STATEMENT OF
JOSEPH A. VIOLANTE
NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
NOVEMBER 15, 2011

Chairman Miller, Ranking Member Filner, and Members of the Committee:

Thank you for inviting me to testify about areas within the Department of Veterans Affairs (VA) that should be scrutinized by Congress to ensure that inefficiency, duplication and waste are minimized or eliminated. On behalf of the Disabled American Veterans (DAV), and in partnership with my colleagues from The American Legion, Veterans of Foreign Wars (VFW), AMVETS, and Paralyzed Veterans of America (PVA), I am pleased to appear before you this morning.

Earlier this year, in response to your request, DAV, VFW, PVA, AMVETS and The American Legion worked together to develop recommendations for areas within VA where inefficiency or waste might be uncovered and eliminated. We have been pleased to see that since we submitted our recommendations on April 4, both the General Accountability Office (GAO) and VA's Office of Inspector General (VAOIG) have produced reports that touch on several of our recommendations, and we have incorporated some of their comments into our testimony. Like you and all members of this Committee, we believe that the precious resources allotted to VA must be wisely and efficiently spent, especially when our nation faces fiscal and economic crises resulting from massive government deficits and debt. Every dollar that is misspent is one that cannot be used to help a veteran in need.

However, it is also important to recognize that simply cutting VA's budget in the absence of detailed justifications or evidence of savings, is more likely to result in a loss of accessibility, quality and safety of the services veterans depend on, rather than true deficit reduction. Furthermore, we believe such an approach will likely lead in the future to additional, avoidable spending to "fix" problems that manifest as a direct result of underfunding essential services for veterans.

For example, a decade ago, the Bush Administration proposed several successive VA budgets, each of which proposed to make substantial "management efficiencies" and thereby reduce the need for billions of dollars in direct appropriations. Although funding was indeed reduced, no efficiencies were ever documented to have been achieved while the demand and need for resources continued to rise. As a consequence, after several such budget cycles, newlyconfirmed Secretary Nicholson in 2005 returned to Capitol Hill just weeks after presenting the FY 2006 budget and admitted VA was seriously underfunded by more than a billion dollars. In the end, Congress provided the requested supplemental appropriations to cover the unmet demand, but not before thousands of veterans were turned away or forced to wait for vital VA health care services.

For these reasons, we urge this Committee to closely examine a number of troubling elements of VA's budget and appropriations that seem to echo these same problems from the past. For example, the FY 2012 budget presented in February for VA health care by the Obama Administration relies on several "gimmicks" to reduce the real dollar appropriations provided by Congress, including a projected $1.2 billion in savings from "operational improvements," $500 million in carryover funding from FY 2011, an unexplained or justified reduction in non-recurring maintenance, and an approximate $1 billion contingency fund for medical care that may or may not be released to VA. All of these assumptions have been built into VA's FY 2012 budget, thereby lowering the level of appropriations approved by Congress, yet there are serious questions about whether these "savings" will indeed reduce VA's need for direct funding.

Further straining VA's medical care budget, receipts from the Medical Care Collections Fund (MCCF) have been dropping. In February of this year, VA indicated that contrary to prior assumptions used to build the FY 2012 advance appropriation for medical care, MCCF receipts were expected to drop by $600 million. Later in July, Secretary Shinseki reported to Congress that "MCCF collections are 8.5% below plan…," further reducing funding available to VA for FY 2012 medical care programs.

In July, the Secretary reported that implementation of the new caregiver programs would cost almost $100 million more in FY 2012 than previously estimated. He also stated that VA's "… ability to achieve operational improvements…remains an element of risk to the sufficiency of the FY 2012 budget." In a report released in June, GAO raised these same concerns about the "operational improvements," citing similarities to "management efficiencies" proposed by VA in prior years that did not materialize and were never documented as having been achieved. In addition, GAO reported that in VA's FY 2012 medical care budget submission, funding for non-recurring maintenance had been lowered $900 million below the level that VA's own Enrollee Health Care Projection Model (EHCPM) had already projected was needed to maintain its health care facilities.

Mr. Chairman, if we are to ensure that VA actually eliminates duplication, inefficiency and waste from its budget, rather than just cutting services for veterans, we must have an accurate and transparent budget process to measure whether savings are achieved. First, did the carryover funding from FY 2011 to FY 2012 actually take place? What is the current projection for MCCF in FY 2012? How will VA measure whether savings from proposed "operational improvements" actually materialize? Does VA anticipate requesting the funding designated for contingency purposes?

Moreover, as we work to find areas where real savings might actually be achieved, we must keep in mind that VA has significant underfunded needs that are essential to the integrity of the system itself, especially its health care infrastructure. VA's Strategic Capital Investment Planning (SCIP) process has estimated that VA space is over-utilized at 114 percent of its intended capacity. SCIP has identified at least 4,808 capital projects that should be completed within ten years, at a cost estimated to be between $53 and $65 billion. Yet funding for major and minor construction has gone down, not up, and funding for non-recurring maintenance and equipment purchases are being cut below what VA's own actuarial model estimates is needed.

Although Congress has funded a significant number of new facilities in recent years, the vast majority of existing VA medical centers and other associated buildings are, on average, more than 60 years old. Aging facilities create an increased burden on VA's overall maintenance requirements. All facilities must be maintained aggressively so that their building systems—electrical, plumbing, capital equipment, etc.—are up to date and that these facilities are able to continue to deliver health care in a clean and safe environment.

Unless VA effectively responds to these needs, we fear that VA's capital programs and the significant effects on the system as a whole, as well as the veterans individually, will go unchanged; ultimately risking a diminution of the care and services provided by VA to sick and disabled veterans in substandard facilities. Older, out dated facilities do not only present patient safety issues, but from VA's perspective, older buildings often have inefficient layouts and inefficient use of space and energy. This means that even with modification or renovation, VA's operational costs will be higher than they would be in a more modern structure. For these reasons, we believe that if Congress is able to find true "savings" the first obligation must be to use them to help fund the essential long-term maintenance needs of the VA health care system.

Mr. Chairman, I would also like to comment on one proposal to make "savings" that may be considered by the so-called "Super Committee:" to take back all or part of the cost-of-living-adjustment (COLA) increase for veterans disability compensation and survivors' disability indemnification compensation (DIC) payments that Congress just approved. As you know, disabled veterans have not had a COLA increase since December 2009.

On October 19, it was announced that there would be a 3.6 percent COLA for Social Security recipients next year, and the Senate immediately and unanimously passed legislation (S. 894) to apply this same COLA increase to veterans disability compensation payments. On November 2, the House also passed this COLA legislation unanimously, just as it had done with companion House legislation (H.R. 1407) earlier this year. We expect the President will sign this legislation any day now. Mr. Chairman, we want to thank you and all members of this Committee for helping to pass this vital legislation. As you have stated, for the past "…two years, our veterans have not received an increase. This additional income will help them make ends meet in the coming year."

However, we are distressed to hear that the "Super Committee" may consider a proposal to freeze, delay or cut this very COLA that Congress just passed without one dissenting vote. While we recognize it is difficult to make reductions in federal spending, we believe it would be irresponsible to target cuts at those who have already sacrificed so much for their country. For many of these veterans, particularly those with severe and catastrophic disabilities, these payments may be their primary or even their only source of income.

For the past two years, disabled veterans have seen no COLA increases, and for many it has become increasingly harder to make ends meet. While the official COLA may have been zero for those years, it is important to understand that the CPI index upon which the COLA is calculated does not take into account increases in the cost of food or gasoline. In addition, as disabled veterans grow older, their needs may also increase due to declining health and increased morbidity. We agree with the sentiment that Mr. Filner expressed on the House floor when he said, "…[Congress] would be derelict in our duty if we failed to guarantee that those who sacrificed so much for this country are able to receive benefits and services that keep pace with their needs and inflation."

Mr. Chairman, in this context, our veterans organizations have worked together to identify specific areas throughout VA where we believe the Committee could focus additional attention to find inefficiency, duplication and waste. Many of the ideas we developed were already on the Committee's oversight agenda, so in our joint letter of April 4, we focused on nine additional areas that offered new opportunities for the Committee to consider. In the spirit of eliminating duplication and being efficient, my colleague from PVA will focus on the first five areas from our letter and I will focus on the last four.

Duplicative Surveys of State Veterans Homes

Currently, State Veteran Homes must undergo regular evaluation by VA inspection teams. Many of these same veterans' homes are also inspected by the Centers for Medicare and Medicaid Services (CMS). The CMS survey has approximately 185 criteria and is considered the more stringent survey. The VA survey has 158 criteria, 150 of which are already contained in the CMS survey. VA could quickly review its eight unique criteria as part of the CMS survey team or on its own, in order to cease such duplication of efforts. Such overlap in inspection regimes appears unwarranted and we understand that VA itself has been seeking to engage CMS to consider ways to eliminate this duplication, however so far they have been unable to make much progress. We urge the Committee to examine this overlap of efforts in order to reduce the administrative burden on both VA and State Veterans Homes and potentially achieve savings.

VBA Records Management and Shredding Practices

In response to alarming instances of security lapses and the discovery of the destruction of veterans' claims files by employees, VBA in recent years has instituted a number of new security protocols, including records management practices. While VBA absolutely needed to take corrective action to ensure that essential veterans' records were never again destroyed in the future, we have heard credible reports that some VA Regional Offices (VARO) may have gone too far and spent too much time and resources on shredding non-essential paperwork. We understand each VARO has designated a "Records Management Officer," often at one of the higher GS levels, who spends an inordinate amount of time focused on the shredding of documents. We have been told that such records management practices have become overly complicated; in fact, some VAROs even have procedures for shredding Post-It notes, further burdening VBA employees struggling to properly adjudicate hundreds of thousands of pending claims. It is our understanding that VBA has made some changes over the past six months in this area, however, we would recommend that the Committee continue to investigate whether current records management practices are effective and appropriate to meet the requirements of protecting and preserving veterans' records, without wasting precious VA resources.

The Costs of Brokering VBA Claims Work

Another area of the VBA claims process that needs scrutiny is the practice of brokering claims between and amongst VBA regional offices, and particularly the significant costs of transporting such brokered claims files. Brokering has become a standard practice in recent years as some VAROs have been overwhelmed with the sheer volume of work. VBA has created more than a dozen specialized Resource Centers at VAROs to handle brokered claims; four doing development phase work, eight doing rating, award and authorization work, and one "Tiger Team" that does all phases of the claims process on the oldest and most complex brokered claims. According to a VA Inspector General (VAOIG) report in September, the number of brokered claims has been rising in recent years, reaching 18% in FY 2010. Although that number has dropped over the past 18 months as these resource centers have been shifted to work on Nehmer claims, but as the Nehmer workload ends later this year the resource centers will once again start to receive large numbers of brokered claims.

While VBA is still awaiting a paperless solution to its claims processing problems, it must maintain and process virtually all claims using paper files, many of which contain hundreds of pages. It is our understanding that claims are transported using FedEx services in both directions. Furthermore, some claims are brokered twice: once from the home VARO to a resource center doing development, then after being returned to the home VARO, the claims file is sent to another resource center for the rating, award and authorization work, and then back again to the home VARO. The costs of transporting these claims using express delivery services must be quite substantial. In addition, the number of personnel involved in locating, organizing, delivering, receiving and distributing these paper files must also be quite substantial. The VAOIG report also found other areas of concern related to the timeliness and quality of the work done through this brokering process that the Committee needs to review.

We would recommend that the Committee examine the entire brokering system, particularly the paper-centric logistical demands of the current practices. We believe that VA should consider transitioning rapidly to digitizing all claims files that are to be brokered. If feasible, such a change could redirect spending from shipping paper files to digitizing files in anticipation of future paperless processing.

Regular Use of Authorized Overtime

One additional area in VBA that merits scrutiny by the Committee is the use of mandatory or “authorized overtime” as a regular practice to address increased workload. While VBA continues its myriad efforts to develop a new paperless, rules-based process for developing and adjudicating claims, it has relied on increased manpower to meet the current workload requirements. As the total number of claims filed has grown to over 1.2 million per year, VBA has hired several thousand new employees to try and keep pace. In addition, we understand that most VAROs have also increased the regular use of “authorized overtime” by employees in an attempt to meet production goals. We have concerns about whether sufficient and cost-effective productivity gains can be achieved through heavy reliance on overtime. More importantly, we have concerns about the effects on quality if employees are being mandated to work under the pressure and strain from extended hours. We recommend that the Committee examine VBA’s use of overtime and further examine whether VBA’s personnel projections and staffing models are accurately meeting their workload requirements.

Finally, I do want to add one comment about the issue of Senior Executive Service (SES) bonuses that was discussed in our joint VSO letter and in my colleague’s testimony today. While it is important for Congress and VA to consider whether it is appropriate to provide SES bonuses at a time when federal employees are in the midst of a two-year federal pay freeze, we would not want to see VA put at a competitive disadvantage to other federal agencies. If Congress were to consider reducing or eliminating SES bonuses for any time period, it must do so across all federal agencies, not just target VA. We must ensure that those dedicated men and women who choose work that serves our veterans are equally valued and compensated as those who work elsewhere in the federal government.

Mr. Chairman, as we have pledged to you previously, we will continue to work with this Committee and others in Congress to identify areas within VA where there may be duplicative, ineffective, inefficient or wasteful use of VA resources. We share your desire to ensure that the precious funding dedicated to the care of America's veterans, especially disabled veterans, achieve its intended purposes.

That concludes my testimony and I would be happy to respond to any questions you may have.