

**STATEMENT OF THE HONORABLE DAVID J. SHULKIN
SECRETARY OF VETERANS AFFAIRS**

**FOR PRESENTATION BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS,
AND RELATED AGENCIES
BUDGET REQUEST AND PRIORITIES FOR FISCAL YEAR 2018
MAY 3, 2017**

Good morning, Chairman Dent, Ranking Member Wasserman Schultz, and Distinguished Members of the House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies. Thank you for the opportunity to testify today in support of the President's 2018 Budget Blueprint and to define my priorities to continue the dynamic transformation within the Department of Veterans Affairs (VA). I also want to thank Congress for providing the Department its full 2017 budget prior to the start of the Fiscal Year – this is significant and has been extremely beneficial to our ability to provide services and care to Veterans. The 2018 budget request fulfills the President's strong commitment to all of our Nation's Veterans by providing the resources necessary for improving the care and support our Veterans have earned through sacrifice and service to our country.

Fiscal Year 2018 Budget Blueprint

The President's 2018 budget requests \$78.9 billion in discretionary funding for VA, a \$4.4 billion or 6 percent increase from the 2017 enacted level. The budget also requests \$3.5 billion in mandatory budget authority in 2018 to continue further development and improvement of the Veterans Choice Program (the Choice Program). This budget request will ensure the Nation's Veterans receive high-quality health care and timely access to benefits and services. It provides a \$4.6 billion increase, or 7 percent, in discretionary funding for VA health care to improve patient access and timeliness of medical care services for approximately 9 million enrolled Veterans. The funding would enable VA to provide a broad range of primary care, mental health care, specialized care, and related medical and social support services to enrolled Veterans, including services that are uniquely related to Veterans' health and special needs. I urge Congress to support and fully fund our 2018 request – the resources are critical to enabling the Department to meet the demonstrated needs of our Veterans.

Modernizing VA

As you all know, I was part of the VA team for the last year and a half prior to being confirmed as Secretary of Veterans Affairs. I came to VA during a time of crisis, when it was clear Veterans were not getting the timely access to high-quality health care they deserved. I soon discovered that years of ineffective systems and deficiencies in workplace culture led to these problems. I know that the organization

has made significant progress in improving care and services to Veterans. But I also know that VA needs more changes to the way we do business for Veterans and the country as a whole, in order for all to say, "That is a different organization now." VA needs to continue to fix numerous areas of the business, including access, claims and appeals processing, and many of our core functions, to ensure that the basics are done correctly. Beyond that, VA has to deliver to Veterans revolutionary leaps in care, benefits, and services. Congress, along with our VA employees, Veterans Service Organizations (VSO), and private industry, will play a critical role in making those revolutionary leaps a reality.

Focus on Execution

Above all else, VA needs to perform its core functions well. When Veterans arrive at a VA facility for care, they must be treated with respect, see a clean and modern facility, be seen by their provider on time, and understand what the next steps for their care will be. We must ensure that this is every Veteran's experience every time they interact with VA. Where we fall short, we will hold employees accountable, ensure we are good stewards of the taxpayer dollar, and ask for Congress's support for legislative fixes where needed.

Make Bold Change

We know it is paramount that we increase our focus and intensify the efforts to improve how we execute our mission – Veterans should and do expect that from us. We also recognize that incremental change is not sufficient to achieve the additional improvements VA and Veterans need and demand for restoring the trust of Veterans and the American public.

As I have noted, VA is a unique national resource that is worth saving, and I am committed to doing just that. Veterans have unique needs, and the services VA provides to Veterans often cannot be found in the private sector. The Veterans Health Administration (VHA) provides support to Veterans through peer support, crisis lines, transportation, the Caregivers program, homelessness services, vocational support, behavioral health integration, medication support, and a VA-wide electronic medical record system. These are unparalleled. We also know that, by the quality measures included in the government's Hospital Compare ranking system, VA hospitals in general outperform civilian hospitals in most categories. Compared with 4,010 non-VA hospitals, VA institutions had lower 30-day mortality and readmission rates in all categories, and exceeded the private sector in six of nine patient safety indicators, while matching the private sector in the other three. With the continued support from Congress, VA will supplement its services through private-sector health care, but we realize it is not a replacement for the services VA provides to Veterans.

We are already enacting bold changes in the agency. We are working hard to ensure employees are held accountable to the highest of standards and working with Congress to provide us with greater authority and flexibility to do that. We are also

working with Congress on appeals reform and on a long-term solution for providing greater community care options. I will discuss these efforts in greater detail below.

Five Priorities

As I prepared for my confirmation hearing earlier this year, I identified my top priorities to address as Secretary. These areas have shaped the first several months of my tenure and provide focus for our attention and resources, and the foundation for rebuilding trust with our Veterans. We will also use the budgeting process to support our strategy by shifting our resources toward our “foundational services” that make VA unique while maintaining support to our strategic priorities.

Priority 1: Greater Choice for Veterans

The Choice Program is a critical program that has increased access to care for millions of Veterans. Coming into this new administration, extending the Choice Program was one of my top priorities for quick action, as VA estimated that based on Veteran program participation; there would be an estimated \$1.1 billion in unobligated funds left on the original expiration date of August 7, 2017. On April 19, 2017, the President signed into law the Veterans Choice Program Improvement Act (Public Law 115-26), allowing the Choice Program to continue until the Veterans Choice Fund is exhausted. Without this legislation, VA would have been unable to use funding specifically appropriated for the Choice Program by Congress, so we commend Congress for passing this legislation swiftly and in a bipartisan manner. This legislation also provides VA and Congress more time to develop a long-term solution for community care.

Since the start of the Choice Program, over 1.4 million Veterans have received Choice care. In FY 2015, VA issued more than 380,000 authorizations to Veterans through the Choice Program. In FY 2016, VA issued more than 2,000,000 authorizations to Veterans to receive care through the Choice Program, more than a fivefold increase in the number of authorizations from 2015 to 2016.

Looking at early data for 2017, it is expected that Veterans will benefit even more this year than last year from the Choice Program. In the first quarter of FY 2017, we have seen a more than 35 percent increase from the same period in FY 2016 in terms of the number of Choice authorizations (approximately 750,000). In addition to increasing the number of Veterans accessing care through the Choice Program, VA is working to increase the number of community providers available through the program. In April 2015, the Choice Program network included approximately 200,000 providers and facilities. As of February 2017, the Choice Program network had grown to over 400,000 providers and facilities, a more than 125 percent increase during this time period.

As these numbers demonstrate, demand for community care is high, and VA will continue to partner with Congress to develop a community care program that addresses the challenges we face in achieving our common goal of providing the best health care

and benefits we can for our Veterans. We have also worked with and received crucial input from Veterans, community providers, Veterans Service Organizations (VSO), and other stakeholders in the past, and we will continue doing so going forward. However, we do need your help.

One such area is in modernizing and consolidating community care. Veterans deserve better, and now is the time to get this right. We are committed to moving care into the community to where it makes sense for the Veteran. The ultimate judge of our success will be our Veterans, and our only measure of success will be our Veterans' satisfaction. With your help, we can continue to improve Veterans' care in both VA and the community.

Empower Veterans through Transparency of Information

We are also increasing transparency and empowering Veterans to make more informed decisions about their health care through our new Access and Quality Tool. This Tool allows Veterans to access the most transparent and easy to understand wait-time and quality-care measures across the health care industry. That means Veterans can quickly and easily compare access and quality measures across VA facilities and make informed choices about where, when, and how they receive their health care. Further, they will now be able to compare the quality of VA medical centers to local private sector hospitals. This Tool will take complex data and make it transparent to Veterans. This new Tool will continue to improve as we receive feedback from Veterans, employees, VSOs, Congress, and the media.

Priority 2: Modernizing our System

Infrastructure Improvements and Streamlining

In 2018, VA will focus on fixing VA's infrastructure while we transform our health care system to an integrated network to serve Veterans. As stated in VA's response to the Commission on Care recommendations, a strong suite of capital planning programs, tools, and resources are being developed to improve Veteran outcomes expected from implementing an integrated health care network. A national infrastructure realignment strategy will follow and be used to inform VA's capital planning efforts and develop a nationwide investment/divestiture plan.

Currently, VA is working towards the goal of high-performing networks that take into account current and expected future services by developing a structure to integrate community care and VA-provided health care on a market by market basis. The Department is working with private-sector health care experts to design an approach for integrated health care delivery decisions based on Veteran population, demand, internal capacity, and external public and private-sector health care resources and capacity. Once the approach is validated and piloted, a national infrastructure realignment strategy will be developed. Through this process, VA will also identify the resources,

tools, and authorities that are needed to enable the divestiture of assets and to streamline capital project execution.

The Department is also a key participant in the White House Infrastructure Initiative to explore additional ways to modernize and obtain needed upgrades to VA's real property portfolio, to support our continued delivery of quality care and services to our nation's Veterans. We are excited about the opportunity to transform the way we approach our infrastructure.

Electronic Health Record Interoperability and IT Modernization

VA recognizes that a Veteran's complete health history is critical to providing seamless, high-quality, integrated care, and benefits. Interoperability is the foundation of this capability, by making relevant clinical data available at the point of care and enabling clinicians to provide Veterans with prompt, effective care. Today, VHA, the Veterans Benefits Administration (VBA), and the Department of Defense (DoD) share more medical information than any public or private health care organization in the country. We have developed and deployed, in close collaboration with DoD, the Joint Legacy Viewer (JLV). JLV is available to all clinicians in every VA facility. It is a web-based user interface that provides clinicians with an intuitive display of DoD and VA health care data on a single screen. VA and DoD clinicians can use JLV to access the health records of Veterans, Active Duty, and Reserve Servicemembers from all VA, DoD, and any third party providers who participate in Health Information Exchanges where a patient has received care.

VA will complete the next iteration of the VistA Evolution Program, VistA 4, in 2018. VistA 4 will bring improvements in efficiency and interoperability, and will continue VistA's award-winning legacy of providing a safe, efficient health care platform for providers and Veterans. VistA Evolution funds have enabled investments in systems and infrastructure that support interoperability, networking and infrastructure sustainment, continuation of legacy systems, and efforts such as clinical terminology standardization. These investments are critical to the maintenance and deployment of the existing and future modernized VistA and essential to operational capability. Whether the path forward is to continue with VistA, shift to a commercial electronic health record (EHR) platform, or some combination of both, these investments will deliver value for Veterans and VA providers.

We are considering all options from adopting a commercial off the shelf (COTS) EHR to retaining an enhanced and standardized VistA. A decision will be made in July 2017, when the reviews are complete and all the pertinent information is available. The goal is to make a decision that will best serve Veterans' needs.

Priority 3: Focus Resources More Efficiently

Strengthening of Foundational Services in VA

VA is committed to providing the best access to care for Veterans. To deliver the full care spectrum as defined in VA's medical benefits package, VA will focus on its foundational services—those areas in which it can excel—and build community partnerships for complementary services. VA developed the following guiding principles, centered on improving the health, well-being, and experience of Veterans receiving care from VA and in the community. These principles include:

- Enabling VA to provide access to high-quality care for Veterans, by balancing services provided by VA and the community given changing demands for care and resource limitations;
- Promoting operational efficiency and simplicity, while supporting VA's clinical care, education, and research missions; and
- Allowing facilities to meet the changing needs of Veterans in a flexible way.

High-performing organizations cannot excel at every capability and thus must make decisions about how best to invest its resources. VA will therefore further define, and grow its foundational services, to excel in the provision of clinical care to Veterans.

Investing in foundational services within the Department is not limited to only health care. For over a decade, VA's National Cemetery Administration (NCA) has achieved the highest customer satisfaction rating of any organization – public or private – in the country. They achieved this designation through the American Customer Satisfaction Index six consecutive times. The President's 2018 Budget Blueprint recognizes the need to nurture and advance this unprecedented success. NCA's workload will continue to grow as the system expands. In 2018, NCA will inter approximately 133,600 Veterans and eligible family members, care for over 3.7 million gravesites, and maintain 9,400 acres. NCA will also continue to memorialize Veterans by providing 366,000 headstones and markers, distributing 702,000 Presidential Memorial Certificates and expanding the Veterans Legacy program to communities across the country. VA is committed to investing in NCA infrastructure, particularly to keep existing national cemeteries open and to construct new cemeteries resulting from burial policies approved by Congress. When all new cemeteries are opened, nearly 95 percent of the total Veteran population – about 20 million Veterans – will have access to a burial option in a Veterans' cemetery within a reasonable distance of their homes.

VA/DoD/Federal Coordination

VA has proposed legislation to eliminate certain statutory impediments to VA more effectively pursuing joint projects with other Federal agencies, including DoD. Today, medical facilities that are not specifically under the jurisdiction of the Secretary require specific statutory authorization for optimal collaboration. I look forward to working with Congress to: (1) enhance our ability to coordinate with DoD and other Federal agencies; (2) improve the access, quality, and cost effectiveness of direct

health care provided to Veterans, Servicemembers, and their beneficiaries; (3) permit joint capital asset planning and capital investments to design, construct, and utilize shared medical facilities; and (4) provide authority to transfer funds between VA and other Federal agencies for joint medical facility initiatives.

Deliver on Accountability and Effective Management Practices

Another critical area in which VA is serious about making significant changes relates to employee accountability. The vast majority of employees are dedicated to providing Veterans the care they have earned and deserve. It is unfortunate that certain employees have tarnished the reputation of VA and so many who have dedicated their lives to serving our nation's Veterans. We will not tolerate employees who deviate from VA's I-CARE values and underlying responsibility to provide the best level of care and services to them. We support Congress' ongoing efforts to provide VA with the tools it needs to take timely action against employees who perform poorly or engage in misconduct. Where employees engage in inappropriate behavior, do not perform the duties of their job, are engaged in illegal activities, or other situations where a person should no longer be a VA employee, we want the ability to ensure they can be promptly removed. Certain laws now on the books hamper our ability to optimally hold our employees accountable and remove those individuals that run afoul of my intent for the Department to function as a high-performing organization. We support legislation that is consistent with the following principles:

- Increase flexibility to remove, demote, or suspend VA employees for poor performance or misconduct;
- Provide authority to recoup bonuses of employees for poor performance or misconduct;
- Enable recovery of relocation expenses that occur through fraud or malfeasance; and
- ensure that VA has the ability to retain high performers by paying them a salary that is competitive with the private sector and performance awards that are commensurate with other federal agencies.

We thank the House for passing critical accountability legislation – but while that process continues, we are also focused on updating internal hiring practices. VHA is the largest health care system in the United States, and in an industry where there is a national shortage of health care providers, VHA faces competition with the commercial sector for scarce resources. Historically, VA has followed hiring practices that have proven unduly burdensome. Over the past year, VHA's business process improvement efforts have resulted in a more efficient hiring process. We were able to reduce the time it took to hire Medical Center Directors by 40 percent and obtained authority from the Office of Personnel Management (OPM) to provide critical pay to many of our senior health care leaders. We recognize there is much work left to do. As we strive to find internal solutions, we look forward to working together on legislation to reform recruitment and compensation practices to stay competitive with the private sector and other employers.

To ensure that VA's management practices are effective, I have announced a major initiative to improve our ability to detect and prevent fraud, waste, and abuse within VA. The initiative includes:

- forming a fraud, waste, and abuse advisory committee comprised of experts from the private sector and other government organizations; and
- identifying cutting edge tools and technologies available in the private sector.
- coordinating all fraud, waste, and abuse detection and reporting activities through a single office.

With these improvements, VA has the potential to save millions of taxpayer dollars and more effectively serve America's Veterans. I look forward to updating you in the future regarding this initiative.

Priority 4: Improve Timeliness of Services

Access to Care and Wait Times

VA is committed to delivering timely and high quality health care to our Nation's Veterans. Veterans now have same-day services for primary care and mental health care at all VA medical centers across our system. I am also committed to ensuring that any Veteran who requires urgent care will receive timely care.

In February 2017, 96.8 percent of appointments were within 30 days of the clinically indicated or Veteran's preferred date, and VHA has reduced the Electronic Wait List from 56,271 appointments to 22,840 appointments, a 59 percent reduction between June 2014 and March 2017.

Through the Choice Program, VHA and its contractors created more than 3.6 million authorizations for Veterans to receive care in the private sector from February 1, 2016, through January 31, 2017. This represents a 23 percent increase in authorizations when compared to the same period in 2015 and 2016. When looking at overall appointment data not specific to the Choice Program, the March 15, 2017, pending appointment data set shows VA has increased the number of overall pending appointments by nearly 1.8 million over the same data the prior year. According to that same data, the number of patients waiting greater than 30 days has decreased by 6.8 percent (35,325) since the beginning of FY 2017.

Accelerating Performance on Disability Claims

Since 2013, VA has made remarkable progress toward reducing the backlog of disability compensation claims pending over 125 days and is working to use more effectively the resources provided by Congress. VBA will increase staffing by 1.9 percent in 2017 to address its non-rating workload and completed 1.2 percent more rating work compared to the same time period the year before. In FY 2017, VBA is

reviewing and implementing new performance standards for its employees to reflect the increased productivity due to new processes and technological enhancements. In May 2016, VBA implemented the National Work Queue (NWQ). This allows VBA to prioritize and distribute claims according to capacity and as quickly as possible, regardless of the Veteran's place of residence. The NWQ process enabled VA to more effectively balance the workloads nationally, relative to the productive capacity at each regional office. This means that Veterans who live in a location where submissions have increased do not wait longer for decisions, solely because resources are not adjusted to match the changes in claims volume. In FY 2017, VBA added non-rating related claims to the NWQ. VBA has completed nearly 1.5 million non-rating claims through the end of March. The effort to address non-rating claims has resulted in dependency claims inventory falling 269,000 in August 2015 to less than 90,000.

To continue improving disability claim processing, VBA will begin implementing an initiative called Decision Ready Claims (DRC) this month. The DRC initiative is an expedited claims submission option available to Veterans who have elected VSOs and other accredited representatives to assist them with preparing and submitting their disability claims. Under the DRC initiative, VSOs assist Veterans with ensuring all supporting evidence is included with the claim at the time of submission. The DRC initiative empowers Veterans by allowing them to receive examinations as early as possible in the claims process.

This initiative will also enhance partnerships with VSOs by improving access and capabilities to assist with gathering all required evidence and information to accelerate claims decisions. Submission of claims submitted through the DRC process will result in claim decisions within 30 days of submission to VA.

Decisions on Appeals

The current VA appeals process undoubtedly needs further improvements for our Nation's Veterans. As of March 31, 2017, VA had 469,696 pending appeals. The average processing time for all appeals resolved by VA in FY 2016 was approximately 3 years. For those appeals that were decided by the Board of Veterans Appeals (the Board) in FY 2016, on average, Veterans waited at least 6 years from filing their Notice of Disagreement until the Board's in FY 2016. Without significant legislative reform to modernize the appeals process, Veteran wait times and the cost to taxpayers will only increase. Comprehensive legislative reform is necessary to replace the current lengthy, complex, confusing VA appeals process with a new appeals process that makes sense for Veterans, their advocates, VA, and other stakeholders. This reform is crucial to enable VA to provide the best service to Veterans and is one of my top priorities.

VA worked collaboratively with VSOs and other stakeholders to design this new process for Veterans who disagree with a VA decision. The result of that work was a legislative proposal that was introduced in the 114th Congress and has been reintroduced in the 115th Congress. The proposed process: (1) establishes multiple options for Veterans instead of the single option available today; (2) provides early resolution of disagreements and improved notice as to which option might be best; (3)

eliminates the inefficient churning of appeals that is inherent in the current process; (4) features quality feedback loops to VBA; and (5) improves transparency by clearly defining VBA as the claims agency and the Board as the appeals agency in VA. This clear definition between VBA and the Board also provides workload transparency for better workload/resource projections, and efficient use of resources for long-term savings.

The new process, described in the legislation currently pending, will provide a modernized process going forward. However, VA is also committed to reducing the pending inventory of legacy appeals. VA has worked collaboratively with stakeholders to identify opt-ins that would make the new process available to Veterans who would otherwise have an appeal in the legacy process. After assessing these various options, and collaborating with our partners, we have identified two opt-ins that we intend to implement, one statutory and one regulatory, to address the issue of the legacy appeals inventory.

The legislation must be enacted now to fix this process. It has wide stakeholder support and the longer we wait to enact this legislative reform, the more appeals will enter the current, broken system. The status quo is not acceptable for our Nation's Veterans. The new process will provide much needed comprehensive reform to modernize the VA appeals process and provide Veterans a decision on their appeal that is timely, transparent, and fair.

Priority 5: Suicide Prevention – Getting to Zero

Every suicide is tragic, and regardless of the numbers or rates, one Veteran suicide is too many. Suicide prevention is VA's highest clinical priority, and we continue to spread the word throughout VA that "Suicide Prevention is Everyone's Business." VA recognizes that Veterans are at an increased risk for suicide and implemented a national suicide prevention strategy to address this crisis. VA is bringing the best minds in the public and private sectors together to determine the next steps in implementing the Getting to Zero Initiative. VA's suicide prevention program is based on a public health approach that is ongoing, utilizing universal, selective, indicated strategies while recognizing that suicide prevention requires ready access to high quality mental health services, supplemented by programs that address the risk for suicide directly. VA's strategy for suicide prevention requires ready access to high quality mental health (and other health care) services supplemented by programs designed to help individuals and families engage in care and to address suicide prevention in high-risk patients.

As part of VA's commitment to put resources, services, and technology to reduce Veteran suicide, VA initiated the Recovery Engagement and Coordination for Health Veterans Enhanced Treatment (REACH VET). This new program was launched by VA in November 2016 and was fully implemented in February 2017. REACH VET uses a new predictive model in order to analyze existing data from Veterans' health records to identify those who are at a statistically elevated risk for suicide, hospitalization, illnesses, and other adverse outcomes. Not all Veterans who are identified have experienced suicidal ideation or behavior. However, REACH VET allows VA to provide

support and pre-emptive enhanced care in order to lessen the likelihood that the challenges these Veterans face will become a crisis.

Other than Honorable Expansion

We know that 14 of the 20 Veterans who on average commit suicide each day did not for various reasons, receive care within VA. Our goal is to more effectively promote and provide care and assistance to such individuals to the maximum extent authorized by law. In that regard, VA intends to expand access to emergent mental health care for former Servicemembers, who separated from active duty with other than honorable (OTH) administrative discharges. This initiative specifically focuses on expanding access to former Servicemembers with OTH administrative discharges who are in mental health distress and may be at risk for suicide or other adverse behaviors. VA estimates there are more than 500,000 former Servicemembers with OTH administrative discharges. As part of this initiative, former Servicemembers with OTH administrative discharges who present to VA seeking mental health care in emergency circumstances for a condition the former Servicemember asserts is related to military service would be eligible for evaluation and treatment for their mental health condition. Such individuals may access the system for emergency mental health services by visiting a VA emergency room, outpatient clinic, Vet Center, or by calling the Veterans Crisis Line. Services may include: medication management/pharmacotherapy, lab work, case management, psycho-education, and psychotherapy.

Closing

Thank you for the opportunity to appear before you today to address our 2018 budget request and to provide you with the priorities that I am taking to ensure that VA is viewed with pride of services from our Veterans. I ask for your continued steadfast support in funding our full FY 2018 budget request and continued partnership in making bold changes to improve our ability to serve Veterans. I look forward to your questions.