

**STATEMENT OF THE HONORABLE ROBERT McDONALD  
SECRETARY OF VETERANS AFFAIRS  
FOR PRESENTATION BEFORE THE  
HOUSE COMMITTEE ON VETERANS' AFFAIRS  
OCTOBER 7, 2015**

Good morning, Chairman Miller, Ranking Member Brown, and Members of the Committee. Thank you for the opportunity to discuss the progress that Veterans Affairs (VA) has made in dealing with the challenges that came to light in the access crisis of 2014 and how far we have come. I am accompanied today by Dr. David Shulkin, Under Secretary for Health.

Many of the items on which we have made progress have been identified in the Independent Assessment of the VA's Health Care Delivery Systems, required in section 201 of the Veterans Access, Choice, and Accountability Act of 2014 (Public Law 113-146, "Choice Act"). The Assessment was delivered to Congress and the Commission on Care on September 1, 2015.

Caring for our Nation's Veterans and their survivors and dependents continues to be VA's guiding mission. As we emerge from one of the most serious crises the Department has ever experienced, we face continuing challenges in ensuring that Veterans receive the care they deserve and have earned through their service. We believe that these challenges are surmountable, and we will continue to work with Congress to resolve them and move forward in achieving our mission. We thank the individuals who worked for the last year on the Independent Assessment. The Assessment is a valuable instrument for validating the areas that require attention as we continue the transformation of VA.

VA's goal is always to provide Veterans with timely and high-quality care and services with the utmost dignity, respect, and excellence, and to provide timely access to clinically appropriate care in every case possible.

More than a year ago—at my Senate confirmation hearing—I was charged with ensuring that VA refocused on its sacred mission of caring for Veterans. I welcomed that opportunity. For the last year, we've been working with a great and growing team of excellent people to fulfill that sacred duty. VA employees have refocused on our I CARE values of Integrity, Commitment, Advocacy, Respect and Excellence. Their work has significantly increased Veterans' access to care.

The recently released Independent Assessment, for the most part, reinforces our own analysis, and I am pleased to say we have already taken action on many of the recommendations it suggests. The Assessment also provides us with new ideas and helpful information that can and should inform how VA continues our transformation to a seamless, unified Veteran experience across the entire department.

VA has increased Veterans' access to care and completed approximately seven million more appointments over the past year (ending May 31, 2015) than in the previous year—2.5 million more at VA, 4.5 million more in the community. However, as we have improved access, Veteran demand has increased. Veterans are seeking more care from VA, causing a continuing rise in appointments over 30 days beyond the date the Veteran needed or wanted to be seen. The 7 million more appointments completed in the past year should have been twice as many as needed to eliminate all appointments over 30 days. Instead, appointments over 30 days have grown from 355,000 in October 2014 to 455,000 today. For their own reasons—including quality, convenience, and cost, enrolled Veterans are coming to VA for more care, more often. We've expanded the capacity required to meet last year's demand by focusing on four pillars—staffing, space, productivity, and VA Community Care.

First, we have more people serving Veterans. From August 2014 to August 31, 2015, Veterans Health Administration (VHA) has increased net onboard staff by over 14,000, including over 1,400 physicians, 3,800 nurses, 116 psychiatrists, and 422 psychologists. Included in this number are more than 7,700 medical center staff that VHA has hired as a direct result of the Choice Act enacted in August 2014.

Second, we have more space for Veterans. We activated over 1.7 million square feet in VA facilities last fiscal year and increased the number of primary care exam rooms so providers can care for more Veterans each day.

Third, we're more productive—identifying unused capacity, optimizing scheduling, heading off “no-shows” and late appointment cancellations, and extending clinic hours at night and on weekends. We're aggressively using technology like telehealth, secure messaging, and e-consults to reach more Veterans. Between June of last year and June this year, we completed 56.5 million appointments—a 4 percent increase over last year. There were 1.5 million encounters during extended hours, a 10 percent increase. Even with that increase in number of Veterans served, we completed 97 percent of appointments within 30 days, 92 percent within 14 days, 88 percent within seven days, and 22 percent the same day. For specialty care, wait times are an average of five days. For primary care, wait times are an average of four days and for mental healthcare an average of three days.

Fourth, we're aggressively using care in the community. The Veterans Choice Program (VCP) and our Accelerating Access to Care Initiative increased Veteran options for care for 13 percent more people than we did over the same period last year—a total of 1.4 million individual VA beneficiaries.

Following the 2014 access crisis, VHA developed the Blueprint for Excellence, strategies detailing how VA will evolve as a model national healthcare provider delivering both excellent health care and an excellent experience of care to all Veterans served. The Blueprint for Excellence is designed to improve access to healthcare, create a personalized “MyVA” experience for each of our Veterans, and streamline our system by making hundreds of VA-specific performance measures and reporting

requirements more consistent with those commonly used and nationally recognized in the healthcare industry.

The implementation of the Blueprint for Excellence's progress includes:

- Updated policies, procedures, and training to clearly define ethical leadership and associated behaviors;
- New Direct Secure Messaging partners and eHealth Exchange partners for increased virtual care;
- Evolving Patient Aligned Care Team (PACT) guidance, including care coordination, based on lessons learned from PACT Intensive Management evaluation;
- Implementation of over 700 Federally Qualified Health Centers provider agreements or contracts to increase Veteran access to clinical care;
- Continuing coordination of "Lean" efforts and cohesive strategic plan as aligned with MyVA; and
- Restructuring of VHA's Office of Medical Inspector processes and procedures to address both healthcare quality and individual/institutional accountability.

In short, we're putting the needs and expectations of Veterans and beneficiaries first, empowering employees to deliver excellent customer service, improving or eliminating processes, and shaping more productive and more Veteran-centric internal operations.

At the enterprise level, the work that is underway to transform Department operations also supports an effective response to the Assessment's findings and recommendations. MyVA is our transformation from VA's past way of doing business to one that puts the Veterans in control of how, when, and where they wish to be served. It is a catalyst to make VA a world-class service provider. It will modernize VA's culture, processes, and capabilities to put the needs, expectations, and interests of Veterans and their families first. The MyVA vision provides a seamless, unified Veteran Experience across the entire organization throughout the country.

To provide advice to me and the MyVA Task Force, we stood up a MyVA Advisory Committee (MVAC) in the Spring. The Committee has been and is providing advice on completing short-term and long-range plans, priorities and strategies to improve the operational functions, services, processes and outputs of the Department, and advice on appropriate levels of support and funding necessary to achieve objectives. Further, the Committee has been and is reviewing how we are implementing recommended improvements and will suggest any necessary course corrections. The individuals serving on this Committee, led by Chairman Joe Robles, the former President and Chief Executive Officer of United Services Automobile Association, come from a wide range of backgrounds in customer service, large-scale organizational change and advocacy for Veterans. MVAC is having its third meeting next week.

The main effort of the MyVA transformation concentrates on a relatively small set of efforts focused on five priorities:

- Improving the Veteran’s experience. At a bare minimum, every contact between Veterans and VA should be predictable, consistent, and easy. But we’re aiming to make each touch point exceptional. To make the right changes in how we operate, we are currently applying Human Centered Design techniques to examine our processes from the Veteran’s perspective. Some examples of how this revised thinking will effect healthcare delivery:
  - Based upon employee suggestions solicited by the MyVA process, we’ve executed pilot programs at Bay Pines, FL; Mountain Home, TN; and White River, VT, to allow Veterans to see audiologists and optometrists without first seeing a Primary Care provider. The results of these pilots will inform revised processes across the Nation, enhancing access to both specialists and primary care mentioned in Assessments D and E.
  - We are taking steps to improve our digital and telephonic experiences with Veterans. We will roll out the initial version of a new website on Veterans Day, [www.Vet.gov](http://www.Vet.gov) that will begin the process of consolidating our confusing websites. Likewise, we are developing a strategy for an enterprise approach to streamline our disparate collection of 1-800 numbers. Enhancing our self-service capabilities and ensuring our contact centers can answer questions on the first call will help address some of the access issues Assessments D and E raise.
  - Our goal is to provide leaders and employees throughout VA with an objective means of assessing and improving their organization’s ability to deliver customer experiences that instill trust in VA. To learn what that is, we have been benchmarking what the “best in class” customer experience businesses and organizations do, and will introduce customer service goals for our front-line staff in 2016.
- Improving the employee experience. To deliver an exceptional Veteran experience, we must have empowered and engaged employees. VA employees are the foundation of VA, serving with distinction each day. They provide care, information, and access to earned benefits. Improving the employee experience requires focusing on employees at every level.
  - To begin the process of changing our leadership culture and resolving issues around priorities and strategic direction identified in Assessment L, we have launched a “Leaders Developing Leaders” program. The initial effort with the Department’s most senior leaders began in August, and in September we started the cascading process with 300 of VA’s field leaders. Field leaders are the “tip of the spear” for cultural change and as such, we need to address this population earliest. In last week’s training of our 300 top field leaders, we focused our efforts on customer service and improving Veteran experience through the lens of developing leadership judgment, analyzing the enterprise, teambuilding and team feedback, and managing change. Field leaders will learn how to conduct action learning workshops, cascade VA and team goals, develop other leaders, and advance leadership philosophies. I plan to continue the

cascade of "leaders developing leaders" training across VA in fiscal year 2016. Our aim is simple - to teach VA field leaders the skills that will ensure the success of MyVA and the realignment of business processes so that we may fulfill our obligations, put Veterans first and deliver excellent customer service.

- To start this effort, we hired a global expert in training leadership, cascading strategy, enabling and empowering employees, and building organization capability. This is what business does. Noel Tichy, Professor at the Ross School of Business at the University of Michigan, author of many best-selling books on leadership and strategy, past mentor of Jack Welch at The General Electric Company (GE), and creator of GE's training university at Crotonville, is working with us in this effort. We have no hope of improving the Veteran experience if we don't first invest in improving the employee experience.
- The cascaded training is not the only way we are working with our staff to better the Veteran experience. To ensure all of our employees have a baseline of knowledge about VA benefits and services to share with Veterans, we have instituted VA101 training, a course developed and implemented by employees.
- We continue to develop an enhanced customer-service training program to enable and empower frontline employees to better serve Veterans. We have too many training modules that are not driven by what experience the customer actually wants or what the employee can deliver. We can deliver better customer service through consistent training to front-line employees and supervisors that empowers them to do the right thing for their customers.

While improving Veteran and employee experiences are central to our efforts, three complementary efforts will help build more robust management systems, enhance productivity, and deliver more effective results.

- Achieving support services excellence allows employees and leaders to focus on assisting Veterans rather than worrying about "back office" issues such as information technology (IT), procurement, staffing, supplies, and facilities management. We have completed as-is assessments of our IT, human resources, acquisition, and financial management operations. We will now work to develop end-to-end process improvements, with initial focus on medical supply chain and critical staffing shortages.
  - For the sixth year in a row, J.D. Power and Associates has reported that our Consolidated Mail Outpatient Pharmacy had the highest Customer Satisfaction Index score among the country's private and public mail-order pharmacies, and VHA's Pharmacy Benefits Management office has been recognized for its efficiency and ability to share knowledge at facilities across VHA.
- Establishing a culture of continuous performance improvement requires proven strategies to help employees examine their processes in new ways. To build continuous improvement into VA, we have chosen the team-based performance

improvement methodology known as Lean as our performance quality management system. We are expanding Lean and Six Sigma training to employees to empower them and enable them to change the processes to improve Veterans' experiences. We'll use these methodologies extensively to address the findings in the Independent Assessment.

- Enhancing strategic partnerships will allow us to extend the reach of services available for Veterans and their families. We're making it easier for federal, state, and local government, as well as private sector organizations, to partner with VA by standardizing our partnership processes. For example, we have facilitated establishment of 23 Community Veterans Engagement Boards (CVEB) around the country with a target of 50 CVEB by the end of this calendar year. Better communications and relationships with local communities, academic institutions, and providers will facilitate access and improve care.

Many issues outlined in the Assessment are complex, and solving those problems will require both a systems approach and a true partnership with all of VA's stakeholders. We are moving out and will continue to act aggressively to resolve those issues that are within our control.

Over the last year, we've worked together with Congress to address Veterans' access needs. We are grateful for the close working relationship we have had, particularly with this Committee. The Independent Assessment noted, "VHA has the opportunity to achieve a place among the highest performing health care systems in the world. It will be the charge of Congress, the Commission on Care, and VA leadership to see that these recommendations and resulting transformation efforts are given the necessary attention and support that they—and our nation's Veterans—deserve."

The Independent Assessment's Blue Ribbon Panel called on "Congress and the VA" to address these barriers. We need your help to follow through on many of the recommendations and provide adequate resources to address the growing number of services provided as well as the increased demand for those services.

It's now clear that the access crisis in 2014 resulted in large part from a significant mismatch of supply versus demand, exacerbated by greater numbers of Veterans receiving services. Rebalancing this incongruity will take time and courage. Rebalancing will include

- Addressing statutory issues that have created needless red tape and bureaucracy;
  - As we detail below, there are critical needs to address in areas related to our Care in the Community programs and authorities.
- Helping VA divest itself of underutilized or inefficient facilities and reinvest in facilities that will provide the best return on the investment in serving Veterans;
  - For example, VHA has 25 million square feet of underutilized space and 6.5 million square feet of vacant space that take resources for upkeep. With 60 percent of our buildings over 50 years old, these facilities do not

incorporate new models of care and cannot be easily adjusted to use our PACT model.

- Strengthening the appeal of senior leadership positions with hiring and compensation flexibility. VA has previously requested special pay authority for VA Medical Center and Veterans Integrated Service Network (VISN) Directors to help VA recruit and retain the best talent possible in hospital system management;
- Establishing leadership continuity by extending tenure for key positions; and

Services and benefits peak years after conflicts end, and healthcare requirements and the demand for benefits increase as Veterans age and exit the workforce. Full funding of the 2016 budget request is a critical first step in meeting these challenges, but we have to look much further ahead for the sake of Afghanistan and Iraq Veterans.

### **2016 Budget and Legislation**

To meet these growing requirements, VA needs the adequate funding the President's Fiscal Year 2016 budget request provides. The House-proposed \$1.4 billion reduction to VA's total request, including allocation of a Department-wide rescission, means \$688 million less for Veterans Medical Care—the equivalent of as many as 70,000 fewer Veterans receiving care. The Senate's proposed reduction to VA's total budget request would be \$857 million.

Further, the House proposal would provide no funding for four Major Construction projects and six cemetery projects. Our growing requirements are a clear signal that even greater challenges lay ahead, and we can't afford to be shortsighted. I am greatly concerned that the House-passed funding bill cuts construction by 50 percent at a time when 60 percent of our buildings are over 50 years old and general operating rooms today must be at least 50 percent larger than they were about a decade ago. To illustrate this point, Assessment K of the Independent Assessment highlights the huge deficit between our recapitalization requirements and projected funding availability.

We were grateful for your enactment of the VA Budget and Choice Improvement Act in late July to provide flexibility to the end of Fiscal Year 2015 to apply appropriated VCP funds to greatly increased demands for Care in the Community programs, as well as special needs for Veterans with Hepatitis C which reflect pharmaceutical advances of unquestioned benefit for Veterans with the disease. But we believe flexibility among Care in the Community programs should be extended into the future.

That there is more that can be done to remedy artificial, and we believe arbitrary, restrictions that impede delivery of care and benefits. There are over 70 line items in VA's budget that dedicate funds to a specific purpose without adequate flexibility. These include limitations within the same general areas, such as healthcare funds that cannot be spent on health care needs, and funding that can only be used for one type of Care in the Community program and not others.

The Independent Assessment also expresses concerns with budget inflexibility in VA health programs that result from the current appropriations structure and process. Additionally, the Independent Assessment recommended there be more flexibility for aligning resources with Veterans' demand for care.

In line with our requests this year to look at ways to consolidate the various types of Care in the Community programs and authorities, the VA Budget and Choice Improvement Act also calls for improving Veterans' access to community care by streamlining community programs into a new VCP. We will deliver that plan to Congress on November 1, 2015. Leading industry practices, feedback from Veterans, employees and stakeholders, and alignment with VA's future vision for healthcare will inform the New VCP design. The new program will standardize Veteran eligibility, authorization, provider networks, care coordination, claims management, and the integration of current authorities into one consolidated program.

VA presented in its FY 2016 President's Budget a number of other ideas for legislation to enhance VA efficiency. There are numerous proposals, but one especially helpful proposal is a measure to end an arbitrary 80-hour per Federal work period requirement that is simply not appropriate or efficient for many medical professionals, and is certainly not imposed in the private sector. The current requirement creates needless complications in hospitals, especially emergency room settings. Current law, which does not allow flexibility for medical professionals to work, for example, 100 hours in one pay period and 60 in the next, is a mismatch for the 24/7/365 environment of healthcare today. No private sector hospital would institute this rule, for good reason. The effect makes shift coverage difficult and makes it harder for VA to recruit and retain critical professionals. We strongly encourage enactment of this legislation.

On May 1, VA transmitted to Congress an Administration draft bill, the Department of Veterans' Affairs Purchased Health Care Streamlining and Modernization Act. Additional proposals that will streamline and unify VA's purchased care authorities will be out later this year as a result of the plan and recommendations required by section 4002 of the VA Budget and Choice Improvement Act. However, the Administration's May 1 proposal is still essential to clarify key legal issues and end uncertainty about certain aspects of purchased care—including long-term care—that are outside the VCP and create complications with providers in VA's other Care in the Community programs. We urge Congress to act on this proposal; we have already begun to see nursing homes fail to renew their agreements with VA, resulting in Veterans having to find new facilities for residence. We believe this basic clarification of VA non-contract purchase authority is needed now, and can create momentum for further consolidation of Care in the Community programs.

VA appreciates Congress' passage of the Continuing Resolution, which enables us to continue to deliver timely, high quality care and benefits to our Veterans. The passage of the CR, combined with Congress' ongoing commitment to providing advance appropriations for our medical care accounts, enable our dedicated employees, one-third of whom are Veterans themselves, to remain at work to deliver care, reduce the claims backlog, conduct interments for Veterans and dependents, and



help hundreds of thousands of Veterans. However, the protracted and frequent use of continuing resolutions is an inefficient way for the Federal government to operate.

We look forward to passage of the President's Budget, which provides the adequate funding that VA needs.

## **Conclusion**

Mr. Chairman, the recommendations of the Independent Assessment and the forthcoming Commission on Care represent opportunities for VA to build upon ongoing work to transform the Department and for the government to reaffirm its commitment to Veterans' health care. As the Veterans of Foreign Wars noted in their "Our Care" report released on September 22, 2015, "After reading through [Veterans] responses, the VFW believes that veterans ultimately believe in the VA healthcare system and believe that they have earned the right to take advantage of a healthcare system designed exclusively to meet their unique needs."

We look forward to continuing our work with Veterans, Congress, VA community care providers, Veteran Service Organizations, and our own employees to ensure that VA delivers great healthcare outcomes for Veterans. The last year has shown that there is a tremendous willingness and readiness for organizational change. Our employees want to share their strengths and the passion they bring every day to deliver healthcare to Veterans. But, we can only do so much on our own; as we have detailed above, we need your help to continue to develop our capabilities and adapt to meet Veterans' needs. We recognize the need to address our issues with urgency; I hope you will join us in renewing our commitment to our Nation's Veterans and delivering them their healthcare system.

Thank you. We look forward to your questions.