

**STATEMENT OF THE HONORABLE ERIC K. SHINSEKI
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**FOR PRESENTATION BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS,
AND RELATED AGENCIES**

MAY 13, 2009

Mr. Chairman, Congressman Wamp, distinguished members of the Committee:

Thank you for this opportunity to present the President's 2010 budget for the Department of Veterans Affairs (VA). The President's vision for the Department is to transform VA into a 21st Century organization that is Veteran-centric, results-driven, and forward-looking. This transformation is demanded by new times, new technologies, new demographic realities, and new commitments to today's Veterans. It requires a comprehensive review of the fundamentals in every line of operation the Department performs.

VA's budget request for 2010 provides the resources for this transformation that will take more than one year to complete. It provides the resources to move the Department closer to achieving the President's vision for VA, and will help ensure that Veterans—our clients—receive timely access to the highest quality benefits and services we can provide and which they earned through their sacrifice and service to our Nation.

Some have complained that, in the past, VA has been seen as difficult and bureaucratic in providing for our Nation's Veterans. Change requires strong leadership amidst finite resources to improve access, quality, safety, timeliness, and advocacy for the care and services we provide to our Veterans. This is not about nibbling around the edges of change.

The President's budget request for 2010 provides the Department with resources needed to become a 21st Century organization as the Department's leadership develops further the individual investments currently in the Budget to better align with evolving Departmental priorities.

The President has requested that I do two things – first, transform VA into a 21st Century organization, and second, to ensure that we approach Veterans care as a lifetime initiative, from the day the oath is taken until they are laid to rest. With this budget, the transformation begins.

At present, the budget request contains four major categories of transformational activity collectively designed to initiate the process of creating a 21st Century VA. These transformational initiatives include creating a reliable management infrastructure, delivering ongoing services, making progress on Departmental priorities, and instituting important new initiatives to meet the needs of Veterans today and tomorrow.

VA's request for 2010 is nearly \$113 billion—an increase of over \$15 billion, or 15.5 percent, from the 2009 enacted budget. This is the largest one-year percent increase for VA requested by a President in over 30 years.

I would like to take this opportunity to highlight how this budget will help VA begin the transformation in these four areas.

First, Management Infrastructure. In order to transform VA, we must begin with ourselves. Transformation must start within our own doors. VA will create a reliable management infrastructure that expands or enhances corporate transparency at VA, centralizes leadership and decentralizes execution, invests in leader training, and focuses on research and development on 21st Century requirements. This infrastructure also is a key to dramatically improved client services and enhanced responsiveness to the needs of Veterans and all VA stakeholders. Examples include increasing investment in training and career development for the VA career civil service; improving capacity to manage IT services and major programs; employing a suitable financial management system to track expenditures; and achieving significant realignment of VA's acquisition processes for improved transparency of and accountability for spending across the VA.

Second, delivering and maintaining ongoing services. Transformation does not mean throwing out the baby with the bath water. What it does mean is that we must identify the things that work best and improve upon them. Some of the services that we can improve upon, and must improve upon, are our ongoing services provided to Veterans on a daily basis, such as care for polytrauma, substance abuse, mental health, and preventive health care. Such activities include access to the highest quality care, delivered at best-in-class facilities, and powered by excellence in medical research. These also encompass fair, consistent, and rapid processing of benefits claims, memorial services that honor service to the Nation, and evolving needs, such as rural care and outreach, care for homeless Veterans, Veterans' families, and women's health care.

Third, the 2010 budget will provide VA with sufficient resources to continue to make progress on Departmental priorities. VA will assess and revitalize core programs that have already been recognized by the VA and Congress as important to improving quality and access to services for Veterans. These programs provide access for additional Priority 8 Veterans; improve

interoperability and coordination between the Department of Defense (DoD) and VA; increase investment in mental health and telemedicine; and continue the development and implementation of the Post-9/11 GI Bill. Progress on these initiatives, begun in 2009, will be sustained in 2010 to ensure that VA follows through on its existing commitments.

Lastly, transformation is about making bold moves to introduce entirely new concepts of best business practices that lead the organization into the 21st Century. The FY 2010 budget request will enable new approaches to meet emerging needs that change the way VA serves Veterans. The on-going work of the VA's Transformation Task Force will further inform the development of these elements. And while these four areas of transformation represent the opportunities presented by the 2010 budget, below are specific examples to demonstrate how these funds will help our Veterans through their entire service lifetime, beginning at the day they take their oath.

The Transformation from Within - Increasing Investment in Training, Career Development and Other Organizational Reforms

In order to transform VA, we must begin with a commitment to critically assess ourselves. Transformation must start within our own doors. The transformation of VA will require many organizational reforms to better unify the Department's efforts on behalf of Veterans. These will take time and may even result in up-front costs within our overall budget, but all are designed to save taxpayer dollars over time while ensuring VA successfully accomplishes its mission. Lastly, where we can save costs to our Veterans, without impacting quality of care, or diminishing our core mission, we will be sound stewards of the taxpayer dollar. Some of these key reforms are presented below.

- Increasing Investment in Training and Career Development

The 2010 budget will help ensure that VA's workforce will remain leaders and standard-setters in their fields. The Department will continue to grow and retain a skilled, motivated, and client-oriented workforce. Training and development (including a leader development program), communications and team building, and continuous learning will all be components of reaching this objective.

- Establishing an Office of Analysis and Evaluation

The Department will establish an office with robust program analysis and evaluation capability. This office will conduct in-depth reviews of VA programs and operations, and will assess their return on investment. These independent evaluations will help inform program and budget decision-making.

- Enabling Improved Communications

The Department will invest in a virtual forum and related services to enable better communications with Veterans, Veterans Service Organizations, Congress, and other government agencies.

- Implementing Management Control Systems for Acquisitions

This initiative will allow VA to gather and use information to assist senior leadership in steering the Department toward its strategic objectives. This will involve allocating resources, motivating employee behavior, and evaluating performance.

- Improving Medical Collections

The Department expects to receive nearly \$2.9 billion from medical collections in 2010. About \$8 of every \$10 in extra collections will come from increased third-party insurance payments, with the vast bulk of the remaining collections growth resulting from rising pharmacy workload. The 2010 budget supports the establishment of additional consolidated patient account centers (CPACs) that help maximize the efficiency and effectiveness of VA's medical collections program through standardized processes, accountability for results, improved decision support capabilities, and more stringent internal controls. The implementation of six more centers from 2009 to 2011 will generate approximately \$1.7 billion in additional revenue during the next decade.

In addition to investing in VA to provide the best quality of care to our Veterans, we are rededicating ourselves to improving our VA infrastructure, construction and logistics, to provide Veterans with the comfort in knowing that they will always have a place to go to seek their care that they can call their own.

New Construction and Funding the new Office of the Assistant Secretary for Acquisition, Construction, and Logistics

- Establishment of a New Office of Acquisition, Construction, and Logistics

The President's 2010 budget request is so firmly committed to this goal, that it includes funding for the establishment of a new Office of the Assistant Secretary for Acquisition, Construction, and Logistics. The necessity of this new office is highlighted by the \$1.921 billion in capital funding for VA in the 2010 budget. Our request for appropriated funds includes \$1.194 billion for major construction projects, \$600 million for minor construction, \$85 million in grants for the

construction of state extended care facilities, and \$42 million in grants for the construction of state Veterans cemeteries.

The 2010 request for construction funding for our health care programs is \$1.584 billion—\$1.077 billion for major construction and \$507 million for minor construction. All of these resources will be used to further renovate and modernize VA's health care infrastructure, provide greater access to high-quality care for more Veterans, closer to where they live, and help resolve patient safety issues.

- Major Construction Initiatives. Within our request for major construction are resources to continue five medical facility projects already underway:
 - Orlando, Florida (\$371.3 million)—complete a new medical center consisting of a hospital, medical clinic, community living center, domiciliary, and full support services;
 - Denver, Colorado (\$119.0 million)—replacement medical center on the same campus as the University of Colorado Hospital complex in Aurora, consisting of an inpatient medical center, spinal cord injury and community living center, and research building;
 - Bay Pines, Florida (\$96.8 million)—inpatient and outpatient facility improvements;
 - San Juan, Puerto Rico (\$42.0 million)—seismic corrections to the main hospital building; and
 - St. Louis, Missouri (\$19.7 million)—medical facility improvements and cemetery expansion at Jefferson Barracks.
- New Facilities. Major construction funding is also provided to begin seven new medical facility projects:
 - Livermore, California (\$55.4 million)—design and land purchase for new community-based outpatient clinic in East Bay, expanded community-based outpatient clinic and new community living center in the Central Valley, and minimally invasive procedure center at the Palo Alto VA Medical Center;
 - St. Louis, Missouri (\$43.3 million)—design new inpatient bed tower, emergent response unit, spinal cord injury beds, intensive care unit beds, and clinical expansion at the John Cochran Division;
 - Canandaigua, New York (\$36.6 million)—design new community living center and new domiciliary/residential rehabilitation facility;
 - Long Beach, California (\$24.2 million)—design new mental health center and community living center;
 - Brockton, Massachusetts (\$24.0 million)—design new long-term care spinal cord injury unit;

- San Diego, California (\$18.3 million)—design new spinal cord injury building and renovations to provide a community living center and hospice unit; and
 - Perry Point, Maryland (\$9.0 million)—design new community living center.
- Minor construction.

Minor Construction is an integral component of our overall capital program. In support of the medical care and medical research programs, minor construction funds permit VA to realign critical services; make seismic corrections; improve patient safety; enhance access to health care; increase capacity for dental care; enhance patient privacy; improve treatment of special emphasis programs; and expand research capability. Further, minor construction resources will be used to comply with energy efficiency and sustainability design requirements.

We are requesting \$162.9 million in construction funding to support the Department's burial program—\$112.2 million for major construction and \$50.7 million for minor construction. Within the funding we are requesting for major construction are resources for gravesite expansion and cemetery improvement projects at two national cemeteries—Abraham Lincoln (\$38.3 million) and Houston (\$35.0 million).

VA is requesting \$25.5 million for land acquisition in the major construction account. These funds will be used to purchase land as it becomes available in order to quickly take advantage of opportunities to ensure the continuation of a national cemetery presence in areas currently being served. All land purchased from this account will be contiguous to an existing national cemetery, within an existing service area, or in a location that will serve the same Veteran population center.

VA's commitment to our clients does not end at building a world-class, 21st Century Veterans healthcare and benefits organization. We also have an obligation to ensure that America never forgets their sacrifices. The 2010 Budget assures that the legacy of honoring our Veterans continues.

Although the foundation of transformation is laid first internally, by focusing on our own transformation within the walls of VA, at the end of day, we are judged by our performance, not our promises. The President has charged VA with providing for our Veterans for their entire lifetime. The President's 2010 Budget allows VA to focus on this continuity of care earlier than ever before.

One Life Continuity of Care

One of VA's highest priorities is to ensure that active and Reserve component Veterans returning from service in Operation Enduring Freedom and Operation

Iraqi Freedom receive everything they need to effortlessly make their transition from active military service to civilian life. The Department will take all measures necessary to provide them with timely benefits and services, to give them complete information about the benefits they have earned through their military service, and to implement streamlined processes that simplify their interactions with VA.

- Early Transition Initiatives

The most effective way to ensure servicemembers receive continuous care from military service to civilian life is to begin the transition process at the time they are sworn in for active duty. VA will continue to collaborate with DoD to facilitate the transition of military personnel into civilian status through a uniform approach of both registering into VA and accessing electronic records data. This will involve the development and implementation of a Joint Virtual Lifetime Electronic Record that will contain both administrative and medical information, resulting in improved delivery of benefits and assuring the availability of medical data to support the care of patients shared by VA and DoD. This will be achieved while maintaining the privacy and security of servicemembers' and Veterans' personal information.

- Developing and New Partnerships with DoD

The Department will continue to partner with DoD to establish and administer programs to support this continuity of care, including participation in demobilization events, the Yellow Ribbon Reintegration Program, the Center of Excellence in Psychological Health and Traumatic Brain Injury, and others. Our facility-to-facility collaborations foster improved care coordination and delivery at the local level and I will continue to work with Secretary Gates to ensure this continuum of care is supported and addressed at the highest levels. To this end, I am establishing a new VA/DoD Collaboration Office with dedicated staffing to support our efforts at the Departmental level.

As our Veterans move from DoD to VA as their principal care provider, we must ensure that we are poised to address their specific needs. This requires that VA look at the most effective ways to meet the needs of this latest generation of Veterans. We will strive not to repeat the mistakes of the past, and ensure that once Veterans are fully under our care, we are poised to deliver the specialty health care and services that they need and that this budget will provide.

- Meeting Emerging Needs of All Veterans Across All Generations

In addition to this newest generation of veterans, we must ensure that the budget addresses the needs of all Veterans, across all emerging demographics. This includes funding initiatives for women Veterans, the growing elderly population of Veterans, and Veterans living in rural areas. VA's request for 2010 provides the

resources required to treat nearly 6.1 million patients as they enter our system of care. This is 474,000 (or 9 percent) above the patient total in 2008 and is 122,000 (or 2 percent) higher than the projected number in 2009.

- Advance Appropriations for VA Medical Care

The President and I share the concern that the care our Veterans receive should never be hindered by budget delays. The Administration plans to work with the Congress to develop a specific advance appropriations proposal for the VA Medical Care program.

Funding Care for a New and Changing Veteran Demographic

- Meeting the Medical Needs of Women Veterans

The 2010 budget provides \$183 million to meet the gender-specific health care needs of women Veterans, an increase of \$15 million (or 9 percent) over the 2009 resource level. The delivery of enhanced primary care for women Veterans is one of VA's top priorities. The number of women Veterans is growing rapidly and these women are increasingly reliant upon VA for their health care. More than 450,000 women Veterans have enrolled for care and this number is expected to grow by 30 percent in the next five years. We will soon have 144 full-time Women Veterans Program Managers serving at VA medical facilities. They will function as advisors to and advocates for women Veterans to help ensure their care is provided with the appropriate level of privacy and sensitivity.

- Expanding Care for Veterans in Rural Areas

The Department appreciates the additional resources provided by Congress for rural health care initiatives. Using some of these 2009 funds as well as additional resources we are requesting in 2010, VA's budget includes \$440 million to implement the President's initiative to continue improving access to medical care for Veterans in rural and highly rural areas, including use of rural health resource centers, mobile clinics, rural health consultants, and outreach. VA will also continue to expand its telehealth program which is the largest of its kind in the world. Where appropriate, the Department will provide fee-basis access to mental health professionals when VA services are not reasonably close to Veterans' homes.

- Emerging Elder and Long-term Care

VA's budget for 2010 contains more than \$5.9 billion for long-term care, a rise of \$663 million (or 13 percent) over the 2009 resource level. About 60 percent of the additional resources will support institutional care while 40 percent will be

devoted to expanding non-institutional long-term care services. We anticipate increased demand for long-term care services resulting from severe injuries, such as TBI and polytrauma.

The Department's 2010 request includes \$1.2 billion for non-institutional long-term care, an increase of \$265 million (or 28 percent) over 2009. By enhancing Veterans' access to non-institutional long-term care, VA can provide extended care services to Veterans in a more clinically appropriate setting, closer to where they live and in the comfort and familiar settings of their homes. These services include adult day health care, home-based primary care, purchased skilled home health care, homemaker and home health aide services, home respite and hospice care, and community residential care. During 2010 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to nearly 91,000. This represents a 25 percent rise above the level we expect to reach in 2009.

- Funding Care for Newly Qualified Veterans (Priority 8)

Building on the resources provided by Congress in 2009 for VA to begin a gradual expansion of health care eligibility for non-service-disabled Veterans earning modest incomes (Priority 8 Veterans), the President's Budget includes funds to expand eligibility to this group for the first time since 2003. This year, VA will open enrollment to Priority 8 Veterans whose incomes exceed last year's geographic and VA means-test thresholds by no more than 10 percent. We estimate that 266,000 more Veterans will enroll for care by the end of 2010 due to this policy change. Furthermore, the budget includes a gradual expansion of health care eligibility which will enable over 500,000 Veterans who were previously not eligible for VA medical care to enroll by 2013. This expansion of health care eligibility will be accomplished while improving the timeliness of care and maintaining the quality of VA health care that already sets the national standard of excellence.

- Funding Care for OEF/OIF Veterans

The number of patients who served in Operations Enduring Freedom and Iraqi Freedom will rise to over 419,000 in 2010. This is 61 percent higher than in 2008 and 15 percent above the projected total this year. In 2010 we are requesting \$2.1 billion to meet the health care needs of Veterans who served in Iraq and Afghanistan. This is an increase of \$463 million (or 29 percent) over our medical resource requirements to care for these Veterans in 2009. The treatment of this newest generation of Veterans has allowed us to focus on and improve treatment for PTSD as well as TBI, including new programs to reach our Veterans at the very earliest stages of these conditions.

Enhancing Outreach and Services for Mental Health Care and TBI

VA's 2010 budget includes nearly \$4.6 billion for mental health care, an increase of \$288 million, or 7 percent, above the 2009 resource level. These resources will allow the Department to expand inpatient, residential, and outpatient mental health programs. A key element of VA's program expansion is integrating mental health services with primary and specialty care. Veterans receive better health care when their mental and physical needs are addressed in a coordinated and holistic manner.

- PTSD and TBI Commitments

This budget allows us to continue our effort to improve access to mental health services across the country. We will continue to place particular emphasis on providing care to those suffering from post-traumatic stress disorder (PTSD) as a result of their service in Operations Enduring Freedom and Iraqi Freedom. The Department will increase outreach to these Veterans as well as provide enhanced readjustment and PTSD services. Our strategy for improving access includes expanding our tele-mental health program, which allows us to reach thousands of additional mental health patients annually, particularly those living in rural areas.

To better meet the health care needs of recently discharged Veterans, the 2010 budget enables VA to expand its screening program for depression, PTSD, TBI, and substance use disorders. The Department will also enhance its suicide prevention advertising campaign to raise awareness among Veterans and their families of the services available to them.

VA's 2010 budget contains \$298 million for the care of Veterans with TBI, an increase of \$41 million (or 16 percent) over the 2009 resource level. TBI and polytrauma are serious conditions that Veterans injured as a result of their service in Operations Enduring Freedom and Iraqi Freedom experience, and we must find even more ways to address their needs. While VA's Polytrauma System of Care is unique in its expertise and capabilities, we are learning more every day about effective treatments. The additional resources in 2010 will help ensure these Veterans receive the specialized care they require.

- Investments in New Vet Centers to Address Unique Mental Health Challenges of Combat

In 2010, VA will open 28 new Vet Centers providing readjustment counseling services to Veterans, including those suffering from PTSD. The Department will also improve access to mental health services through our community-based outpatient clinics. Where appropriate, we will provide fee-basis access to mental health providers when VA services are not reasonably close to Veterans' homes. We will also expand use of Internet-based mental health services through

“MyHealthVet,” which provides an extensive degree of health information to Veterans electronically. These steps are critical to providing care to Veterans living in rural areas.

In addition to identifying and funding care for the evolving Veteran demographic, VA must commit adequate resources to addressing the needs of today’s Veteran, and that can only be accomplished with adequate funding for research. The President’s 2010 budget allows us to commit dramatically increased resources to research.

Increasing Investments in Research and Other Health Care Initiatives

The 2010 budget provides \$580 million for medical and prosthetic research, an increase of \$70 million (or 14 percent) over the 2009 resource level. Our request will fund nearly 2,400 high-priority research projects to expand knowledge in areas critical to Veterans’ health care needs, most notably in the areas of mental illness (\$74 million), aging (\$51 million), acute and traumatic injury (\$46 million), military occupations and environmental exposures (\$43 million), and cancer (\$41 million).

- **Groundbreaking Research Initiatives**

Some of this research will focus on TBI and polytrauma, including studies on blast force-related brain injuries, enhancing diagnostic techniques, and improving prosthetics. We will strengthen our burn injury research to improve the rehabilitation and daily lives of Veterans who have suffered burns. VA will also enhance research on chronic pain, which afflicts approximately two of every five recently discharged and enrolled Veterans. And the Department will also advance research on access to care, particularly for Veterans in rural areas, by studying new tele-medicine efforts focused on mental health and PTSD.

One of our highest priorities in 2010 will be to continue our aggressive research program aimed at improving the lives of Veterans returning from service in Operations Enduring Freedom and Iraqi Freedom. The President’s budget request for VA contains \$299 million devoted to research projects focused specifically on Veterans returning from service in Afghanistan and Iraq, an increase of \$20 million (or 7 percent) over the 2009 resource level. The new research initiatives will focus on post-deployment mental health, spinal cord injury, sensory loss, TBI and other neurotrauma, and pain.

The President’s request for research funding will help VA sustain its long track record of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for Veterans and the

general population. Recent examples of VA research results that have direct application to improved clinical care include the successful use of tele-medicine to improve Veterans' mental health status, quality of life, and satisfaction with care; better understanding the specific factors leading to the development of osteoporosis; delineating the critical brain structures involved in components of learning and memory that are important for improving care for Veterans with brain injury and memory disorders; improving treatment for Veterans suffering from the combined effects of hepatitis C and depression; and utilizing deep-brain stimulation to improve the quality of life for patients suffering from advanced Parkinson's disease.

The 2010 budget for medical care provides funds for VA to strengthen its focus on critical ongoing programs and new initiatives that will improve care and clinical outcomes for Veterans. Certain new initiatives that support overall transformation include:

- Patient Centered Care

The Veterans Health Administration (VHA) will deploy a patient-centric care model called Veteran Centered Care, based on best practices in private sector health care, which will result in a fully engaged prevention partnership between Veteran, family, and health care team, established through healing relationships and provided in optimal healing environments in order to improve health outcomes and the Veteran's experience of care.

- Medical Home and Care Coordination

The patient centered medical home is a team based model of care that provides continuous, first contact, comprehensive care to maximize health and functionality. The model focuses on preventive health care and emphasizes a holistic approach that addresses the medical, psychological, and social needs of the patient. These teams consist of medical professionals, mental health providers including behaviorists, nurses, nutritionists, and care coordinators. These models can be adapted to meet the specific needs of unique patient populations such as those with advanced heart disease.

- Leveraging Technology in Health Care Services

As part of our continued operation and improvement of the Department's electronic health record system, VA is seeking \$360 million for development and implementation of the Veterans Health Information Systems and Technology Architecture (HealtheVet) program. Facets of the program have already received national accolades as a model for improving online accessibility of health records. This is \$47 million (or 15 percent) above the estimated resource commitment for this key project in 2009. HealtheVet will equip our health care

providers with the modern technology and tools they need to improve the safety and quality of care for Veterans.

Until HealthVet is operational, we need to maintain the VistA legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides \$116 million in 2010 for the VistA legacy system.

- Health Care Spending Summary

In total, the President's 2010 request includes total budgetary resources of \$47.4 billion for VA medical care, an increase of \$4.6 billion (or 11 percent) over the 2009 resource level (which excludes \$1 billion for non-recurring maintenance projects, including renewable energy and efficiency projects, supported through resources from the American Recovery and Reinvestment Act). Our total medical care request is comprised of funding for medical services (\$34.7 billion), medical support and compliance (\$5.1 billion), medical facilities (\$4.7 billion), and resources from medical care collections (\$2.9 billion).

As we focus on the new medical care services and delivery mechanisms needed to transform VA care, we must ensure that we do not repeat the mistakes of the past, and disassociate the injuries from the full social and economic impacts of those left untreated, or whom we simply cannot reach. This budget allows us to address some of the social and economic impacts that we cannot address with health care alone, such as addressing homelessness and providing other economic benefits.

Combating Homelessness

The President has committed to expanding proven programs and launching innovative services to prevent Veterans from falling into homelessness. The 2010 budget provides more than \$3.2 billion for homeless Veterans programs. This includes \$2.7 billion to furnish health care to homeless Veterans and \$500 million for other programs providing supportive services, which help to break the cycle of homelessness among the estimated 154,000 Veterans who are homeless on any single night.

- Joint Initiatives

The budget provides \$26 million for VA to work with the Departments of Housing and Urban Development, Labor, Education, Health and Human Services, and the Small Business Administration, in partnership with non-profit organizations, to reduce homelessness. This pilot project coordinates VA's efforts with programs of partner agencies and non-profits to target Veterans who are most at risk of

becoming homeless. It aims to maintain stable housing for Veterans while continuing to provide them with support services and ongoing medical care.

In addition, this historic budget allows us to set our Veterans up for success well into the future by investing now in their education and in the future financial stability of America by educating the next greatest generation of Veterans.

Automating the Application for and Delivery of Education Benefits

The Department is on target to implement the Post-9/11 Veterans Educational Assistance Act starting August 1, 2009, and began signing up Veterans online for this program on May 1, 2009. VA is pursuing two parallel strategies to successfully implement this new education program, both of which are fully supported by the resources presented in the 2010 budget.

- Short Term Strategy

The short-term strategy relies upon a combination of traditional claims processing and modifications to existing IT systems. Until a modern eligibility and payment system can be developed, VA will adjudicate claims manually and use the existing Benefits Delivery Network to generate benefit payments to schools and program participants. This budget includes funds to hire and maintain the additional staff required.

- Long Term Strategy

The long-term strategy is the development and implementation of an automated system for claims processing. The Department has teamed with the Space and Naval Warfare Systems Command to address the necessary IT components of this strategy. They are the premier systems engineering command for the Department of the Navy. The automated solution will be available by the end of calendar year 2010, by which time full operational control of the automated system will be in VA's hands.

- Dramatic Increase in the Number of Educational Beneficiaries

As a result of the Post-9/11 Veterans Educational Assistance Act, we expect the number of education claims to rise dramatically. We anticipate in excess of 2 million education claims in 2010, a total 8 percent higher than the number we projected for 2009 and 25 percent above the 2008 total. Despite this significant growth in workload, the resources provided in the President's 2010 budget will allow us to maintain our program performance for two key measures. The timeliness of processing original education claims will be at least as good as the level (24 days) we estimated for 2009, while the average time it takes to process

supplemental claims will be no higher than the estimated level (10 days) for 2009.

Of import, this program will invest in knowledge and education for our latest generation of Veterans.

Providing Additional Economic Stability to Veterans

- Providing Greater Benefits to Veterans Who Are Medically Retired from Service

In addition, the President's 2010 budget provides for the first time concurrent receipt of disability benefits from VA in addition to DoD retirement benefits for disabled Veterans who are medically retired from service. Presently, only Veterans with at least 20 years of service, who have service-connected disabilities rated 50 percent or higher by VA, are eligible for concurrent receipt. Receipt of both VA and DoD benefits, for all who were medically retired from service, will be phased in starting in 2010. The estimated VA costs in 2010 are \$47 million.

- Improving Compensation and Pensions

A major challenge in improving the delivery of compensation and pension benefits is the steady and sizeable increase in workload. The volume of claims receipts is projected to reach 972,000 in 2010—a 5 percent rise from the 2009 level and a 23 percent increase since 2005.

The number of Active Duty service members as well as Reservists and National Guard members who have been called to active duty to support Operations Enduring Freedom and Iraqi Freedom is one of the key drivers of new claims activity. This has contributed to an increase in the number of new claims, and we expect this pattern to persist, at least for the near term. An additional reason that the number of compensation and pension claims is climbing is the Department's commitment to increased outreach. We have an obligation to extend our reach as far as possible and to spread the word to Veterans about the benefits and services VA stands ready to provide.

Disability compensation claims from Veterans who have previously filed a claim comprise about 55 percent of the disability claims received by the Department last year. Many Veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, cardiovascular disease, orthopedic problems, and hearing loss. As these Veterans age and their conditions worsen, VA experiences additional claims for increased benefits.

- Increasing Number of Beneficiaries Receiving Compensation

The growing complexity of the claims being filed also contributes to our workload challenges. For example, the number of original compensation cases with eight or more disabilities claimed increased from 43,700 in 2005 to 61,600 in 2008. Nearly 27 percent of all original compensation claims received last year contained eight or more disability issues. In addition, we expect to continue to receive a growing number of complex disability claims resulting from PTSD, TBI, environmental and infectious risks, complex combat-related injuries, and complications resulting from diabetes. Claims now take more time and more resources to adjudicate. Additionally, as VA receives and adjudicates more claims, a larger number of appeals are filed from Veterans and survivors, which also increases workload in other parts of the Department, including the Board of Veterans' Appeals and the Office of the General Counsel.

- Addressing Innovative Ways to Decrease Waiting Time for Benefits

VA will address its ever-growing workload challenges in several ways. For example, we will enhance our use of IT tools to improve claims processing. In particular, our claims processors will have greater online access to DoD medical information as more categories of DoD's electronic records are made available through the Compensation and Pension Records Interchange project. We will also strengthen our investment in a paperless claims processing infrastructure, to reduce our reliance upon paper-based claims folders and enable accessing and transferring electronic images and data through a Web-based application. This infrastructure will also dramatically increase the security and privacy of Veteran data. The existing Virtual VA repository will be sustained until the more robust enterprise paperless infrastructure is developed and deployed. The Department will continue to move work among regional offices in order to maximize our resources and enhance our performance. Also, the Department will demonstrate improved timeliness and quality of service resulting from the recent expansion of the Benefits Delivery at Discharge program at all regional offices, demobilization sites, military installations, and VA health care facilities.

As a result of staffing increases, more efficient claims processes, and enhanced use of IT tools, we expect to lower the average number of days to complete rating-related compensation and pension claims to 150 days in 2010. This represents a 29-day improvement (or 16 percent) in processing timeliness from 2008 and an 18-day (or 11 percent) reduction in the estimated amount of time required to process claims this year.

In addition, we anticipate that our pending inventory of disability claims will fall to about 302,000 by the end of 2010, a reduction of more than 78,000 (or 21 percent) from the pending count at the close of 2008. At the same time we are improving timeliness, we will also increase the accuracy of the compensation rating decisions we make, from 86 percent in 2008 to 90 percent in 2010.

As we press to build momentum on our forward leaning initiatives, it is with the sense that, every day we stand still, we face irrelevancy. The future moves at the pace of the micro-chip processor, and we must invest in technology to remain relevant. This budget provides a serious down-payment on leveraging technology to transform VA into a 21st Century Organization.

Processing benefits claims in a paperless environment and other critical IT investments

Leveraging information technology (IT) is crucial to achieving the President's vision for transforming VA into a 21st Century organization that meets Veterans' needs. Key concepts of the transformation include creating an electronically based benefits system to speed processing and address the backlog; integrating service member information from DoD with all VA information about a Veteran to create a seamless transition from warrior to Veteran; using Customer Relationship Management (CRM) techniques to work proactively with Veterans and provide them with a view of all of their VA benefits; ensuring continued innovation of the award winning Computerized Patient Record System and VISTA medical records systems; and creating "anywhere, anytime" access to VA by developing multiple access channels for information and transactions.

IT is an integral component of VA's health care and benefits delivery systems. VA depends on a reliable and accessible IT infrastructure, a high-performing IT workforce, and modernized information systems that are flexible enough to meet both existing and emerging service delivery requirements. Only in this way can we ensure system-wide information security and the privacy of our clients.

- Meeting Vital IT Needs

The President's 2010 budget for VA provides more than \$3.3 billion to meet these vital IT requirements. This is \$559 million (or 20 percent) above the 2009 resource level (which excludes \$50 million made available through the American Recovery and Reinvestment Act). Almost all of the Recovery Act funds will be used to develop IT solutions associated with the implementation of the Post-9/11 Veterans Educational Assistance Act.

The 2010 budget provides \$144 million to continue moving toward the President's goal of reforming the benefits claims process to make VA's claims decisions timely, accurate, and consistent through use of automated systems. VA's paperless processing initiative expands on current paperless claims processing already in place for some of our benefits programs. It will strengthen service to Veterans by providing them the capability to apply for and manage their benefits on-line. It will also reduce the movement of paper files and further secure Veterans' personal information. The initial features of the paperless

processing initiative will be tested in 2010, and by 2012, we expect to implement an electronically based benefits delivery system.

- Funding for New Technology

The Department is requesting \$86 million for the Financial and Logistics Integrated Technology Enterprise (FLITE) system. This is an increase of \$38 million (or 78 percent) from the 2009 resource level. FLITE is being developed to address a long-standing internal control material weakness and will replace an outdated, non-compliant core accounting system that is no longer supported by industry.

We recently completed an in-depth analysis of our patient scheduling program. I have directed a similar review of all our major IT programs to evaluate program performance against cost and schedule milestones. Changes in how we manage IT projects include use of standard templates to ensure completeness and consistency of development and testing processes, initiation of an IT competency assessment, and formation of integrated project teams, such as the Post-9/11 GI Bill team to ensure close collaboration between IT and education program experts.

In total, within VA's total IT request for 2010, nearly \$2.4 billion (or 72 percent) will be for IT investment (non-payroll) costs, while the remaining \$939 million (or 28 percent) will provide for payroll and administrative requirements.

- Benefits Spending Summary

In summary, the Department's 2010 resource request for General Operating Expenses (GOE) is just over \$2.2 billion. Within this total GOE funding request, more than \$1.8 billion is for the management of the following non-medical benefits administered by the Veterans Benefits Administration (VBA)—disability compensation; pensions; education; vocational rehabilitation and employment; home loan guaranty; and insurance. Our request for GOE funding also includes \$394 million to support General Administration activities.

Funding for VBA in 2010 will be \$364 million (or 25 percent) higher than the 2009 resource level (which excludes \$157 million from the American Recovery and Reinvestment Act). Almost all of the resources provided to VBA through the Recovery Act will be used to hire 1,500 additional staff to support the processing of compensation and pension claims; 500 of these will be permanent employees who will replace staff losses through attrition while the other 1,000 will be temporary employees hired under term appointments. The temporary employees will conduct follow-up actions to expedite claims development and perform other administrative activities to free up claims decision-makers to handle more complex claims processing tasks.

Service to the Last Breath and Beyond - Funding the Memorials to our Heroes

The President has charged me with caring for our Veterans until they take their last breath. The VA's commitment, however extends beyond the last solemn ceremony and last note of Taps. We are committed to continuing the memories of our heroes with the dignity and respect they deserve. The Recovery Act funds available to the National Cemetery Administration (NCA) will be used for national shrine projects, energy projects, monument/memorial repairs and other non-recurring maintenance activities, and equipment purchases.

- Increasing Memorial Services

The resources requested for 2010 will allow us to meet the growing workload at existing cemeteries by increasing funding for contract maintenance, supplies, and equipment, continuing the activation of new national cemeteries, and maintaining our cemeteries as national shrines. VA expects to perform 111,500 interments in 2010, or 4 percent above the estimate for this year. The number of developed acres (8,015) that must be maintained in 2010 is 3 percent greater than the 2009 estimate.

- Improving Memorial Services

Our budget request includes an additional \$1.6 million to continue daily operations and to begin interment activities at the last three of the six new national cemeteries established by the National Cemetery Expansion Act of 2003. Burial operations at Bakersfield National Cemetery in California, Alabama National Cemetery in the Birmingham area, and Washington's Crossing National Cemetery in southeastern Pennsylvania are expected to begin by the end of calendar year 2009.

- Expanding Memorial Services and Access for Veterans

The President's resource request for VA provides \$38 million in cemetery operations and maintenance funding to address gravesite renovations as well as headstone and marker realignment. When combined with another \$26 million in minor construction, \$2 million in non-recurring maintenance, and \$1 million for monument and memorial preservation, VA is requesting a total of \$67 million in 2010 to improve the appearance of our national cemeteries which will help us maintain cemeteries as shrines dedicated to preserving our nation's history and honoring Veterans' service and sacrifice.

With the resources requested to support NCA activities, we will expand access to our burial program by increasing the share of Veterans served by a burial option

within 75 miles of their residence to 90 percent in 2010. This is 3.1 percentage points above our expected performance level for 2009.

In addition, we will maintain the level of service to our clients that resulted in VA's national cemetery system receiving the highest rating in customer satisfaction for any federal agency or private sector corporation ever surveyed as part of the American Customer Satisfaction Index (95 out of a possible 100 points). We expect that 98 percent of our survey respondents in 2010 will rate the quality of service provided by national cemeteries as excellent and 99 percent of survey respondents will rate the appearance of national cemeteries as excellent. These performance levels will reinforce that the Department's cemetery system is a model of excellence in providing timely, accessible, and high-quality service to Veterans and their families.

- Memorial Spending Summary

The President's 2010 budget request for VA includes \$242 million in operations and maintenance funding for the NCA. This is \$12 million (or 5 percent) above the 2009 resource level (which excludes \$50 million provided through the American Recovery and Reinvestment Act).

Summary

At the end of the day, none of these reforms can be implemented by money alone without investments in our own internal growth and development. As a people-centric organization, investments in training recruiting, and educating the best workforce for our Veterans will take a priority in my tenure as the Secretary of the Department of Veterans Affairs. If we make those investments, and commit to true organizational change, we will succeed, if we do not, we will fall short of major transform.

Closing

Veterans are VA's sole reason for existence and my number one priority. In today's challenging fiscal and economic environment, we must be diligent stewards of every dollar and apply them wisely to deliver timely, high-quality benefits and services to Veterans whom we serve. While we recognize the growth in funding that we are requesting in 2010 is significant, we also acknowledge the responsibility, accountability, and importance of showing measurable returns on that investment. You have my pledge that I will do everything possible to ensure that the funds Congress appropriates to VA will be used to improve both the quality of life for Veterans and the efficiency of our operations.

Organizational transformation is a challenging task that requires changes in culture, systems, and training. This will require resources, but it will also demand commitment and teamwork. The entire Department is dedicated to serving the needs of Veterans in the 21st Century and every VA employee has a stake in transformation to meet those needs.

Leadership will continually assess and re-assess the necessary funding resources for transformation. It should be expected that these bold new initiatives will result in adjustments to the budget request within the 2010 topline during the next several months. The results of this ongoing management decision-making process – in partnership with the Congress – will be a budget that starts the VA down a path toward becoming a model for 21st Century governance.

I am confident that Congress and VA can work together to achieve a common goal on behalf of Veterans.