

**ANNUAL REPORT
of the
DAV NATIONAL LEGISLATIVE DEPARTMENT
for
2013-2014
by
JOSEPH A. VIOLANTE
NATIONAL LEGISLATIVE DIRECTOR
for presentation to
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NATIONAL COMMANDER JOSEPH W. JOHNSTON AND DISTINGUISHED DELEGATES:

My fellow DAV members, this is an extraordinary time. As you all know, the Department of Veterans Affairs (VA) health care system has been thrown into an unprecedented nationwide crisis because a VA Inspector General investigation report in May showed over 100,000 veterans in need of VA health care were not being served – but their names and needs did not appear on any VA waiting list. Both the VA Secretary and the Under Secretary for Health have resigned from office, and the whole VA system is under temporary leadership if and until the Senate confirms Robert McDonald, the President's nominee to lead VA forward toward numerous and necessary reforms. In the meantime, Congress has hastily introduced new laws to address VA's shortcomings. VA is adopting many other changes identified to be necessary to change practices that fostered this crisis.

The National Legislative Department closely followed all the details and nuances of the VA scandal when they were brought to light, and we offered Congress and the Administration our views on what needed to be done to address it. I am pleased to report to you that many of our ideas for change were accepted and are being implemented to get VA back on the right track for all veterans who need VA services.

At its base, this explosive issue is a consequence of decades of Administration and Congressional underfunding of VA health care, budget gimmicks, and false promises, despite the pleas every year by DAV and numerous other national veterans organizations that VA health care funding, whether proposed or appropriated, was insufficient to the challenge at hand. As far back as 2003, it was widely recognized that VA health care demand and VA health care funding were mismatched. In fact, a Presidential task force found that VA had a wait list of more than 236,000 veterans waiting six months or more for appointments, reached the same conclusion and warned that, without an infusion of new funding, VA would eventually face a crisis. It is here because at that time neither the Administration nor Congress, took any actions to correct the situation, other than cut off enrollment to some veterans and to do away with the wait list.

Today, I do not excuse the behavior that caused VA to fail to serve these particular veterans. In its effort to promote quality system-wide for the patients it treats, VA set standards for maximum waiting time that it should have known could not be met with the resources that were available. VA then tied these unrealistic standards to its performance measurement system for health care executives across the system.

While "cover-up" is too judgmental a term to resort to here, I believe it is reasonable to conclude that VA scheduling clerks, their supervisors and facility and network managers are culpable for hiding the true demands on the system by using subsidiary waiting lists for new enrollees that were not disclosed or visible to national VA management in any data system. The retired Phoenix whistleblower's call for an investigation spurred both the House Veterans' Affairs Committee and the VA Inspector General (IG) to first focus on practices at the Phoenix VA Medical Center, and then to expand the inquiry nationwide. It is fair to observe that VA was caught flat-footed by the revelations of the IG report, and again, by its own internal audit, completed on June 3.

DAV intends to work with acting Secretary Gibson and incoming new VA Secretary Robert McDonald to address the problems that have been uncovered, and to demand that VA use all means available to correct deficiencies that have been identified. We are also calling on the Administration and Congress to remember why this crisis occurred, and urging them to prevent any recurrence by adequately funding VA for its true patient care demand. Finally, we are demanding that VA become more transparent to those of us who are invested in the VA system, including all DAV members, and their families and survivors, and to be forthcoming with us when problems and challenges arise in the future.

By all measures, this incident is a national disgrace, having done tremendous damage to an institution that, over the past 15 years, had been lauded for its safety, quality, cost-effectiveness, and patient satisfaction. DAV will be working hard to return VA health care to that status.

Executive Nominations

On November 19, 2013, the Senate Committee on Veterans' Affairs approved the nomination of Mr. Sloan Gibson to be Deputy Secretary of Veterans Affairs, and confirmed him on February 11. Mr. Gibson is now serving as acting VA Secretary.

Ms. Linda Schwartz was nominated to be VA Assistant Secretary for Policy and Planning; and, Ms. Constance Tobias to be Chairman of the Board of Veterans' Appeals. The full Senate still needs to act on these nominations.

On June 30, 2014, President Obama nominated Robert "Bob" McDonald for the position of Secretary of Veterans Affairs. Mr. McDonald graduated from West Point in 1975 and later served as the Chief Executive Officer of Proctor and Gamble. He served in the Army for five years with the 82nd Airborne Division and achieved the rank of

Captain. The Senate Veterans' Affairs Committee conducted a confirmation hearing on July 22, 2014, and unanimously reported this nomination to the full Senate on July 23. At the time of this writing, Mr. McDonald's confirmation is expected shortly.

Government Shutdown

On October 9, 2013, (now former) Secretary Eric Shinseki of the Department of Veterans Affairs (VA) testified before the House Veterans' Affairs Committee to report on VA's status during the ongoing partial government shutdown. The Secretary indicated, as we reported, that VA's financial resources for both discretionary and mandatory programs would be exhausted by the end of October. As you know, because of advance appropriations, VA health care was fully funded for this year in the fiscal year (FY) 2013 appropriation. Thus, VA health care was largely unaffected by other disruptions occurring in VA, although the access scandal has altered many assumptions about the sufficiency of VA funding.

Presenting a unified front, DAV and a nonpartisan coalition of 32 other organizations representing veterans and members of the military demanded an end to the government shutdown during a rally attended by several hundred supporters and journalists October 15 at the National World War II Memorial in Washington, D.C.

On October 17, 2013, President Obama signed into law a temporary budget agreement that ended the partial government shutdown that disrupted, delayed and suspended critical non-health care services and benefits for the men and women who have served in uniform. Had this budget stalemate continued for another week or two, it would have been devastating to millions of veterans, their families and survivors, as benefit checks for disability compensation, pension and dependency and indemnity compensation would have been cut off due to a lack of appropriations. The measure restored veterans' access to VA facilities, including DAV National Service Offices, many of which set up shop at alternative locations during the shutdown to continue DAV's free benefit services to veterans and their families.

Two-Year Budget Agreement

Chairwoman Patty Murray and Chairman Paul Ryan, of the Senate and House Budget Committees, respectively, forged an agreement December 10, 2013, on the federal budget for Fiscal Years 2014 and 2015. The budget saved \$28 billion over ten years by requiring the President to sequester the same percentage of mandatory budgetary resources in 2022 and 2023 as will be sequestered in 2021 under current law.

One agreed-to element modified the annual cost-of-living adjustment (COLA) for working-age military retirees. Under that plan, beginning in 2015, until they reach the age of 62, these retirees would see their COLA reduced by inflation minus one percent.

The joint statement issued on December 10, 2013, by both Budget Committees explaining the agreement stated: "This [reduction in COLA] would not affect service members who retired because of disability or injury." Nevertheless, we later learned that disabled military retirees indeed would be affected by this new policy. DAV fought to repeal this unconscionable policy toward wounded, injured and ill military heroes, and Congress subsequently repealed this reduction, and the President signed it.

The agreement carried no other impacts on veterans and did not touch VA programs in any way, including payments for disability compensation, disability pension, death and indemnity compensation (DIC), education, or VA life insurance plans.

The House passed the budget plan with a bipartisan majority on December 12, 2013 in a late-evening vote. The Senate passed the plan on December 18, 2013. The Appropriations Committees in both Congressional chambers allocated funds accordingly in an omnibus Fiscal Year 2014 appropriations act. Congress subsequently enacted and the President signed this legislation into law on January 17, 2014, nearly four months late.

Department of Veterans Affairs Leased Clinics

The VA is planning to open dozens of new community-based clinics in 22 states and territories by 2017. These clinics will be operated in commercially leased space, but will be staffed by VA employees. This arrangement has worked very well in hundreds of existing VA clinics, nationwide.

In evaluating 15 of these leases VA proposed to Congress in its budget for Fiscal Year (FY) 2013, the Congressional Budget Office (CBO) concluded these facilities were, in effect, long-term capital commitments of the federal government and, as such, needed to be funded in full, in the first year, for a full 20 years. Existing law only requires the first year to be funded to justify authorization, with subsequent years' funding to be managed through the annual budget and appropriations process. This new CBO interpretation effectively halted all VA leases proposed, because VA could not identify dollar offsets in the amount CBO determined were needed (between \$1.2 and \$1.5 billion). As a result the leases were withdrawn from further congressional consideration, and had been in limbo since.

Authorizations for these leases are now under consideration by a House-Senate conference committee that is meeting to discuss an omnibus veterans' bill. As of July 21, 2014, the conference was still underway. Until these authorizations are enacted by Congress and approved by the President, VA is prevented from opening new community-based outpatient clinics.

Hearings

One of the main missions of the Legislative Department is to build government support for wounded, injured and ill veterans, to provide for their families and survivors, and to prevent the erosion of benefits and services they have earned and deserve.

We accomplish this mission in many different ways, including meetings with members of Congress, congressional staff and VA officials, encouraging grassroots activities and by co-authoring *The Independent Budget*. In a more formal manner, we present both written and oral testimony to congressional committees on issues of importance to DAV and our members.

Since last year's Annual Report to the National Convention, the DAV Legislative staff testified at 19 Congressional hearings, covering 65 bills and draft measures, as well as myriad other issues, and one hearing before the Institute of Medicine on June 5, 2014. Below is a summary of all of these hearings.

On July 19, 2013, DAV testified on behalf of *The Independent Budget* before the House Veterans' Affairs Subcommittee on Health, concerning military sexual trauma.

On September 11, 2013, DAV testified before the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs on the fully developed claims process.

On October 30, 2013, DAV testified before the Senate Veterans' Affairs Committee on 36 pieces of legislation.

On November 13, 2013, DAV testified before the House Veterans' Affairs Subcommittee on Economic Opportunity concerning VA's Independent Living Program.

On November 20, 2013, DAV testified before the House Veterans' Affairs Committee concerning the Capital Investment Program.

On December 4, 2013, DAV submitted testimony for the record of the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs, regarding claims adjudication.

On February 5, 2014, DAV testified before the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs regarding many technological initiatives within the claims process.

On February 25, 2014, DAV National Commander Joseph W. Johnston testified before a joint session of the House and Senate Veterans' Affairs Committees to present DAV's legislative agenda for the year.

On February 27, 2014, DAV testified before the House Veterans' Affairs Subcommittee on Economic Opportunity concerning ways to maximize the effectiveness of the VR&E program.

On March 12, 2014, DAV testified before the Senate Veterans' Affairs Committee, on behalf of *The Independent Budget*, concerning the FY 2015 budget.

On March 13, 2014, DAV testified before the House Veterans' Affairs Committee, on behalf of *The Independent Budget*, concerning the FY 2015 budget.

On March 25, 2014, DAV testified before the House Veterans' Affairs Subcommittee on Economic Opportunity on nine legislative proposals.

On March 26, 2014, DAV testified before the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs on 10 legislative proposals.

On March 27, DAV testified before the House Veterans' Affairs Subcommittee on Health on 10 legislative proposals.

On April 30, 2014, DAV submitted testimony for the record of the Senate Veterans' Affairs Committee concerning overmedication and its problems and solutions with VA.

On May 15, 2014, DAV testified before the Senate Veterans' Affairs Committee concerning the state of VA health care. Essentially, DAV testified on many of the issues reviewed in the introduction to this report, above, and expressed our outrage that veterans were not being properly served in their health care needs.

On May 29, 2014, DAV testified before the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs, concerning the Integrated Disability Evaluation System.

On June 5, 2014, DAV testified before the Institute of Medicine concerning VA mental health services.

On July 24, 2014, DAV testified before the full House Committee on Veterans' Affairs oversight hearing on recent changes made by VA to reform the health care system in the wake of the access-to-care scandal.

Enacted Legislation

Cost-of-Living Adjustment Approved

On November 21, 2013, with the President's signature, the Veterans' Compensation Cost-of-Living Adjustment Act became Public Law 113-52. The Act provides a 1.5% increase in veterans' disability compensation, DIC and other related veterans benefits, which became effective December 1, 2013. Unlike COLAs in the past, this COLA *does not* include the provision of rounding down increases to the

nearest whole dollar amount, a policy that DAV has consistently fought for many years and is in line with our longstanding resolution opposing such reductions.

Key Legislative Initiatives

Since the beginning of the 113th Congress, the National Legislative staff held dozens of meetings with members of the House and Senate and their staffs, to educate them about DAV and our legislative priorities. We have particularly focused on the new members of Congress and the Senate who were elected in 2012, and those who are members of the Veterans' Affairs Committees, to ensure they understand the needs of wounded, injured and ill veterans, and understand and will support DAV's initiatives, and our national priorities.

Completing the Transformation of the Veterans Benefits Claims Processing System

The Veterans Benefits Administration (VBA) has made measurable progress toward eliminating the backlog of veterans' claims that reached its zenith 18 months ago. However, despite progress that has been achieved, significant work remains before VBA can hope to completely eliminate the backlog.

At the beginning of 2013, more than 860,000 claims were pending from veterans for disability compensation and pension. By June 30th of this year, that number had dropped by more than 37 percent, down to 555,000. The number of claims in the backlog – greater than 125 days pending – dropped by more than 60 percent, from over 600,000 in January 2013 to 268,000 at the end of June. VBA completed almost 1.2 million claims last year and is on track to do about the same again this year.

Furthermore, the quality of completed claims rose steadily from 86.3 percent in January 2013 to 90.3 percent in June 2014; a four percent increase over the past year. Finally, the average days pending for VA's rating claims dropped from 280 days to under 160 days over the past 18 months, and VBA is holding virtually no claims that have been pending for more than a year.

All of this progress comes after four years of unprecedented transformation that included implementation of new organizational and operating processes, new information technology (IT) systems, and new training, testing and quality control regimes. And despite a partial government shutdown that disrupted progress for most of October 2013, VBA appears to have finally turned a corner in its processing performance for the first time in more than two decades.

In early 2010, VBA leadership made the hard decision to rebuild and modernize its claims process by creating a contemporary, paperless system. Former Secretary of Veterans Affairs Eric Shinseki established an ambitious goal: by 2015 all claims would be processed within 125 days at a 98 percent degree of accuracy. To accomplish this goal, VBA would need to develop entirely new IT systems, organizational structures and

adjudication procedures, while continuing to process a million claims or more every year.

Considering VBA's failure to modernize this system over the past two decades, this task was daunting. Since 2000, the number of claims filed annually had doubled, from about 600,000 to nearly 1,200,000 in 2013; but that rise only tells part of the story. The complexity and average number of issues per claim had also risen, further multiplying the workload that VBA must now address. Over this same time period, VBA's workforce grew by 50 percent, resulting in an ever-increasing structural backlog of claims.

VBA began its current transformation efforts with a comprehensive review of the existing claims process, which included extensive outreach to DAV and other veterans service organizations (VSOs). VBA also launched dozens of experimental pilot programs and initiatives to test innovative changes that might streamline operations or increase the quality and accuracy of decisions. In 2011, the second year of transformation, VBA analyzed and synthesized the results of its studies and experimentation and developed a strategy to re-engineer the entire claims process, focusing on three critical areas: people, process, and technology. Throughout 2012, VBA further developed, refined, and deployed these ideas, and in 2013 completed the roll out of a new IT system, the Veterans Benefits Management System (VBMS) to all VA regional offices.

While there are metrics today that show increases in both productivity and accuracy, there are also troubling questions about whether this progress can be sustained two, five or ten years from now. Based only on the currently available data and information obtained from VBA, DAV remains uncertain whether this level of progress will be sufficient to meet the ambitious 2015 goals.

For example, although the backlog has fallen, it appears that the most important factor driving VBA's productivity gains was a policy of mandatory overtime for claims processors that ran from May 2013 to November 2013. During this six month stretch, VBA achieved significant boosts in the number of completed claims per month, reaching as high as 129,488 in August, before dropping back during the government shutdown and after mandatory overtime was ended. Over the first six months of this year, the monthly average for completed claims has been slightly below 95,000.

Another critical factor boosting claims production was the increased focus on fully developed claims (FDCs), which now account for about one-third of disability compensation claims being filed by veterans. DAV was instrumental in developing this program that began as a Congressionally-mandated pilot program, and we continue to work closely with VBA to improve and expand it; however, the reduction in claims processing times for FDCs also appears now to be leveling off.

DAV continues to advocate for the expanded use of private medical evidence in order to eliminate the time and resources required to administer compensation medical

examinations, which could also support efforts to increase the number of FDCs filed. VBA has taken significant actions in recent years to encourage private evidence, such as the development and use of Disability Benefits Questionnaires (DBQ) and the Acceptable Clinical Evidence (ACE) initiative, under which VA physicians review existing medical records to determine if enough evidence already exists for VBA to make a rating decision without the need for a VA-ordered examination.

However, some VAROs and some VBA employees remain resistant in giving private medical evidence the same weight as VA-produced medical evidence. In order to further support efforts to encourage the use of private medical evidence, DAV will work with Congress to amend title 38, United States Code, section 5103A(d)(1) to provide that, when a claimant submits private medical evidence, including a private medical opinion, that is competent, credible, probative, and otherwise adequate for VA's rating purposes, the Secretary shall not request a redundant and duplicative VA medical examination.

Over the past year, DAV has also worked with both VBA and the Veterans Health Administration (VHA) to develop and institutionalize greater cooperation between them in completing DBQs for veterans treated by VHA physicians. In the past, many VHA attending physicians were told that they either should not, or may not fill out DBQs for their patients. VHA has made efforts to address this problem by creating more convenient opportunities for veterans to have DBQs filled out by VHA physicians at specific times and locations. However, VBA and VHA should continue working to reach an agreement that VHA-treating physicians are required to complete DBQs for veterans upon request.

Perhaps the most important element of VBA's transformation strategy is the successful implementation of new technology, particularly the VBMS, which is the new backbone for VBA's paperless, rules-based adjudicative system. VBMS creates electronic claims files, manages workflow and helps to determine ratings. VBA was able to complete the rollout of VBMS ahead of schedule last year, and virtually all new claims are now being processed using VBMS electronic files.

However, while VBA was able to deploy VBMS ahead of schedule, it has not been fully linked to the Appeals Management Center (AMC), the Board of Veterans Appeals (BVA) and the Court of Appeals for Veterans Claims (CAVC), which, if fully implemented would allow for a continuous electronic work flow throughout the claims and appellate processes. The coding and embedding of rating calculators inside VBMS also remains a labor-intensive, time-consuming detail and one that will continue as the VA Schedule for Rating Disabilities (VASRD) is updated in the future. In addition, VBMS is ultimately intended to include all of VBA's business lines so that no matter where a veteran or survivor applied for benefits, it would seamlessly connect them to all benefits to which they may be entitled, and that work remains ahead. DAV will continue to work with Congress to ensure that sufficient resources are provided to allow continued development of VBMS to meet both current and future requirements.

Now that all new claims are being scanned and digitized, VBA has begun to develop plans for a National Work Queue, designed to allow claims to be processed at any VA regional office, regardless of where the claim was filed. VBA has established a national mailing and scanning system that diverts all mail, including claims and correspondence, to a couple of centralized scanning centers. There the paper is converted to digital data, placed in electronic files and returned to the VARO of jurisdiction for electronic processing within the VBMS environment. The National Work Queue initiative would allow workload to be distributed based on available capacity throughout the entire system. In addition, it would allow claims to be divided, either by issue or by stage of work, since simultaneous review can be performed on electronic files. DAV will continue to work with Congress and VBA to ensure that the National Work Queue is carefully developed and implemented to protect the integrity of all claims decisions, not solely to accelerate decisions.

As VBA has made progress in reducing the backlog of claims, some disturbing reports have arisen that the appeals backlog is growing. VBA also must not neglect the preparation of claims awaiting certification to the Board of Veterans' Appeals. DAV has received reports that some VAROs have redirected some VSRs and RVSRs who normally work on preparing appeals instead to work only on claims that contribute to lowering the claims backlog. VBA has also used both Decision Review Officers (DRO) and Quality Review Specialists, both during regularly scheduled working hours and during overtime, to work on original claims. Such an approach may yield short-term gains in reducing the backlog, but diverting these specialized appellate resources will contribute longer term negative consequences on the growing backlog of appeals. Congress must ensure that sufficient manpower and resources are provided and allocated to both claims and appeals work.

In the coming year, DAV will continue to work closely with both the Senate and House Veterans' Affairs Committees, as well as VBA officials, to create a new and permanent claims processing system based on the principle that every veteran's claim should be done right the first time.

Advance Appropriations for All VA Programs, Services And Benefits

As a result of a very successful advocacy program by DAV and other VSOs, in October 2009 Congress passed, and the President signed, Public Law 111-81, the Veterans Health Care Budget Reform and Transparency Act, legislation to provide the VA health care system with funding up to a year in advance of need. As a result, during last year's government shutdown while many VA offices and services were closed or disrupted, VA systems of care, medical centers, and community-based outpatient clinics were able to provide uninterrupted care and services to veterans.

Over the past year, working together with a growing coalition of veterans organizations, we have achieved significant legislative progress to extend advance appropriations to the remainder of VA's appropriations accounts. With the support and encouragement of DAV, bipartisan legislation, the Putting Veterans Funding First Act

(H.R. 813) was introduced last year by House Veterans' Affairs Committee Chairman Jeff Miller (R-Fla.) and Ranking Minority Member Mike Michaud (D-Me.) to extend advance appropriations to all VA discretionary programs. The Putting Veterans Funding First Act was subsequently introduced in the Senate (S. 932) by Senators Mark Begich (D-Alaska) and John Boozman (R-Ark.). Last August, H.R. 813 was unanimously approved by the House Committee and is pending before the full House as of July 21, 2014.

During the government shutdown last October, the benefits of extending advance appropriations became even more evident, as claims processing to reduce the backlog was slowed, activities at VA national cemeteries were scaled back, and vital medical and prosthetic research projects were nearly suspended. Had this stalemate continued for only a few days beyond October 16th, even mandatory obligations of the federal government, such as disability compensation and pension payments to veterans and their survivors, would have been suspended until the government reopened.

After the shutdown ended, DAV organized a Capitol Hill press conference, with our two dozen VSO partners, also featuring both House and Senate bill sponsors, to call on Congressional leaders to schedule votes on the Putting Veterans Funding First Act. During the press conference, Chairman Bernie Sanders (I-VT) announced that the Senate Veterans' Affairs Committee would mark up S. 932, and that it would also include a provision to ensure that advance appropriations for mandatory veterans benefits, such as disability compensation, would also be included in the legislation. House Chairman Miller also voiced his support for this provision, which had not been considered when the House committee had approved H.R. 813 prior to the shutdown. On November 19, 2013 the Senate Veterans' Affairs Committee voted 13 to 1 to approve S. 932, with an amendment that included all VA mandatory benefits payments.

In February of this year, DAV organized a major national and Capitol Hill event, "Operation: Keep the Promise," which focused on advance appropriations for all VA accounts. Standing in front of the Capitol, with hundreds of DAV activists and other VSO leaders braving a February snow storm, Commander Johnston called on Congress to pass the Putting Veterans Funding First Act. Simultaneously, millions of Americans were contacted through DAV social media to amplify our message. Although the VA health care waiting list scandal has dominated Congressional and media attention for the past four months, DAV continues to work with Congress to extend advance appropriations to all VA programs, services and benefits, building on the progress achieved over the past year.

Senate Omnibus Veterans Bill

Senator Bernie Sanders, Chairman of the Senate Veterans' Affairs Committee, introduced S. 1982, the Comprehensive Veterans Health and Benefits and Military Retirement Pay Restoration Act of 2014.

If enacted, this bill would have accomplished many of DAV's most important priorities and legislative goals based on national resolutions approved by our members. This massive omnibus bill, unprecedented in our modern experience, would have created, expanded, advanced, and extended a number of VA benefits, services and programs. For example, responding to a call from DAV, it would have created a comprehensive family caregiver support program for all generations of severely wounded, injured and ill veterans. Also, the bill would partially respond to DAV's drive to enact advance appropriations for VA's mandatory accounts to ensure that in any government shutdown environment in the future, veterans benefits payments would not be delayed or put in jeopardy. This measure also would provide additional financial support to survivors of service members who die in the line of duty, as well as expanded access for them to G.I. Bill educational benefits. As discussed above, the bill would fully restore military retirement cost-of-living adjustments that were recently reduced. It also would approve 27 VA pending lease proposals for new VA community-based outpatient clinics and other important facilities in 22 states and territories.

These and many other provisions in the bill were directly responsive to DAV's legislative and policy priorities. Nevertheless, we were disappointed that the advance appropriations provisions in this bill would not have been applied to the remainder of VA's discretionary funding accounts, but only to the mandatory ones. While an important gain, leaving behind the discretionary accounts would continue to perpetrate VA's annual financial and planning challenges in operating in the continuing resolution environment to which we have all become so accustomed.

The impact of budgetary delays falls directly on the ability of VBA to accomplish the goal of reducing the disability benefits claims backlog while reforming the claims system itself. I know you share our concerns that extraneous budgetary disputes make VBA's reform efforts all that more challenging. In that light I pledge that DAV will continue to work with Congressional Members and their professional staffs to find the means so that all VA funding accounts can be included in the existing Congressional policy of advance appropriating VA health care funds. The advent of advance appropriations in VA health meant that during last October's 16-day shutdown, the VHA and its more than six million veteran patients were largely unaffected while most of the remainder of VA was shut down along with most of the rest of the federal government. It is our intent that VA funding be protected in the same manner as Congress already decided to protect VA health care, and we know that many Members of the Senate and House share our goal.

In a procedural vote on February 25, 2014, the Sanders omnibus legislation stalled.

In the wake of the VA access-to-care scandal, both Chairmen Sanders and Miller (with numerous co-sponsors) introduced legislation to address VA's failures and lack of accountability. These bills (HR 3230 and HR 4810) were quickly and nearly unanimously approved in both Congressional chambers, but to work out differences between them, a Senate-House conference committee was formed. In the matter of

veterans issues, this is only the third such formal conference in the history of the two committees.

Similar proposals in the underlying bills being considered by this committee would authorize veterans in certain circumstances to receive their care by private providers at VA expense, even though the Governmental Accountability Office has testified before Congress that current law already authorizes VA to contract for veterans' care by private providers, providing a strong suggestion that this provision is not needed. Also in common in both bills are a number of proposed private entities, task forces, commissions and other appointed groups to examine various aspects of VA health care, including its outpatient scheduling and specialty referral practices, health care infrastructure and its planning, and VA health care management systems, with a requirement of the submission of rapid reports on such topics to both the VA Secretary and the Committees on Veterans' Affairs containing recommendations for reform. Both bills would grant the VA Secretary an expedited power to terminate or otherwise remove certain members of VA's Senior Executive Service, if such action were warranted in the view of the Secretary.

DAV has not taken a formal position on these bills, but along with 19 other veterans and military service organizations DAV made a number of recommendations to the conference committee on improving and perfecting a compromise bill that can pass the Congress and be approved by the President. This committee has been meeting for several weeks, but as of July 10, 2014, it had not resolved the differences in legislative language.

If, during our 2014 National Convention, we learn that the Committee has completed its work, I will provide the Convention additional information about the results of the Committee's efforts.

Key Meetings with Elected Officials

Congressional Roundtable held Concerning Appeals

On October 1, 2013, DAV was represented at a Congressional roundtable sponsored by the Chairman of the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs. In attendance were Chairman Jon Runyan, Ranking Member Dina Titus, and full Committee Chairman Jeff Miller.

The roundtable examined the VA appeals process, the backlog of appeals, and ways to make it more efficient. Other veterans service organizations were in attendance, as well as VA officials from the Board of Veterans' Appeals, the Veterans Benefits Administration, and the Court of Appeals for Veterans Claims. Some private attorneys were also present.

DAV is keeping a watchful eye to ensure that none of the suggestions that emerged during this discussion will diminish the rights of veterans to prosecute their

appeals. In fact, DAV called a meeting of the veterans service organizations, VA and the Hill to further discuss the reform of the appeals process. From that larger meeting, a workgroup has been established to develop possible solutions for improving the claims process.

On October 4, 2013, staff of the House Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs hosted an informal roundtable discussion with DAV and other veterans service organizations to discuss the government shutdown and the its impact on our local services.

DAV informed those in attendance that the early days of the shutdown left local VA Regional Offices in a state of confusion because of conflicting information being disseminated within VA. Specifically, reports of veterans being able to access certain VA Regional Offices, but not others, and exactly what VA Regional Office divisions would remain functional and who would or would not be furloughed during the shutdown remained unclear.

DAV assured the Subcommittee staff and those in attendance that DAV's solid contingency plan is fully in place to ensure our services and assistance to disabled veterans and their families who are not able to access VA Regional Offices during the shutdown will continue with as little interruption as possible. DAV National Service Officers, along with Transition, Chapter and Department Service Officers, would set up offices in alternate locations, including our Mobile Service Offices, and all locations will be made available through social media outlets and the DAV website.

Congressional Leadership Roundtable Held on Legislative Priorities

On November 19, DAV participated in a roundtable discussion with the House Democratic Leadership. During the meeting DAV discussed concerns about the then-still pending COLA legislation; the troubling hold-up of VA's community-based clinic leasing program; and, our highest legislative priority, the advance appropriations bill for all of VA's funding. Several other VSO representatives in attendance expressed concerns similar to ours.

On June 11, 2014, DAV participated in a Congressional roundtable with Minority Leader Pelosi and other members of the House Democratic Leadership on the ongoing crisis in VA health care, as well as a variety of matters affecting VA health and benefits programs and the needs of veterans.

These events, whether public or private, are extremely important because they provide DAV with an informal forum in which to present our issues to congressional leadership. I firmly believe that DAV's legislative program is a success because of our ability to sit down with leadership, discuss the issues and, along with other members of the veteran/military/family community, and thereby convince Congress of the importance of enacting our priorities into law.

Fiscal Year 2015 Independent Budget

DAV and our *Independent Budget* (IB) co-authors (AMVETS, Paralyzed Veterans of America, and Veterans of Foreign Wars of the United States) are calling for \$61.1 billion in VA Medical Care funding. For Medical and Prosthetic Research, the IB recommends a funding level of \$611 million. The IB recommends approximately \$2.9 billion for VA's General Operating Expenses. For total capital infrastructure programs and grants, the IB recommends \$3.9 billion, \$2.8 billion for major medical facility construction projects, \$831 million for minor construction projects, and \$298 million for VA grants to state veterans homes and state veterans cemeteries. DAV and its IB co-authors recommend a total discretionary funding level of \$72.9 billion in FY 2015.

More detail on our recommendations for both policy and budget matters can be found at www.independentbudget.org.

Fiscal Year 2015 Administration Budget

The Administration's proposed budget for next year calls for Congress to appropriate \$56 billion for VA medical care, including an assumption that VA will collect \$3.1 billion in first- and third-party payments from veterans, their health insurers and others. The Administration proposes an advance appropriation for FY 2016 in medical care of slightly less than \$62 billion. For VA's biomedical research program, the Administration is proposing \$589 million. In infrastructure, the Administration is proposing \$562 million for major medical facility construction, and \$495 million in minor construction funding. The General Operating Expenses (GOE) account would receive \$2.9 billion. The GOE appropriation supports all operations of VBA, as well as the Office of the Secretary and numerous other national VA staff offices.

The Administration's request totals \$68.4 billion across all discretionary accounts.

The FY 2015 budget and appropriations process is stalled as Congress predictably once again endlessly debates the acceptable size and scope of the federal government for next year. Whether VA receives its regular appropriation before October 1, 2014 (the beginning date of FY 2015) remains much in doubt.

Operation: Keep the Promise

As indicated earlier in my report to you, on Tuesday, February 25, 2014, during our Mid-Winter Conference, DAV launched Operation: Keep the Promise (OKTP), a comprehensive and coordinated rallying of veterans and supporters calling on Congress to fulfill our promises to the men and women who served. National Commander Joseph W. Johnston, DAV members, other veterans leaders and members of the House of Representatives and the Senate participated in a Capitol Hill press conference at the House Triangle across from the Cannon House Office Building. Commander Johnston and other speakers called on Congress to hold a vote on the Putting Veterans Funding First Act, legislation to provide advance appropriations for all VA programs, benefits and

services. Simultaneous with the rally, DAV activated our extensive social networks, including DAV's Facebook and Twitter followers, and DAV CAN members, to support our call to action using online tools made available on the DAV webpage.

The impact of OKTP was felt throughout the country through virtually all media and press outlets. DAV was able to place two national opinion pieces co-signed by Commander Johnston to promote OKTP and the need for enactment of advance appropriations: one in the *Wall Street Journal* and the other in the *Washington Times*. In addition to attending the OKTP rally and the Commander's testimony to a joint Congressional Hearing, DAV members visited over 300 Members of the House and Senate, calling on them to pass the Putting Veterans Funding First legislation.

DAV's message was further amplified through our grassroots networks during OKTP. There were over 2,000 YouTube views of DAV Commander Johnston's OKTP rally invitation. Over 4,000 people visited dav.org to learn about OKTP. DAV's coordinated grassroots campaign resulted in over 4,000 telephone calls and 6,000 email messages sent to Congress calling for the passage of the Putting Veterans Funding First Act. Finally, using a mix of paid and social media, OKTP reached over 800,000 people through our "thunderclap," over 3.5 million people through Facebook and Twitter, and had over 2.7 million total impressions on targeted websites across the country.

Although some significant institutional opposition resists extending advance appropriations, OKTP helped build additional Congressional and public support for passing the Putting Veterans Funding First legislation, hopefully before year's end.

DAV 2014 Mid-Winter Conference

The DAV Mid-Winter Conference held February 23-26, 2014, at the Crystal Gateway Marriott in Arlington, Virginia, was once again a great success, with historic attendance by our members and their families. During the conference, DAV's National Service and Legislative staffs presented key information on a variety of subjects of our concern to hundreds of DAV members from across the country. DAV members in attendance used that week to visit their elected representatives on Capitol Hill, to present DAV's most important national legislative priorities as well as their own issues of concern from their states and local congressional districts.

On Tuesday, February 26, 2014, the focal point of the conference was National Commander Joseph Johnston's presentation to a standing room-only joint session of the House and Senate Veterans' Affairs Committees, in the Cannon Conference Room in the House of Representatives. Commander Johnston did an excellent job in presenting DAV's agenda and our concerns for this year. The Commander's remarks were well received by the members of the Committees.

This Mid-Winter Conference experience is grassroots lobbying at its finest and most effective, and provides me and my staff the energy and ideas to conduct our work

in Washington, D.C. throughout the year. I congratulate and thank all our members who attended this year's highly successful DAV Mid-Winter Conference and encourage your attendance at the 2015 Mid-Winter Conference, February 22-25, 2015. Let all of us show our resolve to make the Administration, VA and Congress more responsive to the needs of our nations wounded, injured and ill veterans and their families and survivors

Conclusion

In the upcoming year, the Legislative Department will be dealing with the aftermath of the access-to-care crisis in VA health care, and as a representative of significant consumers of VA services across all programs, services, and benefits, DAV will remain highly influential in helping VA restore itself. Also, DAV will continue to lead the way in helping solve the complex problems that have plagued the VA benefits claims process, to ensure that all wounded, injured and ill veterans receive the full range of benefits they have earned through their service, and receive them in a timely manner. As indicated earlier, DAV is leading an initiative to reform the appeals process as well, because the chronic problems of the adjudication system pile up in veterans' appeals to the Board of Veterans' Appeals, and now BVA, too, is facing a daunting backlog with a much longer-term processing time to resolve appeals. Finally, we will continue to request adequate funding for all veterans programs and call upon Congress to use its oversight authority to ensure VA properly uses its funding to provide timely, quality services and benefits to those veterans wounded, injured or made ill by their honorable service, and to their caregivers, families and survivors.

In the year ahead, undoubtedly a number of new issues will arise, and we will face challenges to maintain the benefits wounded, injured and ill veterans have earned through their service to America. DAV stands ready to face these challenges head-on with the unwavering support and strength from, you, our membership. We need your active participation and dedication to help us achieve DAV's goals. We need you to Stand Up for Veterans. If we don't stand up for veterans, who will? If you haven't already done so, I strongly encourage all delegates at this National Convention, and your family members, to sign up and participate in the DAV Commander's Action Network (DAV CAN), easily found at the DAV website, www.dav.org. Signing up will ensure that you receive up-to-date alerts on important issues and can gain an easy opportunity to help us achieve success in Washington, D.C.

In closing, I want to thank all DAV and DAVA members for their contributions during this past year, and in particular the members of my staff in Washington. I call upon you to continue engaging with us in the National Service and Legislative Headquarters, with Congress, and the Administration in advancing our organizational mission of fulfilling our promises to the men and women who served.