	$12	$4	$35	$740	7.4%	-5.97%	1.0%
10	Cincinnati	$511	$20	$5	$24	$559	9.5%	-5.97%	2.9%
11	Ann Arbor	$655	$2	($25)	$30	$662	1.0%	-5.97%	-5.0%
12	Chicago	$834	($6)	($33)	$41	$837	0.3%	-5.97%	-5.7%
13	Minneapolis	$417	$8	($11)	$22	$437	4.7%	-5.97%	-1.6%
14	Omaha	$291	($3)	($11)	$16	$293	0.6%	-5.97%	-5.4%
15	Kansas City	$585	$31	$1	$24	$640	9.4%	-5.97%	2.9%
16	Jackson	$1,074	$62	$58	$61	$1,255	16.9%	-5.97%	9.9%
17	Dallas	$587	$36	$29	$29	$681	16.1%	-5.97%	9.2%
18	Phoenix	$485	$33	$27	$25	$570	17.4%	-5.97%	10.4%
19	Denver	$367	$17	$9	$16	$410	11.6%	-5.97%	5.0%
20	Portland	$584	$37	$31	$22	$674	15.4%	-5.97%	8.5%
21	San Francisco	$688	$32	$12	$18	$751	9.1%	-5.97%	2.6%
22	Long Beach	$900	$18	$25	$24	$967	7.4%	-5.97%	1.0%
	VHA Totals	$14,598	$424	$134	$688	$15,844	8.5%	-5.97%	2.1%

Question 83: How much funding does VA need to support inflation, payroll and uncontrollable price increases?

Answer: A projected net total of $672.820 million in FY 1999.

Question 84: If Congress enacts VA's FY 1999 budget request, will VHA be able to accommodate an equal amount of long-term beds and bed days in addition to accommodating additional home and community based care?

Answer: Overall we plan to treat more veterans in FY 1999, while continuing to shift to more appropriate care settings. For long term care, the FY 1999 request supports estimated increases of $74.4 million and 523 average daily census for institutional care and increases of $6.4 million and 392 ADC for home and community based care.

HONORABLE FRANK Q. NEBEKER
U.S. COURT OF VETERANS APPEALS
QUESTIONS FOR THE RECORD
FROM
HONORABLE BOB STUMP, CHAIRMAN
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS

1. Q. The Veterans Service Organizations believe that the Court is too willing to grant extensions to the VA, thus needlessly delaying resolution of veterans appeals to the Court. They recommend that the Court adhere to its rules and that the Committee conduct oversight on this issue. Would you please describe the Court's rules regarding extensions, how often the Court deviates from those rules and why you feel such deviations are appropriate?

A. Rule 26(b) of the Court's Rules of Practice and Procedure provides:

> **Extension of Time.** The Court, on its own initiative or on motion of a party for good cause shown, may extend the time prescribed by these rules for doing any act, or may permit an act to be done after the expiration of such time, but the Court may not extend the time for filing a Notice of Appeal.

This rule--like its counterpart in the Federal Rules of Appellate Procedure--is a flexible one that envisions the exercise of sound judgment in its application. It should be noted that section 7252(b) of title 38, United States Code, provides that the Court's review of a Board of Veterans' Appeals decision must be based on the record of proceedings before the Secretary and the Board. That record must be provided by VA, which is its custodian. Moreover, section 7263(a) of title 38 provides that the Secretary shall be represented by its General Counsel. That mandatory representation fails if the General Counsel does not take a position on behalf of the Secretary in every case before the Court. For the Court to issue a decision on an appeal in the absence of a record or the Secretary's position, as some have urged, would be irresponsible and could result in an award of federal benefits as a sanction where entitlement under the law does not exist.

It is true that the Court has granted extensions to VA--both at the record production and briefing stages of cases--because of VA's inability to cope with the dramatic increase in appeals as a result of General Counsel staffing inadequacies. However, the Court has also granted extensions liberally to appellants: to unrepresented veterans who are having difficulty finding representation or preparing their briefs; to private attorneys who have heavy caseloads or face complex issues in the case before the Court; or to the Veterans Consortium, whose case screening staff is also having difficulty keeping up with the increased caseload. In light of the foregoing, the characterization of Court action on motions to extend time as needless is quite inaccurate. The Court's action on these motions is not a deviation.

2. Q. Please review the Court's performance in deciding appeals for the past year and what you project for 1998.

A. The Court terminated 1611 cases in fiscal year 1997. Of those, 493 were dismissed voluntarily, or for lack of jurisdiction, or for default. The remainder were decided or settled on their merits. Like all other federal courts, we do not project the number of cases we expect to terminate. That is because each case is different in complexity and in the willingness of the parties to reach agreement on some or all issues, and because some cases must be held awaiting a decision in another case that is pending before this or a higher court.

3. Q. Several Veterans Service Organizations have expressed concern that staff attorneys at the Court are performing functions more appropriate to a judge. How do you respond to that concern? How do you ensure that staff members are not exceeding their authority and how does the production per judge compare with similar courts?

A. With all due respect to those views, they are in error and reflect a serious lack of understanding of appellate court practice. The judges are the ultimate decision makers on the merits of any case. They assiduously guard their judicial independence and authority. Consistent with all federal and virtually all state appellate courts, staff attorneys of the Court's Central Legal Staff (CLS) are authorized to deal with the parties to assist in the proper framing and briefing of the issues and to promote compromise.

The Court's staff attorneys are held to the appropriate high standards of professional behavior. To that end, the judges have adopted guidelines that govern the actions of CLS attorneys and ensure that the attorneys do not exceed their authority. In its Internal Operating Procedures (IOP), the Court has provided general guidelines for the role of CLS in case processing. An extract of the relevant portions of the Court's IOP is at Enclosure 1. The current version of the complete IOP is published in West's *Veterans Appeals Reporter* at 10 Vet.App. LXVII-LXXV.

CLS does not propose opinions (issued by a panel of judges) or memorandum decisions (issued by a single judge). It does draft routine and non-routine procedural orders for the consideration of judges and the Clerk of the Court. Such orders are reviewed and, when warranted, revised before they are signed. CLS facilitates the voting process when full Court consideration is sought, but is not involved in the full Court's deliberative process of deciding issues.

As is the practice in many other courts, CLS conducts conferences as the centerpiece of the Court's alternative dispute resolution (ADR) process. The Court has established specific guidelines concerning the role of CLS in settlement conferences. The guidelines are set forth in the standard letters I have enclosed (Enclosures 2 and 3). These letters, approved by the Court, are sent to the parties when a conference is scheduled. Conferences are also governed by Rule 33 of the Court's Rules of Practice and Procedure, which provides:

RULE 33. APPEAL CONFERENCE

> **(a) Participation.** The Court may direct the representatives and parties without representatives to participate in a prehearing conference, in person or by telephone, to consider simplification of the issues and such other matters as may help the Court resolve the case. The Court will enter an appropriate order to control future proceedings.
>
> This rule does not prevent the parties from discussing settlement or agreeing to dismiss the appeal at any time before argument or submission of the case.
>
> **(b) Nondisclosure to Judges.** Statements made during a conference may not be disclosed to a judge of the Court as having been made during a conference unless the parties agree in writing to such disclosure. This subsection does not apply to a conference which has failed to resolve a dispute about the content of the record on appeal.

CLS has always abided by the restriction now imposed in Rule 33(b), but the Court added that restriction in a 1996 rules revision to make that clear to practitioners. Previously, and since 1991, the rule provided:

> Unless the parties agree to the contrary in writing, nothing that occurs during prehearing conferences may be used in argument or pleadings before any court.

We revised our Rule 33 to conform to recent changes in the Federal Rules of Appellate Procedure (FRAP) promulgated by the Supreme Court. Our rules are based upon the FRAP.

Your question also asks that I compare production per USCVA judge with that of judges of other federal courts. However, neither this court nor other federal courts measure production per judge. Some comparison of judicial workload can be found in the following table, but even that is only an approximation because of the wide variance among courts--and between this court and others--in judicial duties and method of decision.

TOTAL CASES AND CASES PER JUDGE PENDING ON MERITS (AT ALL STAGES)

	USCAs (except CAFC)			USCVA		
Year*	Cases Pending	Authorized Judges	Cases per Judge	Cases Pending	Authorized Judges	Cases per Judge
1990	32221	156	207	964	7	138
1991	32570	167	195	2414	7	345
1992	35310	167	211	2218	7	317
1993	36552	167	219	1286	7	184
1994	37639	167	225	1164	7	166
1995	36794	167	220	1275	7	182
1996	38558	167	231	1643	7	235
1997	38999	167	234	2261	7	323

* as of March 31 for US courts of appeal; as of September 30 for USCVA

Source for US courts of appeal: Federal Judicial Workload Statistics, Administrative Office of the US Courts; the term "judges" refers to authorized judgeships.
Source for USCVA: Clerk's office manual counts thru May 94 (reliability uncertain because of some double-counting); CVA case management system from Jun 94 to present.

During all of fiscal year 1997, the vacancy created by the death of Judge Hart T. Mankin had not been filled. Accordingly, while the Court of Veterans Appeals was authorized to have seven judges, it was actually operating with six judges for that entire year. For 1997, therefore, the actual number of cases for each Court of Veterans Appeals judge was 377, instead of 323. There are a number of vacancies on the other federal courts of appeals, as well, but we do not have information on how many. I would anticipate that, even factoring in the number of vacancies on those courts, as I have factored in the absence of one judge on this Court for a period of time, the result would still be that the cases per judge for the Court of Veterans would exceed that in other federal courts of appeals.

HONORABLE FRANK Q. NEBEKER
U.S. COURT OF VETERANS APPEALS
QUESTIONS FOR THE RECORD
FROM
HONORABLE LANE EVANS,
RANKING DEMOCRATIC MEMBER
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS

1. Q. In a number of recent cases, the Court has indicated that a veteran has been unjustly treated by the Department of Veterans Affairs, but that the Court is not authorized to provide a remedy. In your opinion, should the jurisdiction of the Court be expanded to explicitly provide for equitable relief in addition to that available under the All Writs Act?

A. As I said during the Committee's hearing on February 12, 1998, the All Writs Act is a rarely used process, and I believe that I am limited in the comments I can legitimately make on this issue, which is a policy matter particularly within the province of the legislative branch. I can comment that expansion of the Court's jurisdiction would most likely increase the caseload and the backlog substantially. The Secretary has equitable relief powers under section 503 of title 38, United States Code. This Court has no jurisdiction over his exercise of that power. Moreover, this Court is confined to the record on appeal as designated by the parties (the appellant and the Secretary). Therefore, the Court would not necessarily have all the facts (as the Secretary does) so as to make an informed decision in the exercise of so-called equitable powers. In addition, I would be very concerned about the definition of "equitable" and the standards to be applied for the exercise of "equitable" powers by the Court.

2. Q. The Court has indicated that the large number of unrepresented litigants appearing before it may be attributable to a claims system which "does not encourage attorney representation." Does the Court take any special action to assist a claimant to obtain attorney representation when a case has been designated for a three judge panel decision?

A. The action taken by the Court to assist appellants to obtain attorney representation occurs at the beginning of the appeal, long before assignment to any judge or panel of judges. When an unrepresented person files a notice of appeal, the Clerk sends that person an instruction sheet that explains the judicial appeal process and says:

> As the **appellant**, you may represent yourself before the Court, but the **appellee**, the Secretary of Veterans Affairs, is represented by VA lawyers who will argue VA's side. Your appeal may be better presented if you are represented. The attached list may help you find someone to do that. It shows people who can represent appellants and have said that they'll do that. We can't recommend or appoint anyone to represent you. You can find out more about the attorneys listed by checking a directory, such as Martindale-Hubbell, in your library. Your representative doesn't have to be from the state where you live.

Accompanying those instructions is a current state-by-state list of the name, address, and phone number of people who are admitted to practice before the Court and who have indicated that they are available to represent appellants. The list, now numbering about 380, also includes referral services operated by two veterans service organizations and a private attorney group, so the actual number of available representatives is much greater. If the appellant is still unrepresented after a month, the Clerk mails a notice from the Veterans Consortium, explaining the availability of its pro bono program. That program recruits and trains volunteer attorneys (most are from the Washington area), screens cases, and refers cases with some merit to pro bono attorneys. The Court does not control this program, and the program does not guarantee that all cases will be referred.

3. Q. The Committee has received complaints concerning the number of continuances granted to the VA by the Court. During the past fiscal year has the court sanctioned any party when documents are not timely filed?

A. Yes. In cases where an appellant has failed to respond to an order of the Court to file a brief, and has not requested an extension, the Court issues an order to show cause why the appeal should not be dismissed. Such an appellant is given a specified time in which to respond to the show cause order. If there is no response, the appeal is dismissed. In such cases, when the appellant has later come in with a motion for an extension, or with the brief, along with an explanation of the failure to respond in a timely manner, the Court has been sympathetic to any request for reinstatement of the appeal. When an appellant files an appeal in the Court, he has the burden of "prosecuting his appeal"--that is, of explaining to the Court what he believes is wrong with the BVA decision. Where counsel for an appellant has demonstrated inattention to the Court's Rules and orders, and this failure to comply has resulted in dismissal of an appeal, the Court has, in some cases, referred the matter to its Committee on Admission and Practice to consider whether the Court should take disciplinary action.

The matter of sanctions where the Secretary, through the VA General Counsel, has failed to take timely action raises other issues. Section 7252(b) of title 38, United States Code, provides that the Court's review of a Board of Veterans' Appeals decision must be based on the record of proceedings before the Secretary and the Board. That record must be provided by VA, which is its custodian. Moreover, section 7263(a) of title 38 provides that the Secretary shall be represented by its General Counsel. That mandatory representation fails if the General Counsel does not take a position on behalf of the Secretary in every case before the Court. For the Court to issue a decision on an appeal in the absence of a record or the Secretary's position, as some have urged, would be irresponsible and could result in an award of federal benefits as a sanction where entitlement under the law does not exist.

It is true that the Court has granted extensions to VA--both at the record production and briefing stages of cases--because of VA's inability to cope with the pending appeals as a result of General Counsel staffing inadequacies. However, the Court has also granted extensions liberally to appellants: to unrepresented veterans who are having difficulty finding representation or preparing their briefs; to private attorneys who have heavy caseloads or face complex issues in the case before the Court; or to the Veterans Consortium, whose case screening staff is also having difficulty keeping up with the increased caseload.

For your information, I attach a copy of an order I issued in the *YQ* case, the Secretary's response thereto and relevant parts of my testimony before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations. These attachments reveal the Court's efforts to date to solve the staffing problems in Group VII of the General Counsel's office.

Attachments

Not published

UNITED STATES COURT OF VETERANS APPEALS

No. 97-1092

YQ, APPELLANT,

v.

TOGO D. WEST, JR.,
ACTING SECRETARY OF VETERANS AFFAIRS, APPELLEE.

Before NEBEKER, *Chief Judge*.

ORDER

Note: Pursuant to U.S. Vet. App. R. 28(l), this action may not be cited as precedent.

On consideration of the issues presented by the Secretary's fifth motion for an extension of time to file a brief, it is

ORDERED that, not later than February 19, 1998, the Secretary shall file a response to the following question: "If this Court adopts a rule that in six months it will not grant an extension motion based on workload, is the Secretary prepared to take the steps necessary to ensure that records on appeal are designated and briefs are timely filed?"

DATED: FEB 5 1998

BY THE COURT:

FRANK Q. NEBEKER
Chief Judge

Copies to:

Kenneth M. Carpenter, Esq.
1525 S.W. Topeka Blvd.
P.O. Box 2099
Topeka, KS 66601

General Counsel (027)
Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

spm

RECEIVED
19 1998
UNITED STATES
COURT OF VETERANS APPEALS

IN THE UNITED STATES COURT

OF VETERANS APPEALS

U.S. COURT OF VETERANS APPEALS
FILED
FEB 19 1998
OFFICE OF THE CLERK

YQ,	)	
	)	
Appellant,	)	
	)	
v.	)	Vet. App. No. 97-1092
	)	VA File No. C 23 855 279
TOGO D. WEST. JR.,	)	
Acting Secretary of Veterans Affairs,	)	
	)	
Appellee.	)	

APPELLEE'S RESPONSE TO COURT ORDER

Appellee, Togo D. West. Jr.. Acting Secretary of Veterans Affairs (Secretary), hereby respectfully responds to the Order of the Court dated February 5, 1997, which directed the Secretary to respond not later than February 19, 1998, to the following question: "If this Court adopts a rule that in six months it will not grant an extension motion based on workload, is the Secretary prepared to take the steps necessary to ensure that records on appeal are designated and briefs are timely filed?"

The Acting Secretary, through counsel, submits the following response. The Acting Secretary is aware of the ever growing number of appeals filed in the U.S. Court of Veterans Appeals (CVA) and the difficulties experienced by the Office of General (OGC) in projecting increases and addressing the expanding

workload. Further, additional FY 98 funds ($1,000,000.00) have been channeled to Professional Staff Group VII, (PSG VII) to address the growing problem.

Among other things, the OGC has:

* Upgraded the ADP system to the most modern technology available at the time the equipment was ordered
* Imposed more stringent performance standards on attorneys and support staff. This is reflected in an improved efficiency (closed 780 more cases in FY 97 than were closed in FY 96)
* Added state-of-the-art copiers and more copying machines in order to complete the Designations of Records (DORs) and to Transmit the Record (TOR) to the CVA more responsively
* Installed legal research capabilities to every lawyer's and paralegal's desktop computer
* Developed in-house ADP and work-process training programs, and assigned a full-time, experienced ADP person to PSG VII
* Developed, or is in the process of developing, operational manuals for PSG VII employees
* Instituted cross-training with the BVA to improve PSG VII efficiency
* Hired GS-2 copy clerks to relieve Legal Technicians and attorneys of many of the clerical duties they had been performing

* Recruited experienced attorneys to fill every available vacancy and added additional attorney and paralegal personnel
* Hired co-op paralegal students from local schools to fill critical support functions where personnel shortages existed
* Hired law school students to assist attorneys in case management and legal research
* Used the VRA (Veterans Readjustment Act) to recruit qualified, experienced support personnel
* Used overtime compensation for attorneys and support personnel to increase productivity in order to keep up with the volume of work
* Staggered work schedules to maximize the use of office equipment
* Instituted "comp time," in addition to overtime, for personnel to encourage them to work the extra hours necessary to reduce backlogs of record preparations and pleadings.

In the past eighteen months, the OGC has channeled significant assets to Professional Staff Group VII (PSG VII), as enumerated above, to address the ever expanding need to provide representation before the Court. PSG VII itself instituted procedures and policies targeted at reducing delays, such as delegating more authority and responsibility to staff attorneys, developing standard pleadings, submitting concise pleadings to the CVA in appropriate cases, and

passing responsibility for certain case related functions, such as copying C-files requested by appellants or their attorneys, to other VA components.

Many unpredictable occurrences drive the number of cases opened in the CVA. Within this past year, the workload was impacted by, among other things:

* An unanticipated growth in attorney representation which caused a surge in EAJA cases (220 in FY 96; 360 in FY 97; more than 426 new applications projected for FY 98)

* A sudden and continued growth in requests for copies of claims files in FY 96 and FY 97; even greater growth is projected for FY 98 and beyond.

* Due to the volume of requests, the responsibility to provide copies of the C-files was transferred from PSG VII to Regional Office Adjudication's personnel, excepting the Philippines and other remote locations. However. PSG VII must monitor the function.

* A steady increase in copying requirements, driven by caseload and by the greater complexity of copying due to the size and age of the C-files received by PSG VII.

To keep pace with the growing requirements, PSG VII expanded from three (3) high speed copiers and a DOCUTECH, to seven (7) high speed copiers and an upgraded DOCUTECH. This nearly doubled the ability to rapidly

reproduce designations of records (DORs), final records on appeal (TORs), briefs, motions and related CVA filings.

The actions presently in progress to address extensions include the following:

* The OGC is contracting for an additional 4,800 sq. ft. of office space at PSG VII's present location. 625 Indiana Ave., N.W., Washington, D.C. 20004. Expansion into those spaces will include the relocation of most of PSG VII's docket room and associated functions. The expansion spaces will constitute a "copy center" where five (5) of the current seven (7) high speed copiers will be co-located in an assembly-line configuration to achieve greater efficiencies in the copying process.

* The sliding shelf area of the existing docket room will be maintained at its current location to provide space for line attorneys to shelve their records and litigation files. This will relieve the attorneys of a growing space problem and presents the opportunity for attorneys to delegate some aspects of the case management function to paralegals and legal assistants.

* The OGC, on behalf of PSG VII, hired nine (9) lawyers within the past year, and there are commitments for an additional three (3) to arrive within the next two weeks. Tentative commitments are pending for three (3) other attorneys and the recruitment process continues.

* Four (4) Legal Assistants have been hired to begin work at PSG VII by

March 2, 1998. Other commitments are about to be extended to four (4) qualified paralegals. These additions will significantly enhance PSG VII's ability to timely process information in the case tracking system, to respond to requests for copies of C-files, and to assist the attorneys with case management and development.

* Internally, management realigned to insure there is an experienced senior attorney responsible for training and early case evaluation and intervention. The realignment identifies cases deserving of early resolution. Dispositive pleadings are filed to resolve those cases before record development. The realignment insures that there is a vibrant, maturing training program to keep abreast of legal and procedural developments to insure consistency in case resolution.

* PSG VII management delegated authority and responsibility down the chain of command. Attorneys are individually responsible for cases assigned, and support personnel are held responsible and accountable for output requirements which are being defined as PSG VII develops its ability to measure output from its improved case tracking system.

* The case tracking system is being redesigned to produce management information on work loads and individual employee output. These measures

will be integrated into "customer satisfaction measures" which are required as part of the National Performance Review (NPR) program.

All of the foregoing actions are directed at improving efficiency to provide timely, professional responses to the needs of the veteran population. However, it is still uncertain at this time what impact recent CUE (Clear and Unmistakable Error) legislation will have on the workload. It has been estimated by knowledgeable veterans' law practitioners that annual filings to the CVA could reach 5,000. Should the trend continue in that direction, PSG VII would need additional attorneys, paralegals and full time support persons as well as expanded ADP support and an ever growing copying center to keep up with the new explosion of cases.

Further, with a staff of that size. additional automation equipment, and support services such as phones. equipment and supplies, as well as supervisory\management positions, would be required to effectively manage the operation.

ARGUMENT FOR ADDITIONAL RESOURCES

Continued growth and expansion to meet the challenge of an uncertain, yet constantly growing case load cannot guarantee that personnel growth and improved efficiency will always be adequate to meet an immediate need. The competition for scarce resources plays a very significant role in the equation.

There are competing needs in health care, educational assistance, cemetery services, BVA claims adjudications, and regional offices. The Secretary must also guarantee work force education. training, and employee or veteran protections under many competing legislative requirements. These jobs can be done so long as the appropriations to fund them are adequate.

Every program has a legislative priority and each has a legally enforceable right to succeed. Some give and take, or difficult decision making, is a fact of life in a governmental system where the Executive, Legislative, and Judicial branches of government play equal roles to insure society's success. In this instance, the Legislative branch of government has levied certain requirements on the Executive branch which the Acting Secretary must now achieve. However, the Legislative branch must also insure that, within the appropriations and authorization processes, there is necessary funding to meet its legislative mandates. While resources have been stretched to the limit, additional funds have been requested in both FY 98 and FY 99 to augment the internal actions taken, and adequately address requests for extensions as a systemic problem.

As indicated, the Acting Secretary has attempted to address these needs in the OGC FY 99 budget request which is before the Congress. Of the $2.3 million additional funds which have been requested, it is anticipated that an additional $1million will be utilized for PSG VII work load requirements. However, there can

be no guarantee that every deadline will be timely met, without exception, if the appellate workload continues its unprecedented growth at unpredictable rates. It is nearly impossible to project organizational needs with certainty some two years into the future as the current budget process would require.

Changes in workload imposed as the result of new, unanticipated events such as legislation or precedent opinions expand the body of cases appealed to the Court. When jurisdiction is expanded, as occurred with the passage of the November 1997 CUE legislation, workload is significantly impacted. In FY 98, as previously detailed, significant resources have been channeled to PSG VII to attempt to address the rising caseload. It is anticipated that the OGC will be able to meet the currently anticipated future challenge if the Congress appropriates the OGC FY 99 budget request.

Regardless of Congressional actions, as in the past, the Acting Secretary is prepared to address resource shortfalls internally and externally, as required, to meet the demands of the ever increasing appellate workload before the CVA. Unfortunately, personnel acquisition and training lead times do not always keep pace with unanticipated growth. When this occurs, no matter what actions are instituted by the Acting Secretary, workload, in and of itself, may require that occasional extensions be requested until appropriate resources, including adequately trained personnel, can be directed to the expanded needs.

Counsel, on behalf of the Acting Secretary, argues that the internal actions taken to meet the challenge have just begun to take effect. The use of overtime, comp time, other incentives and new hires have started to have a positive impact. These measures, along with improved automation and delegations of authority have reduced the average active case count for full time PSG VII attorneys. This has not eliminated government requests for extensions based on workload alone, but the trend is turning. Counsel confidently argues that with the additional funds contained in the OGC FY 99 budget request, the PSG VII staff will significantly reduce its backlog. Also. its practice of seeking extensions, except for good cause, will fall victim to adequate resourcing and improved management practices.

CONCLUSION

The Acting Secretary represents that he is taking, and will continue to take, every measure reasonably available within appropriated and authorized spending levels to insure that cases are presented timely and professionally to the Court for resolution.

Wherefore, the Secretary respectfully responds to the order of the Court dated February 5, 1998.

Respectfully submitted.

ROBERT E. COY
Acting General Counsel

RON GARVIN
Assistant General Counsel
Office of General Counsel (027)
U.S. Dept. of Veterans Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420
(202) 233-8500/8501

Counsel for the Secretary
of Veterans Affairs

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Appellee's Response to Court Order was placed in the VA mail dispatch system to be mailed, postage prepaid, to:

Kenneth M. Carpenter, Esq.
Carpenter, Chartered
1525 S.W. Topeka Blvd.
P. O. Box 2099
Topeka, KS 66601-2099

on this the 19th day of February 1998.

BEATRIZ A. MCDONOUGH

TESTIMONY OF
HONORABLE FRANK Q. NEBEKER
CHIEF JUDGE, U.S. COURT OF VETERANS APPEALS
BEFORE THE SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 26, 1998

Judge NEBEKER. Thank you.

The second topic I wanted to mention is an atypical one. I am sure you will find it so. The court has had visited upon it a backlog of some 2,300 cases. That does not mean those cases are before the judges for disposition; quite to the contrary. Before a case can be ready for disposition and a decision by a judge or the court, we have got to get the record on appeal together. The Secretary has custody of the record and knowledge as to what is needed in it.

Then, of course, there is a statute that says, and I quote, "the Secretary shall be represented before the Court of Veterans Appeals by the general counsel of the Department." Now that is a mandatory representation duty upon the general counsel. With his present staffing, he simply can't perform that statutory function, and he is coming to you for extra money devoted to Group VII, the group of lawyers that represent the Secretary under that provision, 38 U.S.C. § 7263(a). And I implore you, we need for them to have that appropriation.

Mr. LEWIS. Judge, let me be very specific about that question. Since I have the wonderful circumstances of not having to be a lawyer, so I am not suffering that difficulty, would you interpret for me that language. Is it conceivable we could say--we could interpret "presence" in a way that didn't require a physical body; is there another way of fulfilling that requirement other than a sizeable dollar requirement?

Judge NEBEKER. Really not. They have to have the lawyers to do it.

Mr. LEWIS. Help me with the word "presence", that is what I am asking about.

Judge NEBEKER. Presence? Represent. I'm sorry, represent. In an attorney/client relationship, VA General Counsel's staff attorneys are representatives of the Secretary for the purpose of appearing before the court. They must file a brief. After the record is designated, we have the facts together, we wait then for the appellant's brief, and when the appellant files a brief, it is the Secretary's obligation to do so. We have to have his position in the case before we can decide it.

Mr. LEWIS. I guess what I will do is try to have my staff otherwise follow through on this line for it. It strikes me that sometimes by way of our language, we create problems that may or may not serve as well a constituency we are supposed to be serving, and my concern is that that language not lead to a cost load that produces almost zero difference in terms of real representation for the clients who are there. So we need to probe that with you.

Judge NEBEKER. I am not talking about representation of the appellants. That is the pro bono program, the private bar.

Mr. LEWIS. All that I am aware of, yes.

Judge NEBEKER. We are talking about the other side of the litigation and the Secretary, to be represented in court, has got to have a lawyer who is not so busy that he can no longer function in any particular case. We have had thousands of motions to extend time for the general counsel to do his job in our court--her job, up until a little while ago.

Mr. LEWIS. I guess staff can tell me. This takes me back to the original decision we made to change the process in the first place, and I wonder if we didn't just create something that becomes another layer that may or may not be improving the condition of the people who are serving. I know that goes to the heart of why you are here.

Judge NEBEKER. It does, but let me liken it to this. In other Federal courts in the United States, the Justice Department, through the United States attorneys, represents the interests of the United States. In the Court of Veterans Appeals it is the same function, but it is being performed by the general counsel of the Department of Veterans Affairs. You can't get there from here without the government being represented.

Mr. LEWIS. Yes. I guess that is my problem is the cost of money, and you are suggesting you don't want it in your budget, you would like to have it in the other.

Judge NEBEKER. It is their budget. Taking us back to our discussion about the pro bono program, I think I said to you before, it would be like taking our operating budget and putting it into the VA to fund their Group VII. And--no, everyone would conclude, of course not. But in this instance, we need them to have that money, the court does, in order to get to the cases it has, and if it doesn't, the backlog is going to get worse and worse and worse because the Board is producing more decisions, and more than one third of those decisions are denials of all benefits sought. So we can expect a large number of appeals. If we don't break this logjam soon, it is really going to be hopeless.

POST-HEARING QUESTIONS FROM
CHAIRMAN BOB STUMP
for
ASSISTANT SECRETARY ESPIRIDION (AL) BORREGO
VETERANS' EMPLOYMENT AND TRAINING SERVICE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

1. **Why has the administration again failed to submit a request for full statutory funding for DVOPs and LVERs?**

Every year, as part of its budget request to OMB, the Department identifies and requests the level of funding sufficient to support the legislatively authorized number of Disabled Veterans Outreach Program and Local Veterans Employment Representative positions noted in Chapter 41 of Title 38, United States Code. Because of budget reduction efforts and levels appropriated by Congress the last five years, it has not been feasible to fund these authorized levels and offset this funding by reductions in other discretionary programs.

We are confident that the number of DVOP specialists and LVER staff that have been requested for Fiscal Year 1999 are sufficient to maintain the current levels of services provided to veterans. One-Stop and Employment Service personnel handle the initial assessment for each veteran seeking employment assistance, determining which veterans need intensive assistance from DVOPs and LVERs, and which can help themselves through use of such self-help tools as America's Job Bank. Working with our State partners, 2,000,000 veterans will be served and over 500,000 veterans will be helped into jobs.

2. **The President has proposed to transfer $100 million from VA to DoL to fund additional JTPA Title IV-C programs. The existing program is funded at $7.3 million. Please give the Committee a brief description of Title IV-C and how you would propose to administer such a large increase in program funds. Could these funds be wisely and effectively used in the first year? How about putting some of those funds into a revitalized SMOCTA program?**

The JTPA IV-C program targets service-connected, Vietnam-era and recently separated veterans for training leading to employment. Grants are awarded on a competitive basis to State and non-profit entities that provide a wide variety of training needs. A small discretionary fund is used for innovative pilot programs. The funds are obligated in one year, but may be expended over two years.

We believe the funds could be put to good use the first year. I have met with the Department of Veterans Affairs and we will be creating a task force to determine the best actions to take to get the most out of this funding. Five principles should guide us: 1) funding should be provided to every State to assist the veterans across the country; 2) the greatest possible flexibility should be provided to each State so that the needs of each State's veterans can be met; 3) there must be meaningful performance assessments so that there will be accountability; 4) there should be an emphasis on placement for people completing the training program; and 5) employers should be part of the dialogue.

3. **Would you please outline VETS goals and how you intend to measure performance of VETS and state veterans employment personnel.**

It is the goal of VETS to remain on the cutting edge of the rapid changes in the employment service system, so that VETS continues to ensure veterans priority of service and the best training and employment opportunities available, in a cost-effective manner, and in a way that provides meaningful ways of measuring results. At the same time, we are enforcing the laws which protect veterans' rights, in a cost-effective and measurable way.

47-894 98 - 9

Pursuant to the Government Performance and Results Act, we are collecting data that assist us in determining the impact of our services on veterans For example, we will be collecting wage information on veterans who have attended the Transition Assistance Program and we will be judging the success of local employment service offices through collection of the absolute numbers of veterans who have obtained employment with Employment Service assistance, rather than comparing the percentage of veterans employed to the percentage of non-veterans employed. We are also doing surveys and focus groups to learn which of our services are most meaningful to our customers, what changes they would like and what services could be added.

We do annual evaluations of each staff member's performance. The form used for this evaluation allows for an assessment of each manager's performance with regard to the programs he or she oversees. Since becoming the Acting and now the Assistant Secretary, I have stressed to the VETS staff that our programs, not our organization or administration of the agency, are my main interest, and that everyone is responsible for seeing that our programs work effectively for our veterans and are cost effective for the taxpayers.

4. The success of VETS is highly dependent on the ability of the employment service Wagner-Peyser staff. What is the recent history of the employment service and what actions do you feel necessary to counteract the effects of a shrinking Employment Service?

The Nation's employment system is undergoing profound change. Changes in the uniform Federal system are being increasingly driven by the States and their governors as they engage in reform of their larger workforce development systems. As a result, we may end up with a different system in each State.

At this point, two alternative models that have emerged have implications for the VETS system. First, in Michigan, by Governor's Executive order, the employment system was privatized on February 2nd. As part of this new arrangement, Michigan DVOPs and LVERs now report to private contractors. In addition, the Michigan approach is essentially an unmediated system in which employers and employees meet through America's Job Bank and America's Talent Bank. You should be aware that since the State of Michigan re-designed this system without an approved Wagner - Peyser plan modification, the Department of Labor has taken steps to freeze funding for the privatized portion of the system. A District Court in Michigan recently denied Michigan's request for an injunction to restore the flow of funds. A hearing on this matter has been scheduled for May 1. Nevertheless, the State has decided to move forward with their changes, using state funding, which leaves the DVOP and LVER staff somewhat in flux.

The second model can be seen in Colorado. There, the DVOP/LVER staff are remaining State employees, while the remaining employment system is being devolved to the county level. Title 38 assumes a united employment system, where DVOPs and LVERs are part of a public employment system. Therefore, we have no experience dealing with a system separated in this way. Consequently, we are watching it closely.

We are particularly concerned that an unmediated system cannot provide priority of referral. The standard methods of tracking success cannot be applied. We are monitoring all the changes throughout the country. Our State Directors and Regional Administrators are reporting to me all discussions underway in their states. Title 38 was written at a time of a uniform national employment service and does not address many of the new forms that are emerging or the new technologies that are becoming commonplace. Within this framework, we are working hard to see that veterans continue to receive the benefits they have earned.

5. You estimate that roughly a third of VA's 9,000 Vocational Rehabilitation program graduates will find employment through the employment service. Why such a small percentage?

At this time, over 43% of Vocational Rehabilitation clients find employment. One of VETS' goals is to increase this by 2% a year, so that over 50% of the clients enter employment in the beginning of the next century. We consider even the current percentage to be very high. However, we want to give the DVOPs and LVERs with improved tools to help more of their

clients find employment. We plan to publish a new manual in a few months followed by a new training course, which will deal specifically with the unique skills needed to assist disabled veterans. VETS is also putting more emphasis on marketing disabled veterans to employers, who are sometimes hesitant to hire disabled workers.

6. How many veterans will enter the job market in 1999? Does the Department of labor have studies that help you construct your performance goals?

Approximately 250,000 men and women leave the active military each year and enter the civilian workforce. Approximately 2,000,000 veterans register with the employment service each year. VETS uses Bureau of Labor Statistics, Department of Defense and Veterans Affairs studies to help us construct our goals.

7. If a veteran is referred to America's Job Bank and finds himself a job as a result, does that count as a placement?

No.

8. Should we require Veterans Program Specialist positions to be filled by veterans?

To avoid any misunderstanding, please note that for personnel purposes, State Directors of VETS and other positions within VETS are deemed to be Veterans Program Specialists. We believe you are asking specifically about the special investigators, who have the designation of Veterans Program Specialist. The legislation authorizing these positions does not require veterans status. Some of those hired as investigators are veterans, and some are not. We leave it to Congress to decide whether or not this position should be filled by veterans. I believe we have done an excellent job of hiring veterans in VETS. Approximately 180 of the 250 members of the staff are veterans.

9. How do you quantify the success of the Transition Assistance Program? You state that NVTI has " proven to be an extremely effective tool..." What data do you have to validate that statement?

VETS has conducted a three phrase analysis of the Transition Assistance Program (TAP). The Phase I report, Transition Assistance Program: Early Program Experience, November 1992, descrihed TAP participants, reviewed TAP program operations, examined program operations, examined program weaknesses and strengths, and reported conclusions of the impact evaluation feasibility study. The first part of the Phase II report, Transition Assistance Program: Review of Program Operations, conducted concurrently with the Phase I report and dated October 1992, reviewed program operations at newer TAP sites. The second Phase II report, Transition Assistance Program: Initial Impact Evaluation, November 1993, analyzed the effectiveness of TAP in its pilot phase. The Phase III evaluation, May 1995, examines TAP effects on separatees leaving the military in 1992.

In September of 1997, VETS entered into an agreement with a vendor to conduct an evaluation of TAP that will examine procedural, content and process issues in TAP to facilitate the program's goal of increasing participation. This analysis may include, but not be limited to, qualitative studies of the special transition needs of separating military personnel, including any particular needs of spouses, and female and minority separatees, and how those needs relate to their participation in and satisfaction with TAP. This evaluation will also compare and analyze the results of this survey with the results of previous TAP evaluation studies, and progression of previous evaluation survey participants.

You state that NVTI has "proven to be an extremely effective tool..." What data do you have to validate this statement?

A survey is continually conducted to evaluate performance improvements resulting from NVTI training. The survey and evaluation are directed at supervisors of disabled veterans' outreach program (DVOP) and Local Veterans' Employment Representatives (LVER) staff in the employment service. The survey form has been mailed to supervisors of staff attending training

since 1976, and kept as a cumulative total (the data below is as of February 1998). This ongoing evaluation shows that:

81.4% of the supervisors responded that veteran placement increased within the first 90 days following training.
47% reported that the NVTI trainee increased his/her placements by 11 or more during the first 90 days after training.
90% reported that, in their view, NVTI training enhanced the quality and /or quantity of their services to veterans.

While we cannot judge this numerically, we believe that giving the same high level of training to all employment staff and to bring together employment personnel from different states to interact and share experiences, problems and solutions, results in better services to veterans throughout the country.

Congressman Evans to Department of Labor

POST-HEARING QUESTIONS FOR
ASSISTANT SECRETARY ESPIRIDION (AL) BORREGO
VETERANS' EMPLOYMENT AND TRAINING SERVICE
U.S. DEPARTMENT OF LABOR
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

1. **In documents provided to the Committee, you state that the veterans who are better able to compete in the labor market will be helped to access America's Job Bank and other services available by way of the Internet.**

Can you tell the Committee how many DVOPs and LVERs currently actually have personal computers? Of these, how many can actually access the Internet?

In a recent survey of our Directors for Veterans' Employment and Training (DVETs), it was found that only 281 (19.28%) of the estimated 1,457 Disabled Veterans Outreach Program (DVOP) specialists and 309 (20.60%) of the approximately 1500 full-time and half-time Local Veterans Employment Representatives (LVERs) currently on board actually have personal computers assigned to them in fourteen States and Puerto Rico. Computers are on order in approximately a dozen other States. In addition, DVETs in almost half of the remaining States have stated that the DVOP and LVER staff in their States either share access to a personal computer with Internet connectivity or rely on terminals linked to a State mainframe computer which provide their terminals with direct access to America's Job Bank (AJB). For this reason, the DVETs reported that more DVOP and LVER staff can access the Internet than were reported as being assigned a personal computer. Overall, therefore, as many as 500 (34.32%) DVOP specialists and 375 (25%) of the LVER staff can access the Internet. It is important to note that the DVOP and LVER staff can access AJB without access to the Internet in the States with mainframes.

2. **I am disappointed that the Administration's budget requests only $2.5 million for the Homeless Veterans Reintegration Projects. As you know, Congress has authorized $10 million for this program.**

For over 10 years, most of us have agreed that approximately 250,000 homeless veterans sleep on America's streets every night. For 10 years, that number has never changed. That says to me that either (1) HVRP and other programs designed to assist homeless veterans are not properly designed or (2) the funding for these programs is inadequate. I tend to suspect that the second issue is the problem. There is simply not enough money devoted to addressing the unique needs of homeless veterans.

In your personal view, what funding would be necessary to really make a difference and dramatically reduce the numbers of homeless veterans?

No money was appropriated for this program for 3 years. I feel so strongly about this program that we kept it alive using any source we could, until $10,000,000 was appropriated for FY 1998. We do believe that there are approximately 250,000 homeless veterans on America's streets each night. It is impossible to determine how much money would be needed to make a real impact, because we do not know the job skills of the homeless veterans, we do not know how many truly wish to be helped, and housing, food, clothing, medical care and training will all be necessary to make a difference. The Homeless Veterans Reintegration Program has been successful, despite its limited funding. Based on past performance, VETS plans to serve 4,000 veterans, of whom 2,000 will be placed in employment. In the past, it has cost approximately $1400 to place a veteran in a job. Within the limits of the balanced budget agreement that the President reached

with Congress, VETS is very pleased to have the funds made available to help homeless veterans. We will strive to see that as many veterans as possible can be helped with the funds available. If Congress passes the President's Veterans' Employment Initiative, this funding, along with the Homeless Veterans Reintegration Project, has the potential to help more veterans who are homeless into jobs than anytime in our history.

3. Is the $2 million funding level for the National Veterans' Training Institute sufficient to provide regular training and training for newly appointed DVOP and LVER staff? If not, what funding level would be required to do this? If funding isn't available to send new DVOPs and LVERs to NVTI for training, how are they trained?

The resources available at this funding level are sufficient to train 1,400 veteran service providers. Because of our own standard to assure quality services are provided veterans and our requirement that newly appointed DVOP and LVER staff attend NVTI training, they will always be trained first. The $2,000,000 funding level is sufficient to provide the necessary training for both new and current State and Federal employees. Because of normal turnover, we expect more than 600 newly appointed DVOP and LVER staff will be scheduled to attend Labor Exchange Training, leaving 800 slots for Vocational Rehabilitation, case management, managing case management, TAP facilitation training, USERRA, and more. For FY 1999, NVTI will conduct over 60 classes and conduct "long distance training" for staff not present at NVTI in Denver.

4. Although many veterans are able to compete very effectively in the labor market with minimum assistance from DVOPs or LVERs, these veterans employment specialists must conduct thorough initial evaluations before they can determine the level of support and assistance needed by each veteran.

Are the DVOP/LVER staffing levels in the Administration budget sufficient to allow for these important initial assessments for each veteran seeking employment assistance?

We are confident that the number of DVOP specialists and LVER staff that have been requested for Fiscal Year 1999 are sufficient to maintain the current levels of services provided to veterans. One-Stop and Employment Service personnel handle the initial assessment for each veteran seeking employment assistance, determining which veterans need intensive assistance from DVOPs and/or LVERs, and which can help themselves through use of such self-help tools as America's Job Bank. This enables the DVOPs and LVERs to case manage those most difficult to place. Working with our State partners, 2,000,000 veterans will be served and over 500,000 veterans will be helped into jobs.

5. Last year, members of the Committee staff were told by a Department of Labor official that jobs listed electronically by Federal contractors on America's Job Bank would be reserved for veterans only for a period of time following the listing of those job vacancies.

Is this system now in place? If not, why not?

We have reached an agreement (please see attached) with the Employment and Training Administration (ETA) on an approach to ensure priority service for veterans on Federal Contractor job openings in America's Job Bank. Priority of service is already built into America's Talent Bank, and over time this may become the most important forum of priority service. ETA has also agreed that, after the six month pilots, the most effective method(s) will be implemented nationwide.

6. Our country is in a state of profound change relative to the structure and purpose of our national labor exchange. More and more States are dismantling their traditional systems of local employment service offices and establishing one-stop career centers-some run by counties, some run by the Employment Service, and some run by contractors.

What are you doing to ensure that priority of services for veterans is maintained in these new environments?

How do DVOPs and LVERs fit into these new and changing environments?

What data is being collected by these new systems that will enable us in Congress to determine whether or not adequate services are being provided to veterans?

The system is undergoing profound change. Changes in the uniform Federal system are being driven by the States and their governors. We may end up with a different system in each State. Two States demonstrate the changing environment into which the DVOPs and LVERs must fit. In Michigan, the employment system was privatized on February 2nd. The DVOPs and LVERs now report to private contractors. The system is an unmediated system in which employers and employees meet through America's Job Bank and America's Talent Bank. The Department pulled funding for the privatized portion of the system. A District Court in Michigan recently denied Michigan's request for an injunction. A hearing on the issue of "merit staffing," whether Wagner-Peyser requires that Employment Service employees be public employees, has been scheduled for early April. The State has decided to move forward with its changes, using state funding, which leaves the DVOP and LVER staff somewhat in flux. The second model can be seen in Colorado. There, the DVOP/LVER staff are remaining State employees, while the remaining employment system is being devolved to the county level. Title 38 assumes a united employment system, where DVOPs and LVERs are part of a public employment system. Therefore, we have no experience dealing with a system separated in these ways. Consequently, we are watching it closely. An unmediated system cannot provide priority of referral. The standard methods of tracking success cannot be applied. We are monitoring all the changes throughout the country. Our State Directors and Regional Administrators are reporting to me all discussions underway in their states. Title 38 was written at a time of a uniform national employment service and does not address many of the new forms that are emerging or the new technologies that are becoming commonplace. Within this framework, we are working hard to see that veterans continue to receive the benefits they have earned.

Data collection is one of the problems we are trying to address as the employment service system changes.

7. **This is not a question-but a statement that must be made. I am very disappointed that the proposed VETS budget for fiscal year 1999 once again ignores the funding formulas for DVOPs and LVERs established by Congress.**

Was the decision not to comply with the congressional mandate made by the Department or OMB?

People are the backbone of our services to veterans. It is these dedicated veterans' advocates that make a difference in veterans getting jobs at the rate of 50% higher than non-veterans. Full funding is a good concept. However, we have come face - to- face with the balanced budget agreement. We are doing as much as we can within the agreement reached between Congress and the President.

There are many factors that affect the work of DVOPs and LVERs. Title 38 doesn't address a system where DVOPs and LVERs and UI are separate from the employment system. Many of the changes underway raise administrative costs, reducing funds available for staff. Some states are moving to reduce numbers of state employees, such as DVOPs and LVERs. Title 38 doesn't address the use of temporary DVOPs and LVERs to supplement state staff. Because of unstable DVOP/LVER funding in the recent past, there have been some states which are reluctant to fully staff, so they will not have to engage in a reduction in force because of decreases in funding the following year. Title 38 doesn't cover a lot of what is occurring in the new environment. We are holding a National Conference in March to discuss many of these challenges and working with Congress and our other stakeholders to decide how best to proceed.

8. **I want to congratulate VETS and the Office of Federal Contract Compliance (OFCCP) on the MOU which you finalized last year. I understand OFCCP has initiated several new activities designed to enhance and enforce the requirement that Federal contractors take**

affirmative action to hire certain veterans. Please describe these initiatives.

A. VETS and OFCCP published a brochure, Vietnam Era Veterans' Readjustment Assistance Act (VEVRAA of 1974 and 38 USC 4212) to increase awareness of the Federal Contractor Program . This brochure was distributed to 60,000 Federal contractors and sub-contractors, to VETS and OFCCP field staff.

B. OFCCP has appointed a contact person in the National Office to maintain liaison, at the management level, between VETS and OFCCP.

C. During the compliance evaluation or complaint investigation OFCCP will request a copy of the completed VETS-100 report. Any obtained report will be forwarded to VETS.

D. OFCCP will verify the nonexempt contractor's listing of jobs with the local employment service office. A nonexempt Federal contractor's failure to meet obligations to list jobs with the local employment service office will be cited as a violation during the compliance evaluation process or complaint investigation.

9. **I appreciate your commitment to timely intervention and resolution of veterans' reemployment cases. I do want to ensure, however, these cases are carefully reviewed and done right.**

Can you describe for the Committee the type of training VETS provides for the staff that has primary responsibility for reemployment cases? Which staff members have received this training? Which staff members will receive similar training in fiscal year 1999?

VETS has developed and delivered a "Basic USERRA" course at the National Veterans' Training Institute (NVTI), which provides essential introductory information on the law and VETS' USERRA program to those VETS staff involved in USERRA cases.

In addition, VETS has developed and delivered a "USERRA Investigators'" course at NVTI, which trains those VETS staff who investigate USERRA cases in the fundamental investigative approaches recommended for use while working these cases. VETS staff that have participated in the training include the Directors and Assistant Directors for Veterans Employment and Training Service (DVETS and ADVETS), Veterans' Program Specialists (VPS) and Veterans Program Assistants (VPA).

For FY 1999, VETS is planning to develop a more advanced Investigator's course at NVTI, to train staff in the more complex activities and issues related to investigation of USERRA cases. Depending upon available funding and the staff composition at that time, most if not all of the same universe of VETS' staff who attended the first Investigator's course will be scheduled to attend the advanced Investigator's course, in FY 1999 or in a subsequent year. The training will include all VETS' staff that have participated in the USERRA basic and USERRA Investigators course.

VETS has also created an USERRA Expert System on VETS' home page on the Internet. Using this electronic, interactive system, a veteran, reservist or member of the National Guard and employers can determine his or her rights and obligations under USERRA. If any questions remain after using the Expert System, VETS' staff names and telephone numbers are made available and calls are encouraged.

VETS' USERRA Operations Manual provides VETS' regional and state staff with quality assurance review guidance. VETS' Regional Lead Center reviewed and revised the quality assurance process in 1997. In July 1997, VETS issued a Director's Memorandum with update guidance for quality assurance reviews that is being used by VETS staff.

Now that our Regional Lead Center is established and our information management system is being finalized, I am forming Quality Assurance Review Teams to randomly review cases on a region-by-region basis to ensure that quality services are being delivered. The Team will consist of our best USERRA investigators. Pursuant to the Government Performance and Results Act and VETS' strategic management plan, quality is as important as quantity. Results of the review

will be promptly shared with the field.

10. How much of the $23.6 million requested for the administration of the Veterans' Employment and training Service is allocated to the Transition Assistance Program (TAP)? How much is allocated to the investigation and resolution of cases under the Uniformed Services' Employment and Reemployment Rights Act?

Embedded in the Salary and Expenses portion of our budget is funding for the Transition Assistance Program and USERRA enforcement. Our budget does not specify the amounts necessary for these two programs activities because they are demand - driven programs. It is not possible to determine absolutely how many TAP participants there will be or how many USERRA cases there will be. A few years back, report language asked that a certain funding level be set aside for TAP, with dismal results. Our budget provides us with the flexibility we need to meet the changing demands of the programs, allowing us to shift funds as demands require so that we can deliver effective programs.

11. In your testimony, you note that 20 grant awards will be funded through the $7.3 million provided for veterans' employment programs under Title IV, Part C of the Job Training Partnership Act (JTPA IV-C).

Please describe in detail how these programs are evaluated. Additionally, does VETS ensure that successful programs are replicated across the country? Describe the related procedures and provide specific examples of past programs that have been replicated as a result of VETS' efforts.

A State Director oversees each grant. Assessments are based on quarterly reports and the Director does at least one annual on-site visit when the budget allows. The State Director provides a quarterly report to the National Office and works with the grantee to see that the program is a success. If a program is determined to be unsuccessful, that grantee will not be provided with another grant unless and until the National Office and the State Director are convinced that necessary changes have been made in the program. VETS has refused to provide grants to States that have had programs that VETS deemed less than successful.

I use discretionary funds to test pilot programs. We currently have a pilot program run by the G.I. Forum in East Los Angeles, which is encouraging Hispanics in a high unemployment area to come into One-Stop centers and obtain employment service. The plan is to replicate this program if the pilot proves successful. Let me review our past programs and report back to you on what lessons learned have been shared with others.

12. In your testimony, you refer to an "electronic job scout." What is this? Why do you say that "hopefully" it will be developed? It sounds interesting.

The concept behind a "job scout" is interesting and simple. If a veteran is looking for a particular job or occupation, a tool should be available to search America's Job Bank for it electronically and send an e-mail or other notification to the veteran directly when such a job becomes available, or to the veteran's service provider if the veteran does not have e-mail.

We say "hopefully" because it is a strategy that we would like to pursue, but will have to be developed in coordination with the Employment Services and States, and we will have to locate funds for implementation.

13. On page 9 of your testimony, you state that emphasis will be placed on getting better quality and better paying jobs for veterans. I believe this is one of the most important sentences in your testimony.

Describe for the Committee your specific plans for placing veterans in better quality jobs.

In fiscal years 1997, 1996, and 1995, what was the average beginning wage paid to veterans who obtained employment through the local employment service system? Specifically, during those same fiscal years, what was the average beginning wage paid to veterans who were places in employment following completion of training under VA's vocational rehabilitation program?

Of course, VETS' Federal staff do not place veterans directly into jobs. We can assist indirectly by placing emphasis on case management services and job development, which will help locate and develop better jobs for veterans. We are also targeting Federal prime and sub-contractors. We are working hard to have all such contractors list their jobs with the employment service. These contractor generally have better quality jobs. When we developed a vocational rehabilitation course, it included an emphasis on marketing disabled veterans to employers. It is this new information on marketing that we have brought to the core curriculum for all DVOP and LVER courses.

It is clear that we need to do more marketing of Vocational Rehabilitation clients to employers. This is an area in which VETS and VA are going to focus in the months to come. Fiscal Year 1998 is the first year that wage information will be collected for the Vocational Rehabilitation & Counseling program. Currently, wage information for veterans obtaining employment through the Employment Service is not collected. Fiscal Year 1999 will be the first year that VETS will have information collection that will capture the wage information you are seeking. We look forward to sharing this information with the Committee once it becomes available.

14. **How many DVOPs and LVERs directly participated in TAP training in fiscal year 1997? FY 1996? FY 1995?**

In 1997, 468 DVOPs and LVERs participated in TAP training. We do not have that information available for earlier years. In FY 1997, 3,229 workshops were held, 79% of which were conducted by DVOPs and LVERs.

15. **You mention in your testimony that TAP training has resulted in significant cost savings. What were the savings in fiscal year 1997? FY 1996? FY 1995?**

We do not have data showing a direct casual link, which would give us specific numbers by fiscal year. Studies show that those taking TAP workshops were unemployed three weeks less than those who did not participate in a workshop. If these veterans are receiving Unemployment Compensation, this results in large savings. UCX expenditures have dropped by large amounts in the last few years. We have recently funded a new TAP evaluation which may provide us with some updated information on the success of the TAP program, which we will share with you when the results are tabulated.

16. **Please provide the Committee a copy of the Department of Defense study regarding TAP that you mention in your statement on page 11. Additionally, please provide the Committee with 2 copies of the new handbook developed for TAP participants.**

Enclosed please find a copy of the DOD study. At the hearing, 2 copies of the new TAP handbook were left with staff.

17. **What was the average TAP class size in FY 1997. FY 1996? FY 1995? What was the range of class sizes during those years? I know that TAP training has been reduced to two days or less at some bases. Provide the Committee with a list of those bases.**

The average class size was 41 in 1995, 45 in 1996 and 41 in 1997. The range of class size during these years was 25 to 200 participants, with the mean figure at approximately 60 participants per class.

The following military bases reduced their TAP training to 2 days or less:

Ft. Wainwright, Alaska

Schofield Barracks, Hawaii
Ft. Rucker, Alabama
Ft. Gordon, Georgia
Ft. Stewart, Georgia
Ft. Benning, Georgia
Ft. Bragg, North Carolina
MCB Camp Lejeune, North Carolina
MCAS New River, North Carolina
Shaw Air Force Base, South Carolina
Ft. Hood, Texas
Ft. Bliss, Texas

18. **You mention on page 13 of your statement that One-Stop Career Service providers will need to be trained at NVTI regarding veterans' priority of service requirements.**

How many of these providers have already received this training? How many will be trained during this calendar year? How many will be trained in fiscal year 1999? Provide the Committee with a list of these providers who have already been trained.

During fiscal year 1997, 14 Veteran Program Orientation (VPO) training sessions were offered at One-Stop Services implementation States. A total of 686 participants attended these sessions. Participant lists were not maintained by NVTI. States invited NVTI to their conferences to give the VPO training. As of now, VPO training has been given in Vermont, Michigan, Montana, Pennsylvania, New Mexico, South Carolina, Texas, Georgia, Arizona, Connecticut, Massachusetts, New Hampshire, Wyoming, Wisconsin, Utah, Alabama, and Maine. Several sessions are already scheduled for the remainder of FY 1998. The number that we train in FY 1999 depends on the number of States that have One-Stop Services conferences or training sessions and invite NVTI to give the VPO training.

19. **In December, several members of this Committee heard testimony in Buffalo, New York concerning legislation (H.R. 3039) we introduced that would provide greater support for veterans on the rebound and in need of transitional housing. Extensive, on-site job search counseling is a crucial element of our plan, which requires vets to be employed or actively seeking employment to qualify for transitional housing.**

Would the Department of Labor be receptive to a joint partnership with VA in this area, and to what extent does the Labor Department's budget set aside monies for such inter-agency partnerships.

Of course, the Department of Labor would be receptive to a joint partnership with the VA in locating transitional housing for needy veterans. VETS and VA are working very successfully together in connection with the Vocational Rehabilitation & Counseling program and we will be working together to get the most out of the President's Veterans Employment Initiative. We do not set aside money for joint partnerships. Each agency bears the cost of such partnership from the applicable program budget. VETS is working closer and closer with VA, in the areas of Vocational Rehabilitation & Counseling, homelessness and Compensated Work Therapy. And, I am pleased to be able to say that VA is coming to VETS more and more for assistance.

20. **(A) How many DVOPs are stationed full time at a VA Vet Center, with full computer support (i.e., direct linkage to the state automated job bank, America's Job Bank, etc.) from their out station site at the Vet Center? Please provide a list of said locations.**

(B) Please provide a list of the additional sites other than Vet Centers where DVOPs are similarly outstationed on a full time basis with full computer support (i.e., VA Vocational Rehabilitation sites, veterans' community based organizations, etc.).

(A) In the recent surveys of DVETs, an estimated 55 (23.4%) of the 235 DVOP specialists out-stationed full-time are located at a Vet Center. A total of 62 of these 235 DVOP specialists with

out-stationed responsibilities have Internet access.

(B) A total of 65 of these DVOP specialists out-stationed on a full-time basis serve clients/veterans who are completing or have completed a program of vocational rehabilitation and counseling (VR & C) with the Department of Veterans Affairs. Of these, 57 (87.65%) have access to AJB from their outstation. Many other DVOP specialists who are outstationed can access AJB data through connectivity to the State's mainframe (and use the search tools available on the mainframe system to check on the jobs listed) or access AJB directly upon their weekly visit to their respective Job Service office. A list of those DVOP specialists at Vet Centers full-time with and without computers and full connectivity, and a list of those locations other than Vet Centers at which DVOP specialists are assigned full-time designating whether they have full computer connectivity is being developed and will be provided under separate cover.

21. **Where there is a DVOP outstationed at a Vet Center as indicated above, have you performed any studies or analyses of the productivity of the DVOPs vs. those DVOPs similarly outstationed without full computer support. Please provide a list of the locations of DVOPs outstationed at Vet Centers without onsite computer access.**

VETS does not require States to report workload data on individual DVOPs. However, most States maintain a monthly report of activity by Local Employment Service Office for each local office employee, including DVOP/LVER staff. VETS field staff review these reports so that during the Local Employment Service Office evaluation or at a substate level, the productivity of the outstationed site can be mathematically determined. A comparison to locations without computer access has not been done.

22. **Where there is a DVOP outstationed in a manner in Question no. 20, have you performed any studies or analyses of the productivity (i.e., number of placements of veterans per PY, number of DV placements per PY, number of SDV placements per year, average starting wage of placements by category, etc.) of such Federally-funded staff versus the average productivity of DVOPs in that State who are not outstationed? Of those who are similarly outstationed without computer support? If so, please provide (please note that the Committee is especially interested in the placement rate of disabled veterans who have completed a course of study funded by VA Vocational Rehabilitation, or other Federally funded program).**

VETS requires States to report and collect aggregate data (i.e., number of placements of veterans per Program Year, number of disabled veteran placements per Program Year, number of special disabled veterans placements per year, etc.) on a quarterly basis via the VETS 200 report. These reports are compiled on a statewide basis. There is no requirement to report on productivity for individual DVOP staff. Therefore, the data outlined above is not available for VETS to determine the average productivity of DVOPs who are outstationed versus DVOPs assigned to the Local Employment Service office.

23. **(A) Has VETS collaborated with the VA Readjustment Counseling Service (Vet Center) system to study and attempt to measure the effect of full time outstationing of DVOP in the manner described in Question no. 20 on the positive results of such staff as well as the placement rate of veterans with readjustment problems? (In other words, is there a synergistic impact of such collaboration?)**

As indicated above, VETS does not require States to report by individual DVOP the placement rate of veterans with readjustment problems. However, VETS field staff are required to conduct Local Employment Service Office evaluations that include the assessment of the effectiveness of DVOP outstationing. As previously stated, while States are not required to keep individual placement data for DVOPs, most volunteer this information for the VETS' evaluators' use.

(B) Has VETS collaborated with the VA Vocational Rehabilitation system to study and attempt to measure the effect of full time outstationing of DVOPs at Va VocRehab sites in the manner described in Question no. 20?

No, we have not. The outstationed DVOPs are the coordinators between the SESAs and VA, when they are designated as the State single point of contact, which is customary. These DVOPs are supplying invaluable career guidance to the VA clients during the clients' participation in the Vocational Rehabilitation program. They also ensure a smooth hand-off of the job-ready VocRehab client to the SESAs. As part of the hand-off, they direct the clients to the proper local employment office. They provide a conduit for communications between the SESAs and VA. They work very closely with the VA case managers on a continuous basis to be sure the clients have the most up-to-date labor market information. We believe that the significant increases in the percentage of clients' obtaining employment is evidence of the value of these outstationed DVOPs.

24. Are there any States that say they will have to furlough DVOPs if the DVOP program is not funded at a level that is greater than the Administration's request? If so, please provide a list of such States and the number of DVOPs potentially affected.

The DVETs surveyed indicated that ten States (New York, Delaware, West Virginia, Louisiana, South Dakota, Wyoming, Hawaii, Alaska, Indiana and Washington) have gone on the record that, unless additional funds are received, furloughs may be necessary, potentially affecting as many as 22 DVOP specialists. Modification requests received from 8 of these States are being processed to reprogram unexpended first quarter Fiscal Year 1998 funds to these States, from States which reported a surplus earlier in February. Of the 10 States, only 3 States have had to reduce DVOP staff this Fiscal Year. One DVOP specialist was reportedly adversely affected in each of 2 of these 3 States (West Virginia and Alaska). The third, Washington, carried additional staff beyond the formula level into the current Fiscal Year. These staff now encumber other similar positions in State service.

25. Are there any States that claim they will have to furlough LVERs if the LVER program is not funded at a level that is greater than the Administration's request? If so, please provide a list of States and the number of LVERs potentially affected.

The DVETs also indicated that 12 States (Vermont, New York, Virginia, Delaware, Tennessee, Louisiana, South Dakota, Wyoming, Arizona, Hawaii, Indiana, Washington) have stated that unless additional funds are received, furloughs may be necessary, potentially affecting as many as 20.5 full-time equivalent, full-time or half-time LVER staff. Modification requests from 7 of these States are being processed to reprogram unexpended first quarter Fiscal Year 1998 funds to these States. Of these 12 States, only 4 States have had to reduce LVER staff this Fiscal Year. One LVER was reportedly adversely affected in each of 2 of these 4 States, Louisiana and Wyoming; 2 were affected in Washington and 4 were affected in Hawaii.

26. It is the Committee's understanding that the manner in which the civil service system works in many States may mean that the DVOPs who may reportedly be separated would not be able to move to another State position, whereas most persons currently designated as LVERs would have a job if the LVER position was eliminated. After consulting with your RAVET and DVET structure, please comment on this report as specifically as possible, perhaps with a State by State survey.

A survey of our DVETs disclosed that in the event of a reduction-in-force, the DVOP specialists in 42 States (80.77%) could move to other State positions. The basis for bumping rights lay in seniority in 41 of the 42 States, while only 4 of those States would restrict the DVOP specialists to bumping only more junior DVOP specialists, and the majority, like their LVER counterparts, could bump into other local employment service office positions. Only 10 States do not currently have such a system of protection for its DVOP staff. They include New York, District of Columbia, Alabama, Kentucky, Mississippi, South Carolina, Montana, North Dakota, Wyoming and Arizona. In these States, in most part, DVOP specialists are appointed non-competitively and do not have the ability to compete for promotions or qualify for competitive class appointments. Other systems rely on qualification assessments, allow bumping only in certain geographical areas, or confine bumping only to individuals paid through Federal funding

sources.

27. Why did the Administration choose the figure provided to be requested for DVOP vs. LVER proportionately, as well as the total amount requested for actual service delivery staff? What was the criteria utilized? Is there a productivity study of LVERs vs. DVOPs on a State by State basis?

The total results for the DVOP and LVER programs represented flat funding- they are the same amounts as were provided in FY 1998. The number of DVOP and LVER positions that would be funded were calculated using the amounts requested. Funds will be distributed to States on a Program Year basis based on their State Fiscal Operating Plans, which will be submitted in response to Solicitation for Grant Application or Modification for FY 1999.

28. (A) According to the SPIR database maintained by the Employment & Training Administration of the U.S. Department of Labor, how many homeless veterans completed employment and training programs funded by the Job Training Partnership Act-Title IIA (for Economically Disadvantaged Adults) in Program Year 1995? In Program Year 1996? What was the average cost per completion for Title IIA in each of these years?

(B) How many "veterans specific" projects/programs are currently funded by Title IIA funds, anywhere in the United States? Please provide a list of such projects, including location and dollar amount, categories and number of veterans served, contact persons, etc.

(A) During Program Year 1995, 15,933 veterans completed participation in programs under JTPA II-A. Of these individuals, 1,087 were homeless (about 7%). Participants in Title II-A are classified as either 1) receiving substantive services under the program, or 2) receiving objective assessment only. About 71% of all veterans in Title II-A received services beyond assessment. About 75% (812) of the homeless veterans received services beyond assessment.

The average cost per terminee in Title II-A during Program Year 1995 was $2,184. The average cost per participant for those who were employed at termination was $7,106.

In Program Year 1996, 13,736 veterans completed participation in programs under Title II-A. Of these, 1,027 were homeless (about 7.5%). About 74% of all veterans received services beyond assessment. About 75% (766) of the homeless veterans received services beyond assessment.

The average cost per participant in Title II-A during Program year 1996 was $2,094. The average cost for those who were employed at termination was $6,301.

(B) JTPA programs administered by the Employment and Training Administration (ETA) are not "veteran specific" programs. No JTPA Title II-A programs exclusively serve veterans nor are they targeted specifically to this group or any group.

(JTPA Title IV-C authorizes Veterans' Employment programs to meet the employment and training needs of service-connected disabled veterans, Vietnam era veterans and veterans recently separated from the military. These programs are administered by the Secretary of Labor through the Assistant Secretary for Veterans' Employment and Training).

29. (A) Similarly, how many homeless veterans completed employment and training programs funded by the Job Training Partnership Act, Title III (Economically Dislocated Worker Adjustment Assistance Act, or EDWAA) in Program Year 1995? In Program Year 1996? What was the average cost per completion for Title III in each of these years?

(B) How many "veteran specific" projects/programs are currently funded by Title IH funds, anywhere in the United States? Please provide a list of such projects, including location and dollar amount, categories and number of veterans served, contact person, etc.

(A) During Program Year 1995, 37,971 veterans completed participation in programs under

JTPA Title III. Of these individuals, 609 were homeless (1.6%).

The average cost per participant in Title III during Program Year 1995 was $2,061. The average cost per participant for those who were employed at termination was $5,648.

During Program Year 1996, 37,398 veterans completed participation in programs under JTPA Title III. Of these individuals, 790 were homeless (2.1%).

The average cost per participant in Title III during Program Year 1996 was $1,861. The average cost per participant for those who were employed at termination was $5,000.

(B) Please see the answer to 28(B), above for Title II-A. Title III programs have no "veteran specific" programs.

30. **How many homeless veterans have received assistance from programs funded under the Homeless Veterans Reintegration Program (HVRP) in each Program Year since PY 1993? What was the cost per completion in each PY? What was the cost per placement in a job in each PY? (Please include the information in those similar programs (i.e., the program known as Homeless Veterans Employment & Training program or HVET) that were funded by means of discretionary funds by means of discretionary funds in the last three years.)**

The Homeless Veterans Reintegration Program was funded at $5.055 million for Fiscal Year (FY) 1994. The program served 7,432 veterans with these funds and placed 4,017 into employment at a cost of $1,524 per placement. The FY 1995 funds appropriated for HVRP were rescinded by the Congress.

Most recently under the Homeless Veterans Employment and Training Program (HVET) 1,728 were served, with 917 entering employment at an average cost of $1,457. The HVET program funded in Program Year (PY) 1996 is still underway due to efforts by VETS to continue the grants until the competition for FY 1998 HVRP funds is completed. Discretionary funds were used for some entities in cold weather States in 1996, but separate outcome information is not available.

31. **Given that in late 1997, both the House of Representatives and the Senate again unanimously voted to authorize $10 million for the Homeless Veterans Reintegration program (HVRP), what was the criteria and reasoning that prompted the Administration to request only $2.5 million for this purpose for FY 1999 (less than is currently appropriated for this purpose)?**

The appropriation level requested for HVRP is appropriate in light of the alternative sources of funding available to serve these individuals. The homeless are a targeted group under Title II-A of the Job Training Partnership Act (JTPA), for which $1 billion is requested in 1999. In addition, legislation will be proposed by the Administration which will allow the Department of Veterans Affairs to reimburse DOL at a level of $100 million to finance expanded veterans employment services under JTPA Title IV-C for which homeless veterans of the Vietnam era, or those recently separated or with service-connected disabilities are eligible.

THE INDEPENDENT BUDGET

A Budget for Veterans by Veterans

March 18, 1998

Honorable Lane Evans
Ranking Democratic Member
Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Evans:

Enclosed are the answers to your questions for the Independent Budget veterans service organizations—AMVETS, Disabled American Veterans, Paralyzed Veterans of America and Veterans of Foreign Wars. We appreciate your interest in these issues and your commitment to improving services for our nation's veterans.

We look forward to continuing to work with you in the future.

Sincerely,

Kenneth A. Steadman
Executive Director
Veterans of Foreign Wars of the U.S.

cc: Bob Carbonneau, Executive Director, AMVETS
David Gorman, Executive Director, Disabled American Veterans
Gordon H. Mansfield, Executive Director, Paralyzed Veterans of America

A Joint Project of:

AMVETS
4647 Forbes Boulevard
Lanham, Maryland 20706
301/459-9600

DISABLED AMERICAN VETERANS
807 Maine Avenue, S.W.
Washington, D.C. 20024
202/554-3506

PARALYZED VETERANS OF AMERICA
801 Eighteenth Street, N.W.
Washington, D.C. 20006
202/872-1300

VETERANS OF FOREIGN WARS
OF THE UNITED STATES
200 Maryland Avenue, N.E.
Washington, D.C. 20002
202/543-2239

Independent Budget Questions and Answers

1. *Question:* The Independent Budget panel makes many recommendations for VA's Special Emphasis Programs. Is the Panel generally satisfied with the management of these programs under the Veterans Integrated Service Networks?

Answer: The Independent Budget veterans service organizations (IBVSOs) are generally not satisfied with the management of specialized programs under the VISNs. Many of the concerns we have about specialized services are a result of decisions and changes being made at the VISN level. The following are a few examples of changes implemented at the VISN level that jeopardize access to and quality of specialized services for veterans.

- In some VISNs, prosthetics and sensory aids departments have been fragmented, with staff reassigned to different departments. Some prosthetics and sensory aids departments now have clinicians or nontechnical managers who have little or no experience or training in prosthetics in positions of responsibility.

  In the past, prosthetics funding had been centrally based in order to insure that prosthetics and sensory aids' services were provided based on need. We have been advised that with the shift of funding to the local level, shortages and delays have occurred causing veterans to forgo necessary services until funding is made available. We now hear that funding will be VERA based with little or no control for reallocation based on clinical needs. We are also concerned that with flat-lined appropriations within prosthetics, staffing shortages have not allowed for site visitation and the monitoring of services delivered.

- Services for blind veterans have been compromised in some VISNs by reorganization. Some facilities are eliminating full time Visual Impairment Service Teams (VIST) coordinator positions, while others are reassigning VIST to social workers, who already have full-time responsibilities and will only be able to devote minimal time to the blind veteran caseload. Alarmingly, one residential Blind Rehabilitation Center (BRC) has been directed to make all inpatient stays no longer than 34 days and to decrease inpatient admissions by 20 percent. Decisions about length of stay must always be based on individual progress.

- To reduce costs, many local administrators have closed long-term care beds and shifted care for veterans with serious mental illness to outpatient settings. The IBVSOs are concerned that some seriously mentally ill veterans are being inappropriately discharged from long-term care beds.

- The persistent pressure to reduce the number of beds and staff in spinal cord injury (SCI) centers is eroding the quality of SCI care. Inadequate staffing levels may force VA to serve fewer SCI patients and may result in veterans' receiving less attention and waiting longer for care. In addition, recent departures of SCI chiefs have left some SCI services without leadership to defend and improve the programs.

The IBVSOs strongly believe that, to ensure access and high-quality services for veterans with special needs, VHA Headquarters must take a more aggressive role in the planning, policy formulation, and oversight of specialized programs. Many services and programs, such as spinal cord injury and blind rehabilitation, respond to demand from national, rather than network, needs. This situation creates a conflict for network managers, who operate the programs but are only responsible for the enrolled population in the network. National service chiefs are responsible for some special programs, but the networks are not accountable to them, and goals for the programs operated at the network level are not always compatible. As IBVSOs, we are acutely aware of the tension between national- and VISN-level goals and the potential conflict competing goals may present. VHA National Headquarters must ensure that specialized programs do not lose the tug of war over resources with mainstream programs at the VISN level.

2. *Question:* When the VA testified on its proposed budget for fiscal year 1999, I expressed concern regarding a section in the Administration's comprehensive budget document entitled, "Accurately Recognizing and Reporting Veterans Benefits." I would

47-894 98 - 10

appreciate it if you would review this section and provide me with your analysis of this proposal to improve the current budgetary treatment of veterans programs

Answer: The *Budget* volume of the *Budget of the United States Government: Fiscal Year 1999* at page 154 includes the Administration's proposal to move veterans' programs to the DOD budget. Although the Administration correctly observes that veterans' benefits are a cost of our national defense, it misperceives the purpose and therefore the proper place for veterans' programs. The Administration incorrectly views veterans' programs as a front-end expense of our national defense and commits an error in logic by confusing cause and effect:

> The Nation has long viewed veterans programs as a key way to attract the high-quality people needed for our volunteer armed forces. Americans recognize veterans benefits as an appropriate part of the compensation provided for service in the military. Veterans programs are inextricably linked with national defense; without defense, veterans programs would not exist.

The Administration further states that funding veterans' programs separate from DOD deprives Government of a full and accurate picture of the "true cost of our national defense."

We have long maintained that veterans' programs are a cost of war and national defense and should be viewed as a priority for funding. We have never advocated putting veterans programs under the control and budget of the Defense Department, however.

Nothing requires or makes it advantageous for the costs of veterans' programs to be included in the defense budget. We doubt that the costs of veterans' programs would ever affect decisions on troop strength, much less be a factor in any other strategic military decision or influence in any way our decision on whether to engage in action against an enemy. Our global defense strategy will never be subject to or contingent upon the secondary costs and considerations related to veterans' programs. The Administration's position on this point is either short-sighted or a pretext. The supporting rationale is similarly superficial.

The Administration makes no valid point in its statement of the obvious that, "without defense, veterans programs would not exist." On the contrary, the Administration makes the absurd argument that disability compensation, for example, for such things as loss of limbs, blindness, and paralysis is the incentive for military service, and veterans should be grateful for the opportunity to become disabled in connection with national defense. National defense does not exist for the benefit of veterans. National defense exists for the benefit of our people and their way of life. Veterans only exist because of the necessity of national defense and because of their willingness to bear that heavy burden for the people of our Nation. Veterans' programs are a consequence of but not an activity of our national defense. The Administration's inverted view of cause and effect is shallow and untenable. No legitimate reasons exist for including veterans' programs in the defense budget; conversely, many reasons exist for not including them in defense.

The expertise of the Defense Establishment is with national security and fighting wars, not administering programs for veterans. Administration of veterans' programs requires a totally different expertise, sensitivity, and focus. The Defense Establishment has at times demonstrated its insensitivity to the human aspect of defense and veterans' needs. Examples of this insensitivity are human experimentation on servicemembers and the lack of candid admissions about exposure of Persian Gulf War veterans to chemicals. Merging veterans needs with defense needs will obscure veterans' needs and likely place them in competition for funding and attention with such things as weapons programs.

It is reprehensible for our Nation's Commander-in-Chief to demean and belittle the patriotism of our members of the Armed Forces by suggesting that their primary motivation for serving in our military is the receipt of veterans' benefits. We strongly oppose this unprincipled recommendation in the President's budget.

3. ***Question***: As you know, I share the views of the Independent Budget group regarding the Administration's proposal to link the funding for a long-overdue increase in VA education benefits with the enactment of controversial legislation which would restrict service connection for disabilities related to tobacco addiction related to military service.

The Administration asserts that the failure to enact legislation could put the entire compensation program at risk. How do you respond to that assertion?

Based on your personal experiences, and based on what you have been told from other members of your organization, what can you tell us about the ways in which our government has encouraged its military personnel and its veterans to smoke through the years?

Answer: In arguing that compensating tobacco-related claims imperils the whole compensation program, the Administration points to what we believe are exaggerated projections on the costs of compensating tobacco-related illnesses and raises doubts as to whether the public would support the compensation program if it included benefits for those who have disability as a result of a personal choice to smoke.

We do not believe that providing compensation under the law as it now exists will result either in prohibitive costs or a public repudiation of veterans' compensation.

As you and others familiar with the subject have noted, the Armed Forces encouraged and facilitated smoking. Beyond inducing servicemembers to smoke through the distribution of cigarettes to them free or at substantially reduced costs, the military culture and military environment encouraged smoking. A smoking break was often the only activity that conveniently fit into and kept servicemembers occupied during a short respite superiors allowed between rigorous, demanding military training or that provided some temporary relaxation during combat. During these times, smoking was expressly and implicitly encouraged, and it was the only recreation available and allowed. Many military environments involved duty in circumstances of isolation, and again, smoking provided the only recreation and activity that could be easily shared among fellow servicemembers engaging in conversation or relaxation away from other normal social activities. We believe that the public would be sympathetic and understanding of these special circumstances that were endured by members of our Armed Forces.

Smoking has never been illegal, and the military service never technically prohibited, openly criticized, attempted to discourage, or take any other action to suggest that it disapproved of smoking.

While it is true that smoking has, for a number of years, been suspected of causing adverse health effects, the true extent of the addictive and harmful nature of cigarettes was not known. In litigation against the tobacco companies to hold them liable for the health effects of smoking, the Government has refused to accept the tobacco companies' defense that smokers are responsible for their choice to smoke, but the President has adopted that very same excuse for prohibiting service connection for illnesses that result from in-service smoking.

Inasmuch as smoking was not only fully condoned but also encouraged and facilitated by the Armed Forces—with the result of a higher rate of smoking among our veterans, inasmuch as veterans were no more aware of the inherent risks of smoking than the general public—which our Government would hold harmless for the effects of smoking, and inasmuch as no other Federal programs—such as Social Security and Medicare—are proposing to prohibit disability or medical benefits for conditions related to smoking, no rational basis exists for holding veterans to a different standard and singling them out for disparate and punitive treatment.

While we oppose the President's proposed change under any circumstances, the President's proposal is all the more repugnant and inequitable because it appears to have been contrived—not because it was warranted on its own merits—but to provide the pretext and means to divert money from veterans' programs for use in the President's own favored programs. Now, regrettably, some in Congress are also hungrily and shamefully seeking this money for their own favored objectives without any consideration of the lack of merit of the proposal or fairness to veterans.

4. *Question:* The Independent Budget panel recommends that VA be a participant and beneficiary of the tobacco settlement. Would you recommend that VA receive this funding on the basis of the care it delivers for smoking related disorders?

Answer: Yes. The IBVSOs believe that VA should receive tobacco settlement funds based on the care it delivers to veterans with smoking related disorders.

5. **Question:** The Independent Budget recommends an increase of 275 FTEE for the Cemetery Service in fiscal year 1999. Assuming this is the "ideal" increase, what would you consider to be the minimum FTEE increase necessary to ensure acceptable cemetery maintenance?

Answer: Over the years, the National Cemetery System (NCS) has struggled to maintain the appearance of its 115 national cemeteries while fulfilling its primary burial mission. While the burial rate has almost doubled since 1973, the overall FTEE level has remained essentially static. The workload in the NCS is compounded by the addition of new cemeteries, developed acreage for existing cemeteries and the yearly growing inventory of occupied gravesites. The variability and unpredictability of nationwide weather conditions also contribute significantly to the grounds maintenance workload for the System In the view of Independent Budget, the minimum level of for new FTEE must be no lower than 125 with the addition of $1 million in contract authority to allow the system to augment manpower shortages with temporary/seasonal grounds maintenance personnel.

6. *Question:* The VA has proposed legislation, which would amend the State Veterans Cemetery Grants program. Under this proposal the VA would pay 100 percent of the construction costs of these cemeteries as well as the initial equipment costs.

   Although I believe the proposal has merit, I am concerned that this may imply that the VA is backing away from its responsibility to create and maintain national cemeteries. Does the Independent Budget group have a position on this legislation?

Answer: Based on historical evidence, the NCS has determined that reasonable access to a burial option exists for a veteran only if the cemetery is located within 75 miles of the veteran's place of residence. Understanding fiscal limitations of building a national cemetery within 75 miles of 100 percent of the veteran population, the Independent Budget has consistently supported the realistic goal of providing a national or a State-supported cemetery within 75 miles of 75 percent of the veteran population.

Under proposed legislation, the maximum Federal share of the costs of construction of a State Veterans' Cemetery would be increased from 50 per cent to 100 percent. This legislation would also permit Federal funding for up to 100 percent of the cost of initial equipment for cemetery operations. The State would continue to remain responsible for providing the land and for paying for all costs related to the operation of the state cemeteries, including the costs for subsequent equipment purchases.

In past years, tight state budgets have made state decision makers reluctant to fund requests for construction of state veterans' cemeteries. Under the proposed legislation the State's would no longer be responsible securing a matching grant, thus making it easier to establish a needed cemetery. The Independent Budget views this proposal as consistent and complimentary of a long sought after goal. However, we too are concerned that VA is backing away from its responsibility to create and maintain national cemeteries. VA must not relinquish is obligation to provide adequate national and state burials for veterans. Understanding the proposed legislation would allow existing state cemeteries to apply for grants for expansions and improvements as has been the past practice, VA must continue to advocate for the establishment of more national cemeteries, especially in under served metropolitan areas. The burial and maintenance of of national cemeteries has been and remains a federal responsibility.

7. *Question:* I believe that in the past the Independent Budget included a section regarding the Department of Labor's budget for veterans' employment and training. Why doesn't the Independent Budget address these important issues this year?

Answer: Please do not interpret the fact that we did not include a section on employment and training this year as a lack of commitment to the continuation of effective Department of Labor programs for veterans. Testimony of our group on the Fiscal Year 1999 budget did include our views on the employment and training programs of the Department of Labor. We appreciate your interest in seeing this information in the Independent Budget, and we will make every effort to include it next year.

8. ***Question:*** This year the Independent Budget panel deleted a long-standing recommendation to authorize VA to treat dependents who are able to reimburse their health care costs. What was the reason you deleted this recommendation?

Answer: Unlike previous Independent Budgets, the FY 1999 Independent Budget does not address the issue of treating dependents. However, the VSOs do not necessarily oppose such a policy. We are concerned about the potential for rationing under the combined effects of eligibility reform and the Balanced Budget Act. The IBVSOs chose to remain silent on this issue until we see the effects of these new policies on VHA.

9. ***Question:*** What are the Independent Budget Panel's priorities for Major Construction project dollars?

Answer: The IBVSOs believe that priorities for major construction project dollars should be based on specific criteria, such as potential for improving operational efficiency, patient safety and privacy in VA facilities. We believe that the 100-bed spinal cord injury replacement unit in Tampa, Florida should move forward. This project has been underway for 15 years and must be fully funded.

10. ***Question:*** What is the reason the Independent Budget recommends building, as opposed to contracting for, community-based clinics?

Answer: The IBVSOs do not oppose contracting for community-based clinics. We recognize that contracting with local providers can be a cost-effective means of making care more accessible to veterans. However, we believe that, whenever possible, VA should retain operational control over local clinics. We continue to strongly oppose mainstreaming the system. VA must maintain its ability to directly provide a full continuum of health care services to veterans.

To ensure that veterans receive high-quality care, VHA must exercise strong oversight authority over contract facilities and providers. Providers must meet or exceed VA performance standards and their information system should interface with VA's.

11. ***Question:*** The Independent Budget recommended almost a ten-percent increase in the Medical and Miscellaneous Operating Expenses account. Have you determined in what areas VA needs to bolster its Central Office Activities?

Answer: Headquarters has experienced dramatic cuts in personnel since VHA reorganization began in 1996. At the start of FY 1996, Headquarters had about 790 FTEs; now it is down to 569, a 28 percent reduction. The IBVSOs are particularly concerned about VA Headquarters' compromised ability to monitor the changes occurring rapidly in the field. Under the decentralized system, Headquarters' monitoring role to ensure access and high quality care is especially important and challenging. VHA needs increased capacity to make site visits to local facilities to assess problems and to conduct training seminars on national policies and provide appropriate technical training to VHA personnel.

The IBVSOs also believe that Headquarters must increase its monitoring, strategic planning and other leadership functions related to ensuring high-quality specialized services. The IBVSOs recommend increasing the staff in the Prosthetics and Sensory Aids Service by 6 and the Strategic Healthcare Group for Spinal Cord Dysfunction by 3. Headquarters has the critical role of ensuring that VA fulfills its congressional mandate to maintain its capacity to provide specialized services. This effort will entail developing surveys for VA facilities and veterans, measuring resources and utilization, and reviewing program decisions and activities at the network level.

The IBVSOs agree with the conclusion in the Staff Report on Quality Management prepared by the Minority Staff of the Senate Veterans' Affairs Committee that many of VHA's quality management programs lack coordination, integration and continuity of effort. We believe that Headquarters must assume a leadership role in the development and implementation of quality assurance instruments and programs across the system. Headquarters' staff must also increase education and training of employees in quality management practices and activities.

★ WASHINGTON OFFICE ★ 1608 "K" STREET, N.W. ★ WASHINGTON, D.C. 20006-2847 ★
(202) 861-2700 ★ FAX (202) 861-2728 ★

March 9, 1998

Honorable Lane Evans
U.S. House of Representatives
Committee on Veterans' Affairs
335 CHOB
Washington, DC 20515

Dear Congressman Evans:

The American Legion is pleased to respond to the following question related to the Full Committee hearing of February 12, 1998, on the President's proposed FY 1999 Department of Veterans Affairs (VA) budget.

1. Has The American Legion done any marketing analysis to assess veterans' desire to use their health care benefits from other payers and government programs for VA health care, in a program like your "GI Bill for Health" envisions? What are the results?

The American Legion contacted several polling organizations over the past year to obtain cost information related to conducting a scientifically based survey of veterans' health care preferences. The cost data will be presented to an April 1998, Veterans Planning and Coordinating Committee meeting.

The American Legion recognizes the importance of obtaining valid market analysis data on the GI Bill of Health. Recently, several Department of Veterans Affairs -- Veterans Integrated Service Networks (VISNs) conducted market research on specific questions related to veterans' VA health care experiences. In particular, the Gallop organization conducted a telephone survey of 2,128 Maryland veterans in VISN #5. Selected key findings of the survey are:

- Roughly three-fifths (59%) of current VA users reported that if given a choice of care providers between VA and private sector health care, they would choose VA health care,
- The most often reported reason for choosing VA health care over private health care was VA provides better care (20%); has better facilities (18%); is lower in cost (16%); has a familiarity and past experience with the veteran (15%),
- Slightly greater than one in ten (12%) nonuser veterans said they would choose VA care if they were given a choice between VA and private sector care,
- Across Maryland, more than one-half (58%) of current users were willing to travel to a "Center of Excellence" for their health care, 20% were not willing to travel at all,
- Nearly four-fifths (77%) of current users were willing to pay for some medical services (i.e., dental, eye care, prescriptions) to be received at VA facilities, that are not currently included in their VA health benefits.

The Maryland survey revealed VA health care areas of strength were: 1) overall quality of nursing care; 2) overall quality of doctor care; 3). effectiveness of medical treatment; 4). time spent with the doctor; 5). timeliness of reporting test results. The survey revealed that these health services need to be maintained at their current level to ensure the continued level of overall patient satisfaction with VA health service.

Several other areas were noted as "target goals" for improvement by staff of VA medical facilities pursuant to increased levels of patient satisfaction. These included: 1). time in days it takes to get an appointment to see a doctor; 2). time spent waiting to see a doctor after patient arrival; 3). time spent waiting at the pharmacy. According to the survey results, these areas, if improved, represent increased opportunities for VA to satisfy

more patients ultimately raising the overall satisfaction of veterans with VA health services.

Other identified service delivery areas that need to be improved include: 1). receiving a letter describing VA health benefits and eligibility; 2.) using VA neighborhood medical facilities staffed with VA personnel; 3). going to a neighborhood health clinic and VA would pay for the "reasonable" expected costs of the visit.

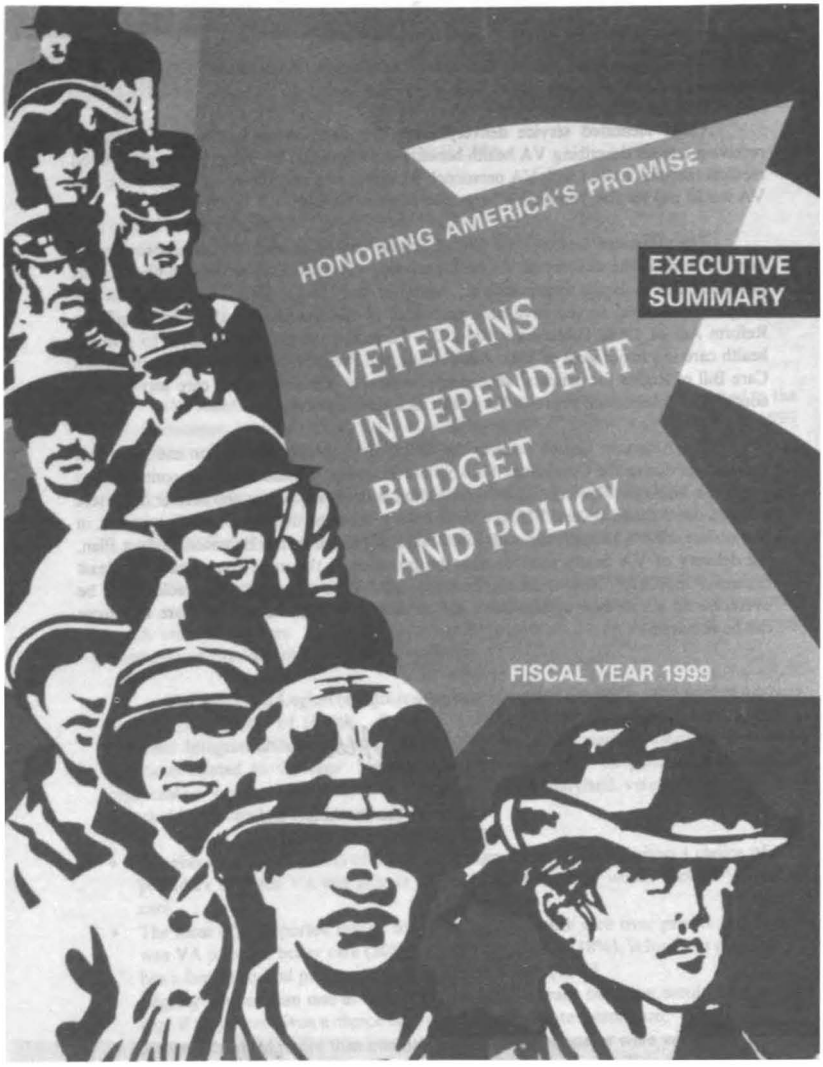
The American Legion's GI Bill of Health recognizes that certain improvements must be made in the delivery of VA health services. The proposal provides a blueprint to providing the tools for improvement. Many of the "target goals" identified in the Maryland veterans' survey have been addressed in the Veterans Health Care Eligibility Reform Act of 1996, Public Law 104-262. Currently, the increased access to primary health care is a major goal of VA. Additionally, the President's recently proposed Health Care Bill of Rights for patients' accessing government provided health care services will continue to enhance and improve VA health care service delivery.

The American Legion believes the Veterans Health Administration can provide a valuable service to the Committee if a well-known polling organization was contracted to conduct a market analysis of potential utilization patterns of current and former VA users and non-users across several VISNs. Due to VA's expected decline in spending power, in real dollars, of 4% annually through Fiscal Year 2002 due to the Balanced Budget Plan, the delivery of VA health services must be provided in the most appropriate and least expensive modality. Now is an excellent time for VA to assess what obstacles must be overcome to attract new system users and to determine what new health care resources can be acquired.

Sincerely,

Carroll Williams

Carroll Williams
Director
National Veterans Affairs and
Rehabilitation Commission


HONORING AMERICA'S PROMISE
EXECUTIVE SUMMARY
VETERANS INDEPENDENT BUDGET AND POLICY
FISCAL YEAR 1999

Prologue

This is the 12th *Independent Budget*. Every February since 1987, the community of veterans service organizations has presented policy positions, programmatic recommendations, and resource requirements for the Department of Veterans Affairs (VA) to Congress as a counterpoint to the Administration's budget. The *Independent Budget* derives its authority from the people for whom it speaks—the veteran members of the organizations that author and endorse it.

In the iron triangle of veterans' politics, Congress, the Administration, and veterans' advocates forge VA's future fiscal year by fiscal year. The *Independent Budget* is an annual reminder that the men and women who made possible America's freedom and bounty have earned compensation, pensions, medical care, and memorial services. As society becomes more disconnected from the notion of patriotic military service, we find fewer allies who appreciate our loyalty. The values that led us as young men and women to offer our lives in service to the greater good of our people too often seem to have little currency in budget negotiations. We still hold those values and insist that honor, loyalty, and sacrifice for the common good should determine how we allot our nation's wealth.

Josephus C. Vandengoorbergh
National Commander
AMVETS

Harry R. McDonald, Jr.
National Commander
Disabled American Veterans

Kenneth C. Huber
National President
Paralyzed Veterans of America

John E. Moon
Commander-in-Chief
Veterans of Foreign Wars
of the United States

FY 1999 Independent Budget Endorsers

Air Force Sergeants Association

Alliance for Aging Research

American Association of Dental Schools

American Association of Spinal Cord Injury Nurses

American Association of Spinal Cord Injury Psychologists and Social Workers

American Ex-Prisoners of War

American Optometric Association

American Paraplegia Society

American Physiological Society

American Podiatric Medical Association

American Psychiatric Association

American Society of Nephrology *

Arthritis Foundation

Association for Assessment and Accreditation of Laboratory Animal Care

Association for Health Services Research

Association of American Medical Colleges

Association of Professors of Medicine

Association of Program Directors in Internal Medicine *

Association of Schools of Public Health

Association of Subspecialty Professors *

Association of the U.S. Army *

Blinded Veterans Association

Brotherhood Rally of All Veterans Organization *

Catholic War Veterans, USA, Inc.

Diabetes Action Research and Education Foundation

Disabled Sports USA

The Enlisted Association of the National Guard of the United States

Gold Star Wives of America, Inc.

Jewish War Veterans of the U.S.A.

Legion of Valor of the U.S.A., Inc.

Mankind Research Foundation

Military Chaplains Association of the USA

Military Order of the Purple Heart

National Amputation Foundation

National Association for Uniformed Services

National Association of County Veterans Service Officers

National Association of Military Widows *

National Association of Veterans' Research and Education Foundations

National Coalition for Homeless Veterans

National Hispanic Council on Aging

National Multiple Sclerosis Society

Non Commissioned Officers Association of the United States of America

Nurses Organization of Veterans Affairs

Polish Legion of American Veterans, U.S.A.

Reserve Officers Association of the United States *

The Retired Officers Association

Society for Neuroscience

Society of Military Widows *

U.S. Coast Guard Chief Petty Officers Association

U.S. Merchant Marine Veterans of World War II *

Veterans Affairs Physician Assistant Association

Veterans of the Vietnam War, Inc.

Vietnam Era Veterans Association/Rhode Island Veterans Action Center

Vietnam Veterans of America, Inc.

* *New Endorsers*

Guiding Principles

- Veterans should not have to wait for benefits to which they are entitled.
- Veterans should be sure that high-quality medical care will always be available to them.
- Disabled veterans with special needs should be sure that specialized care will remain the focus of the Department of Veterans Affairs (VA) medical-care system.
- Veterans should be guaranteed access to the full continuum of health-care services, including long-term care.
- New entitlements and expansions of existing entitlements should be exempt from the pay-go provisions in the Budget Enforcement Act.
- Veterans should have national cemeteries with available gravesites in every state.
- VA's mission to support the military medical system in time of war or national emergency is essential to the Nation's security.
- VA's mission to conduct medical and prosthetics research in areas of veterans' special needs is critical to the integrity of the veterans' health-care system and to the advancement of American medicine.
- VA's mission to support health professional education is vital to the health of all Americans.

Table of Contents

Prologue 1

FY 1999 Independent Budget Endorsers 2

Guiding Principles 3

Summary of Recommendations 5
- Recommendations to Congress 8
- Recommendations to the Department of Veterans Affairs 12

Figures

Department of Veterans Affairs Budget Summary 6

Function 700 Discretionary 7

Miscellaneous Discretionary Programs 7

General Operating Expenses Recommended Budget Authority 17

National Cemetery System Recommended Budget Authority 18

Buying Power of the VA Medical Care Appropriation 1980-1998 19

Medical Care Recommended Budget Authority 20

Nonappropriated Supplemental Funding 20

Medical and Prosthetic Research Recommended Budget Authority 21

Medical Administration and Miscellaneous Operating Expenses (MAMOE) Recommended Budget Authority 22

Construction, Major Projects, Recommended Budget Authority 23

Construction, Minor Projects, Recommended Budget Authority 23

Summary
of Recommendations

The following section provides a summary of all the recommendations in the *Independent Budget*. The budget recommendations are presented in three tables showing recommended budget authority for the Department of Veterans Affairs, Function 700 discretionary (federal spending for all veterans programs), and the miscellaneous discretionary programs. The recommendations that call for Congressional action are grouped under the heading, "Recommendations to Congress"; those directed to VA under, "Recommendations to the Department of Veterans Affairs."

Summary of Budgetary Recommendations

The following three tables—the Department of Veterans Affairs Budget Summary, Function 700 Discretionary, and Miscellaneous Discretionary Programs (Function 700)—present the *Independent Budget*'s budget authority recommendations for FY 1999. The Department of Veterans Affairs Budget Summary shows the amounts recommended for specific programs and accounts within the Department of Veterans Affairs. The Function 700 Discretionary and the Miscellaneous Discretionary Programs (Function 700) show the amounts recommended for Function 700 discretionary spending. Function 700 encompasses the Department of Veterans Affairs and all other federal discretionary spending for programs providing benefits and services, the eligibility for which is related to prior military service, but the financing of which is not an integral part of the cost of national defense. The Miscellaneous Discretionary Programs (Function 700) shows recommendations for programs found outside of the Department of Veterans Affairs.

DEPARTMENT OF VETERANS AFFAIRS BUDGET SUMMARY

	FY 1998 *Appropriation*	FY 1999 *Current Services Level*	FY 1999 IB *Recommended Budget Authority*
Veterans Health Administration			
Medical Care	$ 17,057,396,000	$ 17,581,996,000	$ 18,838,093,000
Medical Collections Guarantee	$ 15,000,000	$ 15,000,000	$ 15,000,000
Medical Care Cost Recovery Collections	$ 604,000,000	$ 660,000,000	$ 660,000,000
Offsetting Receipts	$ (604,000,000)		$ (660,000,000)
TOTAL AVAILABLE	$ 17,661,396,000	$ 18,256,996,000	$ 18,853,093,000
Medical and Prosthetic Research	$ 272,000,000	$ 279,008,000	$ 314,008,000
Medical Administration and Miscellaneous Operating Expenses	$ 59,860,000	$ 61,618,000	$ 65,642,000
TOTAL, VETERANS HEALTH ADMINISTRATION	$ 17,404,256,000	$ 18,597,622,000	$ 19,232,743,000
Departmental Administration			
General Operating Expenses	$ 786,135,000	$ 808,194,000	$ 885,251,000
National Cemetery System	$ 84,183,000	$ 86,547,000	$ 99,919,000
Office of Inspector General	$ 31,013,000	$ 31,924,000	$ 31,924,000
Construction, Major Projects	$ 177,900,000	$ 181,648,000	$ 181,648,000
Construction, Minor Projects	$ 175,000,000	$ 178,725,000	$ 179,726,000
Grants for Construction of State Extended Care Facilities	$ 80,000,000	$ 81,680,000	$ 81,680,000
Grants for Construction of State Veterans Cemeteries	$ 10,000,000	$ 10,210,000	$ 10,210,000
TOTAL, DEPARTMENTAL ADMINISTRATION	$ 1,344,231,000	$ 1,378,928,000	$ 1,470,358,000
OTHER DISCRETIONARY ACCOUNTS	$ 161,585,000	$ 164,978,000	$ 164,978,000
TOTAL, DISCRETIONARY PROGRAMS	$ 18,910,072,000	$ 20,141,528,000	$ 20,868,079,000

FUNCTION 700 DISCRETIONARY
(Recommended Budget Authority, Veterans Benefits and Services)

	FY 1998 Appropriation	FY 1999 Current Services	FY 1999 Recommended Budget Authority
Function 700: Discretionary Spending			
Veterans Education, Training, and Rehabilitation: Loan Fund Program Account	$ 1,148,000	$ 1,172,000	$ 1,172,000
Hospital and Medical Care for Veterans			
Medical Care	$ 17,057,396,000	$ 18,241,996,000[1]	$ 18,838,093,000
Medical and Prosthetic Research	272,000,000	279,008,000	314,008,000
Medical Administration and Misc. Operating Expenses	59,860,000	61,618,000	65,642,000
Medical Collections Guarantee	15,000,000	15,000,000	15,000,000
Subtotal, Hospital and Medical Care for Veterans	$ 17,404,256,000	$ 18,597,622,000	$ 19,232,743,00
Construction of Medical Facilities	432,900,000	442,053,000	443,054,000
TOTAL, HOSPITAL AND MEDICAL CARE FOR VETERANS	$ 17,837,156,000	$ 19,039,675,000	$ 19,675,797,000
Veterans Housing			
Housing Program Loan Subsidies	$ 160,437,000	$ 163,806,000	$ 163,806,000
Other Veterans Benefits and Services			
Other General Operating Expenses	$ 959,547,000	$ 986,104,000	$ 1,076,533,000
TOTAL, DISCRETIONARY	$ 18,958,288,000	$ 20,190,757,000	$ 20,917,308,000

[1] MCCR augmentation included.

MISCELLANEOUS DISCRETIONARY PROGRAMS
(Function 700)

Misc. Veterans Programs Loan Fund Program Account
FY 1998 Appropriation $ 1,148,000
FY 1999 Current Services Budget Authority $ 1,172,000

Veterans Housing Program Loan Subsidies
FY 1998 Appropriation $160,437,000
FY 1999 Current Services Budget Authority $163,806,177

Court of Veterans Appeals
FY 1998 Appropriation $ 9,319,000
FY 1999 Current Services Budget Authority $ 9,515,000

American Battle Monuments Commission
FY 1998 Appropriation $ 26,897,000
FY 1999 Current Services Budget Authority $ 27,462,000

Department of Defense-Civil-Cemeterial Expenses, Army-Salaries & Expenses
FY 1998 Appropriation $ 12,000,000
FY 1999 Current Services Budget Authority $ 12,252,000

Grants for Construction of State Extended Care Facilities
FY 1998 Appropriation $ 80,000,000
FY 1999 Current Services Budget Authority $ 81,680,000

Grants for Construction of State Veterans Cemeteries
FY 1998 Appropriation $ 10,000,000
FY 1999 Current Services Budget Authority $ 10,210,000

Recommendations to Congress

BENEFIT PROGRAMS

Compensation

- Enact a cost-of-living adjustment for all compensation benefits sufficient to offset the rise in the cost of living.
- Do not interfere with the discretion exercised by the Secretary of Veterans Affairs in adopting or revising the *Schedule for Rating Disabilities*; reject the suggestion to undertake an economic validation with a view toward tampering with the rating schedule.
- Amend the law to authorize increased compensation on the basis of a temporary total rating for hospitalization or convalescence to be effective, for payment purposes, on the date of admission to the hospital or the date of treatment, surgery, or other circumstances necessitating convalescence.
- Repeal the inequitable requirement that veterans' military retired pay based on longevity be offset by an amount equal to their disability compensation.
- Enact legislation to remove the requirement that military nondisability separation, severance, or readjustment pay be offset against VA disability compensation.
- Reject VA's proposal to enact legislation that would bar service connection for tobacco-related illnesses incident to past service in the Armed Forces.
- Amend the law to provide for an exception to the three-year limitation on amendment of tax returns in the case of erroneous taxation of disability severance pay or in the case of retroactive exemption of more than three years; and change the law to discontinue the withholding of taxes from disability severance pay.

Dependency and Indemnity Compensation (DIC)

- Repeal the Omnibus Budget Reconciliation Act '90 provisions limiting revived DIC eligibility to cases of annulled or voided marriages.

Burial Benefits

- Amend 38 U.S.C. § 2306 to reinstate former subsection (d), which provided for reimbursement of the cost of acquiring a headstone or marker privately, in lieu of furnishing a Government headstone or marker.

Miscellaneous Assistance

- Amend the Equal Access to Justice Act (EAJA) to permit payment of EAJA fees to unsupervised nonattorneys who represent appellants before the Court of Veterans Appeals.

Readjustment Benefits

- Adjust the basic Montgomery GI Bill (MGIB) allowance to a level that provides veterans more assistance in meeting the costs of pursuing a course of education.
- Change the law to permit refund of an individual's MGIB contributions when his or her discharge was characterized as "general" or "under honorable conditions" because of minor infractions or inefficiency.
- Adjust the benefit rate for the Survivors' and Dependents' Educational Assistance program and amend the law to provide for automatic annual adjustments.
- Extend the authority for unpaid work experience to any private sector and not-for-profit sector employers who are willing to develop such unpaid work experience opportunities consistent with the veterans training program.
- Adjust the amount of the housing and adaptation grants for inflation and provide for automatic annual adjustments indexed to the rise in the cost of living.
- Increase the automobile allowance to 80% of the average cost of a new automobile.
- Amend the law to provide for automatic annual adjustment of the automobile allowance to keep pace with the rise in the cost of living.

Other Suggested Benefit Improvements

- Remove the two-year limitation on payment of accrued benefits.
- Exempt veterans' entitlements from the "pay-go" requirements.

GENERAL OPERATING EXPENSES

Veterans Benefits Administration

- Request that the Under Secretary promptly provide Congress with the recommended plan (1) to correct management deficiencies in VBA, (2) to gain control over and leverage field office performance, and (3) to make field office directors accountable to the Compensation and Pension and other program directors in VBA and begin a process for regular reporting on progress in implementation.
- Communicate more closely with VA to answer each other's concerns and reach an understanding on the proper course for VA's computer modernization program so that VBA can promptly begin to employ its reengineered processes.
- Include sufficient funding in VA's appropriations to add an additional 500 new full time employees (FTEs) in Compensation & Pension and maintain FTEs at the fiscal year 1997 level in other Veterans Benefits Administration components.
- Provide sufficient additional funding for toll-free telephone service to VA's four Regional Processing Offices that administer the education programs.

NATIONAL CEMETERY SYSTEM

- Ensure that adequate burial space is available for all eligible veterans and their families who desire burial in a national or state veterans cemetery.
- Ensure that the funding level for the State Grant Program is adequate to cover all state funding requests.
- Provide the resources to support an additional 275 full-time employee equivalents (FTEEs) to reduce serious staffing shortages, especially with the expansion of cemetery field operations.
- Support an aggressive marketing strategy and major construction plan to make Quantico National Cemetery a desirable and well-utilized alternative to burial in Arlington.
- Enact legislation guaranteeing that all veterans being buried in national cemeteries receive appropriate military honors, including an honor guard, rifle salute, and the playing of "Taps."
- Direct a transfer of funding from the Department of Defense to VA that would be sufficient for VA to contract for these appropriate services for all veterans buried in national cemeteries. The contracts would be with active duty military, Guard, or Reserve units that might provide the services.

UNITED STATES COURT OF VETERANS APPEALS (CVA)

- To maintain experienced judges on the Court at all times, amend the law to permit early, and thus staggered, retirement of CVA judges to avoid retirement and replacement of the majority of the judges during the same year.
- The Chief Judge should review the Court's practice of granting extensions and ensure that the Court's rules are appropriately adhered to, otherwise, Congress should conduct oversight hearings to address the issue.

MEDICAL CARE

Financing

- Base the VA medical care budget on the principle that third-party collections are to supplement—not substitute for—appropriations.
- Provide appropriations to fully cover the costs of enrolled veterans' medical care.
- Make up any Medical Care Cost Recovery shortfall with supplemental appropriations.
- Authorize VA to collect and retain Medicare payments for Enrollment Priority 7 Medicare-eligible veterans who do not currently use the system. As with all non-appropriated funds, Medicare payments must supplement, not substitute for, an adequate VA medical care appropriation.

- Guarantee that the benefits package available to veterans enrolled in VA includes all services available to Medicare beneficiaries.
- Reconfirm the commitment to the principle that care for veterans' service-connected disabilities and service-related conditions is a moral responsibility of the American people.

Quality

- Carry out comprehensive oversight of VA's quality assurance programs, in order to evaluate the scope of the current effort and the status of the key public laws. If this oversight demonstrates that legislation or additional resources are necessary to ensure that a quality assurance system is in place to catch problems and to provide for remedial action, Congress should enact appropriate laws and provide sufficient funding.

Eligibility Reform

- Guarantee that all Priority 1 through Priority 6 veterans who apply for enrollment in the VA health-care system will be enrolled.
- Guarantee that funding will be available to provide the full range of mandated benefits to all enrolled veterans.
- Instruct VHA to include in its capacity baseline all capacity for specialized treatment and rehabilitation in all settings, not just in specialized programs and facilities.
- Instruct VHA to measure capacity in tangible terms that reflect the system's ability to serve a given number of disabled veterans simultaneously.
- Authorize VA to pay for emergency services in non-VA facilities for all enrolled veterans if VA emergency services are not available through VHA by amending Section 1703 38 U.S. Code (a) (1).

Specialized Services

Blind Rehabilitation

- Engage in vigorous oversight to ensure that VHA complies with the provision of the Eligibility Reform Act of 1996 requiring VHA to maintain capacity to provide specialized services to disabled veterans.

Homelessness

- Expressly prohibit community providers from denying or delaying services to veterans and specifically address homeless veterans in all legislation designed to assist homeless Americans.
- Specifically address veterans issues in legislation for Workforce Development or employment.
- Fully fund both the grants and per-diem aspects of the Homeless Providers Grant and Per Diem Program.
- Fully fund the Homeless Veterans Reintegration Program at the $10 million authorized.

Women Veterans Services

- Reauthorize the Sexual Trauma Act and expand its authority to include provision of services to women who have served in the National Guard and Reserves.

Spinal Cord Injury Medicine

- Fund incentive pay increases for SCI physicians to attract and retain physicians in the specialty of SCI medicine.
- Fund pay increases for SCI chiefs.

Gulf War Illnesses

- Allocate funding for VA to contract with an independent body of non-governmental scientific experts representing various disciplines to analyze peer-reviewed studies and identify those illnesses associated with exposure to hazardous materials by Gulf War veterans.
- Allocate funding to allow VHA to employ toxicological and environmental medicine experts dedicated to the review of Gulf War illnesses.

Long-Term Care

Assurance of Long-Term Care

- Enact legislation to require VHA to provide nursing home care and other institutional and nonin-

stitutional long-term care as part of its benefit package for all enrolled veterans.

- Designate long-term care as a specialized service and direct VHA to maintain its capacity to provide long-term care.

Nursing Home Care

- Require VA to provide nursing home care to veterans as part of the full continuum of care.

State Veterans' Homes

- Fund the expansion of the State veterans' homes program.

Adult Day Health Care

- Move statutory authority for Adult Day Health Care (ADHC) from Community Nursing Home in U.S.C. 38, Section 1720 to more general Outpatient Authority in U.S.C. 38, Section 1721.

Assisted Living

- Amend VA's leasing authority to permit open-ended leases that could be renewed indefinitely as long as the services provided continue to fulfill the terms of the original agreement.

Respite Care

- Amend U.S.C. 38, Section 1720B to authorize VA to provide respite care in non-VA settings.

VA MEDICAL AND PROSTHETIC RESEARCH

- Appropriate $314 million to fund VA medical, prosthetic, and health services research in FY 1999, an increase of $42 million over FY 1998 levels.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES (MAMOE)

- Provide full MAMOE appropriations of $65.6 million to support Headquarters' monitoring, quality assurance, and oversight responsibilities and a staff of 610 FTEs.

CONSTRUCTION

- Make the Enhanced-Use Lease program permanent.
- Change the Minor Construction appropriation language to allow the use of Minor Construction funds for Enhanced-Use leasing projects.
- Extend the term limitations, currently at 20 years or 35 years, in cases of leases involving new construction or substantial rehabilitation, to 55 years.
- Adjust the Minor Construction project cost ceiling annually, using an inflation- adjusted matrix, so funding shortfalls due to inflation of costs do not continue to occur with each passing year.
- Allow VA to establish a Department Capital Investment Board to develop policy guidance. The Board should be given approval authority for capital investments culminating in the submission of an agency capital plan in support of the annual budget request.

Recommendations to the Department of Veterans Affairs (VA)

BENEFIT PROGRAMS

Pensions

- Conduct a study to determine if the removal of the presumption of permanent and total disability for pension purposes at age 65 results in savings or whether costs of VA examinations and record development outweigh potential savings.

GENERAL OPERATING EXPENSES

Veterans Benefits Administration (VBA)

- Immediately formulate a plan (1) to correct management deficiencies in VBA, (2) to gain control over and leverage field office performance, and (3) to make field office directors accountable to the Compensation and Pension (C&P) and other program directors in VBA.
- Communicate more closely with Congress to answer each other's concerns and reach an understanding on the proper course for VA's computer modernization program so that VBA can promptly begin to employ its reengineered processes.
- Take the necessary action and provide the necessary support to ensure the full, prompt implementation and success of the Business Process Reengineering for C&P.
- Immediately implement nationwide the use of the new position and attendant qualification standards for the appropriate vacancies that become available in Vocational Rehabilitation and Counseling (VR&C).
- Whenever possible the Disabled Veterans Outreach Specialist should be part of case management, starting with the initial evaluation and rehabilitation plan, to assure successful employment outcomes. This may include training, which will result in skills marketable in the local economy. Current labor market information should be used to ensure that jobs for which the veteran is being trained exist in the geographic area where the client resides.
- Provide all VR&C staff with current state-of-the-art equipment to efficiently perform the duties of providing vocational rehabilitation and employment services to disabled veterans. Hold regional office directors accountable for delivery and maintenance of such equipment.
- VR&C should follow the recommendation of the Design Team to redefine contracting, reduce their dependence on contracting, provide the tools to purchase needed services for veterans in the vocational rehabilitation program, and expand use of the fee-for-service purchasing rather than contracting.
- Establish a national marketing strategy aimed at providing potential customers, service organizations, other referral sources, and partners with accurate information about the vocational rehabilitation program, with specific emphasis on employment.

Board of Veterans' Appeals (BVA)

- Amend 38 C.F.R. § 19.5 to remove its unlawful provision exempting BVA from VA manuals, circulars, and other Department directives.

NATIONAL CEMETERY SYSTEM

- Explore through the construction program every opportunity to keep cemeteries open. This will include acquisition of adjacent lands and the construction of columbaria.
- Seek to maintain the historic character of its older cemeteries where possible and feasible. Relief from historic preservation requirements should be sought as appropriate.
- Develop an aggressive marketing strategy and major construction plan to make Quantico National Cemetery a desirable and well-utilized alternative to burial in Arlington National Cemetery.

MEDICAL CARE

Financing

- Continue to apply insurance recoveries to offset veterans' copayments.
- Be an active participant and a full beneficiary of any global tobacco settlement.

Quality

- Promptly implement the recommendations of the President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry.

Eligibility Reform

- Define a nonservice-connected catastrophic disability for the purpose of enrollment priority as a disability that would be rated 100% under VA's *Schedule for Rating Disabilities*.
- Include emergency services in both VA and non-VA facilities in its benefits package.

Specialized Services

Community-Based Outpatient Clinics (CBOCs)

- Staff CBOCs with health providers who can meet the special health care needs of veterans wherever specialized services workload justifies specialized resources.
- CBOC staff must refer veterans according to clinically specified referral protocols, if they cannot meet veterans' needs.

Blind Rehabilitation

- Devote sufficient resources to establish more Blind Rehabilitation Outpatient Specialist (BROS) positions.
- Increase capacity to provide residential blind rehabilitation.
- Include Visual Impairment Service Teams (VIST) and BROS Programs in any definition of maintaining capacity.
- Base decisions about lengths of inpatient blind rehabilitation stays on individual veterans' needs, not costs.

Homelessness

- Fully fund both the grants and per-diem aspects of the Homeless Providers Grant and Per Diem Program.
- Review all treatment programs for homeless veterans to ensure the focus is on obtaining and sustaining employment.

Women Veterans

- VHA facilities must develop written programs or policies addressing issues of privacy and security for women veteran.
- Continue to provide complete physical examinations, including pelvic and breast examinations, mammography and other cancer screenings to all enrolled women veterans.
- Increase the number of in-house services for women veterans.

Prosthetics and Sensory Aids

- Ensure that Veteran Integrated Service Networks (VISNs) have adequate funds to provide timely, high-quality prosthetic devices and sensory aids to veterans.
- Centrally retain sufficient prosthetics and sensory aids funds and allocate those funds—or excess funds from other VISNs—to VISNs with funding shortfalls.
- Add at least three Full Time Employee Equivalents (FTEEs) to the Strategic Healthcare Group for Prosthetics and Sensory Aids at VA National Headquarters.
- Prescribe prosthetic devices and sensory aids based on medical needs, not cost.
- VISN directors must ensure that prosthetics and sensory aid departments are fully staffed by appropriately trained teams and directors.
- VISN directors must ensure that sufficient training funds are reserved for sponsoring prosthetic training conferences for appropriate technical and clinical personnel.

Spinal Cord Dysfunction Care

- Provide and additional 3 FTEEs for the Strategic Health Group for SCI and Other Spinal Cord Disorders to develop education and training programs.
- Explore the possibility of using military physicians for periods of temporary duty on VA Spinal Cord Injury (SCI) services.
- Explore the use of graduates and trainees from the Uniformed Services University of the Health Sciences.

Traumatic Brain Injury (TBI) Care

- Ensure that all VISNs provide adequate TBI care.
- Include TBI performance standards within the VISNs management's performance requirements.

Care for the Seriously Mentally Ill

- Maintain sufficient inpatient and long-term care bed capacity to meet the needs of seriously mentally ill veterans.
- Implement a tracking system to assess the effects of discharging seriously mentally ill veterans from inpatient and long-term care beds.
- Provide better case management and long-term follow-up for seriously mentally ill veterans.
- Reinvest the money saved by eliminating long-term care beds in other care options for seriously mentally ill veterans, such as Intensive Psychiatric Community Care (IPCC) programs.
- Encourage consumer involvement in mental health care through the Mental Health Consumer Council pilot project.

Posttraumatic Stress Disorder (PTSD)

- VHA must continue a strong accessible effort to provide PTSD treatment with services tailored to meet the needs individual veterans.

Substance Abuse

- Ensure that substance abuse treatment is available to veterans in each VA medical center location, in a manner that is coordinated with treatment for PTSD and other neuro-psychiatric conditions.
- Ensure that each veteran is assigned a care manager.
- Ensure that eligible veterans have full access to the entire panoply of services that responds to their needs for medical care, counseling, housing, vocational training, and income support.
- Collaborate with other Federal and State agencies and community groups to ensure that veterans—especially those who are homeless—receiving outpatient care and/or partial hospitalization have access to safe, clean, sober transitional housing while in VA care. This issue must be officially recognized as one of quality of care.

Gulf War Illness

- Allocate funding for VA to contract with an independent body of non-governmental scientific experts representing various disciplines to analyze peer-reviewed studies and identify those illnesses associated with exposure to hazardous materials by Gulf War veterans.
- Issue guidelines that clearly and concisely explain to Gulf War veterans what health care services are available.

Long-Term Care

- Provide the full continuum of long-term care services.
- Designate long-term care as a specialized service, maintain current capacity for institutional long-term care, and expand noninstitutional long-term care programs.

Nursing Home Care

- Increase capacity to provide services in VA nursing homes, State veterans' homes and community nursing homes.

Community Nursing Homes

- Ensure that nursing home stays are long enough to meet veterans' health needs and to allow for planning for veterans' long-term placement in the appropriate care setting.
- Discharge planners must work with the patient and family to develop a care plan prior to placement in a nursing home. This should include a

functional assessment to determine if nursing home placement is appropriate. All alternatives to nursing home care, including home care and assisted living, should be considered.

State Veterans Homes

- Compensate State veterans' homes for one-third of the average per diem cost of care for veterans in those homes.

Home- and Community-Based Care

- Expand home- and community-based programs by increasing capacity in existing programs and developing new programs, such as assisted living.
- Ensure that home- and community based programs are used appropriately.

Assisted Living

- Aggressively pursue development of assisted living capacity within VA and through private sector partnerships.
- Use minor construction funds to modify existing buildings.
- Use the Enhanced-Use leasing authority to create assisted living capacity to care for veterans and their spouses.

Administrative Issues

Fee Basis Care

- Develop standards to ensure that preauthorization requirements for private sector services do not inappropriately limit access to care. In emergent situations, preauthorization should be performed retroactively and with liberal guidelines.
- Ensure that veterans have access to supervised Registered Nurses (RNs) and advanced practice nurses who authorize services who are knowledgeable about their specific conditions. If knowledgeable RNs are not available to authorize care, preauthorization requirements must be waived.
- Train clinic staff to meet the specialized needs of veterans before requiring that veterans use outpatient clinics. If outpatient clinics cannot deliver high-quality specialized services, veterans must be able to use non-VA providers.

VA Volunteer Service

- Veterans Health Administration (VHA) facilities should designate a staff person with volunteer staff experience to be responsible for recruiting volunteers, developing volunteer assignments, and maintaining a program that formally recognizes volunteers for their contributions.
- Develop outpatient activities for volunteers and encourage local volunteers to participate.
- Factor VAVS volunteer support in to the planning and activation of each Community-Based Outpatient Clinic (CBOC).
- VISN directors should include a plan of action for the use of volunteer support in any documentation of the approval package for CBOCs that is forwarded to the Under Secretary of Health.
- Add VA Volunteer Services (VAVS) volunteer productivity data to VHA facility productivity measurement systems and to facility management performance standards to create incentives for facilities and managers to utilize VAVS volunteers.

National Formulary

- Enforce VHA Directive 97-047 to ensure that physicians know they have flexibility to order nonformulary products for their patients.
- Clearly convey to physicians that it is their responsibility to order non-formulary products for patients when appropriate.
- Do not restrict access to products solely because of economics.

MEDICAL AND PROSTHETIC RESEARCH

- Establish additional Cooperative Research Agreements with National Institutes for Health. These agreements should leverage VA, NIH, and private sector funding to promote investigation in designated research areas, particularly in the special emphasis areas such as spinal cord injury, rehabilitation, and mental health.

MAMOE

- Increase the staff of Prosthetics and Sensory Aids Service by 6, Performance and Quality by 10, and the Strategic Healthcare Group for Spinal Cord Dysfunction by 3.

CONSTRUCTION

- Include a veteran's representative on the Capital Investment Board.
- Network Directors must have the authority and flexibility to alter their priority lists of proposed major construction projects without fear of losing construction dollars.
- Network Directors must develop five-year construction plans taking into consideration the impact of mission changes, VERA, and eligibility reform on capital requirements.
- Network Directors must assure that VISN plans describe how each proposed project would improve access to care and the quality of care for the patients they serve.
- National Headquarters staff should review, coordinate, and approve VISN construction projects independent of funding mechanisms.
- Increase construction budgets to allow consolidations, realignments, and other actions that are necessary to implement the changing national strategy for VA health care.
- Require all Enhanced-Use projects to comply with its mission and benefit veterans by improving access to care or the quality of patient care services provided.
- Establish additional community-based clinics to reach veterans who would otherwise travel long distances to obtain VA health care.
- Ensure that eligible veterans have equal access to quality health care throughout the nation.
- Primarily be a provider, not a payer. The system must not lose its identity in the proliferation of contracts.

General Operating Expenses Program Account

The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel compensation classes were increased 3.1 percent. All other object class items were projected to increase by 2.1 percent for the fiscal year. These increases were then added to the FY 1998 appropriations to achieve an FY 1999 current services baseline. Estimates of costs for IB recommendations were then added to the current services baseline to achieve the FY 1999 recommended budget authority for this account.

GENERAL OPERATING EXPENSES RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$ 786,135,000
FY 1999 Object Class Increases	
Personnel Compensation	17,124,000
Travel and Transportation of Persons	210,000
Transportation of Things	42,000
Rental Payments to GSA	1,617,000
Rental Payments to Others	147,000
Communications, Utilities, and Misc. Charges	714,000
Printing and Reproduction	105,000
Other Services	1,701,000
Supplies and Materials	168,000
Equipment	231,000
FY 1999 CURRENT SERVICES	$ 808,194,000
IB Recommendations	
Maintain FY 1997 Level of FTEEs	$ 49,158,000
Increase in Compensation and Pension FTEE by 500	$ 27,899,000
FY 1999 RECOMMENDED BUDGET AUTHORITY	$ 885,251,000

National Cemetery System Program Account

The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel compensation classes were increased 3.1 percent. All other object class items were projected to increase by 2.1 percent for the fiscal year. These increases were then added to the FY 1998 appropriations to achieve a FY 1999 current services baseline. Estimates of costs for IB recommendations were then added to the current services baseline to achieve the FY 1999 recommended budget authority for this account.

NATIONAL CEMETERY SYSTEM RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$84,183,000
FY 1999 Object Class Increases	
Personnel Compensation	1,860,000
Travel and Transportation of Persons	21,000
Rental Payments to GSA	21,000
Communications, Utilities, and Misc. Charges	84,000
Other Services	168,000
Supplies and Materials	126,000
Equipment	84,000
FY 1999 CURRENT SERVICES	$ 86,547,000
IB Recommendations	
Contract Authority Color Guard Initiative	$ 1,000,000
Increase in Field Maintenance and Interment Staff by 275 FTE	$ 12,372,000
FY 99 RECOMMENDED BUDGET AUTHORITY	$ 99,919,000

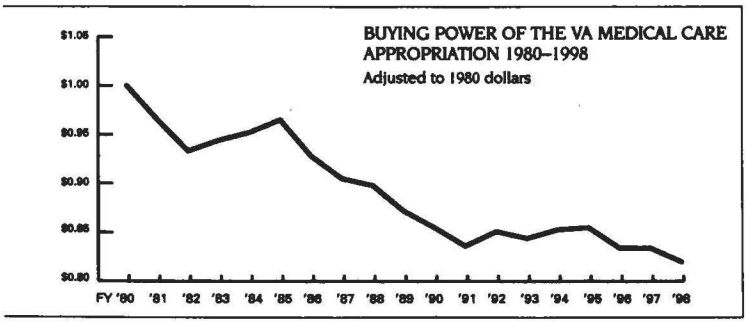
Medical Care Account

The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel Compensation classes were increased by 3.1%. VA Sponsored Medical Care was increased by 3.6%. All other object classes were projected to increase by 2.1% for the fiscal year. These increases are then added to the FY1998 appropriations to achieve the FY 1999 Current Services baseline.

Workload increases for the Medical Care budget are based on veteran demographics and health-care delivery trends. The costs associated with additional workload are based on historical VA funding.

The workload trends are linearly projected across five years. The program increases range from a 1 percent increase for hospital inpatients (a 5 percent increase between 1997 and 2001) to an 8 percent increase for outpatient visits (40 percent increase between 1997 and 2001) for fiscal year 1999.

Other VA Program items are determined by assigning a direct cost per program and determining the number of programs needed based on workload targets. Factors considered for estimating direct cost included equipment, occupancy rates, staffing, and overhead.



The amount by which medical care appropriations have increased has been more than offset by the country's medical care inflation rate. Since 1980, the medical-care appropriations' buying power has fallen sharply. Even with the increase of 62% in medical-care appropriations from 1980 to 1998, the effects of inflation are not offset. In terms of the buying power of the appropriations, VA's ability to manage a comprehensive health-care system has been declining since 1980.

MEDICAL CARE RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$17,057,396,000
FY 1999 Object Class Increases	
Personnel Compensation	$ 308,264,000
Travel and Transportation of Persons	4,599,000
Transportation of Things	630,000
Rental Payments to GSA	546,000
Rental Payments to others	1,386,000
Communications, Utilities, and Misc. Charges	9,765,000
Printing and Reproduction	294,000
Other Contractual Services	32,088,000
VA Sponsored Medical Care	
Outpatient Dental Fees	504,000
Medical and Nursing Fees	10,908,000
Community Nursing Homes	13,104,000
Contract Hospitalization	5,688,000
Civilian Health and Medical Program of the VA	3,060,000
Supplies and Materials	99,612,000
Equipment	19,620,000
Land and Structures	5,418,000
Grants, Subsidies and Contributions	9,072,000
Interest and Dividends	42,000
FY 1999 CURRENT SERVICES	$ 17,581,996,000
Workload Increases	
VA-Sponsored Programs	
Community Nursing Homes	$ 4,133,000
Community Hospital	1,403,000
State Home Nursing Homes	18,400,000
Fee Basis Outpatient	3,910,000
TOTAL, VA-SPONSORED PROGRAMS	$ 27,846,000
VA-Operated Programs	
Hospital Inpatient	$ 88,538,000
Nursing Home	77,254,000
Domiciliary	11,196,000
Outpatient	381,929,000
TOTAL, VA-OPERATED PROGRAMS	$ 558,917,000
Other VA Programs	
Hospital-Based Home Care	$ 3,117,000
Adult Day Health Care-VA	282,000
Adult Day Health Care-Contract	433,000
Geriatric Evaluation Management Teams	1,951,000
GRECCs	1,989,000
Respite Programs	978,000
TOTAL, OTHER VA PROGRAMS	$ 9,334,000
TOTAL, WORKLOAD INCREASES	$ 596,097,000
	$ 18,178,093,000
Nonappropriated Supplemental Funding	$ 660,000,000
FY 1999 RECOMMENDED BUDGET AUTHORITY	$ 18,838,093,000

NONAPPROPRIATED SUPPLEMENTAL FUNDING

FY99 Expenditures	
Collection Costs	$175,000,000
Equipment Backlog	65,000,000
Community Based Outpatient Clinic Activations	180,000,000
Information Technology Infrastructure Investment for Personnel and Capital	30,000,000
Assisted Living Facilities, New	135,000,000
Personal Care Attendant Programs	75,000,000
FY 1999 RECOMMENDED FUNDING	$660,000,000

VA Medical and Prosthetic Research Account

The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel compensation classes were increased 3.1 percent. All other object class items were projected to increase by 2.1% for the fiscal year. These increases were then added to the FY1998 appropriations to achieve a FY 1999 Current Services baseline. Estimates of costs for IB recommendations were then added to the current services baseline to achieve the FY 1999 recommended budget authority for this account.

The *Independent Budget* Veterans Service Organizations recommendation includes $279 million just to maintain current services at this year's level and $35 million to enhance investigation in priority VA Designated Research Areas as follows.

Designated Research Areas: . . . . . .$17 million

Aging, Chronic Diseases, Mental Illness, Substance Abuse, Sensory Loss, Trauma-Related Impairment, Health Systems, Special Population, Military Occupational and Environmental Exposures

Career Development Enhancements: . . . .$10 million

Promoting research grants to young researchers seeking careers in VA medicine. Emphasis should be placed in promoting research in the areas of special emphasis programs and specialized services such as spinal cord dysfunction medicine

Additional Rehabilitation Research Centers in special emphasis fields: . . . . . $ 4 million

Two new nicotine addiction and smoking cessation research centers: . . . . .$ 4 million

MEDICAL AND PROSTHETIC RESEARCH RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$272,000,000
FY 1999 Object Class Increases	
Personnel Compensation	4,278,000
Employee Travel	42,000
Communications, Utilities and Misc. Charges	21,000
Printing and Reproduction	21,000
Research and Development Contracts	1,869,000
Supplies and Materials	630,000
Equipment	147,000
FY 1999 CURRENT SERVICES	$ 279,008,000
IB Recommendations	
Additional Research Initiatives	$ 17,000,000
Career Development, Including Awards	
Specialized Services Research	10,000,000
Additional Rehabilitation Research Centers in Specialized Services Including Spinal Cord Injury, Dysfunction	4,000,000
Creation of Smoking Cessation and Addiction Centers	4,000,000
FY 1999 RECOMMENDED BUDGET AUTHORITY	$ 314,008,000

MAMOE Account

The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel compensation classes were increased 3.1 percent. All other object class items were projected to increase by 2.1% for the fiscal year. These increases were then added to the FY1998 appropriations to achieve a FY 1999 Current Services baseline. Estimates of costs for IB recommendations were then added to the current services baseline to achieve the FY 1999 recommended budget authority for this account.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES (MAMOE) RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$ 59,860,000
FY 1999 Object Class Increases	
Personnel Compensation	1,519,000
Travel and Transportation of Persons - Employee Travel	21,000
Rental Payments to GSA	105,000
Communications, Utilities, and Misc. Charges	8,000
Other Services	63,000
Supplies and Materials	21,000
Equipment	21,000
FY 1999 CURRENT SERVICES	$ 61,618,000

IB Recommendations	
Increase in 45 FTEE to include:	
Strategic Health Care Group for Spinal Cord Dysfunction-3	$ 268,000
Performance and Quality-10	894,000
Prosthetics and Sensory Aids Service-6	537,000
VHA Headquarters Staff-26	2,325,000
FY 1999 RECOMMENDED BUDGET AUTHORITY	$ 65,642,000

Major and Minor Construction Accounts

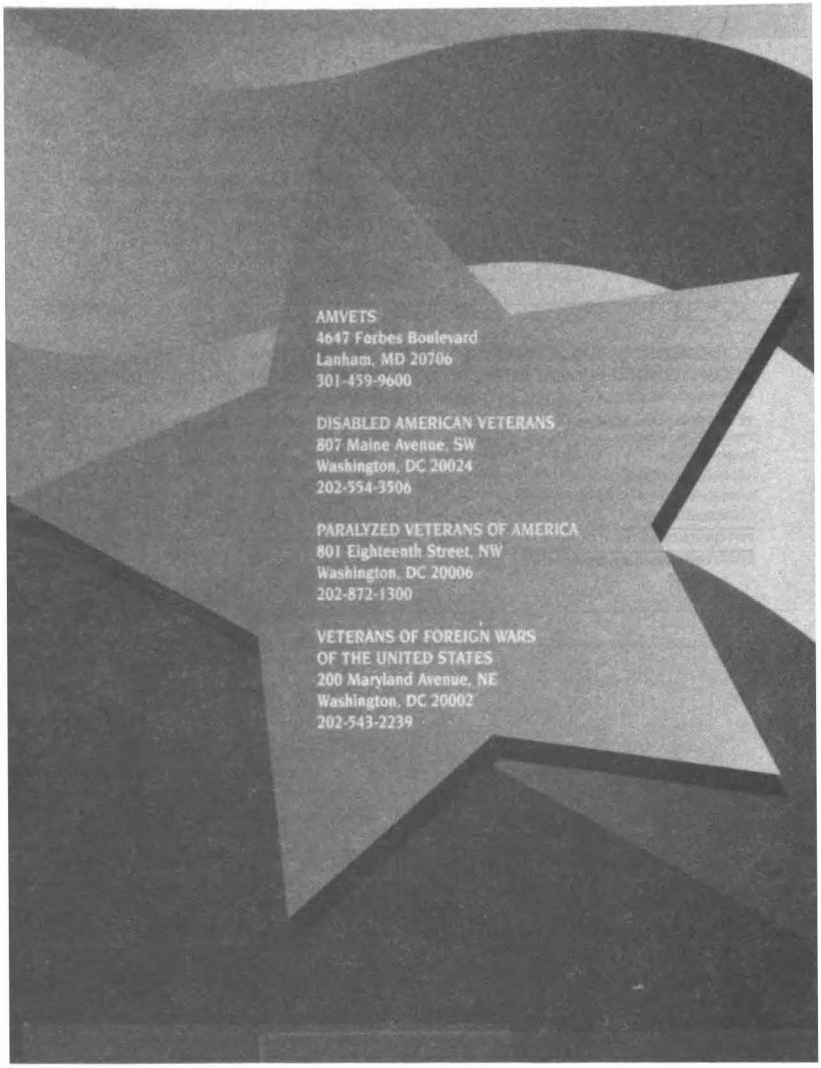
The FY 1999 object class increases were projected from the FY 1998 appropriation for this account. Personnel compensation classes were increased 3.1%. All other object class items were projected to increase by 2.1% for the fiscal year. These increases were then added to the FY1998 appropriations to achieve the FY 1999 current services baseline.

CONSTRUCTION, MAJOR PROJECTS RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$ 177,900,000
FY 1999 Object Class Increases	
Personnel Compensation	31,000
Other Services	294,000
Supplies and Materials	42,000
Equipment	63,000
Land and Structures	3,318,000
FY99 CURRENT SERVICES	$ 181,648,000
FY99 RECOMMENDED BUDGET AUTHORITY	$181,648,000

CONSTRUCTION, MINOR PROJECTS RECOMMENDED BUDGET AUTHORITY

FY 1998 Appropriations	$175,000,000
FY 1999 Object Class Increases	
Personnel Compensation	155,000
Other Services	777,000
Supplies and Materials	42,000
Equipment	84,000
Land and Structures	2,667,000
FY 1999 CURRENT SERVICES	$ 178,725,000
IB Recommendations	
LONG-TERM CARE BED CONVERSIONS	$ 1,001,000
FY99 RECOMMENDED BUDGET AUTHORITY	$ 179,726,000



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