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PROVIDING FOR VETERANS: ADDRESSING CURRENT AND FUTURE VA BUDGET CHALLENGES

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SEPTEMBER 18, 2024

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PROVIDING FOR VETERANS: ADDRESSING CURRENT AND FUTURE VA BUDGET CHALLENGES

WEDNESDAY, SEPTEMBER 18, 2024

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

The Committee met, pursuant to notice, at 3 p.m., in Room SR–418, Russell Senate Office Building, Hon. Jon Tester, Chairman of the Committee, presiding.

Present: Senators Tester, Brown, Blumenthal, Hirono, Hassan, King, Moran, Boozman, Cassidy, Sullivan, Blackburn, Cramer, and Tuberville.

OPENING STATEMENT OF HON. JON TESTER, CHAIRMAN, U.S. SENATOR FROM MONTANA

Chairman TESTER. I want to call this hearing to order. Today we are going to discuss a matter that is urgent. It is providing additional funding to the Veterans Benefits Administration so it can deliver benefit payments to its veterans and their families on time.

So the question is how did we get to this point? Simply put, VA is providing more disability benefits to more veterans than ever before. From my perspective, that is a part of living up to the promises of war. It is a good thing. I am aware of the letters from my colleagues that are blasting the VA for moving too quickly to provide benefits under the PACT Act. But the message I have heard from the veterans in my treasured State of Montana and across the country has been very clear. These folks have approached us at events in our states. They have written letters and emails, and they have gone out of their way to express gratitude to Congress and the VA, and to let us know these benefits are having lifesaving effects.

Many of them, particularly the Vietnam era veterans, waited decades for these benefits. It is shocking to me that some are now telling them that they should have to wait longer because the price tag was too steep. Look, we knew addressing long-ignored issues like toxic exposure is going to cost a few bucks, but it is the right thing to do.

Over the past 2 years, VA has approved nearly 1.2 million PACT Act claims and more than 335,000 veterans have enrolled in VA health care, thanks to the PACT Act. Like I have always said, if people up here have a problem addressing the true cost of war they should not send these folks to war to begin with.

Today I am hopeful the Senate is finally going to act on this supplemental funding. It is not the time for partisan politics—that typically has not been the case on this Committee—or for misleading rhetoric about a manufactured crisis. It is time to act, to ensure that 7 million veterans and their families are not left wondering whether they will receive their benefit checks in 13 days, because it runs out September 20th.

With that said, we need to have a serious conversation about how the VA can better account for emerging trends in its budget, potential disruptions of care, where benefits are in no one's interest. And I have a lot of questions about the fiscal year 2025 shortfall within the Veteran Health Administration, particularly about what is driving these unexpected costs. And as we look toward providing sufficient longer-term funding for the Department, I am working in a bipartisan, bicameral way to ensure that we are requiring more transparency and reporting from the VA on budget projections and execution.

As we head down the road, I hope the colleagues on this Committee will work constructively, as always have, to ensure the Department has the resources it needs to take care of those have borne the battle. That is, after all, why this Committee exists.

With that, Senator Moran, I will turn it over to you.

OPENING STATEMENT OF HON. JERRY MORAN, RANKING MEMBER, U.S. SENATOR FROM KANSAS

Senator MORAN. Chairman Tester, thank you. I asked for this hearing. Thank you for agreeing to that request. And I would expect my colleagues, and probably your colleagues, to join us.

Chairman TESTER. Yes, they will.

Senator MORAN. I do not know that I need to have a conversation about providing benefits. We are for that. When veterans are entitled to benefits we want them to receive them.

But here is what troubles me is the lack of budgeting accountability, knowing the facts in time to make better decisions. And what is really troublesome to me is the lateness in which this issue arose. And I will explore, in my questions with the two of you, the nature of what transpired that led us, in my view, for Congress to be unaware. And the reality is that whatever the reason for the need for additional authority, we were not told. We were not told until after the Appropriations Subcommittee marked up its bill. In fact, we were told the next day. And we were not told by OMB that this was coming. And no reason to tell us, I suppose, is my theory, when we are trying to figure out the allocation between domestic spending and defense spending.

So my complaint today is really with the level of trust and respect that I would hope we have from the Department of Veterans Affairs. I know the leadership and many people who work there. You all do a really good job of communicating with me on an ongoing basis. But if you do that on things unlike this significant shortfall, I am troubled on why you would not call and inform us about the problems that are arising so that we can make the decisions at the appropriate time and avoid this—I mean, this is important. What happens today and tomorrow on this issue in the Senate

matters in whether veterans and their families receive benefits on time.

And Congress could have handled this in a different way, but it seems to me that the VA and the OMB, they failed to just pay the respects to the U.S. Senate, and to Members of the U.S. Senate and this Committee that they know.

And so my complaint is the nature of lack of notice and knowledge, and it seems to me—I hate it when newspaper editors put motives behind my actions. They do not know what really went on, and maybe I will learn. But it seems to me the motives were to have Congress make decisions before we had the facts. That is wrong, and I expected something different from the people I know and work with at the Department of Veterans Affairs. Thank you.

Chairman TESTER. Well, hopefully you will be able to address some of those questions in your opening statements, and not all of them.

I want to thank the witnesses for being here today. It is not the first time that Dr. Elnahal and Josh Jacobs have been in front of this Committee. Dr. Elnahal is the Under Secretary for Health. Josh Jacobs is the Under Secretary for Benefits at the Department of Veterans Affairs.

You will each get 5 minutes. Know that your entire written statement will be a part of the record.

And with that, Dr. Elnahal, you get to start.

STATEMENT OF HON. SHEREEF M. ELNAHAL, MD, UNDER SECRETARY FOR HEALTH, DEPARTMENT OF VETERANS AFFAIRS

Dr. ELNAHAL. Thank you, Mr. Chairman, Mr. Ranking Member, and Members of the Committee.

At VA we are on a mission to provide more care to more veterans than ever before. And since the historic expansion of benefits under the PACT Act, our commitment has been to enroll as many veterans as we can into VA care, because we know it is the best and most affordable care for veterans.

On March 5th we made new groups of veterans eligible for VA health care years earlier than required by the law, including every veteran deployed to a Post-9/11 mission, regardless of their condition or service-connection. Any toxic-exposed veteran, exposed at home or abroad, now also qualifies for direct enrollment. We have held thousands of outreach events across the country over 2 years to meet veterans where they are.

At our VetFest event this year in Fayetteville, North Carolina, we met Vietnam veteran Danny Cox. Years ago, Danny's service did not qualify him for VA health care, and he did not have high expectations. So he was, quote, "over the moon" to learn that thanks to the PACT Act he was now eligible to enroll. He told us that not only does he appreciate that his health care team knows veterans but that this will help his family also financially. He now tells every veteran he knows to get care at the VA.

We have enrolled veterans like Danny at historic levels. Since President Biden signed the PACT Act, 740,000 veterans have enrolled in VA health care, 33 percent more than the equivalent period prior to the PACT Act. Further, 900,000 veterans saw their

priority group increased, reducing their out-of-pocket costs and in many cases allowing them more care options like long-term care and dental care.

We are also delivering more appointments to veterans than ever before. We are on track to exceed last year's record and deliver over 130 million appointments this fiscal year between our direct care system and the community. And we are exceeding previous records in pharmacy and prosthetics with 5 percent more prescriptions and 10 percent more prosthetics delivered this year than last.

To prepare for this record-breaking delivery of much-needed care to veterans, we embarked on a historic hiring effort in 2023. Despite industry-wide headwinds in recruitment and retention, last year our workforce grew at rates not seen in 15 years. That includes increases in critical occupations, most notably physicians, nurses, medical support assistants, food service workers, housekeeping aides, and more. Hiring more than 60,000 health care workers was the right decision to ensure that we had the capacity to meet the needs of veterans.

We also placed an emphasis on improving clinical productivity, holding a series of what we called access sprints earlier this year. Over just a couple of months, our teams across the Nation made it easier and faster for veterans to access VA care by offering night and weekend clinics, by increasing the number of veterans scheduled into daily clinics, and more. We continue to see the impact today with wait times in the direct care system down for both primary care and mental health new patient appointments.

Further, we are leveraging every modality of care to open VA's doors wider for veterans. Since the start of the pandemic we have seen telehealth episodes triple, utilization of clinical resource hubs, home-based primary care, and e-consults all show rapid increases, even just over last year. And I am happy to report now that all of our VSNs have access to tele-emergency care services for veterans.

Across all of our efforts we have prioritized veteran feedback about their care, and of course care quality and outcomes. Earlier this month we were proud to announced that VA hospitals outperformed non-VA in CMS's star ratings for quality and patient safety for the second year in a row, and for patient satisfaction, for the ninth consecutive quarter in a row. Most importantly, we continue to see improvements in veteran trust, which reached an all-time high of 92 percent of veterans telling us that they trust us for their outpatient care.

As we have communicated throughout the year, we continue to exceed even the most aggressive expectations for care growth delivered this year. That is growth in services to veterans, along with factors such as rising costs for pharmaceuticals and prosthetics, and continued year-over-year growth in the need for community care referrals, which has resulted in the need in totality for additional funds.

We have requested an anomaly of $12 billion for the potential medical care shortfall going into FY 2025. Without these resources, VA will be forced to make difficult cuts, most notably to outreach, care coordination, and more. This funding is necessary to continue to deliver more care to veterans than ever before and maintain our achievements in quality, access, and all-time high veteran trust.

Chairman Tester, Ranking Member Moran, Members of the Committee, thank you again for the opportunity to appear before you today.

[The joint prepared statement of Dr. Elnahal and Mr. Jacobs appears on page 39 of the Appendix.]

Chairman TESTER. Thank you, Dr. Elnahal. Josh Jacobs, you are up.

STATEMENT OF HON. JOSHUA D. JACOBS, UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS AFFAIRS

Mr. JACOBS. Good afternoon Chairman Tester, Ranking Member Moran, and Members of the Committee. Thank you for the opportunity to appear before you today.

As you know, VA is currently delivering more benefits to more veterans and survivors than ever before, which is largely a result of the historic Sergeant First Class Heath Robinson PACT Act, as well as our unprecedented efforts to reach out to veterans, family members, and survivors proactively and connect them to their earned benefits.

Veterans like Oscar, a former active duty Army and Colorado Air National Guard veteran who served two tours in Iraq. A few years ago, Oscar received the devastating news that he had advanced cancer. He submitted his claim for what he already knew was a terminal condition so he could ensure the family he loved was taken care of after he passed away. But since his claim was submitted and decided before PACT Act became law, Oscar's claim was denied.

When President Biden signed the PACT Act into law in August 2022, Oscar's county Veteran Service Officer in Colorado, Chad Ferris, immediately gave him a call and walked him through the steps to reapply for his claim. Tragically, Oscar passed before learning that he had been granted a 100 percent service-connection for his cancer. But thanks to Chad's persistence and the provisions in the PACT Act, Oscar's surviving spouse and four children became entitled to benefits in his name.

Thanks to the generous resources and authorities provided by Congress, we utilized the authority provided by the PACT Act to make all presumptives effective the day the bill was signed into law rather than spreading implementation over several years. We also began processing all PACT claims on January 1, 2023, instead of waiting 18 to 24 months for the completion of the rulemaking process, as is typically standard. We make these decisions so that millions of veterans who were subjected to toxic exposures while fighting for our country could receive the benefits they earned as quickly as possible.

In the 2 years since the PACT Act was signed into law, VA has delivered over 1.2 million PACT Act benefits, equating to more than $7 billion, to veterans and survivors. In FY 2023, veterans and survivors submitted 39 percent more claims applications than 2022, an all-time record.

Today, more veterans and their families are receiving earned benefits than ever before. In this fiscal year alone, VA has already granted more than 1.1 million benefits, over half of which are

PACT Act-related, delivering $154 billion in benefits to veterans and survivors, another all-time record.

And it is not just PACT Act claims that have led to this increase. Thanks to the largest, most aggressive outreach campaign in VA history, veterans, family members, and survivors are applying for a variety of benefits at higher numbers than ever before. To give you an idea of our efforts, since January 1, 2023, we have held almost 18,000 events that included PACT Act briefings, with over 1.8 million direct engagements with veterans or their family members. This includes processing applications for education benefits, insurance, home loans, and more.

When a veteran applies for benefits, our goal is to work with them to gather the necessary evidence to get to yes. And with this approach, we have granted benefits for 65 percent of claims and 75 percent of PACT Act-related claims, a sharp increase from previous years.

Despite setting aggressive projections at the beginning of the year, the record-setting benefits delivered to veterans have exceeded our expectations and resulted in the need for an additional $2.883 billion in FY 2024 funding for mandatory benefits payments. This is money that goes straight into the pockets of veterans and their survivors.

These funding estimates are conservative to ensure sufficient funding is available to get through the fiscal year and deliver on the promise to provide veterans their earned benefits on time, especially as VA continues to break records in benefits and health care delivery. Any funding shortfall of even $1 would prevent VA from processing its September pay file, and as a result delay benefit payments to approximately 7 million veterans and survivors.

We are committed to being transparent with Congress as well as veterans and their families on this issue. We were not willing to take the risk of potential delays in payments that veterans and their families have earned and deserved, which is why we elevated this risk as soon as we validated the potential need and why we are making changes to future budget projections so we do not find ourselves in this situation again.

Our commitment remains steadfast. We are focused on delivering more benefits to more veterans and survivors more quickly than ever before.

Thank you for your continued support. I appreciate the opportunity to appear before you today and look forward to continuing to work with you to improve veteran outcomes, and I am ready to answer any questions you or other Members of the Committee may have.

Chairman TESTER. Yes, thank you, Josh, and there will be plenty of questions, and I want to thank you both for your testimony.

Look, in my tenure on this Committee this is not the first time VA has asked for additional funding. In this instance, the VA has, as you have already pointed out, Josh, and you too, Dr. Elnahal, had a very successful outreach around the PACT Act. It has prompted greater numbers of veterans, survivors, and beneficiaries to apply and to get those benefits.

So the question is twofold, Mr. Jacobs. Number one, how did we end up here, and could you explain the timeline that the Ranking

Member brought up in his opening statement, and why the timeline was what it was.

Mr. JACOBS. Senator, thanks very much for that question. The reason we find ourselves in this situation is frankly our workforce has overdelivered on what were already aggressive projections. For the last year we have delivered more benefits to more veterans than at any other time in our history. Last year we delivered nearly 2 million claims decisions. We set projections that we would deliver 2.2 million claims projections. And in the spring, when the Secretary testified before Congress about our budget we were on track, looking at our projections and our actuals.

What happened is, in July, as part of what we call the mid-session review, a statutorily mandated process, we updated our projections based on the most recent experience, and we identified that there was potential for us to actually deliver 2.5 million claims decisions. So, as we updated those projections, we then had to work to verify and validate that the assumptions we were making were, in fact, possible. And as soon as we did that we communicated the risk and that potential need to Congress.

Chairman TESTER. Okay. What percentage of the requested mandatory funding is administrative or overhead expenses, and I would guess that the remainder would go to straight to the veterans. Correct?

Mr. JACOBS. Mr. Chairman, none of the funding that we have requested is administrative. The entirety of the funding is going to support the delivery of care and benefits.

Chairman TESTER. Okay. Thank you. You talked about it a little bit but I want you to talk about it a little more. Tell me what is the impact on veterans and their survivors if Congress does not do what we need to do, and get the $2.883 billion out and then ultimately address the issue in next year's budget.

Mr. JACOBS. The risk of not receiving these funds by the 20th is that the funds would be delayed in terms of their delivery to veterans. Over many years, we have developed——

Chairman TESTER. So talk about that delay. Are we talking a delay of week or 2 weeks, or are we talking—how long?

Mr. JACOBS. Well, the majority of the funds that we provide are delivered through direct deposit, so 98 percent of our compensation and pension funds are delivered that way. We do have the ability to compress that timeline. The challenge is it increases the risk that something breaks in the process. But we can move that up, and working closely with Treasury find ways to compress it.

The real risk is that 2 percent of veterans and survivors, 140,000, the most vulnerable of our customers, many living in rural areas, more health conditions, older, would have a delay of up to 2 weeks.

Chairman TESTER. Okay. And don't think I don't want to pick on you too, Dr. Elnahal, but this is another question for Mr. Jacobs. What new budgeting processes have you implemented since discovering the shortfall to capture the costs related to the PACT Act, so that you can more accurately account for what the needs are out there, so we are not going to be here next September?

Mr. JACOBS. Yes. We have updated our outyear projections for 2025 and 2026. One of the main lessons here is we cannot underestimate the ability of our workforce to overdeliver.

We are also working to increase the average rate at which disability, the average disability rating, increases. For the last several years we have seen an average increase in the disability rating of 1 percent. What we are seeing is it is actually increasing at a faster rate, at 2 percent. So we are updating those projections to make sure that we account for the total cost increase, and then we are going to continue to work to refine that.

We have also worked to more frequently provide reports to Congress, to this Committee, to ensure that we are sharing with you monthly comparisons of actuals to projections, to make sure that we have got transparency and close lines of communications.

Chairman TESTER. I think you have already answered this one, but I am going to ask it anyway. Do you have all the tools you need to be able to address, authorities and resources you need to be able to address the issue?

Mr. JACOBS. Yes, sir.

Chairman TESTER. Okay. Thank you. Ranking Member Moran.

Senator MORAN. Thank you, Mr. Chairman. Mr. Jacobs, I understand you are the one who is responsible for briefing OMB monthly on mandatory spending for veteran benefits. At what monthly briefing did you inform OMB of this issue? And how long after did you inform Congress?

Mr. JACOBS. Senator, our Chief Financial Officer is engaged in those briefings, but what happened is in June, as part of the midsession review, we identified this need. We then elevated it, once we were able to verify the concerns and the assumptions here, and then communicate it to Congress.

Senator MORAN. Let me ask it this way. Are you telling me that the decision to notify Congress when you did—let me put what I think the facts are. You just indicated that OMB was notified in June. The MilCon-VA Appropriations Subcommittee did not mark up a bill until July. And why did the VA wait until the day after that markup to start formally notifying Congress?

Mr. JACOBS. Senator, we had to work through a process of verifying and validating that our assumptions were right. So my recollection is this all happened toward the end of June, and we had a series of meetings with OMB to verify that the assumptions we were making, in terms of the updated projections, were sound, so a red team analysis, if you will. We had to work through that process and balance the need to ensure both timely reporting but also accuracy.

Senator MORAN. No thought within the Department's leadership that in the period of time between June and July that it might be useful to let Congress know that maybe something is happening, before we make our decision about how we allocate spending between domestic spending and military defense spending?

Mr. JACOBS. Senator, I want to personally apologize for not calling you myself, as you referenced in your opening statement. One of my lessons here and one of our lessons is we will provide earlier communications. I will also say we did not have a high level of con-

fidence that we were working to get independent verification that the estimate was, in fact, real and the needs were verified.

Senator MORAN. I appreciate the suggestion that there be additional communication, but let me also point out that Secretary McDonough responded to a letter from Chairman Tester and me on this topic in May, and I quote the letter. "We have the nationwide staffing totals we need to deliver the services to our Nation's veterans."

In addition to that, the Secretary's testimony has always been that we seem to be doing fine, and if we need any additional help we will let Congress know. And what I have seen in the press, that has been the explanation. Well, we told Congress that we might need their help, so we do not feel like we were not disclosing appropriately.

But it does seem to me that the lack of certainty with you—you claim that you did not know for certain about the amount of money, but you knew that something was happening, and in both the letter and in testimony the indication would be Congress would be informed. And it has a lot of consequences as we do our appropriations process. And as I said, we only know this after we mark up MilCon-VA.

Let me move on a bit. Mr. Jacobs, one of the documents that the VA shared regarding the shortfall indicates a projected additional need next fiscal year of approximately $22 billion. Is that accurate?

Mr. JACOBS. I believe it is in that range, $20 billion or so. Correct.

Senator MORAN. And, let me, because we have not had the chance to talk about this issue in a hearing, and I do not think we have been in this room for months, I want to talk about the bonuses. Both of you used the authority, your authority, to award bonuses ranging up to $100,000 for 182 VA senior executives in the VA Central Office. A total of $10.8 million in CSI payments were spent this way. Is this appropriate? Are you satisfied with the decision that you made? Is there any admission that it is a mistake or it is just that Congress caused an uproar and it did not look good and you tried to alter the circumstances that you created?

Mr. JACOBS. Senator, we made a mistake, as an organization, and I made the mistake personally in the way that we handled the CSI payments to senior executives in Central Office. And as we identified and reported with the Inspector General, once we confirmed the mistake we communicated to you, to this Committee. We began the process of recoupment, and we have, to date, recouped 93 percent of the bonuses, or the CSI payments, and we are in the process of getting the remainder.

But what I will tell you is I am mindful that trust is a key priority for us, and that if we do not have trust we are not going to encourage veterans to access their earned benefits. So to the extent my actions and the Department's actions imperil that trust, I want to apologize and take ownership for that and make sure that we never repeat that mistake again.

Senator MORAN. Trust is important, and communication is a significant component of the capability of having trust. And I would encourage you, again, the Secretary and both of you are very kind in the number of times in which you call and give me information.

You just referenced one of them. But it seems to me that when the billions of dollars that we had in shortfall appeared, that this circumstance was worthy of that same kind of notification so that we could make decisions. And not just me and not this Committee but the appropriations process and the leadership of the House and Senate. Thank you.

HON. RICHARD BLUMENTHAL,
U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL [presiding]. I am substituting for Chairman Tester.

Senator MORAN. You are doing a very fine job. I like this.

Senator BLUMENTHAL. Well, don't reach any hasty judgments. With your guidance I am sure I will. Senator Hassan.

HON. MARGARET WOOD HASSAN,
U.S. SENATOR FROM NEW HAMPSHIRE

Senator HASSAN. Thank you, Senator Blumenthal. My thanks to the Chairman and Ranking Member Moran for this hearing. Look, the VA does essential work to provide care and benefits to our veterans including through the PACT Act. But I join my colleagues in being very concerned about the budget shortfall caused by the VA's miscalculations, and so are the Granite Staters who have reached out to my office.

As I discussed at a recent roundtable with veterans in New Hampshire, while I am pleased that the VA has provided services and benefits to many PACT Act veterans, it is unacceptable that the veterans benefits are now at risk due to the VA's inability to properly plan for that very influx of PACT Act veterans. The VA has to do better. We have to do better.

Mr. Jacobs, I wanted to start just by following up on your answer to Chairman Tester's question about what are you doing to make sure that this kind of budget miscalculation does not happen in the future. You said, if I heard your answer completely, essentially that you made some mistakes with projections, you know, how fast and well the workforce could work, but also some other projections. But what, in the processing moving forward, are you changing so that this does not happen again?

Mr. JACOBS. I think that the largest driver in the process are the inputs and the assumptions. And it is also going to be the frequency with which we report out, to make sure that we are transparent.

In the springtime, what we identified is that our spend plan was nearly on track with our projections. And so we were maybe half a percent off for both the education and the comp accounts. And so we will continue to do that and make sure that as we update our projections we can communicate transparently and with vigor.

Senator HASSAN. And I think from what you are hearing from the Ranking Member, and I assume you will hear from others, with communication as frequently as you can with us, even when you are not quite sure what the actual information is going to turn out to be.

Dr. Elnahal, I want to turn to you and health care. As the VA has provided health care to more PACT Act veterans, the Depart-

ment is living up to its mission of caring for those who have served. That care, though, is not confined to 1 year or one budget cycle. It is a lifelong commitment that our country has rightly made to our veterans.

The veterans now covered through the PACT Act are going to receive care through the VA for decades to come. So what is the VA doing to ensure that it accurately projects the level of resources, including funding, that is necessary to provide health care for our veterans in the long term?

Dr. ELNAHAL. Thank you for the question, Senator. The main driver, as my colleague mentioned, for our need for additional funds is greater care delivery than ever before to more veterans than we anticipated, both enrolling and having their priority groups increased because of the hard work that VBA employees have done to grant more service-connection.

And so our efforts to improve our predictive models for our budget needs are going to take better into account three main factors. The first is our unprecedented outreach. Historically, VA has not necessarily been present in communities where veterans are, at nearly the frequency where we are now. And I hope to be able to make sure that we project the results of that, which is more veterans finding out about their earned benefits and health care opportunities and enrolling with us.

The second is the combined policy effects of the MISSION Act, which has allowed more veterans to get care in the community to meet their needs across the country, and also the PACT Act, because of the dynamic I mentioned around priority group increases, which confer new health care opportunities to veterans in long-term care, dental care, and other services. Now this, I think, was an underappreciated factor in our projections, and we will make sure that we take them into account into the future.

But the combination of policy and unprecedented outreach, Senator, we have to take those better into account as we project future budget needs.

Senator HASSAN. Right. And just to be clear, when I am meeting with my veterans, a lot of them still do not feel like they get great outreach, and a lot of veterans still tell me they were not fully aware of the range of benefits or health care available to them. So you guys are really going to need to kind of think through the ripple effect here, right, and the compounding effect, which is a good thing that we should be hoping will happen. But what are really looking for is processes that will capture that, right?

Dr. ELNAHAL. Yes.

Senator HASSAN. I may follow up a little bit more on that, but I just wanted to close with adding my concerns about the improper issuing of bonuses. The VA Inspector General's Office found that the awarding of almost $11 million to Central Office executives within the VA, the VBA, your respective offices, were inconsistent with both the PACT Act and the VA policy. So this was not just a mistake. You have got the Inspector General's Office saying you guys just did not follow the law and follow the policy.

I know that you have worked to recoup the bonuses, but with the Chair's permission I would like you both just to talk a little bit more about how you can explain your role in and responsibility for

the improper issuing of these bonuses, and how do you plan to ensure that it does not happen again. Mr. Jacobs.

Mr. JACOBS. Senator, we had a number of process shortcomings, so we did not have the right level of lawyers to review. There were concerns that were raised within our HR function that did not get elevated. So we have to improve who is involved in the decision-making process. We also have to ensure that we have the right level of independence so that there are no conflicts of interest. Part of that process is to ensure that all CSI payments in the future that go to executives are delegated to only be approved by the Secretary.

Senator HASSAN. Dr. Elnahal.

Dr. ELNAHAL. Senator, to just add to that, my ownership of my personal mistakes, mistakes made within our health care system on this, they simply will not happen again because my attention will be on implementing all of the IG's recommendations.

And finally, I think one of the biggest gaps was not bringing this proposed set of incentives forward to our broader governance process so that our General Counsel's Office, our Human Resources Office, senior leadership, and other really important stakeholders could have weighed in. In my case, we issued incentives to many more executives than I had originally anticipated. All of this would have been caught if we had put the proposal through our governance, and it will not happen again, Senator.

Senator HASSAN. Well, that is good to hear. Just be aware that other offices at the VA did not take this opportunity to give bonuses to senior executives because I think they understood that was not the intention of the bonus system.

Thank you, Mr. Chair.

Senator BLUMENTHAL. Thanks, Senator Hassan. I would be next but I am going to defer to my colleagues who are here. Senator Blackburn.

HON. MARSHA BLACKBURN,
U.S. SENATOR FROM TENNESSEE

Senator BLACKBURN. Thank you so much, and thank you all for coming back to visit with us. I think you know we are all concerned about the shortfall, and hopefully we get legislation over here this week from the House that is going to patch that.

I have listened to your answers, and honestly, I do not see—there is a lot that just does not seem to add up. How you could not have seen this coming is perplexing. So talk to me for just a minute about the added transparency and what you are going to do to improve that annual budget process. You were saying you were looking at $20 billion more in benefits. I think that is right, Mr. Jacobs.

And Senator Sullivan has proposed a bill, and I am co-sponsoring this, that would require you to provide regular in-person budget reports to Congress, because your numbers have been so far off, and your expectations have been so far off. So I would love to hear from each of you on that.

Mr. JACOBS. Senator, I would be happy to increase transparency and communication. We previously provided quarterly spend rates. Right now we have increased that to monthly, and I would be happy to do that in person. The approximately $3 billion that we

have requested in mandatory funding is a little less than a week's worth of payments that we provide to veterans and their families. So in terms of where the projections were relative to the total amount, relatively small but obviously a large dollar amount.

In terms of the process improvements, we are making certain adjustments to our inputs and the assumptions. I discussed that a little bit earlier about the total number of vets served and the average rate of increased disability compensation. And then as we do that we will continue to communicate with this Committee and others in Congress to make sure we are——

Senator BLACKBURN. Okay. Let me ask you this. Was the communication gap that caused this shortfall, was it between the veterans and the case worker, the case worker and your offices? Where did your numbers fall—how did you get so far off track? And I know you have said, well, we have done more outreach, well, we have done this, well, we decided to change how the PACT Act was going to be implemented. But there should have been some form of communication that said we have got a hiccup in the system and we need to fix this. And to have come before us and not brought it forward and then immediately, after say, hey, we have got a problem, it looks very suspicious.

Our job is to make certain that veterans get what benefits they are entitled to.

Mr. JACOBS. Senator, as we were monitoring our spend plan and comparing the actuals versus the projections, what we identified in the second and third quarter is that we were actually quite close, and in fact our spend rate for compensation and pension was actually under the projections.

What transpired and changed in that June/July timeframe is we updated our projections. So based on new analysis we identified the potential risk for the need of additional mandatory funding. And the challenge——

Senator BLACKBURN. So you do not do this on an ongoing, rolling basis. You periodically do updates. So do you need different technology?

Mr. JACOBS. No, Senator. I think what we have to do is just continue to maintain frequency.

Senator BLACKBURN. Okay. All right. Dr. Elnahal?

Dr. ELNAHAL. Senator, absolutely. So we made very explicit policy decisions, including accelerating eligibility for many more categories of veterans as of March 5th of this year. Fifty thousand veterans have since enrolled from that authority alone, on top of three-quarters of a million veterans since the PACT Act was signed.

We should have been more communicative. I will definitely concede that to you, and we will work on that. We have been monitoring budget execution, as we normally do, every single month. The main driver of this is delivering more care to veterans than ever before. And we stand by our decision to open the doors into the health care system for more veterans, but I pledge to you that we will be as transparent as possible as we move forward, and we do think this is a good investment for future veteran care into the next fiscal year.

Senator BLACKBURN. Okay. Let me ask you one quick thing about the CSI bonuses, because I think this was astounding that bonuses of up to $100,000 were being given. Were any of these individuals that got bonuses working remote, part-time, or were all of them in-person 5 days a week?

Dr. ELNAHAL. So we have a policy for our headquarters, Senator, where folks have to come in 5 days per pay period, which is 2 weeks, so about 5 days every 10.

Senator BLACKBURN. So they are able to work remote, part-time, and they are going to get $100,000 bonus, and we have a budget shortfall that we cannot take care of the veterans and provide them the benefits they have earned.

Dr. ELNAHAL. Senator, listen, I concede that we made mistakes on this. As soon as we discovered, especially in my case——

Senator BLACKBURN. My time has expired. I am going to send it back to the Chairman.

Senator BLUMENTHAL. Thank you, Senator. Senator Tuberville.

HON. TOMMY TUBERVILLE,
U.S. SENATOR FROM ALABAMA

Senator TUBERVILLE. Thank you, Mr. Chairman. Thanks for being here today, both of you. Very important. You know, our VA, especially in my state we have so many veterans that we do it the right way. We give the best possible care, biggest health care system in the world. I get more complaints about this than probably anything that I do, but we have just got to make sure taxpayer dollars are spent in the right way, but we want to take care of our veterans.

First of all, bonuses. Mr. Jacobs, are these for doctors or administrators, these bonuses?

Mr. JACOBS. The majority of the CSI payments that have been paid out by the Department are going to frontline workers, and that ranges from environmental technicians who are keeping the hospitals clean to HR staff. The CSI payments that were provided inappropriately were done to leadership in Central Office.

Senator TUBERVILLE. Is this merit based or seniority?

Mr. JACOBS. So the requirements under the law are that they are positions that are in high demand and short supply, and the jobs that are relative to their specific position and critical skill.

Senator TUBERVILLE. You know, we talked about projections. How often are your projections internally verified? I mean, do you internally go back, have people checking? How often does that happen?

Mr. JACOBS. It is several times a year. We work to update our projections. We have two teams, one in the Office of Field Operations, one in our what we call the PA&I, Performance, Analysis, and Integrity team. They run different models and they work against one another to verify the projections and to stress test it. We then do that again, as we did most recently in June, where we worked to update the projections versus actuals, based on the new real-time data that we have identified.

Senator TUBERVILLE. As much money as we are talking about here, do we use any outside accounting or entities to go through these projections at all, or is it just all in-house?

Mr. JACOBS. I believe it is in-house. I would have to double-check and make sure that I am not unaware of any additional outside review for the VBA process.

Senator TUBERVILLE. All right. Mr. Elnahal, 2025, I think my staff was briefed that we are going to have a $22.6 billion shortfall. Is that correct?

Dr. ELNAHAL. It is about a $12 billion potential shortfall into fiscal year 2025 for medical care.

Senator TUBERVILLE. Yes, 425, we projected that for the year 2025, or is that what you are talking about?

Dr. ELNAHAL. For fiscal year 2025, yes, Senator.

Senator TUBERVILLE. Okay. Mr. Elnahal, since the PACT Act, the VA has announced that they have hired more personnel than ever before, and at the same time community care referrals, especially in my state, have continued to go up. Health care providers in the Gulf Coast VA health care system have told me and my staff that they are overwhelmed with patients and they are having to heavily lean on community care, which the VA claims is a leading cause of the VHA's budget problems in the first place.

How can we be confident the VA's long-term hiring strategy, given the increase in hiring, should mean less community care? I mean, to me that is an oxymoron there.

Dr. ELNAHAL. Well, Senator, we need this $12 billion to grow both direct care and community care, and we are up 10 percent in established patient appointments, nearly 7 percent in new patient appointments.

Senator TUBERVILLE. So we are hiring more people, right? We are hiring more people.

Dr. ELNAHAL. That is right. So we are delivering more care in the direct care system, Senator. At the same time, we are also at about a 14.5 percent growth rate in the community care budget. So the $12 billion will support growth in both accounts, direct care and community care, for veterans, and also help us pay for increasing costs for pharmaceuticals and prosthetics that veterans need.

Senator TUBERVILLE. Yes. And with this PACT Act we were hoping this would happen, people would come and take advantage of this.

Dr. ELNAHAL. Yes.

Senator TUBERVILLE. So what is the VA's plan to prioritize health care worker hirings, especially in mental health?

Dr. ELNAHAL. Well, Senator, even during this fiscal year, which has been a tighter picture than recent years, we have told our medical centers to strategically hire especially in mental health, but where veterans need it, clinical care the most. So as a result we have actually grown by just over 2 percent this fiscal year, even though our original goal, in terms of maintaining our all-time high veteran trust, quality and patient safety outcomes, we thought we could achieve that goal with level staff.

But our medical centers did the right thing and hired anyway because that is what they felt we needed, and they have been delivering on it with more productivity and more care to veterans. So the additional money will allow us to grow further by an additional 5,000 employees, to be able to meet even further needs.

Senator TUBERVILLE. So since the PACT Act the last 2 years have we seen more people come for help with mental health?

Dr. ELNAHAL. Yes, Senator. The mental health demand is significantly up, 15 percent more new patient appointments in mental health this year than last year. And we also have increases in all categories of mental health, including telehealth episodes of care.

Senator TUBERVILLE. I hope we are looking at the new avenues of mental health, helping mental health. There are some things that hopefully we get in the next budget that we can help doctors with it, or really helping PTSD. I know for a fact that they have helped in the VA in Arkansas. A friend of mine runs the VA there that has really helped. It is going to cost money, which everything does, especially in health care.

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

Senator BLUMENTHAL. Senator Hirono.

HON. MAZIE K. HIRONO,
U.S. SENATOR FROM HAWAII

Senator HIRONO. Thank you, Mr. Chairman. So I realized that we are going to need, that Congress will need to provide you with close to $3 billion just to get us through, what, this current fiscal year?

Dr. ELNAHAL. Yes, Senator.

Senator HIRONO. And then you are going to need another close to $12 billion for fiscal year 2025. So yes, you have been asked questions about how your budgeting process and your ability to accurately determine what the fiscal needs are. So do you have the—this is for both of you—do you have the tools that you need to accurately project your funding needs, and whether that projection could come to us earlier in the year than this kind of—I view a $3 billion request right now, which we have to do, I believe, in the Senate tomorrow or today, you just cannot keep doing it this way.

So do you have the tools that you need? Do you have the people with the ability to make this assessment? Do you have whatever other tools that you need to make better predictions?

Dr. ELNAHAL. Senator, from a VBA perspective I believe we do have the tools. I think one of the key lessons learned is that we should not underestimate our workforce. They overdelivered on what we thought were already aggressive projections. So we are increasing the total number of veterans we anticipate being able to serve.

Senator HIRONO. Excuse me. What do you mean by "they overperformed"?

Dr. ELNAHAL. So at the beginning of this fiscal year we projected that we would be able to deliver 2.2 million claims decisions, which was about 200,000 greater than we were able to do in the previous fiscal year. And we have already surpassed 2.4 million, and we are on track to complete 2.5 million claims decisions. So we are delivering more benefits to more veterans than at any other time in our history.

Senator HIRONO. So in terms of your claims decisions you have gotten a lot better?

Dr. ELNAHAL. Yes, Senator.

Senator HIRONO. That is good.

Dr. ELNAHAL. And Senator, if I can just add, I recognize I am a temporary steward of this role. I am not going to be here forever. One of the things I want to impart on this organization is to take the right lessons from this experience. We could have stopped the outreach. We could have slowed down the claims processing or stopped claims processing to meet those targets. But we chose not to because we wanted to keep our foot on the gas, and as soon as we realized it, to make sure we are delivering as many benefits to as many veterans as possible.

Senator HIRONO. Yes. I commend you for making your claims process, that decision-making process and your review process much more expeditious, because that has been one of the complaints from veterans, that it takes forever for different decisions to be made that would impact them. So you got that part going, but now you need to better estimate whatever it is that you need so that we are not left with having to provide really substantial amounts.

Now one of the other things that I—and you are improving on that. That is what you are telling me.

So for Dr. Elnahal, I think I heard you say that VA has not been present where the veterans are. I heard you say that. So do you have a map or some kind of a population data as to where all your veterans live? Because that is how I interpret what you mean by VA is not where the veterans are. So this system such as we need more CBOCs, for example, so that the health care can be provided where they live. Is that what you are talking about?

Dr. ELNAHAL. I was referring to our outreach efforts, Senator. The fact that we have done thousands of outreach events in communities alongside our colleagues in the Veterans Benefits Administration, to help make veterans aware of their earned benefits and health care opportunities has led to 750,000 veterans enrolling since the PACT Act was signed, and 900,000 veterans being upgraded in their health care coverage so that they can qualify for new services like dental care and long-term care.

Senator HIRONO. I think that is another aspect of what needed to happen is your outreach efforts, because there are a lot of veterans, particularly I would say, not necessarily the World War II or the Vietnam veterans, although there are issues there, you know, for them to understand what the programmatic support is. But at the same time, I would say we need to distribute a better place where they can go to have their health care needs met, which means, in my view, CBOCs.

I am a big supporter of CBOCs going where the veterans are, so do you have a plan for distributing the health care capabilities to where the veterans are?

Dr. ELNAHAL. Yes, Senator. One of the main drivers that compelled us to come to Congress to ask for $12 billion in additional funding was our ability to actually activate new clinical space in some of the fastest growing areas in the country that need a presence closer to them.

On top of that, we have a lot more programming, Senator, that is growing significantly, that brings our VA teams into veteran homes and communities. So we have home-based primary care, we have a lot more telehealth happening, 15 percent growth year over

year, and we are really trying to, with programs like the Close to Me program for cancer therapy, bring our complex cancer infusion teams closer to rural communities and veterans who live in more remote areas, to bring that care closer to them.

Senator HIRONO. Thank you. I commend you for all of those efforts, but obviously you need to better assess what your resource needs are so we can be on the same page.

Thank you, Mr. Chairman.

Senator BLUMENTHAL. Senator Boozman.

HON. JOHN BOOZMAN,
U.S. SENATOR FROM ARKANSAS

Senator BOOZMAN. Thank you, Mr. Chairman. I want to thank both of you for being here today. As elected officials, we require consistent and forthright communications to ensure the VA receives the resources required to fully serve veterans in our communities. Anything short of that risks us in situations like we are in today, where Congress must make a significant budget shortfall on extremely short notice.

At the VA's budget request hearing in May, I raised my concerns about the decrease in the veterans' health care request and asked what risks the VA's budget would open. I appreciated the work that the VA has done but remain concerned that a shortfall of this size was not anticipated. So we unfortunately now find ourselves in a situation where veterans benefits are at risk.

I have had the pleasure of serving on the Appropriations Committee Subcommittee for MilCon-VA, being the lead Republican on that right now, which funds the VA's yearly budget, along with this Committee. Of note, the VA's announcement of the shortfall came shortly after that Committee agreed on topline funding and marking up that particular spending.

Now it is interesting. In my comments, as we were passing that bill, I explicitly said that I was very concerned about the numbers. Senator Collins, in her statement, she said that she was very concerned about the numbers.

I guess my question is why was my staff more aware of this than your staff and you? Mr. Jacobs.

Mr. JACOBS. Senator, in the spring, around the time that the Secretary was testifying, we were closely monitoring our spend plan and comparing our obligations to our projections. And we were pretty much on track. We were quite close. So while we were close, we were monitoring it. We did not have reason to believe that we would need additional funding.

What happened is in June we engaged in the midsession review, as part of that statutorily mandated process, to reconsider and review with OMB our numbers. And while we did that we updated the projections to include real-time data and our experience to inform how we thought the rest of the fiscal year would proceed.

What we identified in that June timeframe was the potential need for additional mandatory dollars in order to ensure that we could provide all veterans and survivors——

Senator BOOZMAN. No, I understand, but again, as we were doing the mark up for that bill, as was testified to here, my staff and the majority staff were very concerned that the numbers just did not

add up, okay. They did not need a June whatever. They just knew, because they follow those accounts very closely, that what you were asking, it did not compute. It did not make sense.

And were not off a billion dollars. You were not off a little bit of money. You were off a tremendous amount of money, okay. So that is the situation that we find ourselves in. And then literally, you know, the day after we did our appropriations, you come out rectifying it, and that is not a good look.

How do you believe OMB's understanding of funding needed for the VA compares to the VA's understanding of required funding? Because OMB has got their ideas. You have got yours. What is the delta? Do you all agree?

Mr. JACOBS. Yes, we agree on the total needs for mandatory funding.

Senator BOOZMAN. Okay. How much do you assess that the accuracy of the VA's budget formulas contributed to the shortfall?

Mr. JACOBS. I think we have a number of lessons learned from our budget forecasting. One is we need to increase the total number of veterans we project we can deliver benefits to, because our workforce has been delivering at a very high rate.

Second is we need to better incorporate the increase in the average disability rating. Historically, it has increased about 1 percent per year. What we are seeing more recently is a 2 percent increase. So we need to take those factors into consideration.

And three, we need to improve our process, so that includes monthly reporting to your Committee, to the authorizing Committees, to make sure that we are continuing to communicate as we know in real time, even if we have not yet fully verified the potential need.

Senator BOOZMAN. Okay. So if you had done that we would not have this problem now, with not being a billion dollars off or $2 billion, but many billions of dollars off. That would have prevented the situation that we are in now.

Mr. JACOBS. Senator, I think we would still find ourselves in a similar situation, absent the forecasting assumption changes. What we are finding right now is that the actual spend is below plan. We are maintaining the request as still merited because we need to be conservative in the mandatory spend. If we are even one dollar short, we will be delayed in our ability to deliver timely benefits to veterans and survivors.

Senator BOOZMAN. So how much more are you asking?

Mr. JACOBS. We are asking for what we requested originally.

Senator BOOZMAN. And how much more is that than you really think you need——

Mr. JACOBS. Right now——

Senator BOOZMAN [continuing]. According to your projection.

Mr. JACOBS. Right now we anticipate, we are about 0.9 percent under plan, but we are still going through the end of the fiscal year, and our workforce, historically in September, really puts on the gas and moves forward very high.

Senator BOOZMAN. Okay. Thank you all very much. Thank you.

Senator BLUMENTHAL. Senator Cassidy.

HON. BILL CASSIDY,
U.S. SENATOR FROM LOUISIANA

Senator CASSIDY. Thank you. Dr. Elnahal, thank you again for that phone call yesterday. I appreciate that. I understand you spoke to my staff. I appreciate that. Thank you.

Mr. Jacobs, it is my understanding that the VA has hired 10,000 employees, additional employees, to implement the PACT Act.

Mr. JACOBS. Senator, we have grown by 35 percent over the last 2 years. That is about 10,000 employees, yes, sir. It is PACT Act but also other benefits, as well, that are associated.

Senator CASSIDY. That is a lot of employees, a lot of employees. Others are doing more with less, using AI and computing. It seems like we are doing less with more. And I say that not to be pejorative——

Mr. JACOBS. Yep.

Senator CASSIDY [continuing]. But that is just a trend, and it does not seem like it is working here.

How many of those employees work remotely, what percent?

Mr. JACOBS. Senator, our workforce in the regional offices come into the office 2 days per pay period.

Senator CASSIDY. The pay period is——

Mr. JACOBS [continuing]. Is 2 weeks.

Senator CASSIDY. So they could come in on a Monday and then they could come in two Fridays later.

Mr. JACOBS. At a minimum.

Senator CASSIDY. Now is there any coordination? Okay, we have a team working on this project. You are all going to show up on Monday, and we are going to go over as a group exercise what we need to do, or do people just pick the day they come in?

Mr. JACOBS. There is coordination across different business lines in regional offices to coordinate that. But what I will say is the work that is conducted, particularly by the claims processors, is very individual. It is heads down, working through issues. And what we have found is——

Senator CASSIDY. How does the VA monitor productivity?

Mr. JACOBS. We have performance standards that we apply to all of our employees, that they have to hit those standards before in production and quality, so we can determine whether our employees are meeting their production. And what we have seen over the last few years is they are delivering more benefits to more veterans than at any other time in our history.

Senator CASSIDY. Now, of course, it is partly the fact that they have more benefits to bestow. I am not sure that I will accept that that is a measure of productivity.

Mr. JACOBS. We have measured productivity in terms of claims decision per employee. It has increased over the last couple of years. This year is a little different because we have so many new employees.

But to your earlier point, I do think, as you think about people, process, technology, the majority of our production output is people based. It is our existing workforce. It is the new employees. And until recently it has been a reliance on mandatory overtime. We have not received as much lift from process improvements and technology.

We are in the process of implementing what we call automated decision support. We are increasingly leveraging technology. And that is the future, where had the most potential, so that we can give our employees more tools to deliver more benefits, more timely, accurately, and equitably. And I think as we look to the future we will have the opportunity to do a whole lot more for veterans as a result.

Senator CASSIDY. Who is developing that automated decision support system?

Mr. JACOBS. It is a vendor. I believe it is IBM, but I would have to verify that.

Senator CASSIDY. And when is it to be delivered? I mean, is this kind of like in some agencies where whenever they finish it, it is finished, or is this something where you have a hard and fast, this shall be completed by this date?

Mr. JACOBS. We have very clear project milestones. We have automated hundreds of diagnostic codes, and we are working in a process to verify, validate, and graduate those. So we have certain regional offices that have been in the process of testing the implementation, providing direct feedback. That is being used to improve it. Then we move it to another regional office or a set of regional offices where they then continue to refine it and then deploy it nationwide. So I would be happy to follow up with your or your staff to walk through that milestone schedule.

Senator CASSIDY. That would be good. The EHR effort has obviously not gone well, and so the question is where on the spectrum will it be in terms of actually being developed.

This also suggests to me that it is ideal, from what I understand, a large language model can do. So is this conventional decision to support, or will this be a large language model looking at patterns and saying we all need to review them but these are the ones which need particular review and these are the ones which seem routine, that sort of decision support?

Mr. JACOBS. What we are utilizing right now is optical character recognition. So it is enabling our employees to see the evidence that they need.

Senator CASSIDY. Now OCR, I think, merely takes a PDF and it makes it into a digital format. That is still using the human in order to make a decision. It is not using the computer to aid that decision.

Mr. JACOBS. Correct. We are working to optimize and enable computers to do what they do best while still preserving the human element where it is needed and required.

Senator CASSIDY. So I am still losing it a little bit.

Mr. JACOBS. Yep.

Senator CASSIDY. Again, AI, large language model, is touted, it appears it can look at a pattern and make a decision that otherwise perhaps an employee would have to.

Mr. JACOBS. Yes.

Senator CASSIDY. So that is different than optical character recognition.

Mr. JACOBS. Correct.

Senator CASSIDY. So if all you are doing is OCR, I am very discouraged.

Mr. JACOBS. Well, this is a multiphase process. We are utilizing elements of AI to improve the way that we enable our employees to look at what we call the manual. This is the guidance for how we adjudicate claims. It often changes on a regular basis. And it is the basis for the decisions that we make.

We are still relatively early here. There is a significant amount of case law that we have to navigate. We also have to employ trust, because one of the things that we have realized through previous deployments of technology is that if our employees do not trust it or if they think it is going to come for their jobs, they are going to find workarounds. So we are in an incremental process of utilizing technology so that we do not disrupt it, we do not have delivery breakages, and that we can continue to optimize the ROI for this.

Senator CASSIDY. We have hired 10,000, we have got billions of overruns, and we are still way behind? I have got to tell you, you need some change, and it is going to be limited by people who say, "Wait a second. They may come for my job?"

Mr. JACOBS. Yes.

Senator CASSIDY. I mean, the veteran is not being served. It is not about the person's job. It is about the damn veteran.

Mr. JACOBS. Yes.

Senator CASSIDY. I am sorry to be frustrated.

Mr. JACOBS. Yes. Senator, we are delivering more benefits to more veterans than at any other time in our history. So to put this in perspective, a decade ago, when the backlog was at its peak of 611,000, the backlog was 70 percent of our total inventory. Today it is 25 percent of the inventory. The average claim 10 years ago took 378 days to process. Today it is taking 152.

Senator CASSIDY. What I do not know is if that claim is being just whisked through or if it is truly being processed. If you never actually—oh, just click, click, click, click—it can go through without an appropriate process. And I think I have kind of made my point.

But we should be doing what others are doing in terms of better serve the veteran. We should not be saying, wait a second, people may think we are coming for their jobs so we are not going to do it after all. That is discouraging.

I am sorry to be a downer. I yield back.

Senator BLUMENTHAL. Senator Brown.

HON. SHERROD BROWN,
U.S. SENATOR FROM OHIO

Senator BROWN. Thank you. I do not think you are a downer, Senator Cassidy. You do good things, so thank you for that.

And I take a different viewpoint. I take one perhaps a bit of celebration about the effectiveness of the PACT Act and what you all have done. I understand the oversight we need to do at the VA, but I also understand you recognize something when it really matters. So Senator Blumenthal, thank you, Senator Moran, thank you, Mr. Ranking Member.

I am proud of the fact that more veterans than ever are getting benefits they have earned. The PACT Act is named after an Ohio veteran. I know his widow. I know his daughter. I know his mother-in-law. And what we have been able to do collectively, both par-

ties in this body, this Committee especially—Senator Moran, I thank you, I thank Chair Tester, and Dick, I thank the work you do—is pretty remarkable. Thirty-two thousand veterans. And remember, we passed that bill I believe in August, September 2022. Some people said it was too expensive. Those same people never seem to think it is too expensive to send people to war. It is only too expensive to take care of them when they come home. So they lost that argument when they said, "Stop, don't do it." But you think of the success, and the millions of veterans in the country who have gotten coverage and care, 32, 33, 34,000 in my state.

And in so many ways the PACT Act is a victim of its own success, because of this increase in veterans. I do not think any of us probably predicted it would take hold that quickly. It came on January 2023. This is about 18 months later, give or take, and look at its success already.

Delaying the funding, not passing this bill would have terrible consequences. Delaying the funding would postpone benefit payments, including disability payments, GI Bill payments, benefits. These are payments that veterans and caregivers and survivors count on. If those checks do not come on time, many of these families who have already sacrificed—you know all this. I mean, those families that have sacrificed, we will not show our appreciation for their sacrifice, and that is why this is so, so important.

Senators Murray and Collins and Tester and Boozman, and Senator Moran and I introduced the Veteran Supplemental Appropriations Act. It should have already passed. We pushed Congress, starting nearly 2 months ago, so veterans and families would not have to worry about how they are going to make a house payment, a car payment, or feed their families. But better late than never. We know what the House did last night. A lot of politics played on the House floor, but in the end reason prevailed and they passed it by a voice vote.

So one question. Ohio, as you may know, each of our 88 counties has its own Veteran Service Office, some as small as two people. Franklin County I think has 50 or 60 people whose job it is, funded in large part by the county, whose job it is to take care of any veteran issues that they confront. They have told me many of the veterans who receive compensation and pension benefits, this is their only or their primary source of income. So millions of these veterans could be forced to go even a month or two without any income, and veterans should not have to pay that price.

If we do not get this done by the 20th, talk through that. Is there anything the VA can do to ensure that veterans receive those critical payments? Either of you, if you could answer that.

Mr. JACOBS. Senator, it is our hope that Congress will take action. We were encouraged by the House action last night and confident that the Senate will follow suit. If it turns out that we are not able to secure the funding by the 20th, we will work to communicate with veterans to ensure that they have letters to relay to their financial institutions, to their schools, to anyone that they may need to make a payment to, so that they understand that the payment could be delayed by up to 2 weeks, in the case of those veterans who are receiving paper checks.

Senator BROWN. Thank you.

Senator BLUMENTHAL. Thanks, Senator Brown. Senator Sullivan.

HON. DAN SULLIVAN,
U.S. SENATOR FROM ALASKA

Senator SULLIVAN. Thank you, Mr. Chairman. Gentlemen, I am concerned about what has happened, you know, the processes in which we find ourselves again—this has happened a number of times—to have a $3 billion shortfall on 6 weeks' notice, or we are going to jeopardize other benefits. I think it is a failure on leadership, and to be honest, I am disappointed the Secretary was not here. You guys are doing a good job answering the questions.

But when something of this magnitude happens, and it is not the first time it happens, and some of the concerns are based on a recent OIG Biden administration inspector general report over at the House Veterans Affairs Committee, I think it is really incumbent upon the Secretary to be here, answering questions. But I guess that did not happen today, so I appreciate you two being here.

Let me read a little bit from this OIG report that just came out recently. Mr. Chairman, I think it is already in the record but I would like to submit it for the record. This is the September 10th Inspector General for the Veterans Affairs report.

Senator BLUMENTHAL. Without objection.

[The OIG report referred to appears on page 49 of the Appendix.]

Senator SULLIVAN. They said, quote, "The OIG staff routinely finds breakdowns in processes, infrastructure, governance, leadership, and other failings that erode the foundations of elements of accountability at the VA. These breakdowns impede the VA's efforts to make certain that patients receive timely, high-quality health care and that veterans and other eligible beneficiaries are afforded the compensation and services they earned."

Have any of you read this?

Dr. ELNAHAL. Yes, Senator.

Senator SULLIVAN. What do you think of that statement?

Dr. ELNAHAL. I think the OIG helps us improve every single day, and it is incumbent upon us to implement all of their recommendations in the health care system to make our services in health care more reliable.

I will say, Senator, that I am proud of our overall outcomes, on average, when it comes to veteran trust, an all-time high of 92 percent for outpatient care, beating the private sector for the ninth consecutive quarter in a row for inpatient care. But there are definitely areas where we need to improve, and it is one of the most important parts of my job to implement IG recommendations.

Senator SULLIVAN. Let me go to the issue of accountability, because I think they talk a lot about leadership and accountability. They talk about the need for a sustained effort to change the culture at the VA, where leadership management officials are often not held accountable. And that his, again, the OIG.

I recently introduced legislation called the Pro Vets Act. I already have 14 co-sponsors, 5 of which are Members of this Committee. One of the things it says is, it goes into the issue of accountability, by building on quarterly report requirements that were included in the House bill last night, by requiring an in-per-

son briefing from the Secretary on these accountability requirements. Would the VA be okay with that—that is leadership. That is accountability—coming before this Committee. That is what I am trying to get done right now, as we speak.

I think just throwing $3 billion right now, "Hey, Congress, you have got 3 days for $3 billion," without any accountability reforms kind of misses the point. Would you be okay with that, quarterly from the Secretary on accountability? You are supposed to be doing it anyway.

Dr. ELNAHAL. Senator, obviously we will review that bill and closely work with you and offer technical assistance.

Senator SULLIVAN. Let me do another one, which is if there is a VA shortfall outside regular order—this is in my bill—then the staff responsible for the budget, in both OMB and VA, would not qualify for a bonus. Would you be okay with that one?

Dr. ELNAHAL. Pending legislation, Senator, we will look at it and make sure we offer technical assistance on it.

Senator SULLIVAN. So I am trying to get at this issue, Mr. Under Secretary, the VA gave out $11 million in improper bonuses in May of this year. Are you familiar with that?

Dr. ELNAHAL. Yes, Senator, and there were mistakes across the agency. I made personal mistakes in not understanding exactly how many awards were ultimately approved.

Senator SULLIVAN. Was anyone held accountable or fired or relieved of duty? You mentioned the private sector. If a private sector company came out with $11 million in improper bonuses to employees and then came to their board of director, which is what we are, your board of directors, saying, "Oops, we need $3 billion more," those people would be fired. Was anyone held accountable for $11 million in improper bonuses coming out of the VA? Anybody?

Dr. ELNAHAL. We concurred with the IG's recommendation to evaluate for possible discipline——

Senator SULLIVAN. You are not answering my question. Was anyone held responsible for the $11 million of improper bonuses paid out by the VA?

Dr. ELNAHAL. The Office of Accountability and Whistleblower Protection will help us with that question, Senator, once they complete their analysis.

Senator SULLIVAN. So right now the answer is no.

Dr. ELNAHAL. Not yet, Senator. We have to wait for that.

Senator SULLIVAN. Okay. This is why—look, I have more veterans per capita. I work with the VA all the time. But this is why some veterans, and even on this, right, were scrambling, $3 billion, or veterans are not going to get their benefits. Well, we do not want that to happen. We will work through this. But there should be accountability. Don't you guys agree? I know you are spinning this as, hey, this is a great victory. It is not a great victory. Come on. We are scrambling at the end of the Congress here to get $3 billion, or my constituents will not get their VA benefits. That is not a great victory. So I wish you would quit spinning it that way.

It is a failure in leadership and management, and do you not think if we are going to do $3 billion again—I forgot what the Denver hospital was, Senator King and we all worked on that one, if you remember, last minute we had to fund this hospital, $3 billion

I think it was—that there should be accountability standards when we are doing this. I think we are becoming numb to this, and I do not think that is a good thing for this Committee in terms of oversight.

So should there be any additional accountability measures as we work to quickly scramble for $3 billion to make sure veterans in Connecticut and Maine and Alaska do not get cutoff here in the next couple of weeks? Should there be? Would you guys entertain them, take a look at my bill?

Mr. JACOBS. Senator, we would be happy to take a look at your bill and follow up with you and your staff to talk about it once we have had a chance to review it.

Senator SULLIVAN. Okay. I have some questions for the record, Mr. Chairman, but I appreciate that. Thank you, gentlemen.

Senator BLUMENTHAL. Thank you. I am going to ask a couple of questions and then call on Senator King, or if you want to go ahead, Senator.

I would just like to make the point, about these bonuses. Is it not a fact that almost all the improperly paid or allegedly improperly paid bonuses have been recovered, clawed back?

Mr. JACOBS. Senator, we are at about 93 percent of the bonus amounts being returned back to the VA.

Senator BLUMENTHAL. And nobody likes shortfalls. We all want projections to be accurate. But the PACT Act really is a success story, in my view. And part of it is on us. I have been going around the State of Connecticut. At every veterans group I address, every time I am talking to a veteran, even in unrelated groups, "Any veterans here? Raise your hand. Go sign up for the PACT Act, if you have not done it." That is what I say today. That is what I say to groups. It could be Rotary Clubs or anybody else. I have been trying to get the word out. Because my fear has been that our veterans would not take advantage of this program.

So I regret there is a shortfall and that we are, to use Senator Sullivan's word, scrambling, but hopefully, if we act in time, nobody is going to be hurt. Is that correct?

Mr. JACOBS. That is correct, Senator.

Senator BLUMENTHAL. Thank you. Let me ask you. I am very curious. Do you have percentages, or can you give us kind of a factual picture of what kinds of illnesses or conditions have been most common among the ones covered by the PACT Act? In other words, is it cancer? If so, what types of cancer? I have known people who were suffering from cancer who are taking advantage of it, but I would be interested to know what are the conditions most commonly covered?

Mr. JACOBS. Senator, it has predominantly been respiratory issues and certain cancers. I would be happy to follow up and provide the details. We also have had significant number of Vietnam veterans with hypertension who have applied for and received PACT Act benefits.

And one of the other great benefits of this law is that it has encouraged other veterans who are not eligible for the PACT Act to come out and either give VA a shot for the first time or try it again. I was in Maine last summer, up in Caribou, and I met a Vietnam veteran who had never engaged with the VA. And we

were at a Claims Clinic out in the local community, having a Maine breakfast, and he connected with a DAV officer and filed his claim for the first time, because he kept hearing that VA wants to serve you. So he came with one of his buddies, and it is encouraging more veterans to come out.

One of the main challenges we experience, as we engage with the community, is that there is a lack of understanding about what benefits are available. There is a lack of understanding about potential eligibility. And for many veterans there is a lack of trust that we have to work to overcome.

Senator BLUMENTHAL. And I think that point is so important. I cannot tell you the number of veterans I encounter who say, "I don't think I'm going to go to the VA." But then once they actually go our West Haven facility and they get some care there, they are amazed, and they go back again and again. And I think that is really an important feature. It happened during COVID, as well, when veterans went for tests or other kinds of care. The more we can draw veterans into those VA facilities.

I can tell you, the quality of care in the VA in West Haven and Newington is absolutely excellent. And I am proud of the fact that this program has, in part, succeeded in getting more involved.

And I will just make this last point. It is going to the respiratory issue. It is not like we had a track record here that we could predict, oh, there are going to be X number of veterans with respiratory conditions, there will be X number with hypertension, there will be X number with pancreatic cancer, or whatever. So we were working in uncharted territory. Senator Moran's point about timely reporting is in no way contradicted by this point, but it is one that I would like to emphasize.

And with that let me turn to Senator King.

HON. ANGUS S. KING, JR.,
U.S. SENATOR FROM MAINE

Senator KING. Thank you. I would like to point out that Mr. Jacobs was in Maine at my invitation to meet with L.L. Bean to talk about how to deliver quality service. And we had a long meeting with the officials at L.L. Bean, who are sort of the gold standard for customer service. And then he gained a lot of street cred in Maine by driving to Caribou. Freeport, Maine, is about halfway between Caribou and New York City. We are a very tall state. So I want to thank him for that visit.

Senator BLUMENTHAL. When you said driving Caribou I thought you meant he was driving a herd of caribou.

[Laughter.]

Senator KING. Driving the Caribou. I apologize for being late. If the VA IT system can figure out how to schedule Senate hearings so we do not have three at the same time I would appreciate that. And I do not want to replow a lot of ground.

I gather that this shortfall is a result of greater than expected take-up of PACT Act benefits. Is that correct?

Mr. JACOBS. Yes, sir. In large part both compensation and pension as well as higher utilization and growth in the education area.

Senator KING. So, in a sense, and I know Senator Sullivan would disagree, but this is a result of success, which is good outreach and

good invitation to veterans to take advantage of a new program. Is that correct?

Mr. JACOBS. I believe so. It has been historic levels of outreach and historic levels of benefits delivery by the more than 34,000 VBA employees.

Senator KING. Which created a greater demand on the budget than was anticipated when the budget was adopted a year ago.

Mr. JACOBS. Yes, Senator.

Senator KING. Okay. That is the good news. The bad news is when did you know when this was coming and when did you let us know?

Mr. JACOBS. We identified the potential need for an additional approximately $3 billion in mandatory funds in around June, when we went through the midsession review. At that time we were comparing our projection versus the actuals, and we updated the claims model, which identified the potential need for additional funds.

At the beginning of the year we estimated we were going to complete about 2.2 million claims decisions, which was 200,000 more than the previous year, which is an all-time record. What we found out in June was we anticipated, based on those new projections, to complete about 2.5 million, and we are on track to do that by the end of the month.

Senator KING. So that extra 300,000 claims generated the additional demand for the funds.

Mr. JACOBS. In large part. It is also the growth in the total number and complexity of the C&P exams and some of the additional growth in the education space.

Senator KING. So you knew in June you had a problem. When did we know?

Mr. JACOBS. I believe it was July. And what happened in the intervening days is we had to work to verify that our projections were sound, that we were not ringing the bell unnecessarily, and that we had confidence that if we were going to raise this issue it would be based on sound analysis. So once we had done that we communicated the request.

But as we discussed, looking back I should have picked up the phone and said, "Hey, we're working through this and want to give you a heads up." So that is one of my lessons that I am going to take from this and promise to do better.

Senator KING. Thank you. Thank you, Mr. Chairman.

Senator MORAN [presiding]. Thank you. Senator Cramer.

HON. KEVIN CRAMER,
U.S. SENATOR FROM NORTH DAKOTA

Senator CRAMER. Thank you. He surprised me with his voice. He is not the Chairman, but I am glad to see you sitting there, Jerry. Thank you, Senator.

So following up on Senator King's question, and I gather a similar line of questioning, and I appreciate the opportunity of Senator Moran and the Chairman for having this hearing, like Senator King I do not want to plow old ground so I am just going to add on to his, and jump over, Secretary Elnahal, to the red team report and the issue of community care. Because it seems to be that at

a time when demand is higher than you can provide for, and that the MISSION Act provided for more community care, easier access to community care, it seems like a mandate for better access to community care in big, rectangular states in the middle of the North American continent, like Senator Moran and I represent, where there is a lot of distance between veterans, a lot of critical access hospitals which provide the excellent service, and, in fact, if they had a little larger, you know, patient load might even save some critical access hospitals.

The VHA seems to be very resistant, still, to access to community care. In fact, I am going to go to the report and just highlight a couple of things in the red team report. On page 10 it states that the top three reasons for a veteran seeking care in a community are drive time, 50 percent say drive time; 30 percent say the services that they need are not available; and then 5 percent say wait times. So the top three are drive time, availability of services, and wait time. And to me that paints a pretty clear picture of evidence that there are not enough VA providers at facilities to treat veterans where they live or to deliver the type of specialized care that they need.

So to me reports like this highlight more of a commitment to the bureaucratic institution than to the access to care by the veteran. Can you explain why there has been such a resistance by the VA to allowing more community care, easier?

Dr. ELNAHAL. Well, Senator, I agree with you that the Community Care Network is absolutely essential to provide timely access to care, especially for rural veterans and especially for specific categories of care like long-term care. And over the last several years we have grown at very high rates in the community care account. This year so far we are up 14.5 percent on community care referrals compared to last year. Part of our request for supplemental funding is to support what the current budget projects, which is only 12 percent growth. We think we need to grow by another 16.5 percent.

And what I have emphasized to all of our medical centers is that when a veteran qualifies for community care under the MISSION Act it is our obligation to offer that option.

We also have to offer VA options, in my view, and put the veteran in the driver's seat to make the final decision when veterans qualify for both.

Senator CRAMER. So you just used the term "when a veteran qualifies."

Dr. ELNAHAL. Yes.

Senator CRAMER. And that is one of the things that concerns me a little bit, because the bureaucracy of all types, it is one of the ways they can manipulate is by not qualifying them. And the benefit of the doubt, in my mind, it has always frustrated me that the default or the benefit of the doubt never goes to the veteran, say in a challenged situation.

So I think what I hear you saying is if the Committee and if the Congress provides you better resources perhaps the first thing we could look for are services that already exist in a lot of these communities and make it easier for the veteran to get that care there rather than build a bigger VA bureaucracy. Because it should be

about access to care, period, across the board, veterans and non-veterans, and I think that the dynamism of that patient load and the capacity of a lot of the community access hospitals and other things, you know, it could be winners all the way around.

So my pitch is please let's look first at existing capacity and infrastructure before we build out a bigger bureaucracy.

Dr. ELNAHAL. We have to make the right decision, Senator, for every veteran, and if that right decision means a community care provider that is closer, more convenient for them and can get them that care quicker, we have to elect to do that. And the veteran, in my view, has to be in the driver's seat for those decisions.

Senator CRAMER. I totally agree, and I can hardly wait to tell all my veterans that is going to be the new world order. Thank you.

Senator MORAN. Senator Cramer, thank you, and I smiled at Dr. Elnahal because he and I have this conversation on such a frequent basis. And I again would remind, based upon what you said, and I would remind veterans and the VA that one of the categories by which you qualify for community care is when it is in the best medical interest of the veteran, determined not by the VA but determined by the veteran and his or her health care provider.

So when you talk about the bureaucracy, a determination of best medical care, best medical interest, is something that is certainly available to a veteran and certainly ought to be recognized by the VA.

That is not the topic of the hearing. And I leaned over to Senator Blumenthal because he said something that I was going to follow up on. We have, in many instances, used this hearing as an opportunity to commend and congratulate the success of the PACT Act. And I certainly do not have any reason not to do that. In fact, I have every reason to commend and congratulate the success by you and the people you call that are within the VA who are so qualified and capable of bringing veterans into the benefits of the PACT Act.

But my point is that that is not necessarily the purpose of this hearing. It is fine. But I do not want us to get off track, because I still believe that process matters, and a success is a great thing, but we have our work to do in regard to how we fund, so we can continue to have success in the PACT Act.

I want to ask just a couple of more questions and make sure that I am not missing something in the answers that you gave me. One of the things that, I do not know which one of you said, but it was something like we chose not to meet the targets—was that you, Mr. Jacobs? When talking about the targets within the PACT Act we knew we were going to exceed those targets, but we decided to proceed anyway. Am I saying something that you said, or Dr. Elnahal?

Mr. JACOBS. Are you referring to the phased implementation of the PACT Act?

Senator MORAN. Yes, I am.

Mr. JACOBS. Yes, sir.

Senator MORAN. This is not a criticism.

Mr. JACOBS. Yes, yes.

Senator MORAN. I am not trying to trick you in any way. It is not a criticism.

Mr. JACOBS. Yep.

Senator MORAN. But that is the kind of thing that suggests to me that when you are making that decision it is a point in time in which it would have been useful to notify Congress, "Hey, we're there. We're doing well." And yes, we, intentionally—one of my concerns about the PACT Act, when we originated this effort, was the ability of the VA to meet the needs of veterans when so many veterans were already in line, waiting for benefits and services. And we put those provisions in there, and I would not be one who spends time saying we should slow things down. If a veteran needs care, I want the VA to provide that care.

So not a criticism. Just a suggestion that that is a reminder. You knew something was happening, and I do not want to keep beating this, but that was a suggestion that you be picking up the phone or sending a letter or testifying in a hearing that we are moving forward faster than what the PACT Act anticipated.

Mr. JACOBS. Senator, I believe we made that announcement at the time of the law's enactment, and it was based on an analysis that we concluded. We identified we had the authority to accelerate. And, in fact, since the law's implementation we have had about 340,000 veterans who now are getting PACT benefits that would not have been eligible, 60,000 of whom have cancer.

And as we made that analysis it was not only about delivering these earned benefits more quickly, but it was also the potential inefficiencies that we would have experienced by some of the processing challenges.

So we thought that this was in the best interest of the veteran and also more operationally focused.

Senator MORAN. My only point then, Mr. Jacobs, would be that you made that decision at the time of the enactment, the signing into law of the PACT Act, and then did not tell us how that was proceeding, and yet you waited until you crossed the T's and dotted the I's on the estimates before telling us the day after the hearing.

Mr. JACOBS. Yep.

Senator MORAN. I have made my point. I am just trying to point out that—I made my point.

Let me ask this. I want to make certain that I understand. While I have been complaining that we did not receive notice, and perhaps that sounds personal that I did not receive notice—to my knowledge neither did the Chairman or the Ranking Member and Chairman in the House or the Appropriations Committee. But let me ask that question. Did anybody within the Administration, the VA, or OMB notify anyone in Congress, the leadership of the Senate or House? Am I missing something? I want to make sure that I am complaining about this Committee not being notified, or the Appropriations Committee that I serve on not being notified, but maybe somebody was. And do you know anybody that that would be?

Dr. ELNAHAL. On the health care side, Senator, we have been tracking budget execution very closely, and just on our side we did make the decision, in full disclosure, to accelerate health care eligibility on March 5th to many cohorts of veterans that would have otherwise qualified every 2 years, leading up to 2032.

So we made that decision. Right after that decision, the Secretary testified in the budget hearings. He did mention that the

budget was tight on the health care side, and that we would be monitoring it very closely leading into the summer, and if we ultimately needed more funding to support all the additional vets and the upgraded vets on their priority groups that we would come to Congress.

So what I can tell you is that when we identified that need, and we knew in order to maintain the outcomes and not see access get worse, veteran trust get worse, as of July we knew we needed to actually grow our workforce and we knew we needed to support more community care, we came forward. But that is always a month-by-month assessment that we make.

Senator KING. We want to know who did you notify, and when.

Dr. ELNAHAL. I am talking about the notification to all four Committees in July that we made out of the health care——

Senator MORAN. And was anybody in Congress notified before the July notice to the Committees that you just mentioned, the four?

Dr. ELNAHAL. Not to my knowledge, Senator.

Senator MORAN. No one indicated this to Senator Schumer or to Chairman Murray?

Dr. ELNAHAL. Not to my knowledge.

Senator MORAN. And——

Dr. ELNAHAL. Not to my knowledge, but what I would be happy to do is go back and confirm, just to make sure. I do not have all the dates, and I just want to make sure we give you an accurate answer.

Senator MORAN. Thank you very much. And then a similar question. Were there conversations within the VA, the Administration, or OMB about not notifying Congress? Did anybody make that suggestion or request to the VA? And are you aware of any conversation that took place that was suggested by OMB or other Administration officials to the VA, let's delay notifying Congress?

Dr. ELNAHAL. Senator, the Secretary was very clear that once we had an understanding that this was a real concern that we had an imperative to notify as quickly as we could. He made that very clear.

Senator MORAN. I suppose perhaps there is an interest in why the answers to these questions matter to me. I would assume that notifying us the day after we mark up our MilCon-VA bill, and perhaps that is evident, it would have been useful information for the Committee in appropriations. But I also worry about this debate that we have on an ongoing, annual basis, about what is considered domestic spending and what is considered defense spending. And without that information, or if someone had the information and others did not, it was not a fair conclusion about how to divide—in broad terms, Democrats want to spend more money on domestic issues, and Republicans want to spend more money on defense. I further admit that there is a lot of confusion now in this kind of definition. There is no clear cut to what I am saying.

But when we make the decision about what is defense and what is domestic, veteran spending is always something that can be one or the other. And I am trying to find out whether someone is playing a game with Congress to make a different outcome than the one that we made.

Dr. ELNAHAL. I know, Senator, that in the President's budget we have requested, for multiple years, having actually a third budget category for VA medical care so that it would not necessarily be entering the debates on the non-defense discretionary side. And so I know that Congress has considered that before. We still think it is a good idea, so that veteran medical care funding is not taking away from other really important agencies that serve the American people. I still think that is a good idea so that we do not allow for some of these other debates to interfere with what veterans need. So I just wanted to make that point.

Senator MORAN. But neither one of you, or anybody that you have talked to, is aware of that conversation taking place with direction or suggestions as here how we can tip the scales one way or the other in regard to what decision the leadership of Congress, the leadership of the Senate and the House is going to make?

Dr. ELNAHAL. No, again, not to my knowledge, Senator. And we are requesting VHA supplemental funding in the form of the Toxic Exposure Fund because we believe that all of that funding will be needed to serve veterans with exposure to toxic substances. That is a very important requirement for the TEF account, and we believe all of it would be used for veterans with toxic exposure.

Senator MORAN. Thank you. Mr. Jacobs, anything?

Mr. JACOBS. No, sir.

Senator MORAN. You have the same answer?

Mr. JACOBS. Same. I am not aware of it.

Senator MORAN. Thank you. Senator King, I am told you are going to close out the hearing. I do not know whether I am supposed to yield to you.

Senator KING. Well, that is always a good thing to do.

Senator MORAN. I yield to you.

Senator KING [presiding]. I appreciate it. I appreciate your questions. First, I want to associate myself with the question that Senator Cramer was asking, although I want to disassociate myself from the word "bureaucracy." The people that I know that work in the CBOCs and the veterans hospital at Togus I do not consider, if there is any pejorative tone to the word "bureaucracy," they are not it. They are dedicated to the veterans of Maine. So I just wanted to be sure I mentioned that.

I want to thank you all for being here today. This is an important conversation, and I hope that the Senate will join me in acting quickly to ensure that we deliver these resources hopefully within the next 24 hours to avoid negative impacts as well as the anxiety that is out there today on our veterans and their beneficiaries.

We will keep the record open for a week.

Senator MORAN. Mr. Chairman?

Senator KING. Yes.

Senator MORAN. May I add one comment?

Senator KING. Please.

Senator MORAN. It will be in agreement with you?

Senator KING. Always.

Senator MORAN. I too, Senator King, have asked my colleagues, Republicans and Democrats, to be supportive of reaching a conclusion today or tomorrow in regard to the additional funding necessary.

Senator KING. Thank you.

Senator MORAN. And I want to make certain that that happens, and my expectation is that it will happen tomorrow.

Senator KING. Thank you. This hearing is adjourned. Thank you.

[Whereupon, at 4:41 p.m., the hearing was adjourned.]

A P P E N D I X

Prepared Statement

STATEMENT OF MR. JOSHUA JACOBS
UNDER SECRETARY FOR BENEFITS
VETERANS BENEFITS ADMINISTRATION (VBA)
AND
SHEREEF ELNAHAL, M.D., MBA
UNDER SECRETARY FOR HEALTH
VETERANS HEALTH ADMINISTRATION (VHA)
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

"UPDATE ON FISCAL YEARS (FY) 2024 AND 2025 HEALTH AND BENEFITS BUDGET"

SEPTEMBER 18, 2024

Chairman Tester, Ranking Member Moran, and Members of the Committee, thank you for the opportunity to testify today in support of the ongoing budget needs for the Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA). VA is honored to serve the Nation's heroes: Veterans.

As you know, VA is currently delivering more health care and benefits to more Veterans than ever before, which is largely a result of the historic Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxins (PACT) Act as well as our unprecedented efforts to reach out to Veterans proactively and bring them to VA. Because of the generous resources that Congress provided VA, these unrelenting efforts to bring Veterans to VA have exceeded even our most aggressive projections and continue to help us deliver life-changing results for Veterans, their families, caregivers, and survivors. Key results for Veterans include the following:

- **More Veterans are trusting VA:** Veteran trust in VA has reached an all-time high of 80.4%—up 25% since the survey began in 2016. For outpatient care, Veteran trust has reached 91.8%—also an all-time record.
- **More Veterans are enrolling in VA health care:** More than 412,000 Veterans have enrolled in VA care over the last 365 days, the most since 2017. In total, since the PACT Act was passed, nearly 710,000 Veterans have enrolled in VA health care, which represents a more than 34% increase in Veterans enrolling compared to an equivalent period before the legislation was signed.
- **More Veterans are using VA health care:** VA is on pace to deliver approximately 130 million health care appointments in 2024, surpassing last year's all-time record of 120 million appointments. This is partly a result of VA expanding access to VA care for these Veterans and decreasing wait times by offering more night clinics, weekend clinics, and appointment slots.
- **More Veterans are receiving disability compensation benefits than ever before:** VA has granted benefits to more than 1.1 million Veterans and their

survivors this fiscal year, an all-time record with 2 weeks remaining in the fiscal year. In total, VA has awarded $154 billion in benefits, including $142 billion in compensation and pension benefits, to Veterans and survivors this year. To reach this milestone, VA has processed more than 2.3 million claims in 2024—another all-time record, on pace to surpass last year's record by nearly 30%. The grant rate for these claims is 64.6%, and the average overall disability rating granted to Veterans this year to-date is 70%, equating to over $20,000 per year in disability compensation. In total, 6.7 million Veterans are receiving compensation and pension benefits. This is up from 6.4 million last year.

- **More Veterans are applying for VA benefits than ever before:** Thanks to the largest outreach campaign in VA history, Veterans and survivors are applying for their earned benefits at record rates. Over the past 2 fiscal years, VA has received 4,414,334 claims for disability compensation benefits (including 1,774,158 claims with PACT Act conditions)—29.8% more than the 2 fiscal years prior.
- **When Veterans apply for benefits, they are more likely to have their claims granted:** Whenever a Veteran applies for benefits, our goal is to work with the Veteran to gather the medical evidence to get to yes. Due to this approach, we have been able to grant benefits for 65% of claims in FY 2024, including 75% of PACT Act-related claims, which is a sharp increase from previous years.
- **VA care is outperforming non-VA care:** A systematic review of studies about VA health care concluded that VA health care is consistently as good as—or better than—non-VA health care. VA has also outperformed the private sector on Centers for Medicare & Medicaid Services (CMS) star ratings and nationwide patient satisfaction surveys. Nearly 70% of VA hospitals received 4 or 5 stars in the CMS star ratings, compared to only 41% of non-VA hospitals.

These important results for Veterans and survivors have exceeded even the most aggressive projections and expectations. Because of that, VA has identified a need for an additional $2.883 billion in funding to maintain benefits payments for Veterans through the remainder of the fiscal year. Additionally, VA has asked Congress to provide $12 billion in FY 2025 for a potential shortfall in VA medical care.

On the four occasions when Secretary McDonough testified in defense of the President's FY 2025 Budget Request, he mentioned that VA may need to come back to Congress to ask for more funding if we exceeded expectations with our outreach. This is exactly what VA has done. On July 15, 2024, VA updated this Committee and its counterparts on the overall fiscal state of benefits and medical care and the increased needs for funding to meet the increased Veteran demand. On July 19, 2024, Secretary McDonough wrote a letter to Congress outlining the VBA budget need for an additional $2.883 billion in mandatory benefits funding for the remainder of FY 2024, and the Office of Management and Budget (OMB) shared its recommendation to Congress for a legislative path forward. On August 28, 2024, as FY 2024 drew to a close, the Administration requested a funding anomaly of $12 billion for VA to be appropriated to the Cost of War Toxic Exposures Fund to cover a potential shortfall in medical care funding. VA appreciates Congress's attention to the urgent need for VBA supplemental

funding, as evidenced by H.R. 9468, the Veterans Benefits Continuity and Accountability Supplemental Appropriations Act. We are closely monitoring the funding bill's progress and are hopeful that its enactment would avoid delayed benefits payments to Veterans.

VA is grateful to be working closely with Congress to address these needs in a way that prevents any adverse impacts on Veterans and allows us to continue to deliver care and benefits to Veterans at record rates.

PACT Act and Historic Outreach to Veterans

When President Biden signed the PACT Act into law, he expanded health care and benefits to millions of Veterans who were exposed to toxins while fighting for our country—and their survivors. Since then, we have done everything in our power to reach out to every Veteran and survivor who is eligible for PACT Act benefits to bring them to VA as quickly as possible—because Veterans who come to VA are proven to do better. These steps include the following:

- **Expediting health care eligibility under the PACT Act by up-to 8 years to ensure that Veterans could access care as quickly as possible:** VA used its authority under PACT to expedite health care eligibility by 8 years so that all Veterans who were exposed to toxins are eligible to enroll directly in VA health care—regardless of whether they served at home or abroad—as long as they meet basic eligibility requirements. This means that they do not need a service-connected disability to enroll in VA health care. This also allowed those already enrolled to transition to higher-level priority groups. This step expanded access to care under this authority for many Veterans, including1) some Veterans who served in Iraq or Afghanistan, dating back to the Gulf War, 2) Veterans who deployed in support of the Global War on Terror Contingency Operations, 3) Veterans who were exposed to toxins here at home. Without expediting this eligibility, the first group of those Veterans would not have become eligible for care until this October 2024 and the last group would not have become eligible until 2032. While many of these Veterans were already enrolled in VA care, it has expanded access to life-changing or life-saving care to many Veterans, including more than 50,000 Veterans who have already enrolled under this authority.
- **Expediting presumptive benefits under the PACT Act by up-to 4 years:** VA used its authority under PACT to expedite benefits eligibility, deciding not to phase in presumptive conditions over several years as called for by the law. This expedited presumptives for head cancer, neck cancer, gastrointestinal cancer, reproductive cancer, lymphoma, pancreatic cancer, kidney cancer, melanoma, hypertension for Vietnam Vets, and much more. Most of those conditions would only become presumptive this October, and some would not become presumptive until 2025 and 2026.
- **Launching the most aggressive outreach campaign in VA history:** From the moment the PACT Act passed the Senate, VA has been conducting all-hands-

on-deck outreach campaign to bring more Veterans to VA. This includes launching a one-stop launch website for Veterans to apply for PACT benefits, hosting thousands of events since the passage of the PACT Act, sending millions of letters and emails directly to eligible Veterans, conducting a nationwide advertising campaign, enacting the first-ever text messaging campaign to reach out to eligible Veterans, and working with influencers and partners to spread the word about the PACT Act.

VA made these decisions so that millions of Veterans who got sick while fighting for our country could get the benefits they deserve as quickly as possible. Data also clearly indicates that when Veterans are receiving VA benefits and health care, their risk for suicide decreases. Without VA's outreach campaign, many Veterans would not even know about the PACT Act.

Thanks to these efforts, we have been able to reach Veterans and survivors across VA. This has resulted in life-saving and life-changing results under the PACT Act, including the following:

- As noted above, nearly 710,000 Veterans have enrolled in VA health care since the PACT Act was signed into law, which represents a more than 34% increase in Veterans enrolling compared to an equivalent period before the legislation was signed. Additionally, roughly 843,000 Veterans moved up to a higher health care eligibility priority group which provides enhanced access and reduced copayments.
- VA has delivered more than $7.3 billion in earned benefits to more than 1.2 million Veterans and their survivors under the PACT Act, and we are delivering these benefits to Veterans at the fastest rate in the Nation's history.
- More than 5.7 million Veterans have been screened for toxic exposures, a critical step to catching and treating potentially life-threatening health conditions as early as possible.
- Veterans and survivors are applying for their earned benefits at record rates and enrolling in VA care at the fastest rate since 2017.

All told, millions of Veterans are now getting the health care and benefits they have earned for their heroic service and selfless sacrifices. Moving forward, we want all of these heroes—and their survivors—to come to VA for the health care and benefits they earned and so rightly deserve, and we need these additional funds to do that.

Medical Care Anomaly Request

The Administration requested an anomaly of $12 billion for the potential medical care shortfall going into FY 2025 in order to continue delivering more care to more Veterans than ever before—and continue to earn Veteran trust at record-high levels.

As noted above, VA expects to set an all-time record for appointments delivered to Veterans in 2024 of 130 million and Veteran trust in outpatient care is at 91.8%, an

all-time high. Additionally, one in five new enrollees are getting access to critical care services because of the PACT Act. And more than 890,000 additional Veterans already enrolled in VA health care experienced a priority group increase since the PACT Act was signed due to increases in service connection—increasing reliance on VA health care for existing enrollees and newly qualifying more than 360,000 additional Veterans for benefits such as dental care, long term services and support, and beneficiary travel.

In addition to helping us continue to deliver for Veterans at these rates, this request supports a higher growth rate for community care than previously projected in the President's FY 2025 Budget Request. VA will set a record for community care appointments delivered in FY 2024 for the sixth year in a row since passage of the 2018 MISSION Act, and we project that a community care growth rate of 16.5% over FY 2024 is needed to deliver anticipated increases in community care needs for Veterans, informing part of the potential shortfall into FY 2025. As you know, enactment of the 2018 MISSION Act dramatically changed the way in which VA leverages community care to meet the needs of veterans. As the costs of community care continues to grow, it places increasing pressure on other parts of VA's medical care capabilities, putting some of those lines of effort at risk.

The Administration's medical care anomaly request provides relief for cost pressures occurring in the pharmacy and prosthetics programs that were not anticipated when VA developed the FY 2025 Budget. Costs for drugs and prosthetic devices (including eyeglasses and hearing aids – two high volume service lines for VA) are higher than anticipated due to market pressures and increased demand for newer high-cost weight-loss medications.

The anomaly also support a higher staffing level than assumed in the FY 2025 Budget. VA projects that 5,000 additional full-time employees above where VHA stood on total employees in mid-June are needed to deliver care to Veterans in FY 2025, informing part of the potential shortfall. While VHA is not hiring at the same rate as it did in past years, it will continue to hire best-in-industry talent to fill critical, high-priority vacancies and positions to meet the needs of Veterans. This reflects VHA's commitment to a more strategic and targeted approach to hiring.

If VA medical care does not receive the anomaly request, VA will be forced to make difficult cuts and decisions will have to be made to remain within the current budget in FY 2025, most notably on outreach, care coordination, and more. We believe this funding is needed to maintain the excellent outcomes for Veterans that VA is achieving on quality, access, and Veteran trust.

Benefits Budget Request

VA needs an additional $2.883 billion for mandatory benefit payments in 2024, including $2.286 billion for the Compensation and Pension account and $597 million for the Readjustment Benefits account, which primarily funds education benefit payments.

As noted above, we exceeded expectations for this year because VA is delivering more benefits to more Veterans than ever before in the Nation's history—and processing Veteran claims at record rates – meaning veterans are waiting less time to receive a claims decision. Additionally, more Veterans are applying for VA benefits than ever before, thanks to the largest outreach campaign in VA history.

GI Bill and job training benefits have also increased. In FY 2023, VA provided GI Bill education benefits to more than 850,000 Veterans and beneficiaries. VA expects this number to increase to 940,000 in FY 2024. In total, we expect obligations for the Readjustment Benefits account to increase by 18% in FY 2024 compared to obligations in FY 2023. Similarly, within the account, we expect obligations for the Post-9/11 GI Bill to increase by 17% in FY 2024. These important results for Veterans exceeded our initial expectations and updated projections in the FY 2025 Budget.

VA's estimated need for $2.883 billion in mandatory benefits funds for FY 2024 was based on data available as of June 2024, however, even our most recent projections confirm the need for additional funding. While actual obligations in July and August have varied slightly from the estimates, and prior year deobligations have increased from original assumptions, prudent management still compels us to request the full $2.883 billion in mandatory benefits funding to ensure that Veteran benefits payments continue without interruption. These funding estimates are conservative to ensure more than sufficient funding is available to get through the fiscal year and deliver on the promise to provide Veterans their earned benefits, especially as VA continues to break records in benefits and health care delivery. Critically, any funding shortfall of just $1 would prevent VA from processing its September pay file, and, as a result, delay benefit payments to 7 million Veterans. As this is no-year funding, any funding not obligated in FY 2024 will be available in FY 2025 to continue to provide benefit payments, but that does not change the underlying need to address VBA's imminent shortfall in FY 2024.

If VA does not have sufficient funding available for benefit payments on September 20, then benefit payments that are typically delivered on October 1 are at risk of being delayed. On September 20, VBA's Finance Center certifies to the Department of the Treasury (Treasury) that funding is available for its large compensation and pension payment file, which includes 95% of obligations for September. Similarly, VBA's Finance Center is scheduled to certify to Treasury that funding is available for its final Readjustment Benefits payment files on September 26.

These dates have been refined over many years to ensure that internal controls and safeguards are in place to securely deliver over $15 billion in benefit payments to seven million beneficiaries each month. These dates also allow time to address any problems that could arise during the numerous steps in the payment process.

VBA has worked closely with Treasury to reduce the timeline for payments via electronic funds transfer (EFT) if needed; however, doing so will incur risk, and the timeline for payments via paper check is less flexible. VBA strongly encourages all

beneficiaries to rely on EFT rather than paper checks (https://www.va.gov/resources/direct-deposit-for-your-va-benefit-payments/), but 2% of beneficiaries (140,000 beneficiaries for compensation and pension benefits) still opt to receive payments via paper checks.

If additional funding is not appropriated in September, VA could use FY 2025 advance appropriation funding, once it becomes available on October 1, to issue its benefit payments. In this scenario, EFTs may be delayed to October 3, and paper checks may be delayed to October 15. VA has conducted thorough research and collaborated with Treasury and OMB to prepare to carry out this contingency plan, should this scenario come to pass. However, VBA has never relied on this authority to use advance appropriation funding for prior year obligations before, and potential risks are associated with changing highly technical payment and accounting processes. In addition, the FY 2025 request for additional mandatory funding for these accounts would need to increase by the corresponding amount of the shortfall in FY 2024.

Conclusion

We are honored to be serving the Nation's Veterans and their families, and we are proud to be working with Congress to deliver more care and more benefits to more Veterans than ever before. These results are life-changing for millions of Veterans and their survivors, and we look forward to working with you to address this need for additional funding so we can continue to ensure the Nation's Veterans get the health care and benefits they have earned and deserve. This concludes our testimony, and we look forward to answering your questions.

Submission for the Record

DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

STATEMENT OF MICHAEL J. MISSAL
INSPECTOR GENERAL FOR THE
US DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
US HOUSE OF REPRESENTATIVES
HEARING ON
"ACCOUNTABLE OR ABSENT?: EXAMINING VA LEADERSHIP
UNDER THE BIDEN–HARRIS ADMINISTRATION"
SEPTEMBER 10, 2024

Chairman Bost, Ranking Member Takano, and committee members, thank you for the opportunity to discuss the efforts of the Office of Inspector General (OIG) to address leadership and governance issues within VA as well as our findings and recommendations to increase accountability at every level. This statement discusses the foundational elements of accountability that I shared with this committee in a prior testimony, drawn from the recurring themes that OIG oversight personnel often see when identifying failings in VA. It also highlights reports we recently issued on the Hampton VA Medical Center in Virginia and the VA Eastern Colorado Health Care System in Aurora, Colorado, as two case studies on how veterans' care is affected when there is ineffective leadership and management officials are not held accountable for providing personnel with a safe and supportive culture. Several examples are also provided in which accountability breakdowns resulted in missteps that had significant financial consequences (the critical skills incentives for VA Central Office senior leaders and the pause of the Payment Integrity Tool).

I want to acknowledge from the start that the vast number of VA personnel and leaders OIG staff encounter in VA medical facilities work extremely hard to care for veterans, often in the face of significant challenges. I also recognize that VA senior leaders seek to have a culture of accountability where staff feel comfortable reporting problems without fear of retaliation or retribution. However, more work needs to be done to achieve this objective.

In a system as large as the Veterans Healthcare Administration (VHA), there will be occasions when processes break down, clinicians do not meet standards of care, and offices or services within a facility are mismanaged. Mistakes happen. The real test for VA is how leadership—at the facility, regional, and central office levels—works to promptly identify these deficiencies and hold themselves and their staff accountable for correcting them before they lead to poor or even tragic outcomes for veterans. The OIG has also recently testified and published repeatedly on quality assurance weaknesses within the Veterans

Benefits Administration (VBA) that affect both beneficiaries and VA's stewardship of taxpayer dollars, as well as the failings by multiple leaders and senior personnel across VA in awarding critical skills incentives to nearly every VHA and VBA senior executive working in VA's central office.[1]

When I testified before this committee last year on how enhancing accountability at VA is an OIG priority, I discussed the OIG's goal to provide the department with the information and recommendations to not only improve its services, programs, and operations, but also to increase accountability.[2] This is no small task. It requires sustained efforts by OIG auditors, healthcare inspectors, and investigators to conduct the most impactful oversight work possible. It also necessitates that VA leaders be engaged and responsive to our findings and recommendations. In interactions with VA personnel and leaders, this is routinely true. Secretary McDonough, other department and administration leaders, and the vast majority of VA personnel with whom OIG staff engage are dedicated to serving veterans and receptive to independent oversight to improve their efforts. The OIG recognizes that changing the culture of any organization takes time and sustained effort. Given the importance of VA's mission, every individual at VA should feel a responsibility to identify risks, report those risks and any resulting problems, and then take action to address the underlying causes and mitigate the chances for future occurrences. That is a culture that has not yet consistently taken hold across VA.

FOUNDATIONS OF ACCOUNTABILITY

The OIG's work often focuses on identifying gaps in the five components of accountability described below.

Strong governance and clarity of roles and responsibilities

Misconduct, failures to take appropriate action, and persistent problems are often the result of VA personnel or contractors not understanding their roles and responsibilities. In other cases, they understand their duties, but simply do not or cannot fulfill them. This may be due in part to outdated policies and procedures, conflicting guidance, or a lack of clear decision-making—often with those best positioned to act lacking the authority to do so.

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[1] Recent OIG testimony to Congress related to VBA issues can be accessed here. Recent reports regarding the National Cemetery Administration are also available on the OIG reports page. Given the focus of this hearing, however, this statement addresses recent OIG oversight of VHA. As mentioned later in this statement, Inspector General Missal's written testimony to this committee on VA's critical skill incentives to headquarters' senior leaders outlines a litany of missteps and failures in accountability.

[2] VA OIG, Statement of Inspector General Michael J. Missal before the House Committee on Veterans' Affairs, February 28, 2023.

Adequate and qualified staffing to carry out those duties

Historically, VA has faced high vacancy rates across its programs and operations, especially within VHA. Shortages of qualified personnel in key positions have made it difficult for VA to carry out its goals and functions. Having the right people in the right positions committed to doing the right thing is essential to building a culture of accountability, as is instilling that culture in new hires.

Updated information technology (IT) systems and effective business processes to support quality healthcare, accurate and timely benefits, and efficient operations

VA is in the process of modernizing a number of significant systems that are critical to its operations. The OIG has been proactively overseeing VA's implementation of these crucial systems. However, as detailed in multiple reports, VA has had significant troubles with upgrading or replacing key systems that support patient care, supply management, benefits to veterans and their families, and the stewardship of taxpayer dollars. VA's process for replacing crucial IT systems faces significant ongoing challenges. Major plans to modernize electronic health records, supply chain management, claims processing, and financial management systems have been marked by critical missteps. These have typically included weaknesses in planning, insufficient stakeholder engagement, failures to promptly fix known issues, and program management or coordination deficiencies. These issues must be resolved for VA to remain accountable for the care, services, and benefits it provides. The OIG understands the tremendous complexity and cost of these efforts and continues to provide recommendations that are as practical and actionable as possible to support VA personnel working to ensure patient safety and to deliver benefits and services to eligible veterans.

Effective quality assurance and monitoring to detect and resolve issues

VA often lacks controls that adequately and consistently ensure quality standards are met. Breakdowns in routine monitoring and the continual use of work-arounds undermine efforts to provide timely quality services and benefits to eligible veterans and their families. Failures in quality assurance and monitoring relate not just to systems and processes, but to personnel as well—particularly in areas such as personnel suitability programs, credentialing, privileging, and monitoring of healthcare professionals entrusted with veterans' care.

Stable leadership that fosters responsibility for actions and continuous improvement

VA leaders at every level often do not get the information they need to make effective decisions; some fail to take necessary and prompt action, while others struggle to create a culture in which every employee feels empowered to report problems. The frequent turnover in key positions or the long-term use of acting positions exacerbates these challenges.

Many of these foundational elements for accountability were lacking in the OIG's recent reporting on the Hampton and Aurora medical facilities (detailed in the sections that follow). It is important to stress that OIG recommendations that focus on just a single medical facility or benefits process are often a road map for other facilities and offices across VA to help prevent or correct similar problems that have

gone undetected or unaddressed. It is vital that OIG findings are routinely shared with VA leaders across the enterprise to promote positive change within their respective programs and operations.

THREE OIG REPORTS ON THE HAMPTON MEDICAL CENTER FOUND LEADERS FAILED TO APPROPRIATELY ADDRESS CLINICAL CARE CONCERNS

For each of the last three years (2022–2024), the OIG has published healthcare inspection reports of the Hampton facility that substantiated a range of concerning allegations related to clinical care. These reports collectively uncovered failures in care coordination, communication, quality of care, administrative and clinical oversight, quality assurance, and overall employee engagement. These failings contributed to increased risks to patient safety and adverse outcomes.

Unfortunately, within VHA and the private sector, substandard care and delays in diagnoses and treatment are not as rare as they should be. There are instances in which delays and deficiencies are reported to OIG staff but VHA leaders are already in the process of taking appropriate action to correct the issues. In those instances, the OIG may allow VHA to attempt corrective action before determining whether additional review is warranted. What OIG healthcare inspectors find most troubling is when facility managers and leaders are either unaware of personnel and patient concerns or do not ensure the required quality management processes are carried out that would detect and correct them. High reliability organization principles foster a culture of "collective mindfulness," in which all staff look for and report small problems or unsafe conditions before they pose a substantial risk. If leaders are not aware of concerning singular events or more systemic challenges, they cannot ensure the appropriate steps are taken to safeguard patients. Implementing quality improvements to address specific patient safety issues requires open and honest communication from, and among, staff at every level of a facility.

Staff Responsible for Quality Assurance Failed to Take Appropriate Actions

First, in the 2022 Hampton facility report, the complaint made to the OIG focused on the delay in a single patient's diagnosis of prostate cancer.[3] However, the OIG team's review identified multiple healthcare providers who did not appropriately manage abnormal test results for this patient. As to this complaint, the mismanagement included the patient's surgeon, primary care provider, and nurse practitioner failing to take action (when required) or missing opportunities to do so (when they could have).

This inspection revealed that those tasked with the responsibility to ensure quality care did not take appropriate measures. According to VHA, a facility's patient safety program aims to prevent harm to patients by reporting and reviewing adverse events, identifying underlying causes, and implementing changes to reduce the likelihood of recurrence.[4] Facility policy requires that all staff complete patient

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[3] VA OIG, *Multiple Failures in Test Results Follow-up for a Patient Diagnosed with Prostate Cancer at the Hampton VA Medical Center in Virginia*, June 28, 2022.

[4] Facility Policy 590-11-28, Patient Safety Improvement Program, April 30, 2020.

safety reports as soon as adverse events are discovered. The OIG determined that facility staff and leaders were aware of deficiencies in the patient's care that was the focus of the initial complaint; however, they did not initiate or submit patient safety reports. Further, quality management staff did not screen for and initiate peer reviews in a timely manner consistent with VHA policy, delaying facility leaders' ability to (a) identify staff who may need additional training, (b) improve quality of care, and (c) ensure patient safety. The chief of Quality, Safety and Value reported becoming distracted by other work and forgetting to inform the risk manager of the need for peer reviews.

The OIG made seven recommendations for the facility to make the needed improvements in its patient safety program. All recommendations have been closed as implemented after the OIG determined that the facility had shown sustained compliance with their action plans.

Oncology Leaders Failed to Implement Critical Functions Needed to Deliver the Highest-Quality Care

Second, in 2023, the OIG substantiated that a patient at the Hampton facility experienced a delay in diagnosis and treatment for a new lung mass that was highly suspicious for cancer.[5] The assigned team found facility leaders were unaware of the patient's case until the notification of the OIG inspection. The team identified deficiencies in primary and specialty care services' prompt scheduling and access to care that might have resulted in an earlier diagnosis and treatment of the patient's lung cancer.

In addition to the concerns with the delays in patient care, the OIG found a troubling absence of many practices critical to ensuring high-quality oncology care. VHA's Oncology Program policy "seeks to ensure that the delivery of VA cancer care is provided following a national standard of practice," which includes the requirement that each facility have a facility-level cancer committee, tumor board, and cancer registry.[6] VHA policy requires the use of the VA Cancer Registry System to monitor all cancers diagnosed or treated in VHA.[7] As such, each VA medical facility must identify and report data on patients with a cancer diagnosis.[8] The OIG found that, at the time of the inspection, the facility did not have an operational cancer committee, tumor board, or a cancer registry as required.[9]

The facility's chief of staff told the OIG team that the lack of a cancer committee was due to an "oversight." However, the facility director stated that a cancer committee had not been chartered earlier

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[5] VA OIG, *Delay in Diagnosis and Treatment for a Patient with a New Lung Mass at the Hampton VA Medical Center in Virginia*, September 29, 2023

[6] VHA Directive 1415, VHA Oncology Program, April 9, 2020.

[7] VHA Directive 1412(1), Department of Veterans Affairs Cancer Registry System, May 29, 2019, amended April 7, 2020; VHA Directive 1415.

[8] Each facility director is responsible for appointing a facility cancer registrar responsible for ensuring the provision of complete, timely, and accurate data of at least 90 percent of cases within six months of first contact with the facility.

[9] Since the inspection, the facility has taken steps to establish the cancer committee and tumor board, as well as to fill the facility cancer registrar position.

due to a lack of continuity in relevant staff. The OIG concluded that without an active facility cancer committee and tumor board, the facility was unable to conduct the additional review that assists with identifying and assessing cancer patients' needs. As a result, facility staff may have missed opportunities to ensure patients received the highest quality of oncological care available.

The components of accountability were clearly lacking in the Hampton facility. Leaders did not create an environment that fostered individual responsibility and continuous improvement. Staffing concerns and unclear roles and responsibilities meant the facility lacked functions critical to a high-performing oncology program. Two of the seven recommendations remain open (not yet fully implemented), and the OIG continues to follow VHA's progress in satisfying the recommendations.[10]

Facility Leaders Did Not Understand or Properly Employ the Basic Processes That Support Delivery of Safe Health Care

The third report, released in July, demonstrates that Hampton facility leaders did not properly address clinical care concerns and subsequent privileging actions involving the assistant chief of surgery.[11] In the course of this inspection, the OIG determined the facility mishandled the processes for professional practice evaluations of surgeons, the surgical service's quality management, and institutional disclosures to patients or their representatives of an adverse event that resulted in harm.

Facility leaders made numerous process errors when determining whether changes were needed to the assistant chief of surgery's clinical privileges.[12] For example, facility leaders failed to document any of the three focused clinical care review (FCCR) results in the appropriate system, did not provide the results of two of the reviews to the Medical Executive Committee (MEC), and delayed reporting the results of the third. These errors limited the MEC's knowledge of all reviews, which could have more fully informed members' decisions and recommendations about whether to reduce or revoke any of the assistant chief of surgery's privileges. The three FCCRs also were not completed by multiple reviewers to ensure interrater reliability and an objective evaluation of the assistant chief of surgery's clinical care.[13]

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[10] At quarterly intervals commencing 90 calendar days from the date of the report's issuance, the OIG sends a follow-up status request to the VA office overseeing corrective action asking for an implementation status report. The OIG follow-up staff provides VA with 30 calendar days to respond. Nothing precludes VA from providing interim progress reports. The next OIG request for an update on this report will be on or about September 29, 2024.

[11] VA OIG, *Mismanaged Surgical Privileging Actions and Deficient Surgical Service Quality Management Processes at the Hampton VA Medical Center in Virginia*, July 23, 2024.

[12] Clinical privileging is defined as the process by which a VA facility authorizes a physician to independently (i.e., without supervision or restriction) provide healthcare services on a facility-specific basis. Clinical privileges are based on the individual's clinical competence as determined by peer references, professional experience, health status, education, training, and licensure.

[13] Interrater reliability is the extent to which two or more independent raters or observers consistently obtain the same result when using the same assessment tool.

A summary suspension of privileges was issued to the assistant chief of surgery, but the OIG identified several inconsistencies between the MEC meeting minutes and suspension letters, as well as improper procedural actions taken by the facility director.[14] These inconsistencies had the potential to impact patient care because the assistant chief of surgery was unaware of which privileges were suspended, affecting the level of services available for patients.

While attempting to reduce the assistant chief of surgery's privileges, facility leaders did not send letters to the assistant chief in the correct order and did not include all required elements in the proposal letter to provide the necessary due process. As a result of these errors, facility leaders rescinded the proposed actions and restored the associate chief of surgery's clinical privileges. When the assistant chief of surgery transferred to another VA facility, their privileges at Hampton ended and facility leaders could not take additional privileging actions.

Hampton facility leaders failed to report the assistant chief of surgery to the state licensing board as well. Failing to report physicians with identified incidents of substandard care to the state licensing board may result in medical facilities, within and outside of VHA, hiring providers who do not meet generally accepted standards of clinical practice, increasing risks to patients.

An institutional disclosure enables facility leaders to inform a patient or their personal representative that an adverse event has occurred. This refers to an event that "resulted in, or is reasonably expected to result in, death or serious injury" and the disclosures are meant "to maintain trust between patients and VA healthcare professionals."[15] The OIG team found that facility leaders generally did not communicate and document required elements of an institutional disclosure, such as advising the patient or family about potential compensation or the option to obtain outside medical or legal advice. In fact, of the 10 institutional disclosures completed at the facility from July 1, 2022, through May 31, 2023, the OIG found that nine did not include "advisement about potential compensation." Such mistakes could result in patients or their personal representatives being unaware of their rights and options for recourse. Simply put, these types of lapses undermine VA's commitment to build and restore patients' trust.

The findings identified through this inspection highlight failures of facility leaders to make certain that required responsibilities were appropriately implemented. They also revealed leaders' lack of a basic understanding of the quality assurance processes that support the delivery of safe health care. This inspection underscores that negative outcomes can occur when such fundamental accountability elements are not present—including strong governance and an understanding of roles and

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[14] A summary suspension is a "summary action" taken by the VA medical facility director to suspend clinical privileges when the failure to take such action may result in an imminent danger to the health and safety of any individual. A summary suspension may be applied to one or more selected privileges or all privileges depending on the circumstances and clinical concern.

[15] VHA Directive 1004.08, *Disclosure of Adverse Events to Patients*, October 31, 2018.

responsibilities, effective quality assurance and monitoring, and leadership that constantly fosters continuous improvement.

The OIG made 12 recommendations, including 11 to the facility director on issues related to FCCRs, summary suspensions, proposed reduction or revocation of privileges, state licensing board reporting, patient safety reporting, and institutional disclosures. VA concurred with the OIG's findings and all recommendations and has provided acceptable action plans and completion timelines. VA's progress in implementing these recommendations will be monitored until sufficient evidence is provided to warrant closure.[16]

THE AURORA FACILITY'S SENIOR LEADERS CREATED A CULTURE OF FEAR AMONG PERSONNEL, LEADING TO POOR COMMUNICATION AND STAFF DEPARTURES

Last month, the OIG released two reports on the VA medical facility in Aurora that tell a similarly disturbing story of accountability failures. The OIG found in its first report that key senior leaders created an environment in which a significant number of clinical and administrative service and section leaders and frontline staff felt psychologically unsafe, deeply disrespected, and dismissed. They feared that speaking up or offering a difference of opinion would result in reprisal. In a second report, an OIG team substantiated that leaders' actions to change the facility's intensive care unit from an open to a closed model (affecting which providers had patient care responsibility) were made without adequate planning and input from relevant leaders and staff. These problems were allowed to persist because Veterans Integrated Service Network (VISN) leaders did not fulfill their own required oversight of the medical center.[17]

Aurora Facility Senior Leaders Created an Environment That Undermined the Culture of Safety for Staff

The OIG substantiated that key senior leaders (including the facility director, chief of staff, deputy chief of staff for inpatient operations, and the associate chief of staff for education) failed to use high reliability organization principles, undermined the stability and psychological safety of service leaders and staff, and created a culture of fear.[18] Accountability is dependent on leaders maintaining a culture in which every employee feels empowered to report problems. Having failed to do so, the climate that key senior leaders created led to frequent turnover in core positions, which only exacerbated the facility's challenges.

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[16] The OIG will make the first request for an update on this report on or about October 22, 2024.

[17] VA administers healthcare services through a nationwide network of 18 regional systems referred to as Veterans Integrated Service Networks that oversee the medical facilities in their designated area.

[18] VA OIG, *Leaders at the VA Eastern Colorado Health Care System in Aurora Created an Environment That Undermined the Culture of Safety*, June 24, 2024

In a "just culture," personnel feel safe reporting concerns and trust that actions are going to be "judged fairly."[19] Instead, personnel interviewed by OIG staff shared concerns and cited examples of key senior leaders not valuing their opinions and expertise, making decisions "in haste," and dismissing concerns. Facility staff shared their fear of retaliation from these key senior leaders. A staff member noted there were repercussions for sharing a different opinion, including being "berated in a meeting" or "pushed out" of their positions by being falsely accused of misconduct and enduring an investigation into the claims. Another clinical leader also described the weaponization of administrative investigations, with the intent of targeting individuals rather than finding the truth and making improvements. A clinical leader described more subtle forms of retaliation as well, such as having staffing resources removed from the department.

The OIG also substantiated there was a negative change in culture associated with the Peer Review Committee (PRC), which is responsible for clinical oversight. A majority of clinical PRC members, and some non-PRC clinical leaders and staff, perceived the committee to be psychologically unsafe and punitive. After the key senior leaders began attending and acting as voting committee members, clinical PRC members reported that these leaders took over or "dominated" committee discussions. In addition, PRC meetings and processes became focused on finding fault and assigning blame as opposed to identifying improvements to patient care, practices, and processes. It should be noted, there are other forums and mechanisms for doing so, such as the FCCR process discussed in the recent Hampton report, meant to complement efforts by the PRC and others to identify and redress problems before they escalate to adverse events or incidents that warrant investigation. The OIG team found that key senior leaders missed opportunities to understand and address PRC members' concerns. When leaders fail to foster a psychologically safe environment, staff avoid speaking up and sharing ideas for improvement.

The OIG substantiated that mid-level leaders' authority had been eroded and there was a lack of continuity of leadership at the service level due to many clinical service and section-level resignations and extended vacancies. These extended vacancies consolidated control among key senior leaders, leaving facility service and section chiefs with limited avenues for communication and with no one to advocate on behalf of their services. Twenty former leaders who had worked in the Aurora facility shared with the OIG the factors that contributed to their decisions to leave. They all reported that a work-related factor contributed to their decision, with the majority reporting poor or psychologically unsafe working conditions and all reporting a lack of trust and confidence in senior leaders. The majority also reported that unethical treatment of staff was important in their decision to leave.[20] An OIG analysis of the responses found common themes in their responses, such as fear of retaliation,

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[19] VHA, "Why is Just Culture important to a High Reliability Organization (HRO)?" VHA Journey to High Reliability. https://dvagov.sharepoint.com/sites/vhahrojourney/. (This website is not publicly accessible.)

[20] For the purposes of the OIG report, unethical treatment factors included harassment or retaliation for voicing concerns, harassment, or retaliation for participating in a complaint process, and unethical behavior on the part of leadership or the organization.

feeling bullied, or a "toxic culture." Nearly half of these former leaders reported feeling undervalued or disrespected by senior leaders, and some reported experiencing medical conditions related to their facility employment.

Despite these losses, key senior leaders did not seek or use employee exit survey data to identify and address employee retention challenges. Turnover in VISN leadership positions and ineffective communication contributed to the then VISN director's lack of awareness regarding the extent of the staffing and culture challenges at the facility. The leadership failures found in this report reflect deficiencies in each of the foundational elements of accountability set out earlier in this statement.

The OIG made a total of seven recommendations for corrective actions that included conducting and utilizing a review of the VISN's awareness and oversight of the Aurora facility to help standardize roles and responsibilities across the system, with the goal of ensuring structured and robust oversight activities in support of high-quality healthcare delivery. All recommendations are currently open and subject to the OIG's routine monitoring and follow-up.

Inadequate Planning and Lack of Staff Input Led to a Troublesome Transition in the Operation of the Intensive Care Unit

In a second concurrent review at the Aurora facility, accountability issues were created by the lack of qualified staff to provide adequate coverage of the surgical Intensive Care Unit (ICU) and leaders' failure to involve key staff in the decision-making process to make changes.[21] Leaders also did not adequately communicate the operational changes up and down the chain of command.

The OIG found that facility leaders implemented surgical ICU changes that led to inadequate provider coverage for surgical patients, and adversely affected the provision of cardiothoracic surgical services. These surgeries were paused from September 2022 through August 2023 and the newly appointed chief of staff failed to notify the VISN of the pause so that VHA leaders would be informed.

The facility leaders and the acting chief of surgery proceeded with plans to resume cardiothoracic surgeries following an 11-month pause and the loss of all facility cardiothoracic surgical staff, without notifying or seeking required approval from VISN and VHA central office leaders. The OIG found the resumption of these surgeries met the VHA policy criteria for a "major augmentation of clinical services" that requires the approval of the under secretary for health or his designee.[22] The OIG escalated concerns about the facility's lack of readiness to safely conduct cardiothoracic surgical procedures to the VISN director in August 2023, after determining there was no detailed,

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[21] VA OIG, *Extended Pause in Cardiac Surgeries and Leaders' Inadequate Planning of Intensive Care Unit Change and Negative Impact on Resident Education at the VA Eastern Colorado Health Care System in Aurora*, June 24, 2024.

[22] VHA Directive 1043, Restructuring of VHA Clinical Programs, November 2, 2016.

interdisciplinary evaluation and plan. Following additional internal reviews, cardiothoracic surgical procedures were restarted in late October 2023.

The OIG substantiated that facility leaders' changes to the medical ICU from an open to a closed model were made without adequate planning and input from service and section leaders and staff.[23] The sudden implementation of a closed ICU model resulted in a lack of ICU resident supervision and an ineffective teaching environment for residents. The chief of staff notified service leaders that due to a privileging concern there was a need to change medical ICU physician coverage, but the notification occurred only hours before implementing the change. In accordance with high reliability organization principles, the OIG would have expected facility leaders to plan and involve service and section leaders, and staff before implementing the change to a closed ICU model. The OIG substantiated that the sudden implementation of a closed ICU model resulted in a lack of ICU resident supervision and residents' reliance on on-call attending physicians or fellows. This created an ineffective work environment that did not meet the educational needs of ICU residents. After the change, ICU residents reported concerns to service leaders and cited in program evaluations the lack of on-site supervision, increased patient safety risks, diminished resident education quality, and decreased overall satisfaction.

The OIG recommended the under secretary for health to evaluate the VISN leaders' lack of awareness of the surgical pause and that the VISN director address issues related to cardiothoracic surgeries, facility high reliability organization principles implementation, and residents' education needs. Two recommendations to the facility director were related to on-call escalation and root cause analysis training. All of the recommendations are open, and the OIG will review VA's progress on implementing them during the routine follow-up process beginning September 24, 2024.

OTHER RECENT OIG OVERSIGHT THAT HIGHLIGHTS ACCOUNTABILITY CONCERNS

While this statement has focused on leadership failures within VHA, a number of recent OIG reports have found deficiencies within VBA programs and operations that can be traced back to the same accountability themes.[24] Every service within VA is susceptible to falling short of their mission if they do not fully embrace and constantly reinforce these foundations of accountability. The OIG's recent reporting on senior executives in VA's central office being improperly awarded critical skills incentives crossed two administrations and uncovered weaknesses in governance, leadership, and accountability,

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[23] ICUs may be structured as open or closed models. An open model indicates that multiple physicians or teams, whether assigned to the ICU or not, are permitted to provide care to a patient in the physical space of the ICU. A closed model indicates that only the ICU team specifically assigned to the ICU manages the patient's care for all patients admitted to the ICU.

[24] VA OIG, *VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability*, July 17, 2024; VA OIG, *VBA Did Not Identify All Vietnam Veterans Who Could Qualify for Retroactive Benefits*, June 27, 2024; VA OIG, *Better Oversight Needed of Accessibility, Safety, and Cleanliness at Contract Facilities Offering VA Disability Exams*, May 8, 2024; VA OIG, *Without Effective Controls, Public Disability Benefits Questionnaires Continue to Pose a Significant Risk of Fraud to VA*, January 4, 2024.

with excessive deference to VHA and VBA leaders by individuals responsible for providing necessary checks and balances.[25] As detailed in OIG testimony before this committee in June, officials at multiple levels across VA did not ensure their actions met the appropriate requirements and intent of the law and did not successfully escalate concerns to the Secretary. VA concurred with both OIG findings and all recommendations and has provided acceptable action plans and completion timelines. The OIG will monitor VA's progress in implementing these recommendations until sufficient evidence is provided to enable closure.

Finally, VA's ability to accurately forecast budget needs for its administrations and staff offices, and then properly execute appropriated funds, is dependent on adherence to these same foundational elements of accountability. The OIG is currently engaged in examining the conditions and contributing factors to the projected $12 billion shortfall for fiscal year 2025.[26] Staff have also continued to document how the absence of well-functioning IT and internal quality monitoring systems can exacerbate financial management problems. A recent example affecting revenues is the OIG's July 2024 management advisory memorandum to VHA regarding the pause in using its Payment Integrity Tool (PIT).[27] VHA uses PIT data to determine if healthcare claims should be billed to veterans or private insurance companies for the treatment of nonservice-connected care. VHA paused using the PIT in February 2023 after becoming aware of numerous issues, including inaccurate or duplicate claims and defective code. The pause had two major impacts: First, VHA could not bill veterans or private insurance companies for community care copayments or coinsurance because VHA relies on PIT data to do so. Second, the pause impeded internal oversight efforts that utilize the PIT to prevent, detect, and mitigate fraud, waste, and abuse related to community care claims. While VHA has reported that use of the PIT partially resumed in recent weeks, they must now review the backlog of claims to determine which are eligible to be billed to veterans or private insurers. The OIG estimated that VHA will be delayed in billing an estimated 2.8 million community care claims totaling about $2 billion that were paid between February 1, 2023, and February 1, 2024. According to VHA, the pause resulted in veteran copayment billings that were approximately $23 million lower for the first two quarters of fiscal year 2024 than the same period in 2023. The pause could also negatively affect veterans because VHA may send them copayment bills for

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[25] VA OIG, *VA Improperly Awarded $10.8 Million in Incentives to Central Office Senior Executives*, May 9, 2024.

[26] According to the budget submission dated March 2024, VHA initially estimated needing about $149.5 billion to care for patients in fiscal year (FY) 2025.[1] However, by July 2024, VHA estimated that it would need an additional $12 billion in FY 2025 for medical care. The OIG recently initiated a review to determine what factors and conditions resulted in VHA's request for nearly $12 billion in supplemental funding.

[27] VA OIG, *The Pause of the Program Integrity Tool Is Impeding Community Care*, July 16, 2024. While the OIG made no recommendations in this memorandum, the OIG remains concerned about whether VHA's Revenue Operations will have sufficient resources to timely bill the backlog of community care claims, and how the pause will affect fraud, waste, and abuse activities for community care claims. In addition, the OIG currently has three open recommendations from the 2022 report related to Revenue Operations' private health insurance billing for community care. VA OIG, *VHA Continues to Face Challenges with Billing Private Insurers for Community Care*, May 24, 2022.

care that are over a year old. To ensure the PIT fully recovers from these issues and will be reliable moving forward, VHA must fully embrace the accountability pillars of strong governance, updated IT systems, and effective quality assurance and monitoring.

CONCLUSION

The OIG has repeatedly found that an overwhelming number of VA leaders and personnel are committed to serving veterans, and that VA's skilled and dedicated frontline employees work to provide high-quality and timely care and benefits. However, OIG staff routinely find breakdowns in processes, infrastructure, governance, leadership, and other failings that erode the foundational elements of accountability. These breakdowns impede VA's efforts to make certain that patients receive timely, high-quality healthcare and that veterans and other eligible beneficiaries are afforded the compensation and services they are owed. Just as important as having accountability for those engaging in wrongdoing is creating a culture that addresses the conditions that allow mistakes or misconduct to fester and grow, a culture in which every employee feels a responsibility to identify and report risks and concerns. In turn, leaders must take prompt, effective actions based on the input of stakeholders and available data to address the underlying problems. The OIG strongly encourages VA personnel at every level to lead by example and escalate matters that put veterans' health and welfare at risk, undermine VA's services and operations, or waste taxpayer dollars. Significantly, those in positions of authority should ask themselves what they are doing to reinforce the pillars of accountability, including executing efficient governance and clarifying all roles and responsibilities; maintaining adequate numbers of qualified staff; updating IT systems and improving business processes; conducting effective quality assurance processes and vigilant monitoring; and promoting stable and strong leadership that fosters responsibility for actions and continuous improvement.

Finally, I want to thank those individuals who have come forward to report wrongdoing and exemplify the tenets of accountability and encourage others to do the same. Chairman Bost, Ranking Member Takano, and members of the Committee, this concludes my statement. I would be happy to answer any questions you may have.

Questions for the Record

Senator Cassidy
Questions for the Record
Senate Veterans' Affairs Committee
Providing for Veterans: Addressing Current and Future VA Budget Challenges
September 18, 2024

Questions for The Honorable Shereef Elnahal M.D., Under Secretary for Health, Veterans Health Administration, U.S. Department of Veterans Affairs and The Honorable Joshua Jacobs, Under Secretary for Benefits, Veterans Benefits Administration, U.S. Department of Veterans Affairs

Question 1

On July 15, 2024, the Department of Veterans Affairs (VA) informed the Senate Veterans Affairs Committee (SVAC) of its anticipated budget shortfall of $2.883 billion. This included $2.286 billion necessary to avoid delayed benefits to seven million service-disabled veterans and $567 million for educational benefits. The Veterans Benefit Administration (VBA) states that the shortfall was mainly caused by inaccurate predictions regarding the number of veterans who would claim benefits under the PACT Act.

According to your testimony before SVAC on September 18, 2024, the VBA did not update real-time data on disability rates or the number of veterans eligible for benefits until the mid-session review with the Office of Management and Budget (OMB) in June 2024. This led to inaccurate shortfall predictions until just two months before what would have been a programmatic default.

- Why did the VA not include real-time data for programmatic cost estimates prior to June 2024?
- Will the VA include real-time data for cost estimates moving forward?
- If projections prior to June 2024 were not accounting for real-time data, how did the VA formerly reach its cost estimate conclusions?

Question 2

The VA's existing Electronic Health Records (EHR) system is more than 30 years old. I am told the existing system is costly to maintain and not fully interoperable with systems at the Department of Defense (DOD), which contain relevant health records. In 2017, the VA began to develop a new and more modern EHR system. In 2020, the VA began rolling out the new system. Originally, the new system was intended to be deployed over a 10-year span concluding in 2028. However, the new system was suspended in October 2020, when the VA Office of the Inspector General (OIG) identified a multitude of problems with the new system, including issues that may have contributed to a patient's death.[1] The VA now anticipates needing another

[1] U.S. Dep't of Veterans Aff., Off. of Inspector General, OIG-23-00382-100, Scheduling Error of the New Electronic Health Record and Inadequate Mental Health Care at the VA Central Ohio Healthcare System in Columbus Contributed to a Patient Death, (Mar. 21, 2024),*available at:* https://www.vaoig.gov/sites/default/files/reports/2024-03/vaoig-23-00382-100_1.pdf (last visited Oct. 4, 2024).

26-years to refine and deploy the new EHR system, with an anticipated cost of $49.8 billion going forward.[2]

- What specific efforts are being made to address the issues highlighted in the OIG report?
- What explains the need for another 26 years to develop and deploy the new EHR system?
- Has the VA explored integrating existing commercial off-the shelf IT solutions?
- Why has the VA not explored using a large language model to improve the EHR system?
- Why does the current EHR system not always include patient health record information from community care providers?

Question 3

During the September 18, 2024 SVAC hearing, you stated that the VBA is developing an Automated Decision Support (ADS) system to assist employees in delivering benefits efficiently. The system works by scanning and categorizing information included on the VA Form 21-526EZ through Optical Character Recognition (OCR) technology.

- What is the estimated timeline for project completion?
- How is the VA planning to deploy this system so that it does not resemble the 2020 rollout of the new EHR system?
- What are the VA's current uses of AI?
- What future plans does the Department have regarding use of AI?

Question 4

The VBA has hired 10,000 new employees since October 1, 2022. This amounts to a 35% workforce increase, resulting in more than 34,000 VBA employees. Presumably, some number of these workers were retained to assist with the processing PACT Act claims.

- How many of these workers were retained to assist with PACT Act claims?
- How many are permanent hire versus temporary hires?
- How many of these workers are permitted full-time telework? How many are permitted regularly scheduled telework of three or more days per week? How many work in-person, full-time?
- Does the VBA anticipate further hiring which would make the workforce larger than 34,000 employees?
- When does the VBA anticipate the volume of PACT Act claims will decrease?
- What is the annual cost of these 10,000 new employees?
- What was the rationale of hiring these 10,000 people as new employees as opposed to contracting for their labor?

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[2] U.S. Gov't Accountability Off., GAO-23-106765, Testimony Before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs, House of Representatives, Observations for Proposed Legislation, Statement of Shelby S. Oakley, Director, Contracting and National Security Acquisitions, (Apr. 19, 2023) *available at:* https://www.gao.gov/assets/gao-23-106765.pdf (last visited Oct. 4, 2024).

Question 5

Questions for The Honorable Shereef Elnahal M.D., Under Secretary for Health, Veterans Health Administration, U.S. Department of Veterans Affairs

I must unfortunately bring attention to the recent tragic death of a Louisiana veteran by suicide. A recent VA OIG report that found evidence of systemic noncompliance by the Overton Brooks VA Medical Center staff to follow suicide prevention policies. It is possible that this horrific event could have been prevented if the appropriate policies and guidelines had been followed.

- How does the VA ensure that suicide risk screening and assessment practices are followed, and that this information is appropriately documented for clinicians?

- The OIG found that the suicide prevention program manager failed to address identified performance deficiencies of VHA staff and failed to have clinical case reviews completed.

    - How does the VA hold program managers accountable for failing to take the necessary corrective actions? It is unacceptable that noncompliance with existing practice on suicide prevention take place in a VA medical center.

Responses were unavailable at the time of publication.
Contact U.S. Senate Committee on Veterans' Affairs for additional information.

Senator King
Questions for the Record
Senate Veterans' Affairs Committee
VA Budget Supplemental
September 18, 2024

Questions for Dr. Elnahal, VHA

1. While we never like to see an agency return to Congress with budget shortfalls, I was glad to see that part of the reason behind the VHA's anticipated shortfall was a major shift from the FY2025 budget request on staffing. Now, instead of cutting 10,000 FTEs, it looks like you're seeking to add 20,000 additional FTEs, which is fantastic.
   a. Do you have any additional information on what roles these additional staff will be hired for? Are you going to be hiring nurses, mental health professionals, maintenance workers, or all of the above?
   b. Do you have any additional information on the geographic distribution of these additional staff? If you don't have specific information now on where staff will be hired, how will the VA approach these decisions? What factors will be considered and prioritized when adding new staff?

Responses were unavailable at the time of publication.
Contact U.S. Senate Committee on Veterans' Affairs for additional information.

Senator Jerry Moran (R-KS), Ranking Member
Questions for the Record
Senate Veterans' Affairs Committee
"Providing for Veterans: Addressing Current and Future VA Budget Challenges"
September 18, 2024

Questions for The Honorable Joshua Jacobs, Under Secretary for Benefits, Veterans Benefits Administration, U.S. Department of Veterans Affairs, and The Honorable Shereef Elnahal M.D., Under Secretary for Health, Veterans Health Administration, U.S. Department of Veterans Affairs

1. Notification to Congress of the budget shortfall occurred within hours of the Senate Appropriations Committee's markup that approved budget allocations across the Subcommittees as well as the Military Construction and Veterans Affairs appropriations bill. Did the timing of the Senate Appropriations Committee's work impact the timing of VA's notification to Congress of the budget shortfall? Who decided when VA could notify Congress of the budget shortfall?

2. Please provide a detailed timeline of when VA first became aware of these budget shortfalls – including when each of you, Secretary McDonough, and the Office of Management and Budget were first made aware of it – and when Congress was first notified of it.

3. When VA first became aware of these budget shortfalls, were any mitigation and/or cost savings measures considered or implemented? Please explain in detail.

4. How are VA's budget estimates and assumptions validated, who is responsible for such validation, and how often does such validation occur?

5. What reforms is VA implementing to protect against future budget shortfalls? Please explain in detail.

6. What, if any, accountability actions are being considered for senior executives as a result of this shortfall? Please explain in detail.

7. Has VA considered rescinding bonuses or awards for any senior executives as a result of this shortfall? Why or why not?

Questions for The Honorable Joshua Jacobs, Under Secretary for Benefits, Veterans Benefits Administration, U.S. Department of Veterans Affairs

1. How involved are you in managing VBA's annual budget and at what interval (daily, weekly, monthly, or quarterly) are you briefed on VBA's finances?

2. During the hearing, you attested that the VBA CFO, Lasheeco Graham, has monthly meetings with OMB. At what monthly briefing did she tell OMB about the mistake in financial forecasting and,

while you weren't in those conversations with OMB, when did she discuss with you what she discussed with OMB?

3. The VBA Finance Office has increased its staff by 100 full-time equivalent employees over the last year. Given that significant increase in staff in the office responsible for forecasting, managing, and overseeing VBA's budget, how was the VBA shortfall not identified sooner?

4. In multiple briefings related to the VBA budget shortfall, VBA mentioned the Rudisill v. McDonough Supreme Court decision as one of the factors underlying the VBA shortfall. Please provide a detailed breakdown—including new policies, actual obligations, and forecasted obligations—of how that court decision contributed to the need for an additional $3 billion in fiscal year (FY) 2024.

5. How many more veterans and beneficiaries received compensation and pension payments than VBA originally estimated for FY 2024?

6. How much was the total payfile VBA sent to Treasury on September 20, 2024, and how much did VBA have on hand in each of the relevant accounts for that payfile, excluding the $2.887 billion enacted in the Veterans Benefits Continuity and Accountability Supplemental Appropriations Act, 2024?

Questions for The Honorable Shereef Elnahal M.D., Under Secretary for Health, Veterans Health Administration, U.S. Department of Veterans Affairs

1. How involved are you in managing VHA's annual budget and at what interval (daily, weekly, monthly, or quarterly) are you briefed on VHA's finances?

2. If the projected $12 billion shortfall in VHA is not addressed by Congress, what impact will that have on the delivery of care to veterans in fiscal year 2025 and when will that impact be felt? Please be specific.

3. The President's FY 2025 budget submission assumed that VHA would reduce its workforce by 10,000 full time equivalent employees (FTEE). VHA's plan to shrink its workforce included allowing attrition in positions not marked as high need and where demand isn't sufficient, while continuing to hire in certain specialty care professions. We now know that VHA expects to have continued growth in its workforce next year, which is a one of the primary causes of the $12 billion VHA shortfall.

    a. If this additional $12 billion is appropriated, what are the specific workforce strategies VHA will implement to ensure that the VHA workforce is streamlined in a way that meets the unique geographic needs across the country in the coming years while being good stewards of taxpayer dollars?

    b. Are there ways other than through attrition to reduce your workforce in areas you have determined positions are not needed?

c. Do you attribute the change in workforce growth assumptions to lower than expected attrition or to a specific growth strategy into FY25?

4. In May, Chairman Tester and I sent a letter to Secretary McDonough expressing our frustrations and disappointment in the staffing strategy announced earlier this year. In this letter we shared our concerns that there are still too many veterans experiencing long wait times even though we were on the heels of record hiring across the system. In response, VA asserted that "we have the nationwide staffing total needed to deliver services for our nation's veterans."

   a. Given that VHA now anticipates a need to continue to grow its workforce into FY 2025, was it accurate in May that VHA had the necessary workforce to fulfill its mission?

   b. How confident are you that the recent workforce projections for FY 2024 will deliver the needed results of increasing veterans' access to care?

   c. What are your current expectations for potential growth or reduction in the VHA workforce into FY 2026?

5. In a briefing related to the VHA shortfall on July 24th, my staff asked specific questions regarding the interval time of mental health appointments. To-date, VA has only supplied my office with the time for the initial appointment, not with the requested data for follow-up appointments.

   a. Please provide data from April 1st through present day on the appointment intervals for mental health follow-on appointments, broken down by VISN.

6. During the hearing, you reported that demand for mental health care was up 15% this year.

   a. Does this mean an increase of 15% in new veteran patients or an increase in overall mental health appointments and services?

   b. Of these, how many appointments are in the VA direct care system versus the community care network (CCN)?

7. As of today, what is the actual number of veterans enrolled in the VA health care system and unique veteran patients, and how does that compare to FY 2023 and current estimates for FY 2025?

8. What steps are you taking to mitigate rising health care costs – and, in particular, increased pharmaceutical and prosthetic costs - by better leveraging VA's unique size and purchasing power?

Responses were unavailable at the time of publication.
Contact U.S. Senate Committee on Veterans' Affairs for additional information.

Senator Tillis
Questions for the Record
Senate Veterans' Affairs Committee
Providing for Veterans: Addressing Current and Future VA Budget Challenges
September 18, 2024

Questions for Dr. Elnahal

1. Two years ago, we sat here with your VA colleagues and discussed the very real hurdles facing the VA workforce keeping up with PACT Act implementation needs. My exact quote was "about 18 or 24 months from now you could be in a real crisis in terms of people, technology, infrastructure to actually support the will of Congress."
    a. So my question to you is how did we get here? How were your budgetary forecasts so flawed?
    b. On top of that, how do we reckon with the VA's decision to directly ignore Congressional intent for a phased-in approach towards PACT Act implementation, as we look at veterans' needs far outpacing the VA's ability to provide?

2. In the last year, the VA, including Sec McDonough and Dr. Elnahal have claimed the VA's "zero growth" hiring strategy was keeping VHA sufficiently staffed to maintain patient care and treatment. Specifically, that 2023 hiring and retention had been such a success there was no need to continue the hiring momentum. Since the shortfall, Dr. Elnahal has gone back on this statement saying the VHA will be looking to grow its workforce in FY25.
    a. What caused Dr. Elnahal to go back on his support for the hiring strategy?
    b. Can the VA share where and what occupations were hired in 2023?
    c. Can the VA also share what VA locations and occupations across the country that have reported facing shortages since 2022?

3. What steps and precautions has the VA and VHA taken since the shortfall was discovered to ensure a funding mismanagement to this degree never happens again?

4. When did the first person at the VA realize the that there was to be a shortfall and when was that articulated to Sec. McDonough? Did Secretary McDonough know of the shortfall or were there suspicions of the shortfall before the FY25 budget hearing in March 2024?

5. Congress was notified of both the $3 billion FY24 VBA shortfall and the $12 billion FY25 VHA shortfall on July 15th.
    a. How was the FY25 budget shortfall so foreseeable, when we are learning of the benefits funding cliff with only days to address it?

b. How did you miss both of these impending shortfalls when the VA was here testifying on an accurate budget request just months before?
c. What information became available between March, when the Secretary testified that the budget justification was sufficient, and July, when Congress was notified about the shortfall?
d. Will the VA publicly share that information?

Responses were unavailable at the time of publication.
Contact U.S. Senate Committee on Veterans' Affairs for additional information.

Senator Tillis
Questions for the Record
Senate Veterans' Affairs Committee
Providing for Veterans: Addressing Current and Future VA Budget Challenges
September 18, 2024

Questions for Under Secretary Jacobs

1. Secretary McDonough and other VA officials have testified on multiple occasions that PACT-related claims, in total, was estimated to be around 2.5 million.
    a. Your testimony outlines that the VA has processed 2.3 million claims in 2024. Is that calendar year or fiscal year? If the former, how many have been processed in FY24?
    b. Is it a fair characterization to say that we've not hit the upper estimate of total PACT-related claims, yet we are experiencing $3B budget shortfall just in FY24?
    c. If that is the case, how is it possible for your initial estimates to have been so far off, for you to have failed to realize it until so late, and for the information to have reached our desks so last minute?

2. What steps and precautions has the VA and VBA taken since the shortfall was discovered to ensure a funding mismanagement to this degree never happens again?

3. When did the first person at the VA realize the that there was to be a shortfall and when was that articulated to Sec. McDonough? Did Secretary McDonough know of the shortfall or were there suspicions of the shortfall before the FY25 budget hearing in March 2024?

4. Congress was notified of both the $3 billion FY24 VBA shortfall and the $12 billion FY25 VHA shortfall on July 15th.
    a. How was the FY25 budget shortfall so foreseeable, when we are learning of the benefits funding cliff with only days to address it?
    b. How did you miss both of these impending shortfalls when the VA was here testifying on an accurate budget request just months before?
    c. What information became available between March, when the Secretary testified that the budget justification was sufficient, and July, when Congress was notified about the shortfall?
    d. Will the VA publicly share that information?

Responses were unavailable at the time of publication.
Contact U.S. Senate Committee on Veterans' Affairs for additional information.

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