

**The Honorable Robert McDonald, Secretary of Veterans Affairs
Opening Statement before the House Committee on Veterans' Affairs
Budget Request for FY 2016
February 11, 2015**

Chairman Miller, Ranking Member Brown, members of the committee—thanks for the opportunity to discuss VA's 2016 budget and 2017 advance appropriations requests. Thank you, as well, for joining me at 810 Vermont last week for a groundbreaking Town Hall meeting.

We deeply appreciate the President's and Congress's steadfast support for Veterans, their families, and survivors, as well as the advocacy of Veterans Service Organizations (VSOs).

Our Nation is emerging from the longest war in its history. VA is emerging from one of the most serious crises the Department has ever experienced. We now have before us the greatest opportunity we've ever had to improve care for Veterans and build a more efficient and effective system.

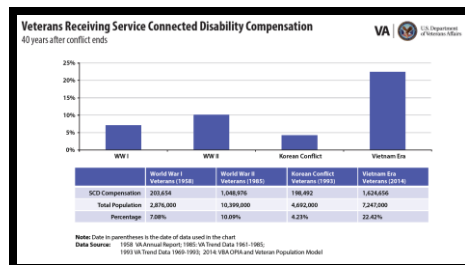
With your support, VA intends to take full advantage of this remarkable, timely opportunity.

Members of this committee and VSOs share my goal to make the VA a model agency with respect to customer experience and stewardship of taxpayer resources – an example for other government agencies.

With efficient and effective operations, we look to be comparable to the very top private sector businesses. That is how we best meet the Nation’s obligations to all Veterans.

The cost of fulfilling those obligations to our Veterans grows, and we expect it will continue to grow for the foreseeable future—we know that services and benefits for Veterans do not peak until roughly four decades after conflicts end.

CHART: THE 40-YEAR RULE



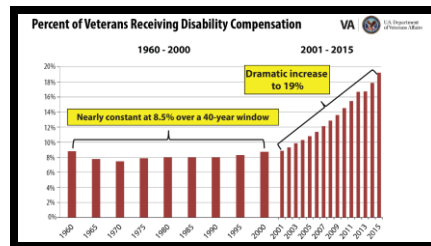
This chart demonstrates the number of Veterans receiving service connected disability benefits from World War I peaked

in 1958; for World War II, the year was 1985; for Korea, 1993, and for Vietnam Veterans it was just last year, in 2014.

It's worth remembering that today, almost 150 years after the Civil War ground to a halt, VA is still providing benefits to the child of a Civil War Veteran.

We still have troops in both Iraq and Afghanistan, and in the last decade, we have already seen dramatic increases in the demand for benefits and care.

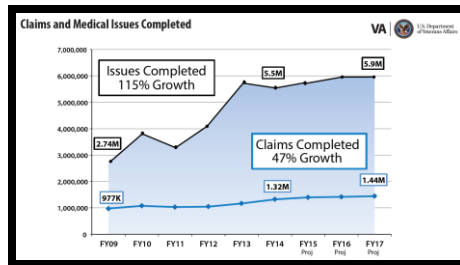
CHART: THE RISE IN COMPENSATION



This chart shows how, for 40 years—1960 to 2000—the percentage of Veterans receiving compensation from VA was stable at about 8.5%. But in the last 14 years, since 2001, the percentage has dramatically increased to 19%.

Simultaneously, the number of claims, and the number of medical issues in rating-related claims that VA has completed, soared.

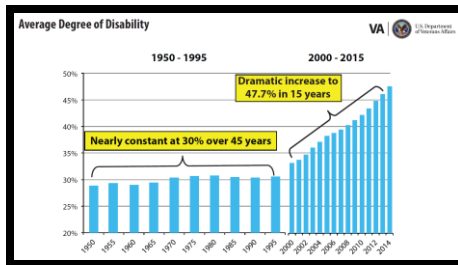
CHART: THE RISE IN MEDICAL ISSUES



As this chart shows, in 2009 VBA completed almost 980,000 claims. In FY 2017, we project we'll complete over 1.4 million—a 47% increase. But there has been even more dramatic growth in the number of medical issues in claims—2.7 million in 2009, and a projected 5.9 million in 2017, a 115% increase over just eight years.

These increases were accompanied by the dramatic rise in the average degree of disability compensation granted to Veterans.

CHART: THE RISE IN DEGREE OF DISABILITY



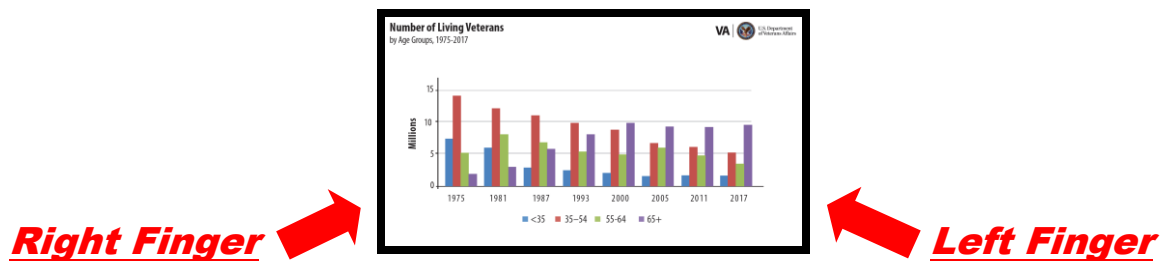
For 45 years, from 1950 to 1995, the average degree of disability held steady at 30%. But, since 2000, the average degree of disability has risen to 47.7%, as this chart shows.

So, while it is true that the total number of Veterans is declining, the number of those seeking care and benefits from VA is increasing. Fueled by more than a decade of war, Agent Orange-related disability claims, an unlimited claims appeal process, increased medical claims issues, far greater survival rates among those wounded, more sophisticated methods for identifying and treating Veterans' medical issues, and demographic shifts, Veterans' demand for services and benefits has exceeded VA's capacity to meet it.

It's important that Congress and the American people understand why that is happening.

The most important consideration is that America's Veterans are aging. As with any population, healthcare requirements and the demand for benefits both increase as Veterans age and exit the workforce:

CHART: AN AGING VETERAN COHORT



This chart reveals an astounding shift. In 1975, just 40 years ago, only 2.2 million American Veterans were 65 years old or older—7.5% of our Veteran population. In 2017, we expect 9.8 million will be 65 or older—46% of Veterans.

So, today, we serve a population that is older, with more chronic conditions, and less able to afford private sector care.

We predict that benefits for Veterans of recent conflicts will peak around 2055, and it's fair to imagine Members of Congress, the President, and the Secretary of Veterans Affairs

in 2175 debating resources that will, in part, help care for family members of Iraq and Afghanistan Veterans.

Currently, 11 million of the 22 million Veterans in this country are registered, enrolled, or use at least one VA benefit or service. Veterans are demanding more VA services than ever before. The number of all Veterans who are seeking VA medical care is steadily growing. The requirement for women Veterans and mental health care have increased dramatically.

Over 635,000 women Veterans are now enrolled in VA health care, and over 400,000 actively use VA for care—double the number using VA in 2000. We see annual increases in Women Veterans seeking care of about 9%, and this trend will continue. Our Women Veteran Call Center now connects with 100,000 women Veterans per year.

Over 1.4 million Veterans with a mental health diagnosis enrolled in VHA in 2014—an increase of 64% from 2005.

There were approximately 19.6 million mental health outpatient encounters in 2014, an increase of 72% from 2005. Since its inception in 2007 through 2014, the Veterans Crisis Line has answered over 1.6 million calls and assisted in over 45,000 rescues. Over 1 million Veterans received services through The Primary Care Mental Health Integration (PCMHI) program, begun in 2007, through November 2014. The annual number of PCMHI encounters has grown from about 182,000 in FY 2008 to over 1 million in FY 2014.

As Veterans witness the results of the positive changes VA is making and regain trust in the VA, and as the military simultaneously downsizes, the number of Veterans choosing VA services will continue to rise.

It should—they've earned it.

We are listening hard to what Veterans, Congress, employees, VSOs, and other stakeholders are telling us. And what we hear drives us to an historic, department-wide

transformation, changing VA's culture, and making the Veteran the center of everything we do.

That transformation is called *MyVA*, and it entails many organizational reforms to better unify the Department's efforts on behalf of Veterans.

CHART: MyVA—FULFILLING LINCOLN'S PROMISE



MyVA focuses on five objectives:

- **Improving the Veteran experience so that every Veteran has a seamless, integrated, and responsive customer service experience, every time;**
- **Improving the employee experience and eliminating barriers to customer service, to achieve “people excellence” so employees can better serve Veterans;**

- Improving our internal support services;
- Establishing a culture of continuous improvement so local levels can identify and correct problems more immediately and, then, replicate proven solutions across all facilities;
- And enhancing strategic partnerships.

MyVA revolutionizes VA's culture and reorients the Department around the needs of Veterans, measuring success by Veterans' outcomes as opposed to internal metrics. We intend every Veteran to have a seamless, integrated, and responsive customer service experience, every time.

Reorganizing the Department geographically is a first, substantial step in achieving this goal.

CHART 5: GEOGRAPHIC REORGANIZATION



In the past, VA had nine disjointed geographic organizational structures, one for each line of business. Our new, unified organizational framework has one national structure, as shown in this chart. The new structure has just five regions, aligning VA's disparate organizational boundaries into a single framework. This facilitates internal coordination and collaboration among business lines, creates opportunities for integration at a local level, and promotes effective customer service.

Veterans will see one VA rather than individual, disconnected organizations.

Last, *MyVA* is also about ensuring VA is a sound steward of taxpayer dollars. We will integrate Lean Six Sigma systems and efficiencies across our operations to ensure we balance Veteran-centric service with operational efficiency.

But we need the help of Congress. VA cannot be a sound steward of the taxpayer's resources with the asset portfolio we

are carrying. No business would carry such a portfolio—and Veterans deserve better. It is time to close VA’s old, substandard, and underutilized infrastructure—900 VA facilities are over 90 years old, and more than 1,300 are over 70 years old.

VA currently has 336 buildings that are vacant or less than 50% occupied—10.5 million square feet of excess—which cost us an estimated \$24 million dollars to maintain. These funds could be used to hire roughly 200 Registered Nurses for a year; pay for 144,000 primary care visits; or support 41,900 days of nursing home care for veterans in Community Living Centers. We need your support to do the right thing.

These *MyVA* reforms will take time. But over the long-term, they will enable us to better provide Veterans the services and benefits they have earned and that our Nation promised them.

Our 2016 budget will allow us to continue this critical transformation to meet the intent of *MyVA*. The 2016 Budget for

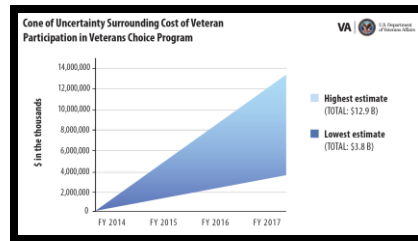
VA requests \$168.8 billion—\$73.5 billion in discretionary funds, and \$95.3 billion in mandatory funds for benefits programs. The discretionary request is an increase of \$5.2 billion (7.5%) above the 2015 enacted level, and it provides the resources necessary to continue serving the growing number of Veterans who selflessly served our Nation. The budget will . . .

- Increase access to medical care and benefits for Veterans;**
- Address infrastructure challenges including major and minor construction, modernization, and renovation;**
- End the backlog of claims and Veteran homelessness in calendar year 2015;**
- Fund medical and prosthetics research;**
- And address IT infrastructure and modernization.**

This is a large request—but it's not sufficient to meet all requirements for either 2016 or 2017. Therefore, the President will transmit a legislative proposal to allow flexibility, as necessary, to reallocate a portion of the Veterans Choice Act

funds to improve VA operations within a fiscally responsible, budget-neutral approach to best care for Veterans.

CHART 5: UNCERTAIN COST OF VETERANS CHOICE PROGRAM



As this chart demonstrates, this proposal is largely driven by our uncertainty of what resources we need to fund the new Veterans Choice Program. It's difficult to predict Veterans' use of the program, or its interaction with the medical care base budget, because it is new. We have no long-term data to draw on. Our current estimates of demand range from a low of about \$4 billion to a high of \$13 billion over the 3-year program. We want and need the flexibility to move resources if Veterans decide to stay inside VA rather than move outside. This is about ensuring every Veteran receives the care they've earned and deserve—regardless of where they choose to receive it.

Mr. Chairman, members of the committee—we meet today at a historically important time for VA and the Nation. March will mark the 150th anniversary of President Lincoln’s solemn promise to those who had fought the most devastating war in our history. He promised that we’d care for those “who shall have born the battle,” and for their families and survivors.

That’s VA’s primary mission. It is the noblest mission supporting the greatest clients of any agency in the country. And we count on your support to uphold that sacred commitment.

Thank you, again, for your unwavering support of Veterans, for working with us on these budget requests, and for making things better for all of our great Nation’s Veterans.

We look forward to your questions.