

Testimony of Secretary of Veterans Affairs Robert A. McDonald
Before the United States Senate Committee on Veterans' Affairs
January 21, 2016

Chairman Isakson, Ranking Member Blumenthal, and Members of the Committee. Thank you for the opportunity to discuss the radical transformation that the Department of Veterans Affairs (VA) is undergoing.

I am accompanied today by Dr. David Shulkin, Under Secretary for Health, and Mr. Danny Pummill, Acting Under Secretary for Benefits.

Mr. Chairman, our vision for the future is to be the No. 1 customer-service agency in Government. Our cemeteries administration is already rated No. 1 in that respect by the American Customer Satisfaction Index. We aim to make it so for all of VA.

In order to successfully transform VA, we are looking at the entire Department—not at incremental changes to parts of it. We began by immediately reinforcing the importance of our inspiring mission, caring for those “who have borne the battle,” their families, and our survivors. Then, we re-emphasized our exceptional I-CARE Values: Integrity, Commitment, Advocacy, Respect, and Excellence. Everything we do must be built on this rock solid foundation of mission and values to provide timely quality care and benefits for Veterans.

I conducted an assessment of the status quo at VA in my first couple of months as Secretary. I shared the results of that assessment with President Obama and gained his input. During this time, I had discussions with you and other Members of Congress privately and during hearings. I spoke to thousands of Veterans, VA clinicians, and VA employees. I held dozens of meetings with VSOs and other stakeholders. I recognized from this assessment that we would need to change fundamental aspects of every part of VA to rise to excellence.

We have a distinguished mission and the right, inspiring values—but we were not demonstrating the attributes of a High Performance Organization (HPO):

CHART 1: HIGH PERFORMANCE ORGANIZATIONS



This chart shows a model I developed over my many years in the private sector, where these attributes, or the lack of them, could make or break an organization. My assessment revealed VA had many issues blocking our path to becoming a High Performance Organization.

- **Purpose, Values & Principles:** We have a noble mission and outstanding values, but inconsistent behavior—a few in our workforce were not keeping our mission in mind and not adhering to our values. They are being held accountable. Due to a culture of risk aversion, fear, and reprisals, we were not always executing our mission as well as we could or living our values consistently.
- **Technical Competence:** VA was often plagued by misplaced priorities, staffing shortfalls, and severe hiring challenges. We have to give the workforce what they need to succeed.
- **Passionate Leadership:** We often suffered from a leader-employee disconnect, an overly strict hierarchy, middle management complexity, and communications gaps.
- **Sound Strategies:** We had many of them, but all too often they were not effectively deployed.
- **Robust Systems:** Many of our existing systems acted as impediments rather than catalysts for effective service to Veterans.
- **High Performing Culture:** We found the culture within the Department formal and hierarchical, rules-based, with ineffective problem-solving systems.

Despite these shortcomings, I found dedicated, purposeful people serving an inspiring mission everywhere I visited during my travels, which now include more than 264 trips to VA facilities and events in more than 100 cities. The face of VA looks very much like the face of each Veteran, family member, employee, student, researcher, and Member of Congress that it touches every day.

In terms of VA healthcare, I've come to recognize the unique combination of what VA care provides: Research leading to major advances in medicine, such as pioneering and developing modern electronic medical records, developing the implantable cardiac pacemaker, conducting the first successful liver transplant, creating the nicotine patch to help smokers quit, artificial limbs that move naturally when stimulated by electrical brain impulse, and creating applied bar-code software for administering medications to patients — the initiative of a VA nurse; training that is essential to building and maintaining proficiency of health care—70 percent of American doctors receive training from VA; and delivery of clinical care that is often Veteran-specific, including polytrauma care for some of our most seriously wounded Veterans and the treatment of traumatic brain injuries and post-traumatic stress.

We have an obligation to be transparent with the American people about both our strengths and weaknesses and to inform them about the exceptional work VA accomplishes each day for our Veterans. My views on the importance of VA health are best captured in my *Baltimore Sun* Op Ed, dated October 23, 2014 (see Appendix A).

Since my initial assessment of the Department, subsequent studies and assessments, to include the \$68 million Independent Assessment that Congress mandated as part of the Choice Act, have reinforced my findings. These assessments provided far greater detail into the challenges and opportunities which we are incorporating into our transformation.

Informed by my initial assessment, we began what we called the “Road to Veterans Day 2014” to:

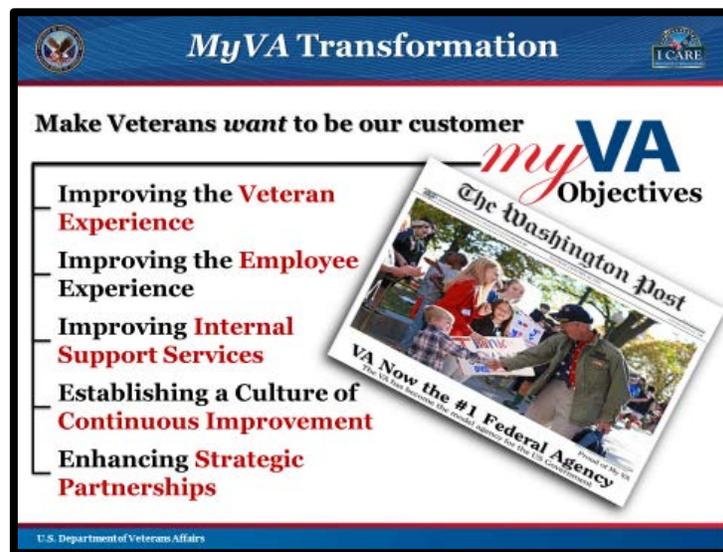
- **Rebuild Trust with Veterans and stakeholders.**
- **Improve service delivery, by focusing on Veteran outcomes.**
- **Set a course for long-term excellence and reform.**

We also designed and released VHA’s “Blueprint for Excellence”—four broad themes and 10 essential strategies to improve the performance of VHA healthcare by:

- **Developing a positive culture.**
- **Transitioning from “sick care” to “healthcare” in the broadest sense.**
- **Developing efficient, transparent, accountable, and agile business and management processes.**

I believe all these assessments and initiatives helped set the stage and build the momentum to begin delivering the changes that VA needs. They allowed us to develop the detailed framework to transform the entire Department by combining functions, simplifying operations, and providing Veterans care and services so that they see VA as MyVA—a world-class, customer-focused, Veteran-centered service organization.

CHART 2: THE 5 MyVA OBJECTIVES



There are five critical *MyVA* objectives:

1. **Improving the Veteran experience:** At a bare minimum, every contact between Veterans and VA should be at least predictable, consistent, and easy; however, we are aiming to make each touchpoint exceptional. It begins with receptionists who are pleasant to our Veteran clients, but there is also a science to this. We are focusing on human-centered design, process mapping, and working with leading design firms to learn and use the technology associated with improving every interaction with clients.
2. **Improving the employee experience—so we can better serve Veterans:** VA employees are the face of VA. They provide care, information, and access to earned benefits. They serve with distinction daily. We cannot make things better for Veterans without improving the work experience of our dedicated employees. We must train them. We must move from a rules/fear-based culture to a principles/values based culture.

I learned in the private sector that it is absolutely not a coincidence that the very best customer-service organizations are almost always among the best places to work.

3. **Improving internal support services:** We will let employees and leaders focus on assisting Veterans, rather than worrying about “back office” issues. We must bring our information technology (IT) infrastructure into the 21st century. Our scheduling system, where many of our issues with access to care were manifest, dates to 1985. Our Financial Management System is written in COBOL, a language I used in 1973. This is simply unacceptable. It impedes all our efforts to best serve Veterans.
4. **Establishing a culture of continuous improvement:** We will apply Lean strategies and other performance improvement capabilities to help employees examine their processes in new ways and build a culture of continuous improvement.
5. **Enhancing strategic partnerships:** Expanding our partnerships will allow us to extend the reach of services available for Veterans and their families. We must work effectively with those who bring capabilities and resources to help Veterans.

The MyVA Vision:

MyVA puts 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—a framework for modernizing VA’s culture, processes, and capabilities to put the needs, expectations and interests of Veterans and their families first.

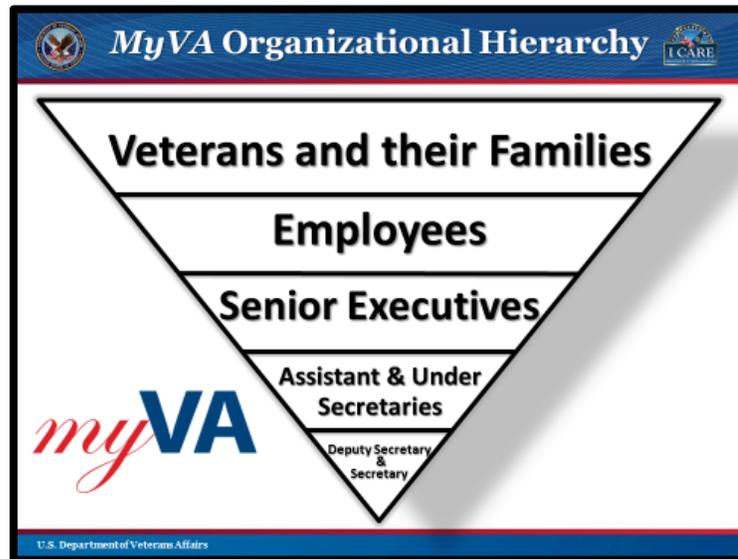
This transformation is an enormous undertaking and will not happen overnight. By revamping our functions to fit Veteran needs, rather than asking Veterans to navigate our complicated internal structure, we are rededicating ourselves to the proposition General Omar Bradley expressed in 1947: “We are dealing with Veterans, not procedures; with their problems, not ours.”

A Veteran walking into any VA facility should have a consistent, high-quality experience. MyVA will build upon existing strengths to promote an environment where VA employees see themselves as members of one enterprise, fortified by our diverse backgrounds, skills, and abilities. Moreover, every VA employee—doctor, rater, claims processor, custodian, support staff, or Secretary—will understand how they fit into the bigger picture of providing Veteran benefits and services. VA, of course, must also be a good steward of public resources. Citizens and taxpayers should expect to see efficiency in how we run our internal operations.

Changing the Culture: A New VA:

We are already changing our culture and operating differently, starting with me. When I first arrived at VA, the way I was addressed by my colleagues and the very formal format of meetings made me feel like I came first, not Veterans. That is not the way the Department should operate.

CHART 3: ORGANIZATIONAL HIERARCHY: SUPPORTING VETERANS



We want to turn the pyramid structure of VA upside down, consistent with the culture of a High Performance Organization that serves Veterans and their Families. This graphic reflects the way I see VA working—Sloan Gibson and I are at the bottom, not the top—supporting our subordinate leaders and our workforce. Veterans and their Families are at the top. This method of thinking and operating is a reminder to employees and other stakeholders that we are here to support our Veterans, not our bosses. Our bosses are there to support us. We have made other changes to systems and behavior which served to insulate our challenges rather than expose them. I routinely provide people with my personal phone number and email address so that they can contact me. Since August of 2014, I have received more than 4,800 phone calls and over 15,000 e-mails. Every query receives a response, and many of the calls and e-mails received today are to thank us for solving their issue.

I believe that we can only address the challenges and accept the good ideas we know about. I believe our new leadership team feels comfortable having honest, if sometimes uncomfortable, discussions in order to transform the Department. We are working to ensure that this new ethos permeates every part of our enterprise.

Changes to leadership were necessary. Of our top 16 executives, 10 are new to their positions since I became Secretary. Included on our present team is extensive executive expertise from the private sector: A former banking industry Chief Financial Officer and President of the USO; the former Chief Executive Officer of Beth Israel Medical Center in New York City and Morristown Medical Center in New Jersey; a former Chief Executive of Jollibee Foods and President of McDonald's Europe; a former Chief Information Officer of Johnson & Johnson and Dell Inc.; a former partner in McKinsey & Company's Transformational Change and Operations Transformation Practices; a retired partner in Accenture's Federal Services Practice; a former Chief Customer Officer for the City of Philadelphia who previously spent 10 years at United Services Association of America (USAA), one of the best and foremost customer-service organizations in the country; a former entrepreneur and CEO of multiple technology companies; and a retired Disney executive who spent 2010-2011 at Walter Reed enhancing the patient experience, among many other capable individuals.

I am the former Chairman, President, and Chief Executive Officer of Procter & Gamble. In addition, VA's new interim Chief of Staff, who assumed his new duties on January 15, has for over the past year co-lead VA's MyVA Taskforce and been responsible for many of the accomplishments I will describe later.

Combining these fresh perspectives with our more experienced government and health care executives has been and will continue to be powerful catalyst for change. Most members of the executive leadership team are Veterans themselves who have served in every era from Vietnam to Iraq and Afghanistan. Each member of our team is here because they demonstrate a personal commitment to our mission.

To advise this new team on our transformation, we formed a MyVA Advisory Committee (MVAC) made up of a diverse group of business leaders, medical professionals, experienced government executives, and Veteran advocates. The Chairman is retired Major General Joe Robles, former Chairman and CEO of USAA and the Vice Chairman is Dr. J. Michael Haynie, Air Force Veteran, Vice Chancellor of Syracuse University and founder of the Institute for Veteran and Military Families (IVMF). The MVAC includes executives with deep customer service and transformation expertise from organizations such as Amazon, The Cleveland Clinic, McKinsey & Company, Johns Hopkins, Mayo Clinic, as well as a former Surgeon General, a former White House doctor for three U.S. Presidents, a university president who was a Rhodes Scholar from the Air Force Academy who currently serves as a reserve Air Force Lieutenant Colonel, and advocates for both the traditional VSOs and post-9/11 Veterans' organizations.

CHART 4: LEARNING FROM THE BEST ORGANIZATIONS



We are working collaboratively with many world-class institutions to benchmark and capture ideas and best practices along our transformation journey. Institutions we have benchmarked include Procter & Gamble, USAA, Cleveland Clinic, Wegmans, Starbucks, Marriott / Ritz Carlton, NASA, Kaiser Permanente, Hospital Corporation of America, Virginia Mason, DoD, and GSA among others.

We are bringing in leadership experts to develop our leaders in new ways. We have already trained over 5,000 senior leaders while working with the University of Michigan on our “Leaders Developing Leaders” program. We are training critical pockets of our workforce on techniques, such as Lean and Human-Centered Design, leveraging various private sector experts to bring these cutting edge capabilities and skills to government. We are reinforcing our values and moving from a rule-based culture to a principles-based culture based on values, sound judgment and the courage to do “harder right rather than the easier wrong.”

We are encouraging different perspectives and listening to all of our key stakeholders, even those who are critical of VA. We continue to listen, learn, and grow.

We have renewed and redefined the working relationships with our union partners. The union leaders are part of the team and have had significant input into MyVA. We continue to work with them to address issues and make sure our employees are involved as often and early in every major decision. In fact, at our MVAC meeting last October, leaders from our five major national unions presented to the committee their intentions for helping to achieve the MyVA vision.

CHART 5: INCREASING COLLABORATIONS TO BEST SERVE VETERANS



We are forming strategic partnerships with external organizations to leverage the goodwill, resources, and expertise of valuable partners to better serve our Nation’s Veterans. We understand that VA cannot do everything itself. Over the last year, we have cultivated meaningful partnerships to help address a wide variety of Veteran needs, including, but not limited to, employment, homelessness, wellness, and mental health. Our partners include the YMCA, the Elks, the PenFed Foundation, LinkedIn, Coursera, Google, Walgreens, other federal agencies, academic institutions, and many more. These partnerships reflect our commitment to re-thinking how VA does business in order to leverage the strengths of others who also care for Veterans.

As we continue to develop a robust provider network, we are also streamlining business processes. We are re-imagining how we obtain services, such as billing, reimbursement

credentialing, and information sharing. We no longer operate in a vacuum, but as part of a community of care. In West Los Angeles, VA is teaming with the city and former plaintiffs to put Veterans first. After settling a long-standing lawsuit with those who disagreed with VA’s vision for the 387-acre campus, VA reached out to them, and other community stakeholders, to reimagine usage of the land. Looking ahead, these new partners are working together to build new facilities and networks that will better assist homeless Veterans and other Veterans in southern California.

We know that VA has significant issues that need to be addressed. As you can see, we are listening to various perspectives, bringing the very best America has to offer and we are investing in the long term capabilities of our people to ensure these skills and ideas continue long after individuals on the current leadership team are gone. We are running the government’s second largest Department like a \$170 billion, Fortune 6 organization should be run – balancing near term performance improvements, while rebuilding the long-term foundational organizational health of the Department.

Focus for 2016: 12 Priorities:

While we have made progress, we are still on the first leg of a multi-year journey. We have narrowed down our near-term focus to 12 “breakthrough priorities.”

CHART 6: BREAKTHROUGH PRIORITIES



Many of these reflect issues which are not new—they have been known problems, in some cases, for years. We have already seen some progress in solving many of them. However, we still have much work to do.

The following are our 12 priorities, major 2015 accomplishments for each, and the 2016 outcomes to which we aspire. We understand that it will be a challenge to accomplish all of these goals this year, but we have committed ourselves to producing results for Veterans:

Veteran Facing Goals

1. Improve the Veteran Experience.

- **2015 Accomplishments:**

- VA named the Department's first Chief Veteran Experience Officer and began staffing the office, which will work with the field to set customer service standards, spread best practices, and train our employees on advanced capabilities, such as Lean and Human Centered Design.
- We are enabling a national network of Community Veterans Engagement Boards, designed to leverage all community assets, not just VA assets, to meet local Veteran needs. Thirty-six communities are fully formed and 15 communities are in development.

- **Breakthrough Outcome for 2016:**

- Strengthened trust in VA to fulfill our country's commitment to Veterans; currently measured at 47 percent, we want it to be 70 percent by year end.
- Establish a Department-wide customer experience measurement framework to enable data-driven service improvements.
- Make the Veterans Experience office fully operational.
- Expand the network of Community Veteran Engagement Boards to 100+.
- Additionally, in order to deliver experiences to Veterans that are effective, easy, and where they feel valued, medical centers will ensure they are fully staffed at the frontline with well-prepared employees who have been selected for their customer service orientation. Functionally, this means new frontline staff will be assessed through a common set of customer service criteria, hired within 30 days of selection, and provided a nationally standardized onboarding and training program.

2. Increase Access to Health Care.

- **2015 Accomplishments:**

- Increased the number of Veteran appointments by more than 1.2 million.
- Completed over 96 percent of appointments in October 2015 within 30 days of clinically indicated or Veteran's preferred date.

- **Breakthrough Outcome for 2016:**

- When a Veteran calls or visits primary care at a VA Medical Center, their clinical needs will be addressed that day.
- Veterans will be able to conveniently get medically necessary care, referrals, and information from any VA medical center, in addition to the facility where they typically receive their care utilizing existing VISTA technology.

3. **Improve Community Care.**

- **2015 Accomplishments:**

- Issued authorizations resulting in 12 million appointments for non-Department care, thanks to the expanded flexibility of the Choice Act.

- **Breakthrough Outcome for 2016:** Improve the Veterans' experience with non-Department Care. Pending legislation, by the end of the year:

- VA will begin to consolidate and streamline its non-Department Provider Network and improve relationships with community providers and core partners.
- Veterans will be able to see a community provider within 30 days of their referral.
- Non-Department claims will be processed and paid within 30 days 85 percent of the time.
- Claims backlog will be reduced to less than 10 percent of total inventory.
- Referral and authorization time will be reduced.

4. **Deliver a Unified Veteran Experience.**

- **2015 Accomplishments:**

- On November 11, VA launched the initial capability of Vets.gov, a modern, mobile-first, cloud-based website that will replace numerous other websites and will replace multiple website logins to a single easy to navigate location. Developed with support from the U.S. Digital Services Team and with extensive feedback from Veterans, the website puts Veteran needs and wishes first.

- **Breakthrough Outcome for 2016:**

- Vets.gov will be able to provide Veterans, their families, and caregivers with a single, easy-to use, and high-performing digital platform to access the VA benefits and services they have earned.
- The top 100 search terms will all be addressed within one click.
- All current content, features and forms from the current public facing VA websites will be redesigned, rewritten in plain language, and migrated to Vets.gov prioritized based on Veteran demand.
- Additionally, we will have one authoritative source of customer data; eliminating the disparate streams of Administration-specific data that require Veterans to replicate inputs.

5. **Modernize our Contact Centers (Including Veterans Crisis Line).**

- **2015 Accomplishments:**

- The amazing heroes who staff our Veterans Crisis Line (VCL) in Canandaigua, NY were featured in the Oscar winning documentary "Crisis Hotline: Veterans Press 1."
- The VCL answered over 490,000 calls and initiated the dispatch of emergency services to callers in imminent crisis over 11,000 times. VCL answered over 58,000 and 16,000 requests for chat and text services respectively. VCL provided over 81,000 referrals to local VA medical facility Suicide Prevention Coordinators ensuring Veterans are connected to care in their community.

- **Breakthrough Outcome for 2016:**

- By the end of this year, every Veteran in crisis will have their call promptly answered by an experienced responder at the Veterans Crisis Line.

- Veterans will be able to access the VA system 24 hours a day, know where to call to get their questions answered, receive prompt service and accurate answers, and be treated with kindness and respect. VA will do this by establishing the initial conditions necessary for an integrated system of customer contact centers.

6. **Improve the Compensation & Pension Exam Process.**

- **2015 Accomplishments:**

- The Compensation and Pension Examination (C&P Exam) exam is often a Veteran's first impression of the VA when separating from service. We have received consistent feedback this is a confusing and uncomfortable experience. Last year, VBA, VHA and our Veterans experience team worked together to redesign this process using Human Centered Design and Lean techniques.

- **Breakthrough Outcome for 2016:**

- Improved Veteran satisfaction with the C&P Exam process. We will have a baseline satisfaction metric in place by February and will set a goal for significant improvement once we know our baseline.
- VA will have a national rollout of initiatives to ensure the experience is standardized across the Nation.

7. **Develop a Simplified Appeals Process.**

- **2015 Accomplishments:**

- Drove down the disability claims backlog to under 81,717, from a peak of 611,000 in March 2013.
- Guaranteed a record 631,000 home loans totaling \$153 billion and assisted 90,000 Veterans in avoiding foreclosure, saving taxpayers over \$2.8 billion.
- Reduced the time for Home Loan Certificate of Eligibility processing from 26 business days to 2 business days and automated the processing of dependency claims filed online, as well as burial and death benefits for certain surviving spouses.
- Automated burial benefits were paid to surviving spouses within 6 days (down from 190 days).
- VA transitioned disability compensation claims processing from a paper-intensive process to a fully electronic processing system; 5,000 tons of paper per year were eliminated.
- Decided 1.4 million disability compensation and pension (rating) claims for Veterans and survivors – the highest in VA history for a single year.

- **Breakthrough Outcome for 2016:**

- Subject to successful legislative action, put in place a simplified appeals process, enabling the Department to resolve 90 percent of appeals within one year of filing by 2021.
- Increase current appeals production to more rapidly reduce the existing appeals inventory.

8. **Continue Progress in Reducing Veteran Homelessness.**

- **2015 Accomplishments:**

- Provided services to more than 365,000 homeless or at-risk Veterans in VHA's homeless programs.

- Placed almost 107,500 Veterans in permanent housing or prevented them from becoming homeless.
- **Breakthrough Outcome for 2016:**
 - Continue progress toward an effective end to Veteran homelessness by permanently housing or preventing homelessness for an additional 100,000 Veterans and their family members,

VA Internal Facing Goals

9. **Improve Employee Experience (Including Leadership Development).**

- **2015 Accomplishments:**
 - Launched Leaders Developing Leaders (LDL) which has already trained over 5,000 leaders in applying LDL principles.
 - Additionally, to improve and encourage problem solving, we are already training critical pockets of our workforce on techniques, such as Lean and Human-Centered Design.
- **Breakthrough Outcome for 2016:**
 - Continue to improve employee experience by developing engaged leaders at all levels, who inspire and empower all employees to deliver a seamless, integrated, and responsive VA customer service experience.
 - Over 12,000 engaged leaders skilled in applying LDL principles, concepts, and tools will work projects and/or initiatives to make VA a more effective and efficient organization.
 - Improve VA employee experience by incorporating LDL principles into VA's leadership and supervisor development programs and courses of instruction.
 - VA Senior Executive performance plans will include an element that targets how to improve employee engagement and customer service, and all VA employees will have a customer service standard in their performance plans.
 - All VA supervisors will have a customer service standard in their performance plans.
 - VA will begin moving from paper-based individual development plans to a new electronic version, making it easier for both supervisors and employees.

10. **Staff Critical Positions.**

- **2015 Accomplishments:**
 - VHA hired 41,113 employees, for a net increase of 13,940 healthcare staff, a 4.7 percent increase overall, including 1,337 physicians and 3,612 nurses.
 - Additionally, we filled several critical leadership positions to include the Under Secretary of Health, Chief Information Officer, and Veterans Experience Officer.
- **Breakthrough Outcome for 2016:**
 - Achieve significantly improved critical staffing levels that balance access and clinical productivity, with targets of 95 percent Medical Center Director positions filled with permanent appointments (not acting) and 90 percent of other critical shortages addressed – management as well as clinical.
 - Work to reduce “time to fill” standards by 30 percent.

11. **Transformation the Office of Information & Technology (OIT).**

- **2015 Accomplishments:**

- In July, LaVerne Council was confirmed as our new Chief Information Officer (CIO).
- LaVerne has developed a multi-year plan for creating a world class Information Technology organization.
- **Breakthrough Outcome for 2016:** Achieve key milestones on the path to creating a world-class Information Technology (IT) organization that improves the support to business partners and Veterans.
 - 50 percent of projects on time and on budget.
 - Stand up an account management office.
 - Develop portfolios for all Administrations.
 - All supervisors and executives performance goals tied to strategy goals.
 - Close all current cybersecurity weaknesses.
 - Develop a holistic Veteran data management strategy.
 - Implement a quality and compliance office.
 - Deploy a transformational vendor management strategy.
 - Ensure implementation of key initiatives to improve access to care.
 - Strengthen EHR Strategy.
 - Establish one authoritative source for Veteran contact information, military service history, and Veteran status.
 - Finalize the Congressionally mandated DOD-VA Interoperability requirements.

12. Transform Supply Chain.

- **2015 Accomplishments:**
 - VA's Consolidated Mail Outpatient Pharmacy received the highest customer satisfaction score among the Nation's public and private mail-order pharmacies for the sixth year in a row according to J.D. Power; while having an average unit price far below national average in both branded and generic drugs. This is a powerful example of what the VA is capable with when our supply chain leverages our scale.
- **Breakthrough Outcome for 2016:**
 - VA will build an enterprise-wide integrated Medical-Surgical supply chain that leverages VA's scale to drive an increase in responsiveness and a reduction in operating costs. Over \$150 million in cost avoidance will be redirected to priority Veteran programs.

We are rigorously managing each of these “breakthrough priorities” by instituting a Department level scorecard, metrics, and tracking system. Each priority has an accountable and responsible official and a cross-functional, cross-Department team in support. Each team meets every other week in person with either the Secretary or Deputy Secretary to discuss progress, identify roadblocks, and problem solve solutions. This is a new VA – more transparent, collaborative, and respectful; less formal and bureaucratic; more execution and outcome-focused; principles based, not rules-based.

Thanks to the continuing support of Congress, VSOs, union leaders, our dedicated employees, states, and private industry partners, we have made tremendous headway over the past 18 months. Congress has passed key legislation, such as the Veterans Access, Choice, and Accountability Act and the Clay Hunt Suicide Prevention for American Veterans Act, which gives VA more flexibility to improve our culture and ability to execute effectively.

The Department is grateful for your continuing support of Veterans and appreciates your efforts to pass legislation enabling VA to provide Veterans with the high-quality care they have earned and deserve. We have identified a number of necessary legislative items that require action by Congress in order to best serve Veterans going forward in 2016:

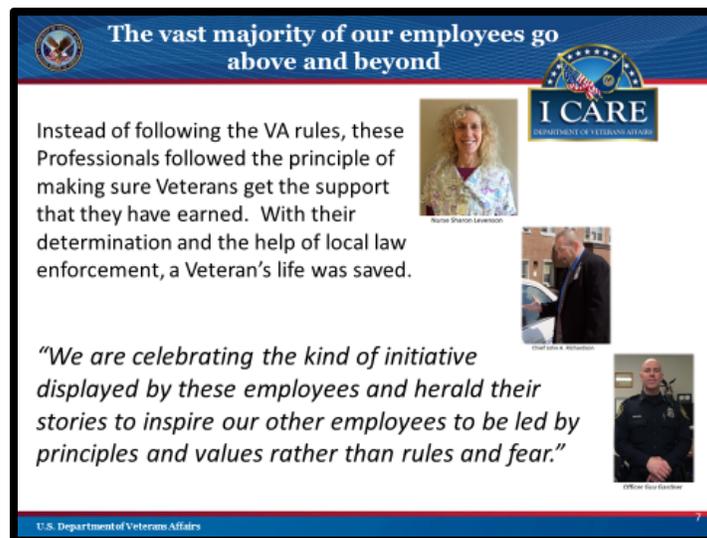
1. **Consolidate Care in the Community:** We need your help, as discussed on many occasions, to help overhaul our Care in the Community programs, specifically, to consolidate the seven existing programs, each with its own rules and requirements. VA staff and subject matter experts have communicated regularly with congressional staff to discuss concepts and concerns as we shape the required plan and recommendations. We believe that together we can accomplish legislative changes to streamline Care in the Community programs before the end of this session of Congress.
2. **Flexible Budget Authority:** We need flexible budget authority to avoid artificial restrictions that impede our delivery of care and benefits to Veterans. Currently, there are over 70 line items in VA's budget that dedicate funds to a specific purpose without adequate flexibility to provide the best service to Veterans. These include limitations within the same general areas, such as health care funds that cannot be spent on health care needs and funding that can be used for only one type of Care in the Community program, but not others. These restrictions limit the ability of VA to deliver Veterans with care and benefits based on demand, rather than specific funding lines.
3. **Support for the Purchased Health Care Streamlining and Modernization Act:** This legislation would allow VA to contract with providers on an individual basis in the community outside of Federal Acquisition Regulations, without forcing providers to meet excessive compliance burdens and while maintaining essential worker protections. Already, we have seen certain nursing homes not renew their agreements with VA because of these burdens, requiring Veterans to find new facilities for residence. VA further requests your support for our efforts to recruit and retain the very best clinical professionals. These include, for example, flexibility for the federal work period requirement, which is not consistent with private sector medicine, and special pay authority to help VA recruit and retain the best talent possible to lead our hospitals and health care networks.
4. **Special Legislation for VA's West Los Angeles Campus:** VA has provided technical assistance on special legislation connected to the use of VA's West Los Angeles Campus in a way that will most benefit area Veterans, especially homeless Veterans. VA urges your support for this bill, which will allow us to move forward and get positive results for the area's Veterans after years of debate in the community and court action. This bill would reflect the settlement of that litigation, and truly be a win-win for Veterans and the community. I believe this is a game changing piece of legislation as it highlights the opportunities that are possible when VA works in partnership with the community.
5. **Overhaul the Claims Appeals Process:** We need legislation that permits the Veterans Benefits Administration (VBA) and the Board of Veterans Appeals to provide Veterans with the timely, fair, and quality appeals decisions they deserve thereby addressing the growing inventory of appeals, which currently stands at over 444,000. The antiquated appeals process set in law is failing Veterans, – and American taxpayers. It is too complex and causes Veterans to wait far too long for final resolution on an appeal. Fundamental legislative reform to modernize the appeals process is critical to ensure that Veterans are provided with a fair, streamlined, and understandable appeals process in

which most Veterans can be assured of receiving a final appeals decision within one year of filing that appeal.

6. **President's FY2017 Budget Legislative Proposals:** I encourage the committee to support other key legislative proposals that will be included in the President's FY2017 Budget that will be delivered to Congress on February 9th.
7. **Cultural Change:** Lastly, let me again remind everyone that the vast majority of VA employees are hard workers who do the right thing for Veterans every day. However, we need your assistance in supporting the cultural change we are trying to drive. We are working to change the culture of VA from one of rules, fear, and reprisals to one of principles, hope, and gratitude. We need all stakeholders in this transformation to embrace this cultural transformation, including Congress. In fact, I think Congress, above all, recognizes the policy window we have at hand and must have the courage to make the type of changes it is asking VA and our employees to make. Congress can only put Veterans first by caring for those that serve Veterans.

Our dedicated VA employees, if given the right tools, training, and support, can and do go out of their way to provide the best care possible to our Veterans and their families.

CHART 7: VA EXCEPTIONAL EMPLOYEES



Three of them are pictured above. Last month, Registered Nurse Sharon Levenson, who works in a clinic in Battleboro, Vermont, noticed that one of her regular patients did not come in as scheduled. She could have been thankful for a lighter workload that day, but instead, she called her patient. He did not answer so she grew concerned. She contacted the VA Police. When VA Police Chief John A. Richardson received Ms. Levenson's request for a home welfare check, he cited the rules and informed Nurse Levenson that unless there was a threat of harm, they were not supposed to conduct home welfare checks.

Chief Richardson could have been satisfied that he followed the rules. Instead, he directed Officer Guy Gardner to investigate. Officer Gardner also failed to reach the Veteran. He could have stopped there. Instead, he decided to call the Veteran's emergency point of

contact. The point of contact visited the Veteran's home, but no one answered. A lack of tracks in the snow indicated no one had recently come or gone from the home. Concerned, Officer Gardner called local police and requested a welfare check. Local police entered the home and found the Veteran, unconscious but alive. He was rushed to the hospital where he was revived and is regaining his health.

These three VA employees demonstrated every bit of the Veteran-focused cultural change VA is undergoing. I hear stories like this every day. These are the stories that don't make the newspapers and blogs, but make a difference in the lives of Veterans. We are celebrating the kind of initiative displayed by these employees and herald their stories to inspire our other employees to be led by principles and values rather than rules and fear.

Thank you again for this opportunity and thank you for all you do for Veterans. We are extremely grateful for having this two-way dialogue and we look forward to working together to solve what we believe is one, if not the, most important issue our country faces...caring for those who protect our freedom.

Appendix A

THE BALTIMORE SUN

VA is Critical to Medicine and Vets

By Robert A. McDonald

October 23, 2014

During preparation for my confirmation as secretary of Veterans Affairs (VA), I was repeatedly asked, "Why doesn't VA just hand out vouchers allowing veterans to get care wherever they want?" For a department recovering from serious issues involving health care access and scheduling of appointments, that was a legitimate question.

After nine weeks at VA, travel to 31 VA facilities in 15 cities, discussions with hundreds of veterans and VA clinicians, meetings with 75 Members of Congress, two hearings before the Senate and House Veterans' Affairs committees and dozens of meetings with Veterans Service Organizations and other stakeholders, I can answer that question.

Veterans need VA, and many more Americans benefit from VA.

Almost 9 million veterans are enrolled to receive health care from VA — a unique, fully-integrated health care system, the largest in the nation. The VA stands atop a critical triad of support — three pillars that enable holistic health care for our patients: research, leading to advances in medical care; training that's essential to build and maintain proficiency of care; and delivery of clinical care to help those in need.

VA's accomplishments on all three pillars and contributions to the practice of medicine are as broad, historically significant and profound as they are generally unrecognized.

VA is affiliated with over 1,800 educational institutions providing powerful teaching and research opportunities. And our research initiatives, outcomes and honors are tremendous. Few understand that VA medical professionals:

- Pioneered and developed modern electronic medical records;
- Developed the implantable cardiac pacemaker;
- Conducted the first successful liver transplants;
- Created the nicotine patch to help smokers quit;
- Crafted artificial limbs that move naturally when stimulated by electrical brain impulses;
- Demonstrated that patients with total paralysis could control robotic arms using only their thoughts — a revolutionary system called "Braingate;"
- Identified genetic risk factors for schizophrenia, [Alzheimer's](#) and Werner's syndrome, among others;
- Applied bar-code software for administering medications to patients — the initiative of a VA nurse;

- Proved that one aspirin a day reduced by half the rate of death and nonfatal heart attacks in patients with unstable angina;
- Received three Nobel Prizes in medicine or physiology; seven prestigious Lasker Awards, presented to people who make major contributions to medical science or public service on behalf of medicine; and two of the eight 2014 Samuel J. Heyman Service to America medals.

No single institution trains more doctors or nurses than VA. More than 70 percent of all U.S. doctors have received training at VA. Each year, VA trains, educates and provides practical experience for 62,000 medical students and residents, 23,000 nurses and 33,000 trainees in other health fields — people who go on to provide health care not just to veterans but to most Americans.

The 278,000 employees of the Veterans Health Administration work in a system spanning all 50 states and beyond, providing — from Maine to Manila — a high volume of quality, clinical care. Our 150 flagship VA Medical Centers are connected to 819 Community-Based Outpatient Clinics, 300 Vet Centers providing readjustment counseling, 135 Community Living Centers, 104 Residential Rehabilitation Treatment Centers, and to mobile medical clinics, mobile Vet Centers and telehealth programs providing care to the most remote veterans.

That network of facilities allows VA to deliver care to veterans from the greatest generation of World War II to the latest generation from Afghanistan and Iraq. In 2013, VA provided over 90 million episodes of care; that's an average of over 240,000 each day. And since 2004, the American Customer Satisfaction Index survey has consistently shown that veterans receiving inpatient and outpatient care from VA hospitals and clinics give a higher customer satisfaction score, on average, than patients at private sector hospitals.

Finally, VA is uniquely positioned to contribute to the care of veterans with traumatic brain injury (TBI), prosthetics, PTSD and other mental health conditions, and the treatment of chronic diseases such as diabetes and hepatitis. The work we do in these areas, as well as many others, produces results and life changing improvements in care for veterans — and for all Americans and people around the world who suffer from these conditions.

Fixing access to VA care is important; we have a plan to do that and are dedicated to implementing it. That process will take time — but it must be done, and we will be successful. Those who fully understand the value of the department in research, training, and clinical care understand that veterans and all Americans need and deserve their VA to continue providing exceptional care to those we serve.

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