

STATEMENT OF THE HONORABLE ANTHONY J. PRINCIPI

SECRETARY OF VETERANS AFFAIRS

**FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON APPROPRIATIONS
DEPARTMENTS OF VETERANS' AFFAIRS AND HOUSING AND URBAN
DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS
SUBCOMMITTEE**

MAY 2, 2001

Mr. Chairman, and members of the Committee, good morning. Thank you for inviting me here today to discuss the President's FY 2002 budget proposal for the Department of Veterans Affairs.

We are requesting more than \$51 billion for veterans' benefits and services: \$28.1 billion for entitlement programs and \$23.4 billion for discretionary programs, such as medical care, burial services, and the administration of veterans' benefits. Our budget increases VA's discretionary funding by \$1 billion or 4.5 percent over the FY 2001 level. With an increase in medical care collections of approximately \$200 million, this brings the total increase to \$1.2 billion or 5.3 percent.

The budget ensures veterans will receive high-quality health care, that we will keep our commitment to maintain veterans' cemeteries as national shrines, and that we will have the resources to tackle the challenge of providing veterans more timely and accurate benefits claims determinations.

The President promised a top-to-bottom review of our benefits claims processing. He has designated this area as a key budget initiative and I have made it one of my top priorities. I know you share this Administration's commitment to restore the confidence of many veterans who have lost faith in VA's ability to fairly and promptly decide their benefits claims.

For the administration of veterans' benefits, we are requesting \$1.1 billion, an increase of \$132 million over last year's level. Mr. Chairman, as we all know, VA is not completing work on benefits claims in as timely a manner as our veterans deserve. I am proud to say this budget will rejuvenate VA's efforts to process compensation claims promptly and accurately.

An additional 890 employees will allow VA to handle the projected workload triggered by several key pieces of legislation enacted last year. This request fully implements new legislation that strengthens VA's "duty to assist" role in helping veterans prepare their claims. The new law will require VA to review 98,000

cases that were denied previously, plus another 244,000 cases that were pending when the legislation passed. In addition, our request enables us to carry out the new policy of adding diabetes to a list of presumptive conditions associated with exposure to herbicides. About 105,000 applications for disability compensation are expected in FY 2002 under the new rule on diabetes.

Because of additional workload, VA predicts an increase in the time needed to process these applications. In FY 2002, the average claim is projected to take 273 days to complete, compared to 202 days this year. However, I have begun immediate efforts to address the claims processing backlog.

Additional resources will be coupled with a proactive approach to solving problems. On April 16, 2001, we held a preliminary meeting of the special Claims Processing Task Force that will address claims processing and develop hands-on, practical solutions to the challenges we face. The 10-person task force, headed by retired Vice Admiral Daniel L. Cooper, will examine a wide range of issues affecting the processing of claims, from medical examinations and information technology, to efforts to shrink the backlog and increase the accuracy of decisions. The panel's final report is due to me in approximately 120 days.

For veterans' health care, we are requesting \$21.9 billion, including nearly \$900 million collected from third-party health insurance and co-payments from veterans. This reflects an increase of \$1 billion over last year's level.

The budget request reaffirms our primary commitment to provide high-quality medical care to veterans with service-connected disabilities or low incomes. VA provides comprehensive specialty care that other health care providers do not offer, such as services related to spinal cord injury, Post Traumatic Stress Disorder, prosthetics and addiction programs. I am proud of our unique accomplishments and our request provides full funding to continue our leadership role in these areas.

Our budget proposal for medical care includes an additional \$196 million for long-term care and an additional \$164 million to improve patient access. VA's goal is for patients to receive appointments for primary care and non-urgent care in 30 days or less, while being seen within 20 minutes of a scheduled appointment. The budget also supports the President's new health care task force, which will make recommendations for improvements. The task force will be comprised of representatives from VA and the Department of Defense (DoD), service organizations, and the health care industry.

The budget includes \$121 million for the operation of our National Cemeteries – an increase of \$12 million over last year's level. Our request ensures that VA's cemeteries will be maintained as National shrines, dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice of

our veterans. It provides \$10 million - twice the amount included in FY 2001 - to renovate gravesites and to clean, raise and realign headstones and markers.

The request also includes funding for land acquisitions for new cemeteries in the Detroit, Pittsburgh and Sacramento areas; development of a new cemetery in Atlanta; and design of a new cemetery in Miami. In addition, funds are provided for columbaria expansion and improvements at the Massachusetts National Cemetery in Bourne, and the Tahoma National Cemetery in Kent, Washington.

Mr. Chairman, our 2002 budget is not simply a petition for additional funding. It also reflects opportunities for cost savings and reform. VA will do its part to ensure the most efficient use of limited resources, while maintaining the highest standards of care and service delivery.

The National Defense Authorization Act for Fiscal Year 2001 established a new DoD benefit for military retirees over age 64 who have Medicare coverage. These retirees will be able to use their own private doctors for free care and receive a generous drug benefit. Currently, 240 thousand of these retirees are enrolled in VA's health care system. Our budget assumes that 27 percent of them will switch to the DoD benefit in 2002, which shifts \$235 million in VA medical liabilities to DoD.

This recent legislative change underscores a critical need for better coordination between VA and DoD. The Administration is seeking legislation to ensure DoD beneficiaries who are eligible for VA medical care enroll with only one of these agencies as their health care provider. We will work with DoD to avoid duplication of services and enhance the quality and continuity of care.

Restructuring efforts in our health care system will continue in 2002. VA has begun an infrastructure reform initiative that will enhance our ability to provide health care to eligible veterans living in underserved geographic areas. Savings from this effort will allow us to redirect funds from the maintenance of underused facilities to patient care. As we await the results of this assessment – referred to as “CARES” – we will continue to expand sharing agreements and contracting authorities with other health care providers. The budget includes \$115 million to begin implementing CARES recommendations.

The budget request also includes legislation for several proposals that will yield mandatory savings totaling \$2.6 billion over the next ten years. One proposal would eliminate the vendee loan program and the other proposals would extend previously enacted mandatory savings authorities that would otherwise expire over the next several years.

Finally, we will continue to reform our information technology. New technology offers VA opportunities for innovation. It also offers a means to break down the

bureaucratic barriers that impede service delivery to veterans, divide VA from other Federal government departments, and create inefficiencies within VA itself.

I wish to restate my pledge that we will not initiate any new technology-related activities until we have defined an Enterprise Architecture that ends “stove pipe” systems design, incompatible systems development, and the collection of data that do not yield useful information. I have instructed my staff to convene a panel of world experts in the area of systems architecture to team with our Administrations and staff offices to develop a comprehensive Integrated Enterprise Architecture Plan. I expect to be able to deliver this plan to Congress in a matter of months. We will implement a technology plan that serves veterans first.

Mr. Chairman, that concludes my formal remarks. I thank you and the members of this Committee for your dedication to our Nation’s veterans. I look forward to working with you. My staff and I would be pleased to answer any questions.