

**REBUILDING THE GULF COAST FOLLOWING
HURRICANE KATRINA**

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES SENATE

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REBUILDING THE GULF COAST FOLLOWING HURRICANE KATRINA

THURSDAY, NOVEMBER 10, 2005

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:04 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Larry Craig, (Chairman of the Committee) presiding.

Present: Senators Craig, Hutchison, Thune, Isakson, Akaka, Murray, and Salazar.

Also Present: Senators Lott, Cochran, and Landrieu.

OPENING STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR FROM IDAHO

Chairman CRAIG. Good afternoon, ladies and gentlemen. The Committee will come to order.

The Committee meets this afternoon to hear from the Secretary of Veterans Affairs and his staff on the efforts VA is undertaking to re-establish service and rebuild VA facilities along the Gulf Coast in the aftermath of Hurricanes Katrina and Rita.

Before we begin to talk about the future of the VA in the region, I would like to spend just a moment to recognize VA's past efforts, especially those in the weeks following Hurricane Katrina's land-fall. As many of you may know, VA was one of the few bright lights to shine through the devastation that hit the region.

Advanced planning and a well-known electronic medical records system helped ensure that the VA could coordinate and move thousands of staff and patients to facilities across the United States without a single loss of life attributed to the lack of medical attention. In addition, VA staff members, volunteering thousands of hours of their time to assist veterans and other citizens in the affected communities, ensured that the aftermath of this storm went as smoothly as possible.

While more people than I can possibly name are responsible for that success, I want to especially recognize the gentlemen sitting at our front table today, Secretary Nicholson, Dr. Perlin, and Mr. McClain. Your efforts ensured that emergency response plans were created in advance of the storm and implemented.

In particular, though, I want to single out our fourth member of the panel today, Dr. Lynch. Robert Lynch was VA's man in charge on the ground in the Gulf. He and his staff worked countless hours for the good of thousands of our veterans. Dr. Lynch, I hope you know how proud we are of your efforts and those of your staff. You

lead a truly remarkable group of individuals, and I hope you will pass on our highest compliments to all of them.

Like so many private houses and businesses, the Department of Veterans Affairs experienced a significant amount of destruction and damage during Hurricane Katrina. The VA's medical center in Gulfport, Mississippi, was totally decimated by the storm.

In New Orleans, VA's medical facilities experienced significant flooding on the lower floors and wind damage on the upper floors. That damage, coupled with a lack of electricity and ventilation, raises serious concerns as to whether the interior of these buildings is beyond repair.

In addition, VA has no regional office in New Orleans at this time to handle disability compensation payments and other benefit matters. The office was located in a postal building in downtown New Orleans that sustained water damage and has not reopened. Even VA's one working medical facility in the Gulf region, the Biloxi VA medical center, sustained some structural damage and is in need of repair.

Putting all of these pieces together, or I should say back together again, will be a massive undertaking. It will not be easy or inexpensive. VA is confronted with the fact that there is no real medical infrastructure at all in New Orleans.

Both LSU and Tulane medical schools, which were a significant source of medical staff for VA facilities in the region, are not open. Even many of the veterans who relied on facilities along the coast are now living in other areas of Mississippi and Louisiana.

To address the financial considerations facing VA, the President recently sent his third hurricane supplemental request to Congress. This request identified \$1.15 billion to help VA rebuild efforts at the facilities I have just mentioned. Further, the bill includes \$300 million to purchase new equipment and replace pharmaceuticals which were lost or destroyed during this emergency.

I look forward to the Secretary's testimony to get some of the detailed information about this rebuilding effort and perhaps some estimates on timelines and other challenges we face.

With that, I will recognize Secretary Nicholson. Our Ranking Member, Senator Akaka, is not here. Let me then turn to my colleagues who are now here to see if there are any opening comments before we turn to the Secretary.

Senator Murray. Patty.

Senator MURRAY. Mr. Chairman, thank you very much. I apologize. I won't be able to stay for the hearing because we have a transportation conference that I need to go to in a minute.

But I would like to submit my statement for the record.

[The prepared statement of Senator Murray follows:]

PREPARED STATEMENT OF HON. PATTY MURRAY, U.S. SENATOR FROM WASHINGTON

I want to thank Chairman Craig and Ranking Member Akaka for having today's hearing and for the distinguished Members joining us from the affected region.

I also wanted to thank Secretary Nicholson for being here to answer our questions on how the VA is moving forward with rebuilding and recovering from the destruction caused by Hurricane Katrina.

Mr. Secretary, we're here today to see that we take care of veterans who have been displaced or whose services have been interrupted by Hurricane Katrina.

However, as we do that, I want to make sure that we do not end up jeopardizing or in any way compromising the quality of care available to other veterans across the Nation.

The reason I raise this concern is that just this year, we faced a situation in which bad planning and budgeting on your part led to a massive shortfall in VA healthcare funding.

If I hadn't insisted on making sure we provided funding to meet that shortfall—in spite of your assurances, our veterans would be in serious trouble right now.

Mr. Secretary, I do not want to sit here 8 months from now and hear that the VA underestimated the impact of Katrina and had to take money away from veterans who need care to compensate for its mistake.

Now, let me say that I, like everyone in America, was saddened to see the devastation in the Gulf region after Hurricane Katrina. The families without homes, and the cities in tatters, were tragic. There are many steps that need to be taken to rebuild that region.

But I am worried that Congress will do so by shortchanging programs required by other Americans. That would be wrong.

As a long-time Member of the Senate Veterans Affairs Committee, I am very concerned that veterans' medical services are susceptible to be sacrificed in the name of reconstruction.

While we have an obligation to help Hurricane-affected areas rebuild, we cannot do so by drawing out precious funding from other important programs.

Unfortunately, Hurricanes Katrina and Rita came at a time when the United States Government is running over an 8-trillion dollar deficit.

Add to this complicated equation, military activity in Afghanistan and Iraq costing over 60 billion dollars a year.

And this number only represents occupation costs, not money for rebuilding efforts or funding for soldiers as they return home from the battlefield.

As Congress and this Committee consider how to move forward with reconstruction in the devastated region, we must do so without shirking other promises we've made, especially to our veterans.

Tomorrow is Veterans Day, a day to honor the sacrifices our soldiers have made when called upon to serve this country.

When our Government asks them to leave their families and go to foreign soil to represent this country, we promise them we will do our part to care for them upon their return.

In times of budget shortfalls, massive deficits, and growing pressure to keep costs down—we must remember our promise and fight to fulfill it.

I'm here today to make it clear that Congress must provide the VA the funding it needs to rebuild and not use Medical Services funding or other VA funding to cover Katrina-related costs.

Secretary Nicholson, you and I have gone back and forth on the VA budget and the budget shortfall.

I have spent the better part of a year fighting with the Administration to get the funding our veterans need.

What we saw occur during fiscal year 2005 should not be repeated in either fiscal year 2006 or in fiscal year 2007.

I hope Secretary Nicholson has a promising update on VA funding both for reconstruction after Katrina and for medical care and benefits.

Mr. Chairman, the VA did not adequately anticipate demand when it set its 2005 budget. An increase in usage from veterans returning home from war was up and, leading to increased strains on the VA.

I fought hard to prevent the \$1 billion shortfall the VA reported in June.

I asked three times to get additional funds to the VA to prevent that shortfall, but you, Mr. Secretary, would not admit there was a deficit.

After it came to light that there was indeed a shortfall.

Working with my colleagues I was able to secure \$1.5 billion dollars in supplemental funding to make sure that our veterans could get the services promised to them.

But, as we know, that funding only covered the last fiscal year's need.

I remain concerned that we will end up right back here in trying to supplement the 2006 budget next year.

And I hope to hear from the Administration on how they have changed their budget models to adequately prepare—especially in light of the increased number of OIF and OEF veterans needing to access VA care.

Today, we are relying very heavily on Guard members.

Where traditional active duty members would access military healthcare, we now have over 500,000 Guard members who have fought in Iraq and Afghanistan, who have returned home, and who are now eligible for VA care.

I have been informed by the VA that to date only \$500 million dollars of the \$1.5 billion supplemental has been spent.

I have also been told the rest has been rolled over into fiscal year 2006.

As you know Mr. Secretary, this rollover funding has been a critical piece of the negotiation on the VA's fiscal year 2006 budget.

I hope to hear from you today about the nature of that rollover and whether or not those funds will be used for medical services or to assist in rebuilding in the Gulf.

I'm worried that the higher level of funding requested by the Senate for 2006 will be reduced in conference.

This will force the entire system to be based on bare minimum funding.

If one thing goes wrong—cost overruns in rebuilding VA facilities in the Gulf, increased utilization, or an across the board cut—veterans access to care will become limited.

On September 8, 2005, Secretary Nicholson, you told four congressional Committees that—and I quote—“We will need additional funding for clean up, repairing facilities, providing temporary facilities and staffing.” End quote.

The VA requested \$1.2 billion dollars for reconstruction and \$198 million dollars for medical care at VA hospitals and clinics in the gulf coast region as a consequence of the Hurricanes.

Currently where did you get the funding to pay for bringing these facilities back into operation?

How are CBOCs paying for the replacement supplies and pharmaceuticals they need to care for area veterans?

How are you paying for the added staffing and transportation costs right now?

Mr. Secretary, what are you doing to ensure that reconstruction costs are not coming out of the medical services earmarked for our veterans?

I sincerely hope to get answers from you on these important questions today, Mr. Secretary—for the sake of our current and future veterans.

Mr. Secretary, we have learned many lessons this past year when it comes to VA funding.

I have learned to doubt your numbers, to question which accounts are being used for what, and I am very concerned that when an inadequate Katrina request is added in with limited VA funding, that we are going to see a shortfall next year.

One lesson I think you should walk away with, Mr. Secretary, is that we need a real VA budget for fiscal year 2007. No budget gimmicks. No increased fees that Congress will never endorse.

A real budget that acknowledges that we have had over 1 million Americans serve us in Iraq and Afghanistan since 2001.

A real budget that acknowledges that our veteran population is aging and facing new mental health challenges.

A real budget that acknowledges that medical costs and utilization rates are going up for the VA.

Mr. Secretary, the bottom line is that 8 months from now I don't want to be hearing how shortfalls and ever-expanding Katrina costs are hurting our veterans by keeping them from getting the care they deserve.

Thank you for your time here today, Mr. Secretary.

I look forward to hearing your testimony.

Chairman CRAIG. Without objection.

Senator MURRAY. But let me just make a few comments. First of all, obviously, the devastation with the hurricanes is something that has impacted the VA immensely, and we all want to make sure we have the funds there. They did a great job, and we all want to be sure that we have the money there to take care of it.

My concern is that we don't rob the existing funds within the VA to do that. I am submitting some questions for the record to make sure that is not the case. We had a long, drawn-out battle about funding for VA. We are still, as Senator Hutchison knows, in conference, making sure that we have the dollars that were promised to our veterans there.

I want to make sure that the money that is out there for our current veterans services isn't being used for this. That we are asking for additional dollars to pay for that because those funds are absolutely critical.

And Mr. Secretary, I particularly want to know about the money that is being rolled over, the rollover account. I believe \$500 million has been rolled over from the supplemental. I want to find out if that money is being used for Katrina or if it is being used specifically for what we were told it was, which was for our medical facilities and our veterans across the country. But I will submit those questions for the record.

I do want to take this opportunity, Mr. Chairman, to thank you for your announcement today that you are stopping the questioning of our soldiers with PTSD. I think that was extremely positive. It positively impacted a lot of veterans who were very concerned about that kind of interrogation, and I do appreciate that.

And finally, Mr. Chairman, let me just say I hope we have all learned our lesson. I hope we get from you real numbers, real budget numbers. We have an increasing number of soldiers returning home. We have our Guard and Reserve members, who are increasingly accessing VA facilities now as they return from the war. We have a number of aging veterans. We have, obviously, the impacts of Katrina.

We need, as we go to the 2007 budget, which you will be presenting to us fairly soon, we need to have a real number. So 8 months from now, we are not back in the same situation.

So, Mr. Secretary, thank you for being here today. Mr. Chairman, I apologize for not staying. But I will submit my questions for the record and would appreciate a response back as quickly as possible.

Thank you.

Chairman CRAIG. Patty, thank you. And of course, those questions will be for the record and submitted to the Secretary for his response.

As most of you know, I invited all of the Senators who are not Members of this Committee, but certainly Senators of the affected States to participate in this hearing today as Members of the Committee and ask the questions. And so, Senator Thad Cochran is here, who is also, most importantly, beyond being senior Senator from Mississippi, the Chairman of the Appropriations Committee from which all money flows.

Senator COCHRAN. We are out of money.

[Laughter.]

Chairman CRAIG. Senator Cochran.

**STATEMENT OF HON. THAD COCHRAN, U.S. SENATOR
FROM MISSISSIPPI**

Senator COCHRAN. Unfortunate news. Thank you, Mr. Chairman.

Let me express our appreciation to you for your leadership on the Veterans' Affairs Committee and also as a key advisor on needs of the Veterans Administration. When it comes time to making decisions about the level of appropriations and where the priorities ought to be, we appreciate always the good advice and counsel we receive from you and your Committee.

And today, we are particularly glad to see you looking at the issue of damage and what needs to be done and is being done to restore facilities to operational levels and repair damage that needs to be repaired and what effect it may have long term on veterans' interests in this region of our country.

I have a prepared statement, which I would hope you could include in the record, along with some questions to submit to Secretary Nicholson and his staff. We appreciate their work. Outstanding leadership is being provided to the veterans and to our country by these fine gentlemen.

Thank you.

PREPARED STATEMENT OF HON. THAD COCHRAN, U.S. SENATOR FROM MISSISSIPPI

The Mississippi Veterans Affairs facilities suffered a significant amount of damage due to Hurricane Katrina. The Department of Veterans Affairs administered two medical hospitals on the coast, one in Biloxi, the other in Gulfport and a national cemetery in Biloxi. The Gulfport VA Hospital was completely destroyed by the hurricane. Seventy-eight patients were evacuated to the Biloxi facility before the hurricane and 20 patients were transferred to Jackson from Biloxi. The Biloxi VA Hospital suffered roof damage, but it is fully operational. The Department of Veterans Affairs was in the process of implementing their Capital Asset Realignment for Enhanced Services (CARES) Plan before the hurricane which would transfer the Gulfport operations to the Biloxi VA Medical center and possibly lease the Gulfport property to developers. The VA National Cemetery located on the Biloxi campus suffered some damage including the uprooting of trees and some damages to roadways and headstones.

The President's supplemental request provides \$1.2 billion to replace the medical center in New Orleans, LA, and to repair and construct a bed tower to the medical center in Biloxi, MS. The request also includes \$198.3 million for the replacement of medical supplies, equipment and pharmaceuticals and \$1.8 million has been requested to repair roads and other damage that was sustained to the national cemetery.

Chairman CRAIG. Thank you very much.

Our Ranking Member has just arrived. I will turn to Senator Akaka for any opening statement he would like to make.

**STATEMENT OF HON. DANNY AKAKA, U.S. SENATOR
FROM HAWAII**

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

I want to welcome our panel. I want to welcome the distinguished panelists here. I am delighted, and it is so great to hear, Mr. Secretary, that the Department of Veterans Affairs is suspending its plan to review 72,000 posttraumatic stress disorder compensation claims.

This is great news for all veterans. Make no mistake. This review would have put some veterans at risk of losing compensation that they had already been awarded by VA. Many times, VA compensation is sole source of income for veterans and their families.

During October, Congressman Evans and I wrote to Secretary Nicholson, asking that the PTSD review be suspended until VA could complete its smaller review of just 22,100 claims. I am pleased that upon completion of the smaller review, VA has decided that they are not going to put veterans through the anxiety that a widespread review of their disability claims would create.

I am certain that veterans in New Orleans who were subject to this planned review will be relieved that the benefits that they have earned will not be put in jeopardy.

Mr. Chairman, this hearing on the reconstruction of VA facilities along the Gulf Coast highlights our continued focus in the aftermath of Hurricane Katrina. As we all know, VA performed with distinction in its response to Hurricane Katrina, and we are proud of that.

With no loss of life or injuries reported, the employees in the affected area showed tireless dedication in some of the most adverse conditions. VA kept its commitment to veterans and patients at a time when they were most needed.

Now we must all follow through with the current task at hand—fully restoring accessible health care and benefit services to veterans. VA is compelled to make sound decisions in a timely manner. VA must be proactive in its rebuilding effort. With so many in dire need, we must not rest until we finish the job of restoring critical services, such as in-patient care in New Orleans and assisted living beds in Biloxi and to the veterans in the affected region.

Our Committee is dedicated to assisting VA and helping veterans affected by Hurricane Katrina. My goal is to seek transparency in the planning process and reconstruction effort. We must also ensure the funding for this effort does not come at the expense of needed health care dollars for next year. Our commitment to oversight as a means for VA, to let our veterans know of the tireless effort in restoring quality service and care.

Mr. Secretary, I look forward to taking those first steps today and to be with you as we do it.

Thank you.

Chairman CRAIG. Thank you, Danny.

Senator HUTCHISON. Kay?

Senator HUTCHISON. Thank you, Mr. Chairman.

**STATEMENT OF HON. KAY HUTCHISON, U.S. SENATOR
FROM TEXAS**

Mr. Chairman, I am very pleased to be able to have this hearing, and I am sorry I am going to have to leave for the same conference as Senator Murray. And I am also chairing another conference committee. That is what is happening this week. All of the final hearings and conferences seem to be coming at the same time.

But as the Chairman of the Veterans' Affairs Appropriations Subcommittee, what you bring to us today is going to come to my subcommittee. And I certainly intend to assure that everything that was damaged in Hurricane Katrina or Hurricane Rita—and I hope that we will not forget that there was another hurricane that was very devastating on the Gulf Coast. It wasn't the magnitude of Katrina, but it was pretty tough on the western part of Louisiana and the eastern part of Texas. But we are certainly going to work with you.

I do want to say how pleased I am that not one veteran lost his life or her life in the evacuation from the Katrina hurricane, and really, I was amazed at how well the Veterans Affairs Department did in making sure that the records were available where a veteran went later after evacuation. I think it worked a whole lot better than anything in the private sector, and I really appreciate that.

And certainly, we want to rebuild those facilities in a way that we will assure that they can withstand a Category 5 hurricane in the future. But I think the care that was given to our veterans is commendable. It is the right thing to do, but the important thing is that you did it. And we appreciate that kind of service.

And I also have to say that I appreciate the fact that some of the Veterans Administration doctors and health care professionals served anyone who walked in the door, not just veterans. That is exactly what you ought to do in an emergency. And thank heavens, they weren't in any way impeded from serving whoever was in need, a citizen of our country.

So I thank you for the good work that was done, and it was, I think, a fine hour for the veterans department. Now we are going to have to rebuild and assure that the veterans who are still evacuated will get the care they need. And that will be the job of my subcommittee, along with Senator Feinstein, as we go into the supplemental that will eventually come.

And I agree with Senator Murray that we want all of the estimates to be for the supplemental, not anything that would come from the veterans that we are treating in the normal course of operations.

Thank you.

Chairman CRAIG. Kay, thank you very much.

Ken? Senator Salazar, any opening comment?

Senator SALAZAR. I have statement that I will just submit for the record. But to summarize, I would just echo what my colleagues here have said.

One, great job to the VA in the response. I think you were a model of how a Federal agency should act, and I very much applaud that. Two, it is important to open the doors in New Orleans and other places, and I know that is what we are going to hear about today. And three, as you look forward to working on this major agenda, I just look forward to a continuing success story on the part of VA.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Salazar follows:]

PREPARED STATEMENT OF HON. KEN SALAZAR, U.S. SENATOR FROM COLORADO

Thank you Chairman Craig and Senator Akaka. Thank you Secretary Nicholson and your staff for being here today.

Ever since the day Katrina made landfall I've heard stories about the VA's heroic response to this storm and Rita and Wilma that followed.

The more I learn about VA's efforts, the more inspirational the story becomes.

The VA successfully evacuated hundreds of patients, including 10 patients on respirators. VA successfully transferred thousands of patient records. The agency moved quickly to re-establish VHA presence in affected areas. It successfully accounted for more than 3,000 employees. It offered employees temporary housing, mental health care, and most importantly, a continued paycheck.

This is a success story that rightfully should be pointed to as a model for disaster recovery. Each and every VA employee has a right to be proud. You made us all proud.

However, we are not out of the woods yet. There is still no major VA clinical capacity in New Orleans. VBA has yet to open its doors in that city. There are many unknowns about the extent of the damage in New Orleans, where evacuated veterans will end up, and what the Gulf Coast will look like.

This hearing is about next steps, and ensuring that the VA's response continues to be a success story. The VA has asked for \$1.4 billion to recover from the storm.

I hope we can get behind these numbers and get a firm idea of when VA's new clinics will come online.

I also hope we can get a more solid understanding of the VA's intentions in New Orleans. The people of New Orleans need to know that they will have a world-class VA Medical Center within the city.

I hope we can all work together to ensure that the VA continues to be a shining role model for the rest of the Government in its response to Hurricane Katrina.

Chairman CRAIG. Ken, thank you.
Senator Isakson.

**STATEMENT OF HON. JOHNNY ISAKSON, U.S. SENATOR
FROM GEORGIA**

Senator ISAKSON. In the interest of time, I only have one comment. There have been many questions raised about the performance of a number of agencies. But it is appropriate to note two agencies, the Coast Guard and the Veterans Administration's performance in the Gulf in the tragedy.

And Dr. Lynch, a lot of that is to your credit. It has just been exemplary and outstanding. And I thank the Secretary and the entire department for what they did and yield back the rest of my time.

Chairman CRAIG. Thank you.

Mr. Secretary, we will now turn to you and the staff you have brought with you, and we will give you such time as you may need to present to the committee. Please proceed.

**STATEMENT OF HON. R. JAMES NICHOLSON, SECRETARY OF
VETERANS AFFAIRS, ACCOMPANIED BY JONATHAN B.
PERLIN, M.D., Ph.D., UNDER SECRETARY FOR HEALTH; TIM S.
McCLAIN, GENERAL COUNSEL; AND ROBERT LYNCH, M.D.,
DIRECTOR, VETERANS INTEGRATED SERVICE NETWORK 16**

Secretary NICHOLSON. Thank you, Mr. Chairman and Members of the Committee.

I would like to submit a written statement for the record as well.

Chairman CRAIG. Without objection, it will become part of the record.

Secretary NICHOLSON. I am joined here today by Dr. Jonathan Perlin, who is the Under Secretary for Health by Tim McClain, who is the general counsel of the VA and has, for many months, been the acting Under Secretary for Management, and on my right is Dr. Robert Lynch, who is the Director of the VA South-Central Health Care Network, VISN 16.

And I would like also, Mr. Chairman, to thank you for your recognition of Dr. Lynch and his team, his heroic team down there in the Gulf Coast region. And if time permits, it would be a real privilege for me to recite the heroics of some of those people who, for days, stayed in the hospitals, moved with their patients to places they did not know where they were going to end up, while their own homes were inundated, their families, their locations were unknown to them. But they stayed with their patients.

But Dr. Lynch provided the leadership there. And I know at one period of time, he was up for 40 consecutive hours because I would go to our crisis response center in the building, and I went there at different random times throughout that period, and Bob Lynch

was always on duty, moving people, planning, he just did an heroic job.

Thank you for providing us with this opportunity to discuss the Department of Veterans Affairs ongoing repair and recovery efforts now in the wake of Hurricanes Katrina and Rita. Mr. Chairman, I want to thank you and, indeed, all of the Senate for your resolution recognizing and commending the heroic efforts of our employees through Hurricane Katrina.

In this brief testimony, I will speak first to the property damage and plans for New Orleans, Gulfport, and other Veterans Health Administration facilities, as well as the impact on VHA employees at those facilities. Next, I will address the recovery efforts of the Veterans Benefits Administration and the National Cemetery Administration. And finally, I will discuss a few of the lessons learned.

Before I begin, I want to assure the Committee and its guests today that the VA continues serving and supporting veterans affected by Hurricane Rita. Planning has been key to our responsiveness. In early September, I directed senior management to establish a Gulf Coast Planning Group as a result of the extensive damage to VA facilities.

The group will coordinate VA infrastructure planning in the region for the near, mid, and long term. The group, which is chaired by Tim McClain, will also serve as a plans clearing house, with particular sensitivity to previous CARES planning.

Addressing first *the New Orleans experience and our plans there for recovery*. The New Orleans VA facility initially weathered Hurricane Katrina with minimal damage. But then water from the breached levies flooded the medical center, compromising the facility's major electrical, mechanical, and dietetics equipment.

The facility has been without electrical power or air conditioning now for weeks, resulting in damage to equipment and interior finishes by the effects of very high humidity over a long period of time. And with so many structures inundated by flood waters, mold and mildew are pervasive and have already begun to take their toll on the medical center.

To address the immediate health care needs of veterans in the greater New Orleans area, the VA plans to open several clinics and expand operations in Baton Rouge, where we operate a large and relatively new community-based clinic. We will accelerate our plans for new CBOCs proposed under CARES, and we have proposed those for Slidell, Hammond, and LaPlace, with a goal of opening them early in 2006.

An ambulatory care clinic is being established at the New Orleans medical center. We anticipate opening that clinic next month. The VA is exploring all of our long-term options to re-establish inpatient and tertiary care services for our veterans in the New Orleans area.

Our affiliates down there, Louisiana State University and Tulane Medical School, both plan to return to the New Orleans area. But their major teaching hospitals, Charity and University Hospitals, will require extensive repair or, indeed, may have to be rebuilt.

The Mississippi experience. The VA medical center at Biloxi weathered the hurricane quite well and remained fully operational

throughout the hurricane. Damage was mostly cosmetic, with some broken windows and damage to building exteriors.

Just 8 miles away, however, the Gulfport VA medical center campus was essentially destroyed by Katrina's tidal surge. Gulfport's workload and VA employees have been transferred to Biloxi, which is 8 miles away.

Looking longer term, VA's CARES plan called for the closure of Gulfport, with design funds provided for Biloxi in fiscal year 2006 and full completion scheduled in 2010. We now propose to accelerate this plan with the goal of replacing clinical functions within 2 or 3 years. We are currently discussing collaborative opportunities with Keesler Air Force Base, which, as you know, was extensively damaged by the hurricane and which is 2 miles away from our hospital in Biloxi.

The impact on employees. In New Orleans, all but 2 of VHA's 1,819 employees have been accounted for. A preliminary survey suggests that approximately 40 percent of our New Orleans medical center staff lost their homes. We have placed VHA personnel in temporary positions at other VA medical centers, and we will soon begin offering permanent positions via a priority placement program for displaced New Orleans employees.

Already some of our employees have accepted positions at other medical centers, while other employees have chosen to take this opportunity for retiring from our workforce. Housing for VA employees remains a concern.

In Biloxi-Gulfport, all 1,590 VHA employees have been accounted for. Twenty-eight percent of them report that their homes have been either totally destroyed or are uninhabitable. Here, we are working with FEMA to establish temporary housing for VA employees on our Gulfport campus. We have signed an MOU, memorandum of understanding, with FEMA for more than 200 mobile homes, with priority for VA employees and disabled veterans who travel frequently to utilize VHA's health care services, which would be there at Biloxi.

Recovery efforts of the Veterans Benefits Administration. The New Orleans regional office, home to 197 VBA employees, was housed in a General Services Administration building, where we leased space, and its prime tenant was the New Orleans postal office system, which sustained considerable flood damage and utility outages.

VBA has transferred all pending compensation, that is active claims and appeals, to the Muskogee and St. Louis regional offices, and all pension claims to the Milwaukee Pension Maintenance Center. For now, the VBA has acquired leased space in nearby Gretna, and we expect to move into the facility early next month.

Recovery efforts of the National Cemetery Administration. The National Cemetery Administration's Biloxi staff of 11 people has restored a normal schedule at Biloxi National Cemetery. The cemetery covers 57 acres, with more than 15,000 grave sites.

The cemetery sustained damage to its administrative building, maintenance shop and compound, and the cemetery grounds themselves. Clean-up continues, and disturbed grave markers will be raised and realigned over time.

What were some lessons that we learned from this? One, we learned, of course, the benefit of being prepared and practicing and drilling our emergency response system, which we did and has made me so proud.

Our VA employees throughout that area acted heroically in every one of the many crises or sub crises that they faced. And I am very proud of their abilities to have done that and to confront the many challenges that nature put in front of them. And as I said, I am very heartened by the effectiveness of our preparation.

Of note is how our electronic medical records systems continued to operate until after New Orleans was evacuated. Backup copies of these records were transferred away from danger and made available nationwide to treat Katrina evacuees. I contend that VA's operations during and after the storms is one of the really positive stories to emerge from the disaster.

In the wake of the storms, we know where we still need to improve our response to future disasters. We know that we need to harden our telecommunications infrastructure. Individual systems may survive a storm, but maintaining both voice and data transmission capabilities will facilitate our response to future disasters.

We are considering expanding the use of fully equipped mobile clinics as a ready response to future disasters, and we are examining the logistics of having in place larger inventories of pharmaceuticals that can be deployed and dispensed directly to veterans as soon as the crisis has passed.

In conclusion, Mr. Chairman, the administration is demonstrating its continuing commitment to veterans affected by the hurricanes by including \$1.38 billion for VA recovery and rebuilding in the recent request for supplemental appropriations transmitted to the Congress. That request includes funding to re-establish a full VA medical center presence in New Orleans and accelerate the expansion of the Biloxi facility because of the destruction of the Gulfport complex.

It also includes funding for essential VBA and NCA needs throughout these areas. In addition, the VA also is looking at resources in terms of funding and employees to respond to the move of veteran patients to the Houston medical center.

We look forward to working closely with this Committee and with the Senate Appropriations Committee and Senators representing the Gulf States regarding the important resource issues created by Hurricanes Katrina and Rita.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Nicholson follows:]

PREPARED STATEMENT OF HON. R. JAMES NICHOLSON, SECRETARY OF VETERANS AFFAIRS, DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman, Members of the Committee and those Members visiting the Committee from the States of Mississippi and Louisiana, I want to start by thanking you, and indeed all of the Senate, for your Resolution recognizing and commending the heroic efforts of our employees through Hurricane Katrina. Our VA family was gratified by your words, as well as the outpouring of support from our committees of jurisdiction and the entire Congress.

Thank you for providing the Department of Veterans Affairs (VA) this opportunity to discuss our ongoing repair and recovery efforts in the wake of Hurricanes Katrina and Rita. These hurricanes challenged our country with two of its greatest natural disasters. I am pleased to report that all of VA rose to the enormous challenges

these storms created. From the time of preparation through evacuation to relief and recovery efforts VA employees stepped up to meet the challenge.

Mr. Chairman, appended to my written statement is a 2-page graphic timeline of our response efforts to Hurricane Katrina. I believe the Committee will find it quite useful in reviewing VA's actions throughout the disaster. Through long hours, considerable personal risk and sacrifice, coupled with incredible resourcefulness and a total sense of mission, thousands of VA professionals demonstrated what is right about this country. They have made us all proud to be members of the VA family.

Now we must look forward. The aftermath of these storms will test how we meet our mission for years to come. While Hurricane Rita produced significant disruptions, it did little permanent damage to VA's infrastructure. Hurricane Katrina, on the other hand, produced unprecedented damage to our facilities along the Mississippi Gulf Coast and in New Orleans. Our facilities, the communities we serve, and the homes of veterans and employees sustained destruction on an unprecedented scale.

As a result of extensive damage to VA facilities caused by Hurricane Katrina, the Deputy Secretary established a "Gulf Coast Planning Group" in early September 2005 to assist in coordinating VA infrastructure planning in the region. The group's mission is to assist in describing and coordinating VA plans for the near, mid, and long-term timeframes. An important role is to act as a "clearinghouse" for VA plans by ensuring that the plans make sense, consider previous Capital Assessment Realignment to Enhance Services (CARES) planning, and pass a "one-VA test."

In my brief testimony, I will speak first to the property damage and the plans for New Orleans, Gulfport, and other Veterans Health Administration (VHA) facilities, as well as the impact on VHA employees at those facilities. Next, I will address the recovery efforts of the Veterans Benefits Administration (VBA) and the National Cemetery Administration (NCA). And finally, I will discuss a few of our valuable "lessons learned."

THE NEW ORLEANS EXPERIENCE AND PLANS FOR RECOVERY

Forty-eight hours following Hurricane Katrina's landfall, as quickly as weather conditions permitted, a VA damage assessment team was dispatched to the Gulf region to survey VA facilities at New Orleans, Biloxi, and Gulfport. At New Orleans, the VA facility initially weathered the hurricane with minimal damage. Following the hurricane, water from the breached levees flooded the entire area around the medical center, including the basement and sub-basement of the main building. These areas house the facility's major electrical, mechanical, and dietetics equipment. The costs associated with replacing this equipment are still under review. VA is still assessing the total effects of having no electrical power and no air-conditioning in the medical center for a prolonged period. A major cost of restoring the facility to operational status will include those costs incurred from damage to equipment and interior finishes. VA is continuing to monitor the situation and estimating the costs of damage and repairs.

We are taking steps to mitigate the damage caused by flooding, humidity, heat, mold and mildew. Efforts are underway to restore power, water, limited climate control systems, elevators, and safety systems. Some of these repairs are temporary and do not allow us to use the building in its entirety. Through these interim measures, we will be able to protect the medical center and its \$85 million worth of equipment from further moisture damage. Additionally, the measures will allow us to more fully assess the functional capabilities of the equipment and damage to the building. We are exploring all our long-term options to re-establish inpatient and tertiary care services for our veterans in New Orleans. We are in discussions with our affiliates, Louisiana State University (LSU) and Tulane Medical Schools. Both of these schools plan to return to New Orleans area. The major teaching hospitals for these medical schools, Charity and University Hospitals, will require extensive repair and, indeed, they may have to be rebuilt.

Our plans for New Orleans hinge in part on recovery efforts taken by both the State of Louisiana and other Federal agencies. As the United States' largest port in terms of gross tonnage and a critical transportation lifeline for our Nation's heartland, New Orleans remains one of America's great cities. VA is committed to continuing to serve the veterans who live there.

To address the healthcare of veterans in the greater New Orleans area, VA is planning to open several clinics and expand operations in Baton Rouge. The city of Baton Rouge continues to be doubled in population due to hurricane evacuees. This growth is similarly reflected in the number of veterans seeking care at our clinic there. Baton Rouge is the site of a large and relatively new Community Based Outpatient Clinic (CBOC). VA will lease the old CBOC building to house administrative

and clinical support functions for the rest of the New Orleans area clinics. Plans for new CBOCs proposed under CARES in Slidell, Hammond, and LaPlace will be accelerated with a goal of opening them early in 2006.

On the site of the New Orleans medical center, an ambulatory clinic is being established. Space that suffered minimal damage is available on the ninth and tenth floors of the medical center. It was previously occupied by a 60-bed Nursing Home Care Unit. VA is restoring electricity, water, fire safety systems, and elevator service to the entire building which will support this clinic. We anticipate opening the clinic in December 2005.

THE MISSISSIPPI EXPERIENCE AND PLANS FOR RECOVERY

Overall, the VA Medical Center at Biloxi remained operational both during and after Hurricane Katrina. All building systems, with the exception of emergency communications, continued to function normally during this time. Damage at Biloxi included the asphalt shingle roofs on several buildings, windows panes, seals and gaskets, doors and interior finishes, and some damage to electrical and mechanical systems. External to the medical center, significant damage occurred to facility signage and to a large number of trees on the campus.

At Biloxi, in addition to repairing storm damage, temporary buildings are being acquired to accommodate functions lost in Gulfport. We are exploring with the Federal Emergency Management Administration (FEMA) the option of placing approximately 200 trailers on 25 unimproved acres at the back of the Gulfport campus. We are asking FEMA for priority use of these trailers for displaced VA staff and disabled veterans who are patients of the VA Medical Center.

Damage at the Gulfport VA Medical Center, only 8 miles away, was much more severe, to the point of catastrophic. The tidal surge from Hurricane Katrina destroyed or made irreparable most buildings on the campus. While the boiler plant and laundry survived, both would need significant repair to resume operations. Other than recovery efforts, no operations are active at Gulfport. Prior to the storm, Gulfport employed 440 people. These employees are now working at the Biloxi facility.

VA's CARES plan called for the closure of Gulfport and new construction at Biloxi to house services displaced from Gulfport. Design was scheduled to begin this fiscal year with full completion to occur in 2010. VA now proposes to accelerate this plan with the goal of replacing clinical functions within 2 or 3 years. As part of this process, we are in discussions to determine if there are opportunities to collaborate with Keesler Air Force Base in Biloxi as the military replaces their bed tower as part of the Base Realignment and Closure (BRAC) process.

While the Mississippi gulf coast has been set back, its long-term prospects are positive. The State of Mississippi is taking steps to help the economy in the region. It is likely that the population of the Mississippi gulf coast will return to its pre-storm levels. VA must be prepared to support the veteran population of this gulf region.

THE IMPACT ON EMPLOYEES

In Biloxi-Gulfport, all 1,590 VHA employees have been accounted for. All have been able to inspect their houses and 28 percent report that their homes have been either totally destroyed or are uninhabitable. In New Orleans, all but 6 of 1,819 employees have been accounted for. While not all employees have been able to assess the habitability of their residences, a preliminary survey suggests that approximately 40 percent of our New Orleans employees are without their homes.

We confirmed that one employee perished at home during the flooding. All VA personnel have been placed in temporary positions at other VA medical centers.

The CBOC expansions in and around New Orleans will help address the utilization of our displaced New Orleans employees. Many employees, though not all, will be able to return to the area to staff these clinics and related functions. A significant number of our staff may choose not to return to New Orleans. Already some have accepted positions at other VAMCs or have taken steps to retire. Shortly, we will begin a priority placement program for displaced New Orleans employees. This will give New Orleans employees priority for any opening in VHA for which they are qualified. VA already has voluntary early retirement authority and is exploring the use of buyouts as well.

RECOVERY EFFORTS OF THE VETERANS BENEFITS ADMINISTRATION

The New Orleans Regional Office is housed in General Services Administration (GSA)-leased space in the New Orleans Postal Office Tower Building. Access to this facility has been restricted due to flood damage and utility outages, and VBA has

no definitive information as to when the building can again be occupied. Due to this uncertainty, VBA has implemented an interim strategy to address the pending claims workload and to re-establish a regional office presence in Louisiana.

In order to resume the processing of disability benefits claims, VBA has transferred all pending compensation claims and appeals to the Muskogee and St. Louis Regional Offices, and all pension claims to the Milwaukee Pension Maintenance Center. Our dedicated New Orleans employees have been working under very adverse conditions in the New Orleans Regional Office facility to box and to ship more than 11,000 claims files to these offices. A special post office box was established in Muskogee to receive claims information and other mail from Louisiana veterans. Louisiana veterans participating in the Vocational Rehabilitation and Employment Program are currently being served through VBA's out-based office in Shreveport and our regional offices in Houston and Little Rock.

To re-establish a presence in Louisiana, VBA has acquired leased space in Gretna, Louisiana, approximately 10 miles from the regional office location in New Orleans. Efforts are underway to prepare the building for occupancy. The facility will accommodate up to 105 employees. VBA expects to move into the Gretna facility in December 2005.

Regional office operations will be resumed on a reduced scale in Gretna pending more definitive information on the occupancy status and expectations for the regional office building in New Orleans. VBA's priority is to re-establish public contact and vocational rehabilitation program activities, including benefits, counseling, and assistance, outreach, fiduciary management services, and rehabilitation and employment services.

RECOVERY EFFORTS OF THE NATIONAL CEMETERY ADMINISTRATION

NCA has no burial or memorial facilities in New Orleans. NCA staff has worked to restore Biloxi National Cemetery. The cemetery is now operating on a normal schedule. While substantial progress has been made, cleanup will continue and disturbed grave markers will be raised and realigned. The cemetery's storage, maintenance, and administrative buildings were damaged and will require additional repairs. Telephone service was disrupted and IT data connections continue to be intermittent. NCA staff responded to the loss of access to the centralized interment data base by manually entering information so that no burial schedules are affected and accurate records are maintained.

NCA employees in the region responded quickly to minimize disruptions and hardships for veterans and their families during these difficult times. Their resourcefulness and dedication have permitted operations to resume, often despite their own personal adversity.

LESSONS LEARNED

VA is also using this opportunity to examine how to improve its response in future disasters. I am including an abbreviated list of lessons learned, to illustrate how this review will assist VA in defining its response plans.

Telecommunications

Lessons learned during Hurricane Katrina regarding telecommunications were already in place for Hurricanes Rita and Wilma. Hardening our telecommunications infrastructure will be a priority as we plan for future disasters.

Mobile Clinics

VA staged a total of 12 mobile clinics to support veterans affected by Hurricanes Katrina and Rita. Four mobile clinics were sent to south Florida in response to Hurricane Wilma. VA needs to examine the role of such clinics, how they are staffed and equipped, and how they are supported.

Pharmacy Issues

Massive power failures, destruction of homes and post offices and mass evacuations made mail-based pharmaceutical delivery impractical. VA is examining mobile caches of pharmaceuticals that can be deployed to affected areas and be dispensed directly to veterans—even before commercial operations are able to resume.

CONCLUSION

Mr. Chairman, we know the Committee and the Louisiana and Mississippi delegations are true partners with VA in seeing that Gulf area veterans, despite these disasters, continue to receive the excellent health care, benefits, and other services VA provides.

The Administration is demonstrating its continuing commitment to veterans affected by the hurricanes. The Administration has included \$1.38 billion dollars for VA recovery and rebuilding in its request to Congress for supplemental appropriations. The request includes \$1.15 billion to rebuild the New Orleans Medical Center and to repair and add a bed tower to the medical center in Biloxi following the destruction of the Gulfport complex. It also includes \$25 million for two essential VBA needs. One, VBA will furnish and activate a replacement regional office in New Orleans. Two, VBA will be able to pay contracting costs for benefits-related health examinations ensuring that veterans' benefits processing continues as quickly as possible. Thank you for the opportunity to be here today. I and my colleagues will be pleased to answer any questions you may have.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. AKAKA
TO JAMES NICHOLSON

Question 1. Dr. Robert Lynch, Director of VISN 16, has stated that with regard to the Biloxi VAMC, "a definitive solution will take Congressional approval and years to complete." Yet, he has also indicated that there is an immediate need for interim space to compensate for the loss of services at Gulfport VAMC. Please detail both the interim and longer term timelines for patient accommodation and continuity of services at the Biloxi campus. Since returning to the standard of providing inpatient care is considered a long-term project, what is the short-term plan for veterans who require inpatient services at Biloxi?

Answer. All clinical services provided at the Gulfport campus have been moved to the Biloxi campus, which remained fully operational during Hurricane Katrina. Patients in the domiciliary, located on the Biloxi campus, were moved to the Department of Veterans Affairs (VA) Medical Center in Tuscaloosa, AL prior to Hurricane Katrina. The vacated domiciliary building on the Biloxi campus is being used to house the inpatient psychiatry program from the Gulfport campus. Renovation of the domiciliary building is needed as an interim solution and will be accomplished via the minor construction program.

The major construction project described in the response to *Question 5* is the long-term solution to the consolidation of all Gulfport services on the Biloxi campus. Until the major construction project can be completed (in 3–5 years) and construction of the permanent warehouse space via the minor construction program is accomplished, modular buildings will be used to house the administrative and warehouse functions displaced from the Gulfport campus.

A modular clinic is also planned for the Gulfport campus to provide a clinical presence until a decision regarding the future reuse of the campus is determined. Additionally, the Federal Emergency Management Agency (FEMA) has requested the use of 25 unimproved acres at the back of the Gulfport campus for the placement of approximately 200 trailers. We are asking for priority use of these trailers for homeless VA staff and disabled veterans who are patients of the VA Medical Center.

Question 2. Will any funding provided by Congress for the purposes of rebuilding facilities in the region go directly into the general construction account?

Answer. Yes. The construction funds provided by Congress will go into the VA construction appropriation. Most of the funds required would be appropriated into VA's construction accounts. However, these funds would be provided for the specific purposes of rebuilding VA facilities damaged by the recent hurricanes.

Question 3. With regard to the New Orleans VAMC, Dr. Lynch stated that he does "believe it is safe to say the VA will return to the Crescent City." Please explain the factors in the decision to restore/return services to New Orleans.

Answer. There are 57,485 veterans enrolled for care in the New Orleans VA Medical Center. It is expected that the Tulane and LSU Medical Schools will return to New Orleans. As the United States' largest port, a major hub for our country's energy infrastructure, and a critical transportation lifeline for the Nation's heartland, New Orleans will remain one of the Nation's greatest cities. The VA must have a clinical presence in the city and maintain its commitment to serve the veterans who live there.

Question 4. VISN 16 has announced plans to open new clinics in La Place, Hammond, Slidell, and New Orleans. I believe VA should establish and operate these new clinics in the most expeditious and cost-effective manner to provide the needed medical care to the area's veteran population. Existing CBOCs in Louisiana and other areas in VISN 16 continue to provide cost-effective and high-quality outpatient medical care to the area's veteran population. Please provide an analysis of the projected costs and timing associated with the establishment of these new CBOCs.

Answer. To address the health care of veterans in the greater New Orleans area we are planning to accelerate opening of three clinics, Hammond, LaPlace, and Slidell, proposed under the Capital Asset Realignment for Enhanced Services (CARES) plan. Mobile clinics are being used to provide care at this time in these locations. Our goal is to open clinics by January 2006 contingent upon the availability of leased space or modular clinics.

Due to the impact of Hurricanes Katrina and Rita, leased space and modular clinics are in short supply and have increased significantly in cost. For example, in Hammond, there is no adequate leased space available; therefore, purchase of a modular building is planned. LaPlace may also require a modular building while adequate leased space may be available in Slidell.

Current cost for a turnkey 9,500 square feet clinical modular building is approximately \$1.8 million, which includes the modular building, site prep, ground cover, and utilities. Build-out and the cost of leasing the land will add another \$200,000. The cost of leased space in Slidell has not been determined.

Question 5. Since the damage caused by Hurricane Katrina leaves the door open for accelerating the CARES plan in the region, how comprehensive will the transfer of services from the Gulfport campus to the Biloxi campus be? Are there any services that are unavailable or non-transferable? Has there been an exact determination of how the timeline will shift? And if so, what is the new timeline?

Answer. With the exception of the laundry, VA will consolidate all services provided at the Gulfport campus to the Biloxi campus as part of the CARES plan. A final analysis regarding laundry function has not been completed. The consolidation will be accomplished through major construction that will modernize patient care facilities at the Biloxi campus and provide area veterans with health care in newly renovated facilities. The project will consolidate and co-locate all clinical and administrative functions of the two-division medical center at the Biloxi campus and construct a new Blind Rehabilitation Center, also a part of the CARES plan. Barring any significant delays the timeline for award and construction of new clinical facilities is January of 2009. Some administrative functions may lag until 2010.

Question 6. What are VA's short-term and long-term plans for addressing the needs of its employees affected by Hurricane Katrina? How does VA plan on compensating staff for temporarily relocating? Will they be given TDY? What is being done to address the personal needs of affected VA employees in the region?

Answer. All employees from the Gulfport facility have been absorbed in the Biloxi facility. All employees displaced from the New Orleans facility who want to work at this time have been placed in VA facilities throughout the country. These New Orleans employees have been detailed for a 120 days, and are paid temporary duty travel. They were assisted in finding housing in the locations of their detail.

The proposed clinics and related functions in the greater New Orleans area will not accommodate all of New Orleans current employees. It will be several years until employment levels will return to pre-storm levels. In an effort to reconcile our interim needs with current employment levels, voluntary early retirements are being offered to New Orleans' employees and buy-out authority is being explored through the Office of Personnel Management (OPM). Negotiations with national labor partners have begun in an effort to establish a Special Placement Program in the Veterans Health Administration (VHA). The Special Placement Program would give New Orleans employees displaced by the hurricane first consideration for vacant positions anywhere in VHA for which they qualify.

Employees placed as a result of this program would be eligible for Permanent Change of Station travel funding. It may be necessary to extend details of these employees to allow this process to occur.

Teams of mental health practitioners were assigned to work with employees who are experiencing difficulties because of the hurricane. The contact information for these mental health professionals has been communicated through various means and published in the "After the Storm" newsletter. Assistance has also been provided with accessing support from FEMA, Red Cross, and other entities.

A needs survey has been distributed to Biloxi and New Orleans employees. The intent of the survey is to determine the extent of damage the employees sustained to their property and to identify their needs. VA, through Veterans Canteen Service and Leadership VA Alumni Association, established funds for donations to employees affected by the hurricane. Over \$600,000 has been donated in the two funds to date. Distribution of these funds using information obtained from the needs surveys will start shortly. Additionally, the Veterans Canteen Service has allowed employees to establish credit of up to \$1,000 at 0 percent interest to allow those who lost household goods, etc. the ability to replace those items.

Question 7. On October 14th, the Joint Field Officer in Baton Rouge, Louisiana, was advised to notify VA to cease the provision of housing because of the lack of

interagency agreement with FEMA, or to continue working on preparing their properties for housing evacuees at their own financial risk. Please explain VA response to this situation. Has VA formulated a plan for requesting reimbursement for making their properties available to FEMA for the purposes of housing evacuees of Hurricane Katrina?

Answer. VA removed properties from the sales market on September 9, 2005, in anticipation of FEMA using them as temporary housing for evacuees of Hurricane Katrina. VA has not incurred any costs on these properties other than normal management expenses. VA has spent no funds with the expectation of being reimbursed by FEMA. VA and FEMA are in the process of negotiating an updated agreement (existing agreement was entered into in 1988) to facilitate the use of VA properties by evacuees.

Question 8. What are the daily operating costs for both VHA and VBA of each interim/temporary facility?

Answer. At present, the only interim facilities/operations that currently exist are mobile clinics in Hammond, LA, Slidell, LA, and La Place, LA, in addition to the expansion of the Baton Rouge Outpatient Clinic operations.

Chairman CRAIG. Mr. Secretary, thank you very much for you and your staff being here.

We have just been joined by Senator Lott of Mississippi, of course. And Trent, do you have any opening comments before we go to a round of questions of the Secretary and his staff?

Senator LOTT. That would be appropriate, Mr. Chairman. And let me ask consent that I have my prepared remarks put in the record.

Chairman CRAIG. Without objection.

**STATEMENT OF HON. TRENT LOTT, U.S. SENATOR
FROM MISSISSIPPI**

Senator LOTT. I want to thank you and your Ranking Member Akaka for allowing me to testify or to make a statement here and for your interest in our veterans and our veterans facilities that were damaged by Hurricanes Katrina and Rita.

I want to thank the administrator for his leadership and his concern for our veterans and for his service. And also the fact that after he came to the office, we had to address some tough issues, and working with Senator Craig and Senator Akaka, we were able to provide some additional funds for our veterans.

We do have a chart there that shows you what we are up against. You will note the lower part of the photograph there, that was Highway 90, a 4-lane road that runs the length of the coast in Harrison County, Biloxi-Gulfport, Pass Christian, and Long Beach. And you will see that that road is washed out. But you know, we very quickly got Highway 90 back in operation. And then, beyond that, you see the protective barrier, and then the red-topped buildings is the Gulfport VA facility.

One interesting thing to note about this is we did have damage there this time, significant damage. But it had never been damaged seriously by hurricanes before, even though it is not in a high area. It had some damage, but not like we had this time, that amount of damage. And this time, though, the wood-frame buildings are gone, and there is significant damage to the other buildings.

Now I know that questions have been raised about what do we do with this? And can we move those veterans that were there, incorporate them into the Biloxi facility? I believe it was the CARES Commission had already recommended that the Gulfport facility be closed. Obviously, I wasn't that happy about it. But my main goal,

like all of us, is to have the best service for our veterans and make sure the facilities are repaired, and they are available.

Part of the problem we have now along the Gulf Coast that I want the group to think about—and I know that you are working on—how do we deal with this particular piece of property? And I understand that if the VA doesn't keep it, it reverts back to the city of Gulfport, Mississippi. And they are having to think about what they would want to do with that, and then in what condition would it be returned?

And then, if we are going to have these veterans that were at Gulfport at the Biloxi facility, what repairs are going to have to be made there, and what would we do to make sure that they receive the medical care that they need?

The plot thickens by the fact that Air Force officials had recommended that the BRAC Commission close the Keesler in-patient services and the hospital there. The plan to help the veterans was that what we were going to be losing at Gulfport would be picked up by Keesler Air Force Base hospital. Never taking into consideration, frankly, that they didn't have the capability to do that.

And even though that facility was taken off the BRAC list, the Air Force still is resisting doing what is necessary to make sure that we have surgery for residents, and in the out-years, we have not been able to get something worked out between the VA and DoD as to what we are going to do. And so, I would urge you to look at what we need to do in servicing our veterans in Louisiana and Mississippi and in Texas and Alabama. And by the way, that facility in Mississippi, we do have some services that we provide for our veterans in south Alabama and the panhandle of Florida, as you well know.

So this is a multi-pronged thing that we need to have help. What are we going to do with Gulfport? What condition is it going to be in if it is returned to the city? What are we going to do to make sure that Biloxi has the facilities that it needs?

Now somebody has said, well, to accommodate these additional veterans, you are going to have a bed tower. Now I don't know what a bed tower is. It doesn't sound too enticing to me. But it will only include a fraction of the medical services that were originally available at this facility in Gulfport.

So I would like to work with you on the Gulfport facility, what we need to do at Biloxi, and how we come to terms with the Air Force and the Pentagon about these veterans being able to get access to the care they need and the surgery they need, for instance, at the Keesler Air Force Base hospital.

One other thing, I don't begrudge anybody getting help. Louisiana is desperate. They need a lot of help. But the hurricane pounded Mississippi. When a hurricane goes ashore, it doesn't stop at the coastline, No. 1. Number 2, the worst part to be in is the Northeast quadrant. That is what we got.

The hurricane went in on the Pearl River, which means right on the border between Louisiana and Mississippi. So the hardest damage, the most wind damage and the most tidal surge damage, came to Mississippi.

Now the problem in Louisiana was that they had hurricane damage, but then their problem got worse. It was worse for them on

Friday, after the hurricane on Monday, than the day of the hurricane because they had the levees break and the rising water.

But the point I am trying to make is when you are looking at \$1.2 billion, I believe you mentioned that figure, didn't you, Mr. Administrator? As I look at that, it looks to me like the lion's share of that would be going to Louisiana. And for instance, the supplemental included \$1.2 billion to re-establish medical care on the Gulf Coast, with most of that money designated to replace the VA hospital in New Orleans, which was flooded on the first floor, just like the Keesler hospital.

My plea is make sure there is equity here. You can't put a billion dollars on that one facility in New Orleans and not deal with the needs we have in Mississippi. Now having said that, thank you for what you have already done. I know you have been there. I know you have met with our veterans. Same thing to the leaders of this Committee.

Our veterans have not been forgotten in the aftermath of the hurricane, But we have got a good piece to go, and we have got some sticky problems that we need to address. And I hope that you will allow me to work with you on that and have impact.

Thank you, Mr. Chairman. That is basically the points I wanted to make anyway.

[The prepared statement of Mr. Lott follows:]

PREPARED STATEMENT OF HON. TRENT LOTT, U.S. SENATOR FROM MISSISSIPPI

I would like to thank Chairman Craig and Ranking Member Akaka for allowing me to testify regarding the repair and recovery effort to VA facilities on the Gulf Coast.

Prior to hurricane Katrina, the Gulf Coast Veterans Health Care System was a five-division system with major hospitals at Gulfport and Biloxi, Mississippi, and three Community Based Outpatient Clinics located in Alabama and Florida.

Approximately 242,000 veterans live in Mississippi today, and almost 40,000 of those veterans received medical care last year from the VA. In fiscal year 2003 alone, VA facilities in Mississippi had 8,966 inpatient admissions and provided 633,758 outpatient visits. Even in the wake of Hurricane Katrina, the number of veterans in my State is projected to significantly increase, not decrease.

The Biloxi VA hospital serves as the general medical facility, providing outpatient and specialty care, and inpatient surgical services. Prior to the storm, the Gulfport hospital provided inpatient and outpatient mental health services, and also housed an Alzheimer's dementia unit. Gulfport also included a psychology unit, rehabilitation medicine including a therapeutic pool, primary care, and audiology.

This is a picture of the Gulfport VA today. Obviously, the Gulfport facility sustained major damage in the hurricane.

Wooden buildings were largely destroyed, and patient buildings were flooded on the first floor.

Thankfully, all patients were safely evacuated before the storm hit; and only a few VA employees remain at Gulfport.

Given the extent of damage to the Gulfport VA, I understand that the Veteran's Administration would like to permanently close the facility, and transfer all Gulfport health care services to the Biloxi VA or Keesler medical center.

The Committee may recall that the CARES Commission proposed in 2004 to transfer all Gulfport health care services to the Biloxi VA or Keesler hospital; renovate the nursing home in Biloxi; and establish a 36-bed blind rehabilitation center at Biloxi.

As part of the consolidation, the VA also planned to open outpatient clinics in Columbus, McComb, Pontotoc County, Tunica and Grenada, Mississippi.

Although I was never enthused with the VA's decision to close the Gulfport facility, I do appreciate that the CARES Commission made site visits to the VA facilities and to Keesler, and held open hearings.

The Commission's recommendation regarding the Gulfport VA was based on contingent assurances that patients would be treated at Keesler hospital. Unfortu-

nately, to date, I am not aware of any such commitment by the Air Force to treat VA patients.

To the contrary, the Air Force medical community recommended during the BRAC process to eliminate all outpatient capability from Keesler Hospital—at the same time they were talking with the VA about the possibility of absorbing patients.

And, even though the BRAC Commission rejected the Air Force's recommendation to convert Keesler Hospital to an outpatient clinic, I understand that the Air Force medical community continues unabated in their desire to eliminate surgery residents by 2007.

Obviously, I strongly oppose the Air Force's continuing position regarding elimination of any medical capability at Keesler hospital—and will work to convince them otherwise.

Consequently, I believe it is ill-advised to assume that the Air Force has agreed to takeover ANY of the medical services previously performed by the VA in Gulfport.

Mr. Chairman, I'm not here today to throw water on the notion of having our military and VA hospitals share capability and patients—I believe the concept has merit.

However, the concept will only work if the VA and DoD formally agree on the distribution of capability between Keesler Medical Center and the Biloxi VA, and budget for the infrastructure that will be required to achieve that goal, and maintain it.

Thus far, the recent Katrina supplemental request includes \$1.2 billion to reestablish VA medical care on the Gulf Coast, with most of that money designated to replace the VA hospital in New Orleans (which was flooded on the 1st floor, just like Keesler hospital).

Of that \$1.2 billion, I understand that less than 20 percent of that money is available to re-establish VA healthcare for Mississippians, by building a new "bed tower" at the Biloxi VA.

While I'm not certain what a "bed tower" may be, or even how many "beds" it may hold, I'm fairly confident that it will only include a fraction of the medical services that were originally available on the 50-acre campus of the Gulfport VA (reference the aerial picture).

Also, there is no money in the Katrina Supplemental for the Air Force to absorb additional patients from the VA. And, again, I'll emphasize that the Air Force would like to eliminate the surgery program at Keesler Hospital.

Mr. Chairman, as the Committee does its important work of considering how best to renew, recover, and rebuild VA facilities on the Gulf Coast, I urge you to support the following:

- (1) Commit to re-establishing the full-level of medical capability that was available to Mississippi veterans prior to Hurricane Katrina;
- (2) If veterans' medical care will be provided through a partnership between the VA and Keesler hospital, the Air Force and the VA must make long-term commitments regarding the budget and scope of medical service that BOTH organizations intend to provide; and
- (3) If those commitments and budgets are not forthcoming, the VA should be prepared to go-it-alone and build all required infrastructure on the Biloxi VA campus that is necessary to provide the full spectrum of medical services that were previously available at the Gulfport VA.

Mr. Chairman, thank you again for the opportunity to testify regarding this important matter.

Chairman CRAIG. Well, Trent, you have asked some to-the-point questions that, in part, were addressed by the Secretary in his opening comments.

We have Robert Lynch with us, who is the coordinator for the region. Let me set the first question somewhat in the context of what Senator Lott has spoken to, and why don't you attempt to broaden on that?

You appointed a Gulf Coast Planning Group, which will coordinate VA's plans, as you said, in the near-, mid-, and long-term future timeframes. Last week, the President appointed FDIC chairman Don Powell to coordinate all of the Federal support for recovery and rebuilding efforts.

So I think my question, specific to some of what Trent has asked, coupled with this coordinated planning effort, is the right hand and the left hand communicating now? Is the coordinating or the Gulf Coast planning council that is coordinating VA's plans working with Chairman Powell and that coordinated effort in concert with how we deal with Gulfport, Biloxi, and all of that combination of events?

And you had mentioned, as we had talked about earlier, and Dr. Perlin, you and I talked about what they might be able to do to offset some of these needs. In that context, focus in on that and respond to those questions, if you would, please.

Secretary NICHOLSON. Yes, sir, Mr. Chairman.

First of all, our Gulf Coast Planning Group is interior to the VA because we want to make sure that our left hands know what our right hands are doing, both in Washington and out there in the VISN on the ground, what the needs are. That is their charge to assess that, evaluate it, and then look at the needs and develop a position that we, as an agency will advocate. And we do anticipate working closely with Mr. Powell and that sort of overarching Federal coordinating effort. So, indeed, we will do that.

And as to your question, Senator Lott, we are very sensitive, I think, to the respective situations in Mississippi and Louisiana. And we are, as we are here speaking, seeking to establish a collaborative endeavor with the Air Force in Keesler because it just seems to me to make eminently good sense for us to examine sharing some facilities and sharing some services.

And we have now created some good models for that in some other locations with DoD inside the United States. So we wouldn't be doing something out of whole cloth there. There are some models now for that. We have just initiated one in Chicago with the Navy, and so we agree, and think that that makes good sense.

Senator LOTT. If I could just build on that?

Chairman CRAIG. Yes.

Senator Lott.

Senator LOTT. The theory is good. We have got to make sure that it is actually going to be there. I mean, the theory of using Keesler Air Force Base hospital for these veterans that were being served at Gulfport is good. But the question is, are they going to have the facilities? So I hope that you will collaborate with them on that.

Secretary NICHOLSON. One thing, if I might, Mr. Chairman, to respond to bed tower?

Senator LOTT. Yes, what is a bed tower?

Secretary NICHOLSON. A bed tower is the rubric used to describe a multi-storied hospital building that has in-patient beds in it. It is not an outpatient clinic facility. It has in-patients, people who have to come and spend time in a hospital. And that is efficient use of space because with elevators, you don't have to build out linearly. You can stack utilities and stack the construction of the building.

Senator LOTT. While I am at it, Mr. Chairman, could I ask a couple more questions?

Chairman CRAIG. Please proceed.

Senator LOTT. I know there is a little squirm and stirring around when I mentioned if we are going to close the Gulfport facility. And

you will note I didn't say we shouldn't do it. I have discussed this with the Chairman. We are aware of what is going on there, what the case may be.

But it is my understanding that if that happens, it would revert to the city of Gulfport, Mississippi. If that is not the case, I would like to know.

Secretary NICHOLSON. I will have to get back to you on that because if that is the case, I am not aware of it. There could be a covenant in that conveyance, and we will have to look at that.

I will tell you the conversation that we are having currently with FEMA and with the Governor and others is to put some temporary housing in there. And we would enter into, and I think, actually consummated a memorandum of understanding with FEMA to put 200 units of temporary housing in there, with a priority to patients that need care in nearby Biloxi hospital and disabled veterans.

Senator LOTT. Thank you, Mr. Chairman.

Chairman CRAIG. Thank you, Trent.

We have been joined by Senator Landrieu. Mary, thank you for joining us. We will treat you as a full Member of this Committee.

The Secretary has outlined, in large part, by his testimony what their current plans are as we evolve out of Katrina and Rita. So if you have an opening comment, please feel free to make it, and then we will resume questioning.

Senator LANDRIEU. Thank you, Mr. Chairman. I will be brief and wait my turn for questions. But I thank you and the Ranking Member for including me.

Of course, this is a very important part of our recovery effort and a very important part of our health care delivery system for New Orleans, Louisiana, and the Gulf Coast region. And as Senator Lott knows so well, we do try to work in partnership, caring for the veterans that are in our area and their families and between the Gulf Coast and New Orleans.

So I am going to submit my statement for the record. Obviously, we have some strong views on how we can rebuild and provide good services to our veterans, and I may have a few questions. But I will wait my turn, Mr. Chairman, and I am sorry that I couldn't get here earlier.

Thank you.

[The prepared statement of Ms. Landrieu follows:]

PREPARED STATEMENT OF HON. MARY LANDRIEU, U.S. SENATOR FROM LOUISIANA

Mr. Chairman: Thank you for calling this hearing to discuss rebuilding the Veterans Affairs system in the Gulf region after Hurricanes Katrina and Rita. I would like to start by again thanking the VA for their immediate and heroic response to Hurricane Katrina. I believe it speaks volumes about the Veterans Administration when over 1,000 patients, employees, and their families were evacuated, and all without the loss of any life. That truly was a feat within itself.

Our country has never witnessed the destruction and devastation seen in the Gulf Coast region following Hurricanes Katrina and Rita. Lives have been lost; dreams and hopes shattered; buildings destroyed; and parishes and part of a major city were under water. We are saddened by the loss of life. We will never bring those people back, but we can restore and rebuild cities and parishes, and once built, we can restore dreams and hopes. It is my belief, that the Veterans Administrations is a key to the revitalizing the entire Gulf region.

Before the storms, the State of Louisiana had an estimated 400,000 veterans, 37,000 throughout the Southeast region, 3 Veterans Medical Centers (VAMC), 2 Out-Patient Clinics, and a few Community Based Outpatient Clinics (CBOC) and

Vet Centers. However, the unprecedented events of Hurricanes Katrina and Rita have left the integrity of the Louisiana VA system in jeopardy. Many of our veterans have evacuated, structural damage has been sustained, and our other facilities are becoming over-crowded.

The New Orleans VAMC is a 450-acute care bed facility that delivers primary, secondary, and tertiary care. It provides state-of-the-art outpatient and inpatient services for 57,485 veterans in a 23-parish region and parts of Mississippi and the Florida panhandle. As you know, this state-of-the-art facility sustained extensive flood and structural damage and has been temporarily shut down. We are counting on VA leadership to rebuild a great medical center.

It has been suggested by the Administration that we re-allocate \$1.4 billion of idle FEMA funds for emergency needs in the affected areas of Hurricanes Katrina and Rita. In this request, it was suggested that the VA receive \$1.4 billion dollars. Of that \$1.4 billion, \$1.155 billion was allocated to "replace the medical center in New Orleans, Louisiana, and repair and add a bed tower to the medical center in Biloxi, Mississippi, destroyed as a consequence of Hurricane Katrina." Of the \$1.155 billion, \$845 million has been identified for New Orleans replacement and land acquisition only.

With some coordination with our State medical schools and other partners, I believe we will rebuild a stronger facility. It is crucial that in-patient services return to New Orleans, not only for the veterans of Louisiana, but for those in the surrounding Gulf region.

In addition to my concerns regarding the rebuilding of our VA system in the Gulf region, many issues surrounding Priority 7 and 8 veterans weigh heavily on my mind. Due to their surplus in income, compared to other veterans, they are not eligible for healthcare from the VA and they also pay additional co-payments others are not forced to pay. I would like to know how the VA plans to tackle these issues concerning this very important group of veterans.

In closing, I thank you for the work you have done so far. The people of Louisiana truly appreciate your efforts. But, we are far from finished with this enormous task. What I need from you is a detailed plan laying out how you are going to restore the Louisiana VAMC, complete with timelines, milestones, and funding details. With that, I would like to proceed to a few questions.

Chairman CRAIG. Well, Mary, let me cut to the chase on a specific question that I am sure you will want to chime in on because I think it is reasonable in light of what is being asked at the moment and the circumstances as they are evolving in New Orleans, with the infrastructure and the support coming out of those two medical schools that facilitated in large part VA's capabilities in the New Orleans area.

So let me ask two questions together. And this is to get to the point of where we go because Senator Lott has mentioned the \$1.2 billion and a substantial amount of that going to Louisiana and New Orleans. So, in your testimony, you noted that approximately 40 percent of the New Orleans employees have lost their homes and that a significant number of your staff may choose not to return, and some have retired and all of that circumstance.

So the first question in the context of dealing with the Louisiana issue and New Orleans would be, given the reality, are you at all concerned about the ability to staff the new infrastructure that you are seeking to build in New Orleans?

Now having said that, the President's supplemental appropriation request identifies \$845 million as needed for the construction of a new VA medical center in New Orleans, and I was one that looked at that number and went "wow." At the same time, I know how costly hospitals are to build as it relates to modern infrastructure and all that comes to a hospital room now, let alone all that is tied to the broader infrastructure of a hospital.

What is driving the significant costs of the project? What is the overall reality of what you are looking at, Mr. Secretary, Dr. Lynch,

as it relates to bringing these services back versus remodeling the old facility, versus relocating to have the infrastructure available to meet the services of the veterans of the Louisiana area? Broaden on that, if you could, please.

Secretary NICHOLSON. I will, Mr. Chairman, and then I will ask my colleagues to join in, if they care to.

Starting out, the real determination on these things will be driven by what is best for the veterans and those respective veteran populations. And I am confident in saying that we will end up with a new veterans hospital in New Orleans.

I cannot tell you what the resultant population of New Orleans is going to be. We know from our sort of microcosmic experience that some of our employees who have been temporarily redistributed throughout the system are choosing to stay where they have been put. We don't know what our partners in that area are going to do. What is Tulane going to do? LSU, Charity? Those are right now unanswered questions.

But we know that, in some configuration, we need a new hospital. We need a hospital in New Orleans. And it appears to us that we are going to have to build a new hospital, based on our current evaluations of that structure. And "where" is the question, and whether we would be able to be co-located with other academic medical facilities, which we desire, which gives that synergy of services and academic opportunities that good staff doctors want.

And the same is true in Biloxi. I mean, we know that we need the capacity to serve there, and we have lost capacity because of the fact that the Gulfport hospital has been obliterated. As Senator Lott said, there was a plan to expand Biloxi, which is 8 miles away, to facilitate that before the hurricane happened. We are going to try to accelerate that planning to make that happen.

Meanwhile, we have temporary clinic facilities and modular buildings that we are going to site at Biloxi to give that care that is lost at Gulfport.

Chairman CRAIG. Recognizing that Senator Thune is here, I just wanted to recognize him as I turn to Senator Landrieu.

And that is why I went to the heart of this question, Mary, because obviously you are intimately involved in it, and it is critical to you and your constituents. So you had asked a question coming off from those comments?

Senator LANDRIEU. Well, I just wanted to maybe comment for the record. I mean, this is a work in progress, and each day, we learn something more. But just for the record, it is the intention of Tulane and LSU, those medical schools, to reopen and to function up to capacity.

They, of course, are quite challenged with the devastation that has occurred. But our State has every intention of holding those medical schools there, and it looks like we are going to have to re-order the way the Charity Hospital system—and I think Senator Lott is more familiar with this than others—but it is a complex of medical hospitals all in the same area, which brings a lot of synergy and efficiency and sharing and opportunity.

So the veterans actually receive a tremendous amount of care because you have two great medical schools right there. And of course, New Orleans being a city, it is convenient for people to get

to from East and West, North. Nobody comes too much from the South. A few people out of the water, but mostly East and West and from the North.

But having said that, Mr. Chairman, this is a real interesting opportunity for the VA to lead the rebuilding of a great medical complex and to do it in a way that serves the whole Gulf Coast, Senator Lott, in a way that is very helpful. Because while we serve a great region, it is important to have some activities in the Biloxi-Gulfport area and some to the west of us in Texas to serve that great region of veterans.

So maybe we could visit a bit and perhaps make a presentation. But I can assure you the LSU medical center and Tulane medical center will be open and want to serve the veterans. And perhaps the State would be willing, Mr. Chairman, to put up some kind of proposal because we have got to reconfigure the Charity Hospital building. That building is so old, I don't think that our State will be able to rebuild Charity.

So there is a new opportunity. And perhaps a hospital that can be purchased for less than the \$850 million that is outlined and do the right thing by our veterans and do some kind of regional approach now that we have the opportunity.

I am sorry I didn't come with all of the specific plans, but I do want to assure you those medical schools are preparing to reopen and are counting on you all to be a part of that.

Chairman CRAIG. Trent, do you have any additional comments or questions?

Senator LOTT. What if the Air Force and DOD continues to resist or they don't do what we would hope that you could work out with the Keesler Air Force Base hospital? What are you going to do then about the medical services that you would be losing at Gulfport if that facility, in fact, is not continued to be used? How would you accommodate those veterans?

And with regard to Senator Landrieu, I think that probably now, we do have, if you have a veteran that is needing heart surgery, I think they have gone to New Orleans to get that probably. So there is that sort of thing. The specialties, you know, we have gone back and forth. We have veterans come from the panhandle of Florida to Biloxi.

But we have got to work this problem out with Keesler, or we have got to come up with an alternative plan. And we are restricted in what the medical community can accommodate there along the coast. We were in that bind before the hurricane. That is one of the reasons why the BRAC Commission took Keesler Air Force Base hospital, surgery and all, off the list because there was no place for them to go. So what is going on with the Air Force?

Secretary NICHOLSON. Well, we are having some conversation with them, Senator Lott. I can't tell you that I am optimistic it is going to end up in a collaboration that I think it should. But we are working on it. And as I said, we have done this now in some other areas. We just consummated one on the north side of Chicago with the Navy, and it is a really, really good arrangement for everybody.

If this doesn't come to pass, we will have to size the Biloxi facility to meet the needs of the veterans in the region.

Senator LOTT. Thank you, Mr. Chairman.

Chairman CRAIG. Thank you.

Senator Akaka, questions of the Secretary?

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

Mr. Secretary, in a response to my prehearing questions concerning the fate of New Orleans hospital, it was stated that VA would maintain some, and I am quoting, "clinical presence in the city." Can you explain what that means? Does that mean hospital beds, clinics, or some combination of the two?

Secretary NICHOLSON. Yes, sir. What that means is that we will be there, that we are there in a clinical way for people to come and do outpatient visits. So that we are taking care of if they have a problem, we diagnose it and treat it in those clinics. We can't put them in a bed right there, but we can refer them to one of our facilities if they need more acute care.

Senator AKAKA. As you know, Mr. Secretary, the White House re-allocation package includes funding for restoration of medical services, possibly new hospitals and bed towers, and restoring burial sites, as you have indicated in your statement. I must ask, however, where will funds come from to shore up personnel accounts to pay all the per diem costs that are being expended on a daily basis for displaced personnel?

Secretary NICHOLSON. We are accounting for that, Senator Akaka, and we have put that in our supplemental request for reimbursement.

Senator AKAKA. I was asking that because you haven't asked for a supplemental, and I was wondering.

Secretary NICHOLSON. Some of it we expect to be reimbursed by FEMA because of the emergency.

Senator AKAKA. Mr. Secretary, this is more of a statement than a question. At a meeting held last week, VA's chief counsel stated that you and I, and I quote, and here is the quote, "are committed to giving Congress quarterly briefings."

I just want to say that in the aftermath of Hurricane Katrina and with so much at stake, transparency and oversight are essential to ensuring a successfully accomplished mission. And I want you to know that I look forward to working with you and the Chairman on these meetings.

Dr. Lynch, I am delighted to have you with us today. It is my understanding that VA has decided that January 2009 is a target for award and construction of new clinical facilities in Biloxi, with some administrative functions lagging until 2010.

With so many veterans having been displaced and their care put on hold, Dr. Lynch, is this an appropriate timetable, or what can and cannot be expedited?

Dr. LYNCH. That is an expedited schedule, Senator. The original construction timelines for Biloxi, and we are fortunate there because of the CARES process. Literally, the week before the storm hit, we already had a design firm developing concept drawings for what we might do in Biloxi. So we were ahead of the game before the storm even hit.

The timelines, original timelines had us completing clinical functions in 2010, probably mid to late 2010. If things go well, we be-

lieve we can move that up to early 2009. Obviously, we have to bridge between now and then.

Part of that is helped by the fact that I think our employees' home losses mirror the community. Our staff live around the area and are very representative, and that is probably true of about most of the home stock. About a third of it is gone, which means that people aren't living in those homes now and will be trickling back in over the next couple of years as they are rebuilt. So we have a little bit of a breather in terms of the workload.

We are also able to support some of that workload right now by shifting workload to Jackson for some of the functions. What we largely lost at Gulfport was some outpatient clinic space, where we had primary care, things like that. But mainly in terms of in-patient functions was long-term care. About a third of our in-patient long-term care capacity was at Gulfport. And all of our psychiatric in-patient care was at Gulfport. That is the part we are going to try to put back together.

We have a proposal, we are acquiring 30,000 square feet of temporary buildings, which will help us offset some of this, not all of it. We have also moved. We are using the domiciliary, which was at Biloxi, after a construction project to make it safe for psychiatric patients. That will be our psychiatric in-patient center very shortly.

So we are putting together some interim plans. But I think long term for the community, it is important for us to be able to deal with all of the needs there. CARES said, and I think this is still going to be true 20 years out, that we needed to increase services across the board there, and that is what those projects are designed to do. And we just need to get there as fast as possible.

Senator AKAKA. Thank you, Mr. Chairman. My time has expired.

Chairman CRAIG. A follow-up question to what Senator Akaka just asked. So you are telling me that the plans and the timeline for the plans, because I would have to agree 2009 sounds like a long way off, are also a part of the growth? I mean, it is an expansion. It is an expansion of existing to meet, to accommodate what CARES saw as a future need along with the present need. Is that correct?

Dr. LYNCH. That is correct, sir. And just if there is any fortune in this, we had those plans on the board before the storm hit.

Chairman CRAIG. OK. Jim, Secretary Nicholson, I recently visited the armed services retirement home here in Washington, DC. As you know, there are more than 400 residents of the Gulfport facility that were relocated due to the hurricane damage.

The President's supplemental request includes \$21 million to cover the accommodations and living costs of the dislocated residents. Although the homes are considered DoD civil programs, they are a unique anomaly in the Federal system. I think that is a better way of saying it, but they are part of that civil program.

VA provides health care services to many of the residents of both the Washington and the Gulfport facilities. Given this fact and the fact that VA has experiences in delivering the long-term care services that DoD does not, are you involved or do you plan to be involved with DoD in future planning for the Gulfport facility?

Secretary NICHOLSON. I am going to ask Dr. Perlin if he wants to expand on my response. Senator, to my knowledge, we haven't

had a conversation with DoD specifically about the Gulfport relocatees. But we have addressed it ourselves because it is a matter of concern to us.

And I ask Dr. Perlin, do you have anything to add?

Dr. PERLIN. Mr. Secretary, thanks. We have not had specific conversations about any sort of new relationship there. But as you know, we are providing a good deal of support to the veterans from the Armed Forces Retirement Home in Gulfport who are now here in Washington. Just as a note, many of those veterans had previously used VA for care, and it has been pretty easy for us to care for them because their electronic health records were automatically available.

Chairman CRAIG. OK. Mary, additional questions?

Senator LANDRIEU. Can I just ask a few more questions? And I am sorry, this may be in your testimony. But before the hurricane, what were the general plans for the New Orleans veterans hospital, basically to stay and grow?

And the facility, I have been there many times, is in fairly decent shape. But tell me, Mr. Secretary, what were your plans before the hurricane for that facility?

Secretary NICHOLSON. Well, we were very pleased with that hospital. It was busy and doing a fine job and had planned for it to continue on in that mode.

Senator LANDRIEU. And I understand, because I am familiar with the general flooding, that it was just flooding through the first floor of that area, basically. Electric systems and such, some mold concern?

Secretary NICHOLSON. Yes, it has a sub-basement and a basement, and those two sort of below-grade levels got most of the water. But it damaged, it wiped out the elevator service, the electrical service to the building. Some of the dietetics were affected there, and the generators, so that our emergency electricity system was jeopardized but never fully taken out.

Senator LANDRIEU. Now you know that has been true of many buildings in New Orleans and the region. Have you had a rough estimate of what it would be just to repair and fix and get the hospital open? Do you have an estimate of that cost?

Secretary NICHOLSON. Well, we have plans to use as a clinic part of that building right now. I will ask Dr. Lynch, because he is working on that on a daily basis, to give you more detail.

Senator LANDRIEU. But like, Doctor, if you had to open the hospital and forget the fact that you don't have housing and all of that. I am familiar with it. But if you had to open that hospital like within 30 or 60 days, have you estimated what it would cost to just get it back open and functioning up to the level it was before the storm?

Dr. LYNCH. We don't have a final estimate.

Senator LANDRIEU. Do you have a rough estimate? Is it a portion of this \$800 million for total replacement cost?

Dr. LYNCH. It would be less than \$800 million.

Senator LANDRIEU. Do you think it would be 50 percent of the new cost estimate or less, or you don't know?

Dr. LYNCH. I would just be guessing, but probably somewhere in that ballpark. Regarding the Secretary's comments, our plans to

move back into the building in December with a clinic, the building is really a series of constructions. The oldest part of the building is early 1950s where the beds are, the bed tower, if you will.

An addition, which includes the parking garage, and on top of the parking garage sits a two-story nursing home. It weathered both the storm and the effects of the flooding very well, and we were able to lift air conditioning onto the roof of that and plumb it down into the building.

After we restore electricity and once we restore the elevators, people will be able to park in the garage and have direct access to the nursing home without having going into the building, where we could continue to do repairs, construction as necessary. Which it just works out that will enable us and the space lends itself to being converted to a clinic fairly easily. It is ample space.

So we will actually be able to get that part of the building online by December. But just getting the fire safety systems, elevators, the air conditioning, beginning to drop the humidity in the rest of the building and what have you before you repair any of the other damage is going to cost us close to \$25 million just to do that.

Senator LANDRIEU. My question is are all of you happy with the building and the location? I mean, there is ample land around there and ample medical partners that a new facility could be constructed in partnership with the city or the State.

Have you all had any conversations with the State of Louisiana Recovery Authority, and if you could just brief me? I don't want to take too much of the time. But a minute of briefing on at least the initial conversations with the LRA?

Secretary NICHOLSON. I will take the first response, Senator, and say, yes, we're very interested because we think it is critical to be appropriately co-located with Tulane and LSU. So part of our decision, I think, will be driven by what they decide to do, and whether or not they stay in the area, and would then be persuasive to us to justify spending the kind of money that will be required to restore that rather old facility that we have there.

Senator LANDRIEU. Well, Mr. Chairman, with that, I am going to leave it there and just commit to work with you. And perhaps because of this very strong and longstanding partnership between Tulane and LSU and the veterans center, and I mean they are literally right next to each other and have been for decades, that perhaps we could facilitate a meeting with the LSU and Tulane because they are making decisions now.

And I am led to believe that they are going to stay right where they are and rebuild. Of course, they have got financial challenges like we all do. But perhaps we could do that, and I could include the Chairman and the Ranking Member in those informal discussions, or your staff.

Chairman CRAIG. I appreciate that comment. I think those are very legitimate discussions, whether you remodel an old facility and bring it back online, or if you build something new.

And of course, the partnerships VA has with private medical schools and facilities is fundamental. It is valuable to both sides of that equation in a very real way. For the students themselves, for the services that are rendered, for the costs of operation at the VA center, for the quality of health care, all of that fits nicely. And it

appears to me that the New Orleans facility was really a regional facility of some magnitude, and we see, of course, that kind of partnering going on.

So, no, I think you are absolutely right. Those kinds of conversations for final decisionmaking, either way we cut it, a lot of money is going to get spent and needs to be spent. And it needs to be spent, clearly, with an eye toward the future and future services along with current services. So we appreciate that greatly.

Let me ask this question, and maybe Dr. Lynch could respond to it. We are going to do accelerated CBOCs you mentioned in Slidell and Hammond and, let us see, one other one. Anyway, the Slidell one appears to be almost on the border, is it not?

Dr. LYNCH. It is pretty close to the border, sir. But it is only 20 miles from downtown New Orleans. It is really a suburb of the city of New Orleans.

Chairman CRAIG. Well, I guess it is, isn't it? I was just wondering how much service you get cross border. Does it serve a portion of Mississippi or Mississippi patients?

Dr. LYNCH. It will probably draw some patients from Mississippi. It is not open yet, but it almost certainly will when it is open.

Chairman CRAIG. What is the timeline on that, do you know?

Dr. LYNCH. We are hoping to have them opened in the first part of 2006.

Chairman CRAIG. 2006.

Dr. LYNCH. Subject to contracting and things like that. That is sometimes out of our control.

Chairman CRAIG. OK. Danny, additional questions?

Senator Akaka.

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

My questions have been answered. I just want to say that I am proud of what our VA administration is doing there. You are meeting the challenges, and you are working on it. It appears to be something that we can work on together, and it seems as though we will.

Again, proud to mention that I am looking forward to quality briefings, and we can also talk as well there. But thank you for what you are doing. And I want to wish you well, and you can feel that we want to work with you to help the cause.

Thank you.

Chairman CRAIG. Mr. Secretary, this may well be my last question because part of the dialog that we had going on with both of the S enators from Louisiana and Mississippi I think answered some of our questions and some that I had prepared or staff had prepared.

VA briefed my Committee about a new Office of Strategic Initiatives, which is tasked with forecasting demand, market delineation, cost estimates for the use in CARES implementation. It seems to me that this is the same kind of analysis that is needed along the Gulf Coast before we begin building.

Have you considered using this new Office of Strategic Initiatives to assist VA's internal Gulf Coast Planning Group with its work?

Secretary NICHOLSON. Yes, we have, Mr. Chairman. As has been touched on here at least, there are a lot of variables in these things. For example, when we consider whether or not to try to re-

habilitate the New Orleans hospital versus reconstructing one, a very big piece of that is life-cycle costs.

What is the maintenance and operation cost of a rehabilitated old hospital versus building a new one? And what is the return on that investment in the new one because, obviously, it would be run much more efficiently. And that is part of what we are doing in this whole process.

Chairman CRAIG. Well, let me thank all of you for the work that is under way. And I agree with Senator Akaka. Being kept abreast of all of this will, in the long term, result in a good deal less frustration or problems that arise by the uninformed legislator, who may hear one thing coming from a constituent, when, in fact, the plan is quite the opposite.

And here we have a very unique opportunity to not only rebuild, but build a first-class service. I shouldn't say build a first-class service. Build a new service that continues a first-class service across a region that obviously will need service.

Tragically enough, these kinds of opportunities don't come along very often, thank goodness. But when they do, we ought to look far enough out into the future that we are not just simply replastering over old plaster when, in fact, a different approach can do as you suggest, with life cycle, services, and our needs and all of that.

So we thank you very much. That was part of the reason that I wanted to initiate this hearing and begin this dialog as you are planning and working so that we keep everybody well abreast of it.

And also, as it relates to dealing with the retirement center facility, that is an anomaly. It is a unique situation that exists in part because of history, and I am not sure that this may not be an opportunity in time to readjust its relationships that would continue to serve that particular type of retiree within our military services.

So, gentlemen, thank you very much for being with us today.

Secretary NICHOLSON. Thank you, Mr. Chairman.

[Whereupon, at 3:19 p.m., the Committee adjourned.]