

**STATEMENT OF THE HONORABLE ROBERT McDONALD
SECRETARY OF VETERANS AFFAIRS
FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS
AUGUST 21, 2015**

Good afternoon, Chairman Isakson, Ranking Member Blumenthal, and Members of the Committee. Thank you for the opportunity to discuss the Department of Veterans Affairs' (VA's) provision of health care to Veterans and the implementation of the Veterans Choice Program. I am accompanied today by Dr. James Tuchschtmidt, Acting Principal Deputy Under Secretary for Health.

Caring for our Nation's Veterans, their Survivors, and dependents continues to be the guiding mission of VA. Each year, VA works to provide timely, high-quality services and benefits to fulfill this mission. As we emerge from one of the most serious crises the Department has ever experienced, however, we face continuing challenges in ensuring that Veterans receive the care they deserve, and indeed have earned through their service. But we believe that these challenges are surmountable, and we will continue to work with Congress to reach resolution and move forward in achieving our mission.

VA's goal is always to provide Veterans with timely and high-quality care with the utmost dignity, respect, and excellence. For the Veteran who needs care today, VA's goal will always be to provide timely access to clinically appropriate care in every case possible. However, as we have shared with staff for the Senate and House Committees' on Veterans Affairs, users of the Veterans Choice Program, whether Veteran, community provider, or VA employee, have identified aspects of the law that are challenging. It has also been challenging to mobilize the resources and systems required to smoothly implement this new Program. We are addressing these challenges and turning them into opportunities to improve VA care and services. I look forward to discussing the progress we have made thus far in Georgia and the Nation.

More than a year ago—at my Senate confirmation hearing—I was charged with ensuring that VA is refocused on providing Veterans “with the high quality service that they've earned.” I welcomed that opportunity. For the last year, I've been working with a great and growing team of excellent people to fulfill that sacred duty (11 of 18 of VA's top leaders are new since my swearing in).

Because of their hard work, VA has increased Veterans' access to care and is projected to have completed approximately seven million more appointments over the past year ending May 31, 2015 than last—2.5 million more at VA, 4.5 million more in the community. While Choice has been just a small proportion of that 4.5 million increase in the community, it's on the rise, and Choice utilization has doubled from May 2015.

We've expanded the capacity required to meet last year's demand by focusing on four pillars—staffing, space, productivity, and VA Community Care.

We have more people serving Veterans. From August 2014 to July 31, 2015, VHA has increased net onboard staff by over 13,000. This includes over 1,100 physicians, 3,500

nurses, 147 psychiatrists, and 294 psychologists for VHA's clinical care to Veterans. Included in this, VHA has hired over 6,400 medical center staff as a direct result of the VA Choice Act enacted in August 2014.

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

We're more productive – identifying unused capacity, optimizing scheduling, heading off “no-shows” and late appointment cancellations, and extending clinic hours at night and on weekends. We're aggressively using technology like telehealth, secure messaging, and e-consults to reach more Veterans. ▸

We're aggressively using care in the community. The Choice Program and our Accelerating Access to Care Initiative increased Veteran options for care – including Choice – for 36 percent more people than we did over the same period last year – a total of 1.5 million individual VA beneficiaries.

In short – we're putting the needs and expectations of Veterans and beneficiaries first, empowering employees to deliver excellent customer service, improving or eliminating processes, and shaping more productive and Veteran-centric internal operations. That's MyVA – our top priority to bring VA into the 21st century.

Outcomes

Our strategy is paying dividends to Veterans. With the growth in Veteran options, we've increased VA Care in the Community authorizations – including Choice – by 44 percent since we started accelerating access to care a year ago. That's 900,000 more authorizations than the previous year. Between the end of June last year and the end of June this year, we completed 56.5 million appointments – a 4 percent increase over last year, and there were 1.5 million encounters during extended hours, a 10 percent increase.

Even with that increase in number of Veterans served, we completed 97 percent of appointments within 30 days, 92 percent within 14 days, 88 percent within seven days, and 22 percent same day. For specialty care, wait times are an average of five days. For primary care, wait times are an average of four days and an average of three days for mental healthcare.

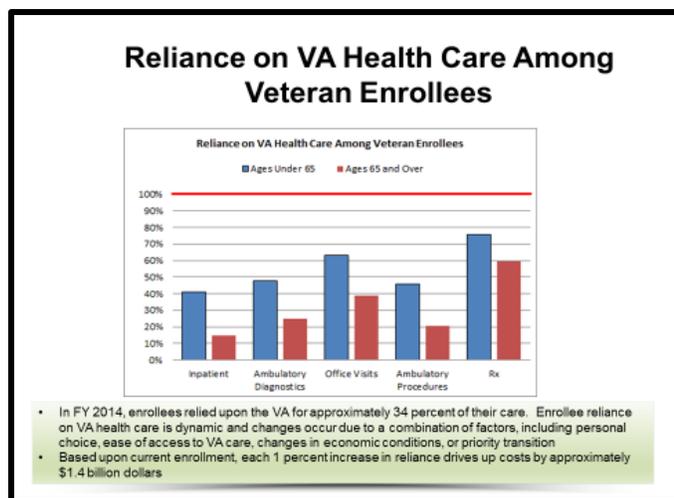
So, we're making verifiable progress for Veterans, and with your continued support, VA can be the best customer-service agency in Federal government. Even as we increase access and transform, important challenges remain—and there will be more in the future as Veteran demographics evolve. It's now clear that the access crisis in 2014, prior to the passage of the Choice Act, was predominantly a matter of significant mismatch at certain facilities between supply and demand, exacerbated by greater numbers of Veterans receiving services.

That sort of imbalance predicts failure, especially when we promise benefits to Veterans without the flexibility to fulfill the obligations.

So a fundamental challenge is that VA is managing budgetary resources with the package of benefits and services Veterans have earned and been promised by Congress.

Funding is static—our requirements are fluid, and Veterans' needs and preferences for care are dynamic. VHA has averaged over 35,000 new enrollments every month.

We're also seeing more enrolled Veterans come to us for more of their care. For example, through June 2014, VHA treated over 5.54 million Veteran patients. Through June of this year, VHA cared for 5.64 million enrolled Veterans. This is a 1.7 percent increase in enrolled Veteran patients treated compared to an increase of 0.9 percent in enrollment for the same time period.



Why? Three reasons:

1. The growing number of enrollees being adjudicated for service-connected disabilities are driving significant increases in VA utilization ;
2. VA is providing more access to high-quality care — often better than available elsewhere; and
3. Financial incentives make VA the smart choice.

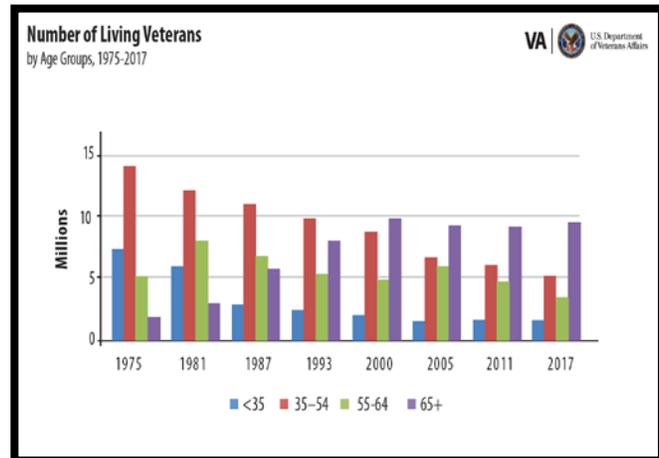
Let me give you an example: VA provides the best hearing aid technology anywhere. Medicare doesn't cover hearing aids, and most insurance plans have limited coverage. So choosing VA for hearing aids saves Veterans around \$4,200.

Most Veterans have other choices: 81% have Medicare, Medicaid, Tricare, or private insurance. But more Veterans are turning to VA for more of their care. Not for all of their care: On average, enrolled Veterans rely on VA for just 34 percent of their care. However, if that percentage rises just one point, to 35 percent, our costs increase about \$1.4 billion.

Beyond 2016

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

In 1975, just 40 years ago, only 2.2 million American Veterans were 65 years old or older—7.5 percent of our Veteran population. By 2017, we expect 9.8 million will be 65 or older—46 percent of Veterans.



2016 Budget

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

Further, the House proposal would provide no funding for four Major Construction projects and six cemetery projects. Our growing requirements are a clear signal that even greater challenges lay ahead, and we can't afford to be short sighted. I am greatly concerned the House-passed funding bill cuts construction by 50% at a time when 60% of our buildings are over 50 years old and general operating rooms today must be at least 50% larger than they were about a decade ago.

The Choice Program

I want to turn to discussing how VA has worked to implement the Choice Program, enacted into law in August 2014. As Deputy Secretary Gibson testified to the Committee on March 24, 2015, the 90-day timeline last year to establish a new health plan capable of producing and distributing Veterans Choice Cards, determining patients' eligibility, authorizing care, coordinating care and managing utilization, establishing new provider agreements, processing complex claims, and standing up a call center was particularly challenging. In fact we received overwhelming feedback from the marketplace about the significant challenges of meeting the law's aggressive timeline. Despite the timeline, VA published regulations and launched the Veterans Choice Program on November 5, 2014, with a responsible, staged implementation and the goal of providing Veterans with the best possible care-experience, while also meeting our obligations to be good stewards of the Nation's tax dollars. By the end of January, 8.6 million Veterans Choice Cards had been distributed to Veterans.

As we have learned in seeking feedback about the Choice Program, users of the Program have identified aspects of the law that are presenting challenges, resulting in

confusion for Veterans, or not working for Veterans as well as they need to. We also recognize that early utilization of the Choice Program was not as robust as expected or hoped. We have been eagerly seeking feedback on the program from all our stakeholders – from Veterans, Veterans Service Organizations, our employees, and Congress, and we are working diligently to address these challenges. To continue our outreach efforts, VA launched a public service announcement for eligible Veterans, viewable at: <https://www.youtube.com/watch?v=i9nnsRIX5b8>. We hope all parties will share the video to aid in education efforts about the Choice Program. We want to turn these challenges into opportunities to improve our care and services, and I am pleased that we have worked with Congress and stakeholders to improve the Program in several ways over the last year.

As of July 31, 2015, 6,589 unique Veterans residing in Georgia have been authorized care under Choice. These Veterans account for approximately 8,958 authorizations of which 5,877 have been scheduled for appointments.

VA Budget and Choice Improvement Act

The Department appreciates the VA Budget and Choice Improvement Act, which provided essential budget flexibility and authority we need to support Care in the Community through September 30, 2015. This legislation also made a series of amendments to the Veterans Access, Choice, and Accountability Act of 2014 and instituted additional requirements to improve access to care and VA's budgeting process.

The VA Budget and Choice Improvement Act also codified the Department's initiative to develop a plan to consolidate all non-Department provider programs by establishing a single new program, the Veterans Choice Program, for furnishing hospital care and medical services to enrolled Veterans. By November 1, 2015, VA will submit its plan to Congress. On July 29, 2015, VHA established a VA Community Care Transition Team with the charge of developing this plan to consolidate all VA care in the community for medical services, hospital care, and extended care for Veterans into a single "Veteran Choice Program." VA is committed to simplifying the confusing array of programs through which VA delivers care in the community and appreciates the opportunity to rationalize the various statutory authorities and create a unified, integrated approach to community care. VA looks forward to working with Congress to streamline and improve access to care in the community.

In addition, the VA Budget and Choice Improvement Act made several amendments to the Veterans Choice Program established by section 101 of the Choice Act such as:

- Removing the restriction limiting VA to furnishing hospital care and medical services to eligible Veterans through the Veterans Choice Program for a period of no more than 60 days;
- Removing the restriction that Veterans must have enrolled in the VA health care system as of August 1, 2014, to be eligible to participate in the Veterans Choice Program;
- Expanding the pool of eligible providers who can furnish hospital care and medical services to eligible Veterans through the Veterans Choice Program;

- Authorizing VA to enter into agreements with an entity that meets established criteria;
- Making eligible for the Choice Program Veterans who cannot be seen within the wait-time goals of VHA and those who, with respect to care or services that are clinically necessary, cannot be seen within the time period determined necessary if such period is shorter than the wait-time goals of VHA; and
- Making eligible those Veterans who are seeking primary care and who reside more than 40 miles from a VA medical facility that is able to provide such primary care by a full-time primary care physician.

Conclusion

We have made great progress in the last year. As we continue to work together to address Veterans' access needs, we are grateful for the close working relationship we have had with Congress, particularly this Committee, as we make progress in implementing the Veterans Choice Program. Mr. Chairman, we will continue to work with Veterans, Congress, VA community care providers, VSOs, and our own employees to ensure the Choice Program helps us deliver great healthcare outcomes for Veterans. Thank you. We look forward to your questions.