

LEGISLATIVE HEARING ON VETERANS
HEALTHCARE LEGISLATION

HEARING
BEFORE THE
SUBCOMMITTEE ON HEALTH
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS

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LEGISLATIVE HEARING ON VETERANS HEALTHCARE LEGISLATION

THURSDAY, JUNE 26, 2008

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HEALTH,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:10 a.m., in Room 334, Cannon House Office Building, Hon. Michael Michaud [Chairman of the Subcommittee] presiding.

Present: Representatives Michaud, Berkley, and Salazar.

OPENING STATEMENT OF CHAIRMAN MICHAUD

Mr. MICHAUD. The hearing will now come to order. I apologize for the delay. With the July work period coming up, Members are in other Committees for markups.

But I would like to thank everyone for coming today. Today's legislative hearing is an opportunity for the veterans service organizations (VSOs), the U.S. Department of Veterans Affairs (VA), and other interested parties to provide their views on and discuss draft legislation within the Subcommittee's jurisdiction in a clear and orderly process.

I do not necessarily agree or disagree with the draft bills before us today, but I believe that this is an important part of the legislative process and encourage an open and frank discussion about the drafts before us today.

We have four drafts before us today. The first draft bill would expand VA's authority to provide mental health treatment for family members.

The second draft bill would prohibit the collection of copayments from catastrophically disabled veterans.

The third draft would authorize nonprofit research and education corporations in the Department of Veterans Affairs.

And the fourth draft would establish seven consolidated patient accounting centers to facilitate third-party collection in the Department of Veterans Affairs.

I understand that the fourth draft I mentioned was not ready until yesterday, so I do not expect our witnesses to have prepared statements on this bill. We would, however, appreciate if the witnesses could provide their views on this bill for the record.

And I look forward to hearing the views of our witnesses on the draft legislation before us.

[The prepared statement of Chairman Michaud appears on p. 13.]

Without any further ado, why don't we start? We have two witnesses on our first panel, Carl Blake, who is the National Legislative Director of Paralyzed Veterans of America (PVA), and Christopher Needham, who is the Senior Legislative Associate for the Veterans of Foreign Wars of the United States (VFW).

So I want to thank both of you for coming here today and we will start with Mr. Blake.

STATEMENTS OF CARL BLAKE, NATIONAL LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA; AND CHRISTOPHER NEEDHAM, SENIOR LEGISLATIVE ASSOCIATE, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF CARL BLAKE

Mr. BLAKE. Thank you, Mr. Chairman.

On behalf of Paralyzed Veterans of America, I would like to thank you for the opportunity to testify today on the draft legislation.

As you mentioned, we will be happy to submit additional comments on the bill that came out last night.

In accordance with the recommendations of the *Independent Budget* for fiscal year 2009, PVA strongly supports the draft legislation that would prohibit the VA from collecting certain copayments from veterans who are catastrophically disabled. This issue has the greatest impact on PVA members.

The current VA healthcare system allows veterans who have a nonservice-connected catastrophic disability, such as spinal cord injury, and who have incomes above median tested levels to enroll in Priority Group 4. Congress granted these catastrophically disabled veterans this higher priority for healthcare enrollment because of the unique nature of their complex disabilities and in recognition of the specialized services that only the VA healthcare system can provide.

However, being enrolled in Priority Group 4 does not necessarily exempt PVA members and other catastrophically disabled veterans from the burden copayments impose. Those PVA members with nonservice-connected disabilities, who because of their incomes, would otherwise be classified a Priority Group 7 or 8 can be enrolled in Priority Group 4 but are still subject to the copayments associated with 7s and 8s.

PVA members go to the VA because there is no other system in the country that provides the level and quality of spinal cord injury care offered by the VA. Because of the nature of their disability, they require a host of pharmaceuticals, equipment, devices, and supplies to function on a daily basis.

The hardship created by a catastrophic injury or disease is unique and devastating to the veteran and the family who may be responsible for his or her care. At a time when the veteran is in need of specialized assistance to regain some independence and quality of life, the financial burden of medical bills should be lifted.

PVA also strongly supports the "Veterans Nonprofit Research and Education Corporations Enhancement Act." The purpose of this legislation is to modernize and clarify the existing statutory

authority for VA affiliated, nonprofit research and education corporations or NPCs.

This bill will allow the NPCs to fulfill their full potential in supporting VA research and education, which ultimately results in improved treatment and high-quality care for veterans while ensuring VA and Congressional competence in NPC management.

PVA has been a strong supporter of the NPCs since their inception, recognizing that they benefit veterans by increasing the resources available to support the VA research program and to educate VA healthcare professionals.

We urge expeditious passage of this bill so that veterans may benefit even more from the enhancements in operational capabilities and oversight that this bill provides.

Chairman Michaud, Ms. Berkley, again I would like to thank you for the opportunity to testify. I look forward to working with you and the Subcommittee to see that these bills get moved forward. And I would be happy to answer any questions that you might have.

Thank you.

[The prepared statement of Mr. Blake appears on p. 14.]

Mr. MICHAUD. Thank you, Mr. Blake.

Mr. Needham.

STATEMENT OF CHRISTOPHER NEEDHAM

Mr. NEEDHAM. Chairman Michaud, Members of the Subcommittee, thank you for the opportunity to testify today. The 2.3 million members of the Veterans of Foreign Wars appreciate the chance to comment on the important draft bills under consideration.

The first draft would exempt catastrophically disabled veterans in Priority 4 from having to pay copayments for their healthcare. The VFW strongly supports this.

The voting delegates to our National Convention have approved Resolution Number 639, which calls for this exemption.

These veterans have a long list of specialized needs and VA is uniquely suited to care for them. With their ability to work impaired, they often lack other forms of health insurance as well as the financial means to pay for the intensive care they require.

The VA confers a special status on them by enhancing their enrollment to protect their eligibility for care, but VA fails to acknowledge this status when it comes to charging copayments.

With special care copayments at \$50.00 per visit, it does not take too long before these men and women are suffering financial burdens of hundreds of dollars.

Approving this bill is the right thing to do as it eliminates an unfair financial penalty on a group of veterans who truly demonstrate need.

A second draft bill would expand family access to counseling services, closing a loophole in the law, which prevents many families, especially those of Operation Enduring Freedom/Operation Iraqi Freedom (OEF/OIF) veterans, from receiving care.

Under current law, which was written before the current conflicts began, VA is authorized to provide counseling and aid to families of veterans who lack a diagnosis of service connection only if

the counseling begins while the veteran is hospitalized. The proposed changes of this bill would strike that requirement, freeing up VA to provide a broader range of services to more men and women and the families of those men and women.

These families might not have access to VA's counseling services because they are waiting months for VA to provide a claims rating decision for their loved one or perhaps the veteran has not yet filed for benefits despite suffering from some illness or condition.

The need for these expanded services is clear, but the prevalence of mental health issues among OEF/OIF veterans and the importance of a safe, stable family life for their recovery, these services are essential.

From marital counseling to assistance with helping their loved one deal with the sometimes difficult transition, the range of services VA can provide would be of great benefit to the families of any recently separated servicemember.

But it is also important because these stresses and strains affect not just the veteran, but the families as well. The pain and emotions involved can be difficult and studies have shown increasing numbers of servicemembers and their families are facing marital difficulties and divorce.

Expanding these services to more people would make a positive difference in the lives of our veterans and is the right thing to do for their families, who in their own way make a valuable contribution to the war effort.

The third bill under consideration today involves VA's nonprofit research corporations. NPCs help VA conduct research and education and they assist with fund raising, especially from public and private services that VA otherwise would not have access to.

The changes proposed by this bill would ultimately make more funds available for critical research purposes while tightening up control and oversight of the program in accordance with the recent VA Inspector General report.

We believe that these changes would greatly benefit the VA's research programs and America's veterans and we are pleased to offer our support for it.

Mr. Chairman, this concludes my testimony, and I would be happy to answer any questions you or the Members of the Subcommittee may have.

[The prepared statement of Mr. Needham appears on p. 16.]

Mr. MICHAUD. Thank you both for your testimony.

Talking about looking at the mental health services bill, the repeated deployment of our veterans in OIF and OEF have created enormous strains on their families.

What types of services do you think family members need most? We will start with Mr. Needham.

Mr. NEEDHAM. Well, certainly as I said in the statement, divorce has become sort of an increasing problem. So marital counseling, sort of family counseling issues sort of dealing with the transition. How it affects the children as well.

For example, when you were speaking of repeated deployments, there was testimony earlier before the Committee that talked about how repeated deployments sort of increases, greatly increases the

chance of post traumatic stress disorder (PTSD). And obviously PTSD is going to affect not just the veteran but that family.

So family and marital counseling are definitely one of the key things that needs to be done.

Mr. MICHAUD. Mr. Blake.

Mr. BLAKE. I would also suggest, Mr. Chairman, that some of the problems that the family members, spouses, and dependents or children face are not unlike some of the symptoms that many of the veterans have as it relates to PTSD or other mental health conditions.

Families certainly deal with depression because of the strains that the soldiers' or the veterans' condition may place on the family and other types of symptoms that relate to that.

I think there has been a lot of discussion about—I hate to say suicidal tendencies, but, you know, suicidal thoughts among veterans, and I do not think that that would necessarily be unique to veterans. I think you also find that when the burden of these mental health issues are weighed on the family that probably similar symptoms occur within the family members as well.

I would also encourage the Subcommittee to look at, we have advocated for expanded caregiver assistance training for family members or even for nonfamily members who provide caregiver assistance to the most disabled veterans because we are finding that in many cases, particularly among the most severely disabled veterans, their family becomes their caregiver.

And I think through some sort of caregiver assistance program, they may be reimbursed as a caregiver, that we could also benefit these families.

Mr. MICHAUD. And as you both know, PTSD and traumatic brain injury are the signature wounds of this war. Looking at the length of the war and what we are seeing, do you think the VA will need additional resources, funding, or personnel to execute this legislation and how much of an increase do you think they will need?

Mr. NEEDHAM. I am not sure I can quantify the increase, but I think that the specific place where, at least the VFW has seen a dramatic need for increase in personnel is at the Vet Centers, particularly with the expansion of this family bill.

If the number of family members who are going to receive care, and they primarily receive it through Vet Centers, is going to be increased, then personnel at the Vet Centers is going to increase as well.

What we have seen, at least so far, is that Vet Centers for the most part are managing sort of with current staff levels. Certainly there are some cases where, you know, there are problems, but we have not necessarily seen any sort of long-term waiting lines.

But as services continue to expand, whether, you know, expansion of their current obligations, but also sort of as more and more numbers of returning servicemembers and their families actually access the current benefits afforded to them, the staff members are going to need to increase there as well.

Mr. MICHAUD. Ms. Berkley, have any questions.

Ms. BERKLEY. Yes, I do. Thank you. Actually, I have a written statement and then questions, if that is okay.

Ms. BERKLEY. I know that Mr. Hare has been very concerned, as you know, and has been on the forefront of fighting for veterans' mental health needs and additional funding and access.

Since he is not here, if I could ask a question on his behalf, and I think I would like to address it to Mr. Needham, but you are both welcome to answer it.

In regards to OEF/OIF veterans who can receive care for up to 5 years, current law says that the VA may provide necessary family mental services.

What would your thoughts be on changing this language to shall instead of may?

Mr. NEEDHAM. That is certainly an interesting possibility. I do not think we would necessarily or obviously I do not think we would oppose it.

The catch is, I think, the current system, the way it is now, the current language can work with proper oversight. I mean, certainly, you know, VA, I think, by and large has done a pretty good job lately with mental healthcare issues. But as you are well aware, in some cases, we have had to sort of drag them kicking and screaming.

But as long as we have sort of proper oversight and continued oversight and continued leadership within VA to tackle these issues, I think finally now we realize the scope of the problems, then a change in the language might not be necessary.

Ms. BERKLEY. Okay. Thank you for your candid remark.

OPENING STATEMENT OF HON. SHELLEY BERKLEY

Ms. BERKLEY. I was absolutely delighted to learn a few weeks ago that the Senate passed S. 2162, the "Veterans Mental Health Improvement Act." I introduced a House companion to this bill.

This essential legislation increases research on post traumatic stress disorder and substance use disorders by establishing at least six National Centers of Excellence on PTSD and substance use disorders. The bill is designed to focus on how PTSD and substance use disorders affect each other.

These centers will offer comprehensive inpatient and residential treatment programs for our returning veterans diagnosed with PTSD and substance dependency.

This bill also contains a provision to provide for a review of all residential mental health facilities and to honor Justin Bailey. And I appreciate Mr. Michaud's help with that.

These provisions, which were also passed by the House in H.R. 5554, "The Justin Bailey Substance Use Disorders Treatment And Prevention Action," are vital to ensure that our veterans receive quality care at these residential mental health facilities and to make sure that what happened to Justin does not happen to anyone else.

And I can tell you in a conversation with Justin's father after the bill passed the House, there was not a dry eye in my office. He was so pleased and honored that his son's death may prevent the death of others. And that was very important to this family.

The Senate amended S. 2162 to include a number of provisions to make it a package bill. Some other initiatives in the Senate package include establishing Epilepsy Centers of Excellence, reim-

bursements for veterans receiving emergency treatment in non-VA facilities, homeless veterans' issues, as well as providing counseling for families of veterans for nonservice-connected issues.

This is a similar provision to one of the draft bills we are discussing today. I am hopeful that the House and the Senate will work together and get this important package to the President. And I, of course, needless to say, although this is a very supportive Committee and a wonderful Subcommittee Chairman, we are all going to support this, I am sure.

Soon it will be 4th of July and we will all be home. Every 4th of July, I go to our homeless veterans' shelter and help feed our homeless veterans and talk with them. So many of these homeless vets and mostly, at least in Las Vegas, Vietnam era veterans, so they are my contemporaries. While I was in college, they were in Vietnam. I am always amazed at how intelligent, how forthright, and how conversational they are. And I keep thinking if not for the grace of God go I.

And I am very happy that this Committee, and this Nation, appreciate the needs of the veterans coming home and that they are not, or at least intentionally, being treated the way our veterans coming home from Vietnam were treated. I think it created a lasting schism in this country and created unnecessary pain for thousands and thousands of young men that were in Vietnam through no choice of their own and came home badly damaged. And this Nation failed to recognize the damage emotionally, mentally. And I am hoping that we can make it up to our Vietnam vets by helping the veterans that are coming back now.

And thank you both for the extraordinary efforts that you have put forth to make sure that we are aware of the issues.

Thank you.

[The prepared statement of Congresswoman Berkley appears on p. 13.]

Mr. MICHAUD. Mr. Salazar.

Mr. SALAZAR. Well, thank you, Mr. Chairman.

I just briefly wanted to thank you for your work on veterans' issues, both of you.

I came in a little bit late. Did we discuss the bill that is actually introduced by Mr. Buyer to consolidate patient accounting centers?

Mr. BLAKE. Mr. Salazar, we did not actually get the bill until late last night, so we have not really had a chance to review it. But I think and Mr. Needham also said that we would be glad to submit some comments after we have a chance to review the bill.

Mr. SALAZAR. Okay. I just wanted your reaction to it. I do not know whether the bureaucracy is actually more simplified by doing this or if it becomes more cumbersome.

I would really appreciate it if you could review that and take a look at it and give us an answer. Thank you.

Thank you, Mr. Chairman.

Mr. MICHAUD. Thank you very much, Mr. Salazar.

I want to thank both of you once again for coming today. I look forward to your written comments on Mr. Buyer's draft proposal when it comes out. So, once again, thank you very much. I appreciate it.

I would like to now hear from the second panel, Dr. Cross, who is the Principal Deputy Under Secretary for Health, who is accompanied by Walter Hall, who is the Assistant General Counsel to the Department of Veterans Affairs, and Gary Baker, who is the Chief Business Officer for the Veterans Health Administration (VHA).

I want to welcome you three and look forward to hearing your comments. And without further ado, Dr. Cross.

STATEMENT OF GERALD M. CROSS, M.D., FAAFP, PRINCIPAL DEPUTY UNDER SECRETARY FOR HEALTH, VETERANS HEALTH ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY WALTER A. HALL, ASSISTANT GENERAL COUNSEL; AND GARY M. BAKER, CHIEF BUSINESS OFFICER, VETERANS HEALTH ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS

Dr. CROSS. Good morning, Mr. Chairman and Members of the Subcommittee, and thank you for inviting me here today to present the administration views on several bills that would affect the Department of Veterans Affairs programs that provide healthcare benefits and services.

With me today are Walter Hall, Assistant General Counsel, and Gary Baker, Chief Business Officer of the VHA.

I am pleased to provide the Department's views on the draft bills under consideration.

Discussion draft one would amend current law to exempt catastrophically disabled, nonservice-connected veterans and zero percent service-connected veterans whose incomes place them in a copayment required status for VA inpatient and outpatient care.

We recognize that the draft bill is intended to address any disproportionate financial burden that falls on these seriously ill and disabled veterans. Because their catastrophic disabilities are not service connected and because their incomes exceed VA's mean test for low-income veterans, they are not exempt from copayment requirements.

We share the Subcommittee's concern that these severely disabled veterans not be subject to any undue financial burden as a result of the copayment obligations. However, we are still in the process of ascertaining these veterans' hospital and outpatient utilization rates and copayments.

VA has not previously reported amounts and ranges of copayments by enrollment category. Once we collect and analyze all the necessary data, we will come back to the Subcommittee with a recommendation as to the need for this legislation. And until then, we request that the Subcommittee refrain from taking action on this draft bill.

Discussion draft two would amend VA's authority to furnish counseling, training, and mental health services to immediate family members of veterans receiving VA treatment for a nonservice-connected disability.

Currently all enrolled veterans other than those receiving outpatient care for nonservice-connected disabilities are eligible for these family support services to the extent they are necessary to the veteran's treatment.

Veterans being treated for nonservice-connected disabilities are only eligible for these family support services when they are initiated during the veteran's hospitalization. The draft bill would make this group of veterans eligible for needed family support services similar to other veterans.

VA supports this bill. An enrolled veteran is eligible for any needed medical treatment regardless of whether the condition is service connected and consistent with this principle that family support services should be based on the medical needs, not on inpatient status or the service connection designation.

Importantly, these amendments could improve the treatment outcomes for the affected groups of veterans. We are still developing costs for this draft bill and we will submit them for the record as soon as possible.

Discussion draft three would update the law applicable to VA's nonprofit research and education corporations. VA affiliated nonprofit research corporations are important to VA's overall research program because they provide flexible funding mechanisms for the administration of non-VA funds for the conduct of VA approved research.

A provision of the discussion draft three would authorize a single corporation, nonprofit corporation to facilitate the conduct of research and education at more than one VA Medical Center.

It would also make it clear that corporations may reimburse a VA laboratory for the preliminary cost it incurs before a research project has officially been approved by the Secretary.

VA would also be authorized to reimburse corporations for costs incurred for the assignment of corporation employees to VA under "Intergovernmental Personnel Act 1970."

Additionally, this draft bill would clarify that corporations may set fees for certain education and training programs they administer and retain those funds to offset program expenses.

We support the provision of the draft bill that would authorize the establishment of new multi-center, nonprofit research corporations and the consolidation of existing single-facility, nonprofit corporations into multi-facility ones. This offers the prospect of nonprofit corporation assistance in funding research projects to VA Medical Centers that are unable to support their own dedicated corporation.

This provision would also provide the system with the tools needed to consolidate or close nonprofit corporations that are too small to institute proper internal controls without the loss of the funding support for VA research and education programs that the corporation provides.

By requiring the Directors at all Medical Centers supported by a nonprofit corporation to sit on its Board of Directors, the provision provides this beneficial increased flexibility without sacrificing VA oversight.

With respect to the draft bill's remaining provisions, we ask the Subcommittee to defer further action on this draft bill in order to give the Department an opportunity to address underlying structural issues and to formulate policy related to the governance and finance of the VA affiliated nonprofit research corporations.

Specifically a Steering Committee, a Steering Committee has been chartered by the VHA Office of Research and Development to provide recommendations regarding governance, oversight, and finance issues related to the corporations by the end of the fiscal year.

We will be happy to provide you with a copy of the final report and recommendations.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions.

[The prepared statement of Dr. Cross appears on p. 18.]

Mr. MICHAUD. Thank you very much, Dr. Cross.

Dealing with the copayment issue, I know you are reviewing that as far as number of veterans in Priority Group 4. When will the report be complete dealing with Priority Group 4 veterans?

Dr. CROSS. With the catastrophic provisions.

Mr. MICHAUD. Yes.

Dr. CROSS. Our analysis on that is trying to do a better job of understanding what the individual veterans are experiencing with this program. We have average figures and we have some figures that we are not quite comfortable with yet that are preliminary, that we are still refining.

I would really like to know what the spectrum of those costs are for veterans and what other sources of care and support that they have in terms of insurance and other assistance they receive based on higher income.

Until we get that information, which I hope we can get toward the end of next week, and we will provide that for you.

[As of January 12, 2009, the VA failed to provide the administration views on the two bills.]

Mr. MICHAUD. Okay. Great. Looking at the mental health service for families, does the VA currently provide any of these counseling, training, or mental health services for family members outside of the Vet Centers?

Dr. CROSS. Yes, we do. These services are provided for the service-connected individuals and for the nonservice connected for inpatients where necessary in conjunction with the veteran's own treatment.

This is really directed at helping the family understand and deal with and respond to the veteran's needs and whatever the illness or injury that the veteran has sustained. And we are doing that now.

Mr. MICHAUD. Do you expect that the workload is going to increase and, if so, by how much and would you need additional staffing and resources to take care of the additional workload?

Dr. CROSS. I believe in our testimony we mentioned that we are still working on some of the data related to cost. But we think this is part of our mission to provide this.

And, furthermore, the rule that makes it necessary to start the process only if the person is an inpatient does not really respond to the current way that we do medical care.

So much more is being done for outpatients these days. Procedures that used to be done as inpatient are commonly done as outpatient circumstances. We need to move with the times and be able

to provide that support for families without getting tangled up by that rule.

Mr. MICHAUD. And my only concern is with what is happening in Iraq and Afghanistan and what we are seeing. And I agree that family members is a big component of taking care of the veterans. If you open up access in rural areas to include the family members, which I think is extremely important, then that is going to add an additional burden on the VA.

And my concern is that I want to make sure that the VA has the staffing that it needs to take care of the men and women that need help. And when you look at the healthcare shortage, particularly in the mental health area, that could be problematic.

Dr. CROSS. Mr. Chairman, I think it is important that we clarify the limits on what this would really provide us. I will ask my associate, Mr. Hall.

Mr. HALL. Yes, sir. This authority would be limited to providing training and counseling necessary to permit the family to assist or aid the veteran in his treatment. It does not authorize the Department to independently care for the family members.

Mr. MICHAUD. But in that training and assistance, my concern is if you are going to do it, that you do it adequately and in a timely manner.

Will there be additional staffing needs for that? Doctor are you are saying you can do it within existing resources?

Dr. CROSS. We are doing much of it with existing resources already. Plus we have expanded our mental health staffing quite a bit. In fact, tremendously. But as I said in my statement, we still need to look at the resource and cost issues just a bit more.

Mr. MICHAUD. Okay. My last question is on the research provision. The Senate companion bill, S. 2926, has a provision that would authorize the nonprofit corporations to reimburse the VA Office of General Counsel for specialized legal services in regards to review and approval of certain research agreements.

Is this provision necessary and, if so, can you explain why that provision is necessary?

Dr. CROSS. I will defer to Mr. Hall for that.

Mr. HALL. Sir, we are currently providing those services to the research corporations. I think the research corporations are continuously increasing the amount of work they do, the number of agreements that they are entering into, and it is the responsibility of the Office of General Counsel to review those.

I think there is a concern with the attention they get and the speed with which we are able to address them. We are able to at this time to get to them all. I think there is always some concern that we could do them more quickly with more resources.

Mr. MICHAUD. Thank you.

Ms. Berkley.

Ms. BERKLEY. I just want to thank all of you for being here, and I have no additional questions.

Mr. MICHAUD. Mr. Salazar.

Okay. Once again, I want to thank you, Dr. Cross, and Mr. Baker and Mr. Hall for accompanying Dr. Cross, and for coming here this morning. We look forward to working with you as we move forward on these draft proposals.

Does the Counsel for the Minority side have any questions?
If there are no further questions, this hearing is adjourned.
Thank you.
[Whereupon, at 10:46 a.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Hon. Michael H. Michaud, Chairman, Subcommittee on Health

I would like to thank everyone for coming today.

Today's legislative hearing is an opportunity for the VSOs, the VA and other interested parties to provide their views on and discuss draft legislation within the Subcommittee's jurisdiction in a clear and orderly process.

I do not necessarily agree or disagree with the draft bills before us today, but I believe that this is an important part of the legislative process that will encourage frank discussions and new ideas.

We have four draft bills before us today. These draft bills:

- Expand VA's authority to provide mental health treatment for family members
- Prohibit the collection of copayments from catastrophically disabled veterans
- Authorize non-profit research and education corporations in the Department of Veterans Affairs
- Establish seven "Consolidated Patient Accounting Centers" to facilitate 3rd party collections in the Department of Veterans Affairs

I understand that the fourth bill that I mentioned (on the establishment of Consolidated Patient Accounting Centers) was not ready until yesterday and I do not expect our witnesses to have prepared statements on this bill. We would, however, appreciate it if the witnesses would provide their views on this bill for the record.

I look forward to hearing the views of our witnesses on the draft legislation before us.

Prepared Statement of Hon. Shelley Berkeley, a Representative in Congress from the State of Nevada

Mr. Chairman,

I am pleased to know that a few weeks ago the Senate passed S. 2162, the Veterans Mental Health Improvements Act. I introduced a House companion to this bill, H.R. 4053. This essential legislation increases research on post-traumatic stress disorder (PTSD) and substance use disorders.

By establishing at least six national centers of excellence on PTSD and substance use disorders, the bill is designed to focus on how PTSD and substance use disorders affect each other. These centers will offer comprehensive inpatient and residential treatment programs for our returning heroes diagnosed with PTSD and substance dependency.

This bill also contains a provision to provide for a review of all residential mental health facilities and to honor Justin Bailey. These provisions which were also passed by the House in H.R. 5554, the Justin Bailey Substance Use Disorders Treatment and Prevention Act, are vital to ensure that our veterans receive quality care at these residential mental health facilities and to make sure that what happened to Justin does not happen to anyone else.

The Senate amended S. 2162 to include a number of provisions to make it a package bill. Some other initiatives in the Senate package include establishing epilepsy centers of excellence, reimbursements for veterans receiving emergency treatment in non-VA facilities, homeless veteran issues, as well as providing counseling for families of veterans for non-service connected issues. This is a similar provision to one of the draft bills we are discussing today.

I am hopeful that the House and the Senate will work together to get this important package to the President and I encourage Members of the Committee to support this initiative.

**Prepared Statement of Hon. John T. Salazar,
a Representative in Congress from the State of Colorado**

Thank you Mr. Chairman,
My district has one of the largest veteran populations in the state of Colorado. Rural health care, homelessness, improving research are constant priorities. I am interested in hearing the discussion on the mental healthcare for families. As a veteran I know the impact that military service has on families. Long deployments have also been hurting families in rural districts like mine where many people are farmers and small business owners. It is important that we address the total impact that extended tours are having on our servicemen and women. I also look forward to reviewing how we can better support research. Veterans deserve research that is prepared for tomorrow's challenges. Mr. Chairman, I thank you for the opportunity to discuss these bills and make sure that they serve the many unique needs of our veterans. It is an honor to serve the heroes that have served our Nation.

**Prepared Statement of Carl Blake,
National Legislative Director, Paralyzed Veterans of America**

Chairman Michaud, Ranking Member Miller, Members of the Subcommittee, on behalf of Paralyzed Veterans of America (PVA) I would like to thank you for the opportunity to testify today on the proposed legislation that is meant to enhance the health care services available to veterans. We appreciate the efforts of this Subcommittee to address the varying needs of the men and women who are currently serving in the War on Terror as well as those men and women who served during past conflicts.

Prohibition of Co-payments for Catastrophically Disabled Veterans

In accordance with the recommendations of *The Independent Budget* for FY 2009, PVA strongly supports the draft legislation that would prohibit the Department of Veterans Affairs (VA) from collecting certain copayments from veterans who are catastrophically disabled. This issue has the greatest impact on PVA members. The current VA health care system allows veterans who have a non-service connected catastrophic disability, such as spinal cord injury, and who have incomes above means tested levels to enroll in Priority Group 4. Because of their designation as catastrophically disabled any PVA members not eligible for health care in Priority Group 1 can enroll in the system in Priority Group 4. Congress granted these catastrophically disabled veterans this higher priority for health care enrollment because of the unique nature of their complex disabilities and in recognition of the specialized services that only the VA health care system can provide.

However, being enrolled in Priority Group 4 does not necessarily exempt PVA members and other catastrophically disabled veterans from the burden copayments impose. Those PVA members with non-service connected disabilities, who because of their incomes would otherwise be classified as Priority Group 7 or 8, can be enrolled in Priority Group 4 but are still subject to Priority Group 7 or 8 copayments. PVA members go to the VA because there is no other system in the country that provides the level and quality of spinal cord injury care. Over 80 percent of our members use the VA for all or part of their care. Because of the nature of their disabilities they require a host of pharmaceuticals, equipment, devices and supplies to function on a daily basis. As stated in *The Independent Budget* for FY 2009:

The hardship [created] by a catastrophic injury or disease is unique and devastating to the veteran and the family who may be responsible for his or her care. At a time when the veteran is in need of specialized assistance to regain some independence and quality of life, the financial burden of medical bills should be lifted. Any veteran determined by VA to be catastrophically disabled and placed in the priority group 4 should be afforded the same benefits as if rated as entitled to Aid & Attendance to eliminate medical/prescription co-pays and provide assistance with travel for that care.

PVA looks forward to working with the Subcommittee to ensure that those veterans who are already struggling with the hardships associated with a catastrophic

disability are relieved of this additional burden. We believe that it is simply the right thing to do.

Counseling for Family Members of Veterans Receiving Non-Service Connected Treatment

The proposed legislation would expand the authority of the VA to provide counseling for family members of veterans receiving non-service connected medical treatment. Currently, the VA provides consultation, counseling and training to family members of veterans being treated by the VA for a service-connected disability when those services for the family members support the veteran's treatment.

Likewise, the VA is authorized to provide consultation, counseling and training for a veteran's family, if the veteran has a non-service connected disability as long as the veteran is receiving hospital care and the services were initiated during the veteran's hospitalization and if their continuation on an outpatient basis is essential to permit the discharge of the veteran from the hospital. The proposed legislation would eliminate the criteria for hospital care and expand the authority of the VA to provide these essential services to family members.

PVA supports this proposal. We have, along with the co-authors of *The Independent Budget*, called for continued support for family services to benefit the spouses and dependents who are dealing with the struggles faced by the veteran. However, it is imperative that adequate resources be devoted to these family support services if Congress chooses to expand this authority.

The "Veterans Nonprofit Research and Education Corporations Enhancement Act"

PVA strongly supports the "Veterans Nonprofit Research and Education Corporations Enhancement Act." The purpose of this legislation is to modernize and clarify the existing statutory authority for VA-affiliated nonprofit research and education corporations (NPCs). This bill will allow the NPCs to fulfill their full potential in supporting VA research and education, which ultimately results in improved treatments and high quality care for veterans, while ensuring VA and congressional confidence in NPC management.

Since passage of P.L. 100-322 in 1988 (codified at 38 U.S.C. § 7361-7368), the NPCs have served as an effective "flexible funding mechanism for the conduct of approved research and education" performed at VA medical centers across the Nation. NPCs provide VA medical centers with the advantages of on-site administration of research by nonprofit organizations entirely dedicated to serving VA researchers and educators, but with the reassurance of VA oversight and regulation. During 2007, 84 NPCs received nearly \$230 million and expended funds on behalf of approximately 5,000 research and education programs, all of which are subject to VA approval and are conducted in accordance with VA requirements.

NPCs provide a full range of on-site research support services to VA investigators, including assistance preparing and submitting their research proposals; hiring lab technicians and study coordinators to work on projects; procuring supplies and equipment; monitoring the VA approvals; and a host of other services so the principal investigators can focus on their research and their veteran patients.

Beyond administering research projects and education activities, when funds permit, these nonprofits also support a variety of VA research infrastructure expenses. For example, NPCs have renovated labs, purchased major pieces of equipment, staffed animal care facilities, funded recruitment of clinician-researchers, provided seed and bridge funding for investigators, and paid for training for compliance personnel.

Although the authors of the original statute were remarkably successful in crafting a unique authority for VA medical centers, differing interpretations of the wording and the intent of Congress, gaps in NPC authorities that curtail their ability to fully support VA research and education, and evolution of VA health care delivery systems have made revision of the statute increasingly necessary in recent years. This legislation contains revisions that will resolve all of these and will allow the NPCs to better serve VA research and education programs while maintaining the high degree of oversight applied to these nonprofits.

The legislation reinforces the idea of "multi-medical center research corporations" which provides for voluntary sharing of one NPC among two or more VA medical centers, while still preserving their fundamental nature as medical center-based organizations. Moreover, accountability will be ensured by requiring that at a minimum, the medical center director from each facility must serve on the NPC board. This authority will allow smaller NPCs to pool their administrative resources and

to improve their ability to achieve the level of internal controls now required of non-profit organizations.

The legislation also clarifies the legal status of the NPCs as private sector, tax exempt organizations, subject to VA oversight and regulation. It also modernizes NPC funds acceptance and retention authorities as well as the ethics requirements applicable to officers, directors and employees and the qualifications for board membership. Moreover, it clarifies and broadens the VA's authority to guide expenditures.

We would urge the Subcommittee to reconsider one substantive change that the Subcommittee's draft bill makes to its Senate companion, S. 2926. That is, deletion of the provision that would authorize the NPCs to reimburse the VA Office of General Counsel for specialized legal services in regard to review and approval of certain research agreements. While we would agree that the VA Office of General Counsel is obligated and funded to provide these services, the funds generated by these reimbursements would provide it with additional training and staffing resources to meet the high demand for these services which we understand may be obtained exclusively from VA attorneys. We also understand that the foundations are in favor of making these reimbursements and that because in most cases the cost may be passed through to sponsors in the form of a legal review fee, there would be little or no impact on the funding available for the conduct of the research itself. In our view, this reimbursement authority would be appropriate and PVA would concur with adding the necessary provisions to the Subcommittee's discussion draft.

PVA has been a strong supporter of the NPCs since their inception, recognizing that they benefit veterans by increasing the resources available to support the VA research program and to educate VA health care professionals. We urge expeditious passage of this proposed bill so that veterans may benefit even more from the enhancements in operational capabilities and oversight that this bill provides.

Chairman Michaud and Ranking Member Miller, we appreciate the emphasis you have placed on providing for the needs of the men and women who have served and continue to serve in harm's way. We look forward to working with you to ensure that the best quality health care services are made available to them.

Thank you again for the opportunity to testify. I would be happy to answer any questions that you might have.

**Prepared Statement of Christopher Needham,
Senior Legislative Associate, National Legislative Service,
Veterans of Foreign Wars of the United States**

Mr. Chairman and Members of the Subcommittee:

On behalf of the 2.3 million men and women of the Veterans of Foreign Wars of the U.S. (VFW) and our Auxiliaries, I would like to thank you for the opportunity to provide our views on the draft bills under consideration at today's hearing. All three would make meaningful changes in the law, improving the quality of health care this Nation's veterans receive at the Department of Veterans Affairs (VA). We urge quick passage of all three.

Draft Bill, Family Counseling

The VFW is pleased to support this legislation, which would expand the counseling services that VA provides to family members of sick and disabled servicemembers.

Currently, VA provides limited services to family members, under certain circumstances. This bill would strike two of the requirements for veterans not yet rated as service-connected—that the family members begin counseling while the veteran is still hospitalized, and that the services are necessary for the veteran to adjust outside the hospital. Striking these two requirements would greatly expand the range of services VA could provide, and would be of great benefit to veterans, especially those returning from the front lines of Iraq and Afghanistan.

This section of the law was crafted before the current conflicts began, and it needs to be updated to reflect the changes in the needs of veterans. In the case of a returning servicemember who is in need of care, many are not rated as service connected because either they have not yet applied for benefits, or because of the length of time it takes VA to produce a decision on a claim. This same veteran may also not be hospitalized for their condition, instead receiving limited outpatient treatments. In both cases, the support VA can provide to the veteran's family is limited.

We have seen with this conflict—especially with mental health issues—that families are at the forefront of providing care and easing the servicemember’s transition back into civilian life. Their spouses and loved ones can provide a safe, stable and supportive network, and their involvement can only improve the effectiveness of the treatment that veterans receive.

Beyond that, the stresses and strains of frequent deployments and the transition period affect families as well. The impact of the conflict extends beyond the deserts of Iraq and mountains of Afghanistan, right into each family’s front door. Numerous studies have shown that increasing numbers of separating servicemembers are facing marital problems and difficulties at home, at a time when the stability of family is often so essential.

Expanding the range of services we provide to the families of our veterans is the right thing to do for all. This bill would make a meaningful difference in the lives of thousands of men and women, and we urge its quick passage.

Draft Bill, Eliminating Co-Payments for Catastrophically Disabled Veterans

The VFW is happy to offer our strong support for this draft legislation, which would exempt catastrophically disabled veterans in enrollment priority category four from having to pay hospital or nursing home copayments. This bill is clearly the right thing to do as it eliminates an unfair financial penalty on a group of veterans who demonstrate true need.

These catastrophically disabled veterans were placed in category four to protect their enrollment status. This group of veterans has a long list of special needs, many of which VA is uniquely suited to address. For great numbers of them, VA is their safety net. With their inability to work, they often lack other forms of health care insurance, but also the financial means to pay for the intensive health care services their conditions require. If VA is there to, in part, provide care for those who have the greatest need, then changing this policy is entirely justified.

The nature of their disabilities means that these men and women require intensive and lifelong care. VA acknowledges their unique needs by providing the specialized services to them, but at the same time, VA fails to recognize their special circumstances by charging them copayments.

The VFW has had a longstanding resolution in support of this concept. Most recently, the voting delegates to our 108th National Convention approved Resolution 639, calling for this exemption. I would note that our resolution also requests that this exemption be extended to those low-income, pension-eligible veterans in category five. They, too, have a demonstrated need for VA health care services and finances can often be a deterrent to receiving their earned health care. We would ask the Subcommittee to consider this issue.

Draft Bill, Nonprofit Research and Education Corporations

The VFW is pleased to offer our support for the draft bill on nonprofit research and education corporations. The changes this bill would make would strengthen and improve VA’s nonprofit research corporations (NPCs). NPCs help VA to conduct research and education and assist in the raising of funds for VA’s essential projects from sources VA otherwise might not have access to, to include private and public funding sources. NPCs also provide administrative support and services, freeing up VA researchers to focus on their projects and patients.

The legislation would allow for the creation of multi-medical center NPCs. This would let several smaller facilities pool their resources to improve management or staffing. We believe that this would streamline the administration of these organizations, reducing overhead, but also tightening up their control, especially in accordance with the recent VA Inspector General report.

This bill would also reaffirm that NPCs are 501(c)(3) organizations that are not owned or controlled by the federal government. This is important to ensure that they are able to receive funding from all sources and to clarify their purpose in accordance with various state laws and private foundation regulations.

Ultimately, the bill would make more funds available for critical research purposes. It would also improve the accountability and oversight of these corporations, requiring more information in their annual reports and periodic audits of their activities. Together, these changes would greatly benefit America’s veterans.

We strongly support this legislation, and urge the Subcommittee to report it favorably.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions that you or the Members of the Subcommittee may have. Thank you.



**Prepared Statement of Gerald M. Cross, M.D., FAAFP,
Principal Deputy Under Secretary for Health,
Veterans Health Administration, U.S. Department of Veterans Affairs**

Good Morning Mr. Chairman and Members of the Subcommittee:

Mr. Chairman, thank you for inviting me here today to present the Administration's views on several bills that would affect Department of Veterans Affairs (VA) programs that provide veteran healthcare benefits and services. With me today are Walter Hall, Assistant General Counsel, and Gary Baker, Chief Business Officer, Veterans Health Administration. I am pleased to provide the Department's views on the 3 draft bills under consideration by the Subcommittee.

Discussion Draft #1. Catastrophically Disabled Veterans' Exemption from Certain Copayment Requirements

Discussion Draft #1 would amend current law to exempt a veteran who is catastrophically disabled from having to pay copayments that would otherwise apply to inpatient and outpatient services that the veteran receives through the Department.

Mr. Chairman, we recognize that the draft bill is intended to address any disproportionate financial burden that falls on these seriously ill and disabled veterans because their very complex medical needs compel their high use of the VA healthcare system. The draft bill is targeted at the approximately 25,000 veterans who because of their conditions rely on VA healthcare services more than any other veteran-population enrolled in our system. Because their catastrophic disabilities are not service-connected and because their incomes exceed VA's means test level for low-income veterans, they are not exempt from the copayment requirements.

We share the Subcommittee's concern that these severely disabled veterans not be subject to an undue financial burden as a result of the copayment obligations that apply to their receipt of inpatient and outpatient care. However, we are still in the process of ascertaining these veterans' hospital and outpatient utilization rates and copayments. VA has not previously tracked amounts and ranges of copayments by enrollment category. Without that data, we cannot determine the extent of their copayment liability or project the estimated loss in revenue that would be associated with this bill's enactment. Once we have had an opportunity to collect and analyze all of the necessary data, we will come back to the Subcommittee with a recommendation as to the need for this legislation or any other approach that the administration believes, based on the confirmed data, might be an appropriate means of protecting these veterans from undue copayment burden. Until then, we therefore request that the Subcommittee refrain from taking action on this draft bill.

Discussion Draft #2. Counseling, Training, and Mental Health Services for Immediate Family Members of Veterans Receiving Treatment for a Non-Service Connected Disability

Discussion Draft #2 would amend VA's authority to furnish counseling, training, and mental health services to immediate family members of veterans receiving VA treatment for a non-service connected disability. Currently, all enrolled veterans *other than those who are receiving outpatient care for non-service connected disabilities* are eligible for these family support services to the extent they are necessary to the veterans' treatment. Veterans being treated for non-service connected disabilities are only eligible for these family support services only to the extent they are necessary in connection with the veteran's treatment and if they were initiated during the veteran's hospitalization and their continued provision on an outpatient basis is deemed essential to permit the discharge of the veteran from the hospital. The draft bill would eliminate the requirements that the services be initiated during the veteran's hospitalization and deemed essential to permit the veteran's discharge, thus making the eligibility criteria the same for all veterans.

VA supports Discussion Draft #2. Over the last decades, VA has successfully transformed its delivery of healthcare services from an inpatient-based model to an outpatient-based model. This has significantly increased our efficiencies, increased veterans' access to care, and aligned our system with the healthcare industry at large. However, as a result, some families have become ineligible for counseling, training, and other family support services that are essential to the veterans' treatment simply because their loved ones' care was for a non-service connected disability that was provided on an outpatient basis. The draft bill would eliminate vestiges of an old system that no longer have any place in today's VA healthcare system. An enrolled veteran is eligible for any needed medical treatment, regardless of whether the condition is service-connected. It is incongruent to still base eligibility for needed family support services on the service-connected nature of the veteran's disability. As long as the family support services are necessary in connection

with the veteran's treatment, it should be irrelevant whether the disability under treatment is service-connected and whether it was provided in hospital. Importantly, these amendments could improve the treatment outcomes for the affected group of veterans.

We are still developing costs for this draft bill and will submit them for the record as soon as possible.

Discussion Draft #3. Veterans Nonprofit Research and Education Corporations Enhancement Act of 2008

Discussion Draft #3 would update the law applicable to VA's nonprofit research and education corporations (corporations). VA-affiliated nonprofit research corporations are critical to VA's overall research program because they provide flexible funding mechanisms for the administration of non-VA funds for the conduct of VA-approved research.

A provision of Discussion Draft #3 would authorize a single corporation to facilitate the conduct of research and education at more than one VA medical center. It would also make it clear that corporations may reimburse a VA laboratory for the preliminary costs it incurs before a research project has been officially approved by the Secretary. VA would also be authorized to reimburse corporations for costs incurred for the assignment of corporation employees to VA under the Intergovernmental Personnel Act 1970 (IPA).

Additionally, this draft bill would clarify that corporations may set fees for certain education and training programs they administer and retain those funds to offset program expenses.

We support the provision of the draft bill that would authorize the establishment of new multi-center non-profit research corporations (NPCs) and the consolidation of existing single facility NPCs into multi-facility NPCs. This offers the prospect of NPC-assistance in funding research projects to VA medical centers (VAMCs) that are unable to support their own dedicated corporation. This provision would also provide the system with the tools needed to consolidate or close NPCs that are too small to institute proper internal controls without the loss of the funding support for VA research and education programs that the NPCs provide. By requiring the Director of all VAMCs supported by an NPC to sit on its board of directors, the provision provides this beneficial increased flexibility without sacrificing VA oversight.

With respect to the draft bill's remaining provisions, we ask the Subcommittee to defer further action on this draft bill in order to give the Department an opportunity to address underlying structural issues and to formulate policy related to the governance and finance of the VA affiliated non-profit research corporations. A steering Committee has been chartered by the Veterans Health Administration Office of Research and Development, to provide recommendations regarding governance, oversight, and finance issues related to the corporations by the end of the fiscal year. We will be happy to provide you with a copy of their final report and recommendations.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or any of the Members of the Subcommittee may have.

**Statement of Joseph L. Wilson,
Deputy Director, Veterans Affairs and Rehabilitation
Commission, American Legion**

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to present The American Legion's view on the three pieces of draft legislation being considered by the Subcommittee today. The American Legion commends this Subcommittee for holding a hearing to discuss these very important and timely issues.

Prohibition on Collection of Copayments from Veterans Catastrophically Disabled

This bill seeks to prohibit the Secretary of Veterans Affairs from collecting certain copayments from veterans who are catastrophically disabled. Veterans who are categorized by the Department of Veterans Affairs (VA) as Priority Group Four are also the catastrophically disabled. These veterans depend on the VA health care system as their primary source of health care support.

The American Legion, in this case, believes VA should discontinue and further disallow the collection of copayments and other relative fees as this unconscionable action is warrantless when measured against the sacrifices veterans made in serv-

ing this Nation. We hereby urge the enactment of this bill, which will alleviate the added fiscal strain veterans and their families are enduring.

Veterans Nonprofit Research and Education Corporations Enhancement Act of 2008

This bill seeks to modify and update the provisions of law relating to nonprofit research and education corporations, and for other purposes.

The American Legion has no position on this piece of legislation.

Provision of Counseling for Family Members of Veterans Receiving Non Service-Connected Treatment

This bill seeks to expand the authority of the Secretary of Veterans Affairs to provide counseling for family members of veterans receiving nonservice-connected treatment. During site visits to various VA Medical Centers, Vet Centers, and Community Based Outpatient Clinics (CBOCs), The American Legion has recognized many gaps in services to families of veterans; mainly due to the absence of legislation which would allow complete counseling of the veteran's loved ones throughout the VA Medical System.

After all, the family, who began as a support system, may potentially suffer as a result of illnesses and injuries sustained by the veteran during his or her deployment in theater. If lack/absence of counseling is the result, this in turn weakens the family unit; subsequently the veteran may suffer further ordeals, which renders the veteran's transition futile.

The American Legion therefore urges this Subcommittee to pass this legislation, which would allow the provision of adequate counseling for family members of veterans receiving nonservice-connected treatment. We also urge DoD and VA to enhance and further create family support programs to improve the quality-of-life for all veterans and their families.

Again, thank you Mr. Chairman for allowing The American Legion this opportunity to present its views on the aforementioned issues. We look forward to working with the Subcommittee to help increase and improve access to quality care for our Nation's veterans.

**Prepared Statement of Raymond C. Kelley,
National Legislative Director, American Veterans (AMVETS)**

Chairman Michaud, Ranking Member Miller, thank you for holding this important hearing today. AMVETS is pleased to provide our views on pending health care legislation.

AMVETS wholly supports draft legislation that would prohibit the collection of copayments from veterans who are catastrophically disabled. As co-authors of the Independent Budget, AMVETS believes that the hardship endured by a catastrophic injury or disease is devastating to the veterans and the family left responsible for care. Waiving copayments for these veterans and their families can help alleviate the financial burden assumed by the need for specialized assistance. Veterans enrolled in health care eligibility category 4 should be exempt from all health-care copayments and fees.

AMVETS supports draft legislation that would grant greater authority of the Secretary of Veterans Affairs to provide counseling for family members of veterans receiving non-service connected treatment. Currently, the Department of Veterans Affairs provides counseling and training to family members only if the veteran is receiving hospital care or if the services were rendered during the veteran's hospitalization and continuation is necessary in order to permit discharge from the medical facility. This legislation would remove those two stipulations. AMVETS supports any family services, including counseling, that will help alleviate problems experienced by veterans.

AMVETS also supports the "Veterans Nonprofit Research and Education Corporations Enhancement Act of 2008." This legislation seeks to modify and update provisions relating to nonprofit research and education corporations operating within the Department of Veterans Affairs. Currently these research and education corporations provide on-site administration of research entirely dedicated to VA researchers and educators. They prepare and submit research proposals, hire lab technicians and study coordinators to work on projects, procure supplies and equipment, and monitor VA approvals. Having these corporations benefits veterans by increasing the resources available to support VA research programs and education. They serve as a vital tool to improving the quality of healthcare being rendered to veterans in VA facilities.

This legislation provides for voluntary sharing of each corporation among two or more VA medical centers, or “multi-medical center research corporations”. Accountability is maintained by requiring a center director from each facility serves on the Board of Directors. It also clarifies the legal status of these corporations as a private 501(c)(3) overseen by the VA.

Different interpretation of the language and intent of Congress in creating these corporations has necessitated clarification through this bill. Gaps in authority restrict their capacity to fully support VA research and education. This bill will resolve these matters and strengthen the service to VA research.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions regarding our opinion on these matters.

**Statement of Adrian M. Atizado,
Assistant National Legislative Director, Disabled American Veterans**

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting the Disabled American Veterans (DAV) to testify at this important legislative hearing of the Committee on Veterans’ Affairs’ Subcommittee on Health. DAV is an organization of 1.3 million service-disabled veterans, and devotes its energies to rebuilding the lives of disabled veterans and their families.

You have requested testimony today on three draft bills primarily focused on healthcare services for veterans under the jurisdiction of the Veterans Health Administration, Department of Veterans Affairs (VA). This statement submitted for the record reviews our positions on all of the proposals before you today, and we offer them for your consideration.

Draft Bill to Expand VA Authority to Provide Consultation, Counseling, Training and Mental Health Services for Family Members of Veterans Receiving Nonservice-Connected Treatment

As this Subcommittee is aware of the importance of families in the recovery of disabled veterans, VA is able to provide limited services to family members, which includes members of the immediate family, the legal guardian of a veteran, or the individual in whose household the veteran certifies an intention to live. In recent years, VA has included families in mental health evaluations, participation in treatment planning, and collaboration in monitoring treatment outcomes. Such services are provided to families only when their involvement is included in a treatment plan designed to benefit the veteran.

Section 1782(a) of title 38, United States Code, provides, in general, that the family members of a veteran being treated for a service-connected disability may receive consultation, counseling, training and mental health services in support of the veteran’s treatment. Section 1782(b) pertains to veterans receiving hospital care for a non-service connected disability. In this instance, VA is authorized to provide those same services to family members if the services were initiated during the veteran’s hospitalization and their continuation on an outpatient basis is essential to permit the discharge of the veteran from the hospital.

The draft bill for consideration in today’s hearing would seek to eliminate the aforementioned criteria, and to conform section 1782 to the provision of services more consistent with medical necessity by expanding VA’s authority to provide mental health services for family members of veterans receiving treatment for non-service-connected ailments. While DAV has no adopted resolution from our membership pertaining to this measure, it appears beneficial because some veterans may have a pending claim for service connection of the disability for which he or she is seeking VA care. Other veterans may not be aware that they may have a meritorious service-connected claim to a disability for which they are receiving non-service-connected treatment.

While the measure would provide needed care to disabled veterans, we urge this Subcommittee to ensure additional workload be met with appropriate resources in light of VA testimony that, “funding family readjustment services wholly unrelated to the veteran’s readjustment needs would divert medical care funds needed for veterans’ health care.” Moreover, such resources should allow VA to be the primary provider of such services and where, on occasion, non-VA providers would be necessary for the provision of care, it is essential that such providers have the proper training and that VA provide the appropriate oversight.

Draft Bill to Prohibit VA From Collecting Certain Copayments From Veterans Who Are Catastrophically Disabled

In conjunction with DAV's national resolution from our membership calling for legislation to repeal all copayments for military retirees and veterans' medical services and prescriptions, and as part of *The Independent Budget* (IB), the DAV fully supports this draft bill, one that meets the IB recommendation that veterans designated by VA as being catastrophically disabled for the purpose of enrollment in health care eligibility category 4 should be exempt from all health care copayments and fees.

The Veterans Nonprofit Research and Education Corporations Enhancement Act of 2008 (Draft bill)

This measure would modernize and enhance oversight and reporting requirements of nonprofit research and education corporations that support VA biomedical research by managing extramural grant funds made available to VA principal investigators. It would also provide new guidance and policy requirements for the operation of these corporations within the VA research program, and would be responsive to recent recommendations for improved accountability within some of these corporations made by the VA Inspector General.

The basic statutory authority for these corporations was enacted in 1988, so this bill would be the first significant amendment to that statute. If enacted, this bill would authorize the corporations to fulfill their full potential in supporting VA biomedical research and education, the results of which would improve treatments and promote higher quality care for veterans, while underwriting VA and Congressional confidence in these corporations' management of public and private funds.

We note one significant difference between the Subcommittee's draft bill and its Senate companion bill. S. 2926 would authorize the VA research and education foundations to reimburse the VA Office of General Counsel for certain specialized legal services rendered to the foundations in connection with establishing and administering research and education agreements entered into by the foundations with other partners in conducting VA research. This provision is absent from this Subcommittee's legislation. We understand that the foundations need these services, and would be required to pay private attorneys for them, and that the Office of General Counsel, in providing these services, has expended considerable resources in aiding these foundations to execute and administer research and education agreements. We also understand that the foundations are in agreement on such reimbursements. It would seem equitable that the foundations be authorized to reimburse those costs to the Office of General Counsel, and thus, DAV would have no objection to these Senate provisions being added into this bill.

While DAV has no adopted resolution on this particular legislation, DAV is a strong supporter of a robust VA biomedical research and development program, and we believe enactment of this bill would be in that program's best interest. Therefore, DAV would have no objection to enactment of this bill.

Mr. Chairman, again, DAV appreciates the Subcommittee's interest in these issues, and we appreciate the opportunity to present the DAV's views, which we hope will be helpful.

**Statement of Hon. Jeff Miller, Ranking Republican Member,
Subcommittee on Health**

Thank you, Mr. Chairman.

I would like to welcome our colleague from Florida, Vern Buchanan to the Subcommittee on Health. Having served 6 years in the Air National Guard, Vern brings with him strong military values and experience that will be an asset to our Subcommittee and our Nation's veterans.

Mr. Chairman, we have worked well together this year to move legislation for the benefit of our veterans, and I look forward to continuing to work in a bipartisan manner as we consider four draft legislative proposals today.

One of the bills before us today would prohibit collecting copayments from catastrophically disabled veterans enrolled in priority group 4. There are about 25,000 veterans in Priority Group 4 who have been determined to be catastrophically disabled and are still subject to copay requirements. This legislation would ensure that copay rules do not apply to any Priority Group 4 veterans.

A second bill would expand VA's authority to provide services to family members of veterans seeking services for non-service connected conditions.

We will also examine legislation to clarify and update provisions of law authorizing VA-affiliated Nonprofit Research and Education Corporations (NPCs). In 2006, VA's NPCs reported over \$230 million in revenues to support VA-approved research and education activities. These NPCs work in coordination with VA Medical Centers, and it is important that we provide effective oversight to ensure the proper management of these corporations.

Additionally, a fourth bill, H.R. 6366, the Veterans Revenue Enhancement Act of 2008 was recently added to the Subcommittee's agenda, and provided to our witnesses yesterday. The Government Accountability Office (GAO) reported this month that problems in billing processes at VA continue to impair VA's ability to maximize collections from third-party insurance companies. They estimated that 1.2 to 1.4 billion dollars are going uncollected. GAO did note, however, that a congressionally mandated Mid-Atlantic Consolidated and Revenue Improvement Demonstration Project increased cash collections using effective cycle management tools and process standardization. This demo collected an additional seven million dollars. The bill would require VA within 5 years to establish not more than seven consolidated patient accounting centers modeled after this successful Mid-Atlantic Consolidated Patient Accounting Center in Asheville, North Carolina. I understand that given the short time to respond our witnesses may not be able to comment on this legislation today. However, I would appreciate and request that your views be provided for the record following the hearing.

**Statement of Barbara F. West,
Executive Director, National Association of Veterans'
Research and Education Foundations**

Chairman Michaud and Members of the Committee on Veterans Affairs Subcommittee on Health, thank you for the opportunity to present a statement on behalf of the National Association of Veterans' Research and Education Foundations (NAVREF) in regard to the Discussion Draft of the "Veterans Nonprofit Research and Education Corporations Enhancement Act of 2008."

NAVREF is the membership organization of the 84 VA-affiliated nonprofit research and education corporations (NPCs) originally authorized by Congress under Public Law 100-322, and currently codified at sections 7361 through 7368 of the United States Code. NAVREF's mission is to promote high quality management of the NPCs and to pursue issues at the Federal level that are of interest to its members. NAVREF accomplishes this mission through educational activities for its members and interactions and advocacy with agency and congressional officials. Additional information about NAVREF is available on its Web site at www.navref.org.

Background about the NPCs

In 1988, Congress allowed the Secretary of the Department of Veterans Affairs to authorize "the establishment at any Department medical center of a nonprofit corporation to provide a flexible funding mechanism for the conduct of approved research and education at the medical center." [38 U.S.C. § 7361(a)] At this time, 84 NPCs provide their affiliated VA Health Care Systems and medical centers with a highly valued means of administering non-VA Federal research grants and private sector funds in support of VA research and education. **The fundamental purpose of the nonprofits is to serve veterans by supporting VA research and education to improve the quality of care that veterans receive.**

Last year, the NPCs collectively administered \$230 million with expenditures that supported nearly 5,000 VA-approved research and education programs. These nonprofits are dedicated solely to supporting VA and veterans. This includes providing VA with the services of nearly 2,500 without compensation (WOC) research employees who work side-by-side with VA-salaried employees, all in conformance with the VA background, security and training requirements such appointments entail.

Beyond administering research projects and education activities these nonprofits support a variety of VA research infrastructure and administrative expenses. They have provided seed and bridge funding for investigators; staffed animal care facilities; funded recruitment of clinician researchers; paid for research administrative and compliance personnel; supported staff and training for institutional review boards (IRBs); and much more.

Legislation Would Enhance and Clarify NPC Authorities

The Discussion Draft heading correctly states that the purpose is to "modify and update" the 1988 statute, but it also modernizes and clarifies the statute after nearly 20 years of experience under its current terms. The NPCs have already proven

themselves to be valued and effective “flexible funding mechanisms for the conduct of approved research,” and this legislation will further enhance their value to VA.

The objectives of this legislation are consistent with the findings in the recently released VA Office of Inspector General (OIG) review of five NPCs and VHA’s oversight of them. VHA is working hard to address the shortcomings in oversight that the OIG identified. And NAVREF and the NPCs are working equally hard to ensure that NPCs have appropriate controls over funds and equipment (including strengthening the documentation for all transactions), and that all NPC officers, directors and employees are certifying their awareness of the applicable Federal conflict of interest regulations. While NAVREF firmly believes that NPC boards and administrative employees strive to be conscientious stewards of NPC funds, NAVREF thanks the OIG for its thorough review of those five NPCs and for bringing to light these areas in need of improvement.

It is noteworthy for the Subcommittee that the OIG report cited no actual misuse of funds or instances of conflicts of interest, dual compensation of Federal employees or fraud. However, we take very seriously the OIG finding that these NPCs nonetheless did not have adequate controls over some of the funds they manage. We believe that two major provisions in the Discussion Draft directly address this finding.

First, section 2 allows formation of “multi-medical center research corporations” (MMCRCs). That is, two or more VA medical centers may share one NPC, subject to board and VA approval, while preserving their fundamental nature as medical center-based organizations. This will allow interested VA facilities with small research programs to join with larger ones. Or several smaller facilities may pool their resources to support management of one NPC with funds and staffing adequate to ensure an appropriate level of internal controls, including segregation of financial duties.

Second, the last item in section 5(a) of the Discussion Draft addresses the OIG criticism by broadening VA’s ability to guide NPC expenditures. The only constraint on VA is that such guidance must be consistent with other Federal and state requirements as specified in laws, regulations, executive orders, circulars and directives—of which there are many—applicable to other 501(c)(3) organizations. The purpose of this limitation is to avoid the possibility of imposing on NPCs conflicting requirements or reducing their ability to remain independent “flexible funding mechanisms.”

The Discussion Draft provides a number of other welcome enhancements to the NPC authorizing statute.

- Section 4(b)(2) of the draft legislation broadens the qualifications for the two mandatory non-VA board members beyond familiarity with medical research and education. This will allow NPCs to use these board positions to acquire the legal and financial expertise needed to ensure sound governance and financial management.
- Section 4(c) of the draft legislation also deletes the overly broad stipulation in the current statute that these non-VA board members may not have “any financial relationship” with any for-profit entity that is a source of funding for VA research or education. This absolute prohibition conflicts with regulations applicable to Federal employees with respect to conflicts of interest, which are invoked for all NPC directors and employees in section 7366(c)(1) of title 38, United States Code. Unlike the deleted provision, Federal conflict of interest regulations provide means of recusal as well as *de minimus* exceptions. Additionally, the prohibition has been interpreted to apply to any individual who has ever accepted compensation or reimbursement from a for-profit sponsor of VA research for purposes unrelated to VA research, thereby eliminating many otherwise desirable and qualified individuals from serving on NPC boards.
- Section 5(a) also increases the efficiency of NPC administration of funds generated by educational activities. This clause allows NPCs to charge registration fees for the education and training programs they administer, and to retain such funds to offset program expenses or for future educational purposes. However, it also explicitly sustains the existing prohibition against NPCs accepting fees derived from VA appropriations.
- Additionally, section 5(a) of the draft legislation includes authority for VA to reimburse NPCs for the salary and benefits of NPC employees loaned to VA under Intergovernmental Personnel Act (IPA) assignments conducted in accordance with section 3371 of title 5, United States Code. This provision responds to recent OIG questions asking whether such reimbursements are allowable and permits VA to continue to benefit from this efficient and cost-effective mechanism to acquire the temporary services of skilled research personnel.

We note that the Discussion Draft omits the clauses contained in the Senate companion bill, S. 2926, that would provide NPCs with authority to reimburse the Office of General Counsel (OGC) for legal services related to review and approval of Cooperative Research and Development Agreements (CRADAs), the form of agreement used to establish terms and conditions for industry-funded studies performed at VA medical centers and administered by NPCs. While we agree that OGC is already obligated to review these agreements without reimbursement, the funds generated under this provision would help OGC to staff Regional Counsel offices to accommodate the substantial workload these agreements entail and to provide training for VA attorneys in CRADA requirements and related VA policies. The NPCs support making these reimbursements. We encourage the Subcommittee to include the necessary provisions in the next version of the Discussion Draft.

The proposed legislation also contains a number of useful clarifications of NPC status and purposes.

- Section 2(c) codifies—without changing—the legal status of the NPCs as state-chartered, independent organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Service (IRS) code and subject to VA oversight and regulation. This clause codifies the congressional intent, previously expressed in the House report that accompanied the original NPC authorizing statute (H. Rept. 100–373), that nonprofits established under this authority would not be corporations controlled or owned by the Government. As a result, this draft legislation resolves longstanding differences of opinion among stakeholders, overseers and funding sources about the legal status of NPCs.
- Section 3(a)(1) of the draft legislation establishes that in addition to administering research projects and education activities, NPCs may support “functions related to the conduct of research and education.” This resolves differences of opinion about the allowability of NPC expenditures that support VA research and education generally, such as purchase of core research equipment used by many researchers for many projects, and enhances the value of NPCs to VA facilities.
- Section 5(a) ascertains that all NPC-administered research projects must undergo “scientific” rather than “peer” review. This change recognizes that peer review is not necessary or appropriate for all research projects administered by NPCs. However, the draft legislation leaves in place the overarching requirement for VA approval and the medical center’s Research and Development Committee remains in a position to determine on a case-by-case basis whether a project also requires peer review as a condition of approval for NPC administration.

In addition to these enhancements and clarifications, this draft legislation reorganizes the NPC authorizing statute to put all provisions regarding their establishment and status in one section; describes their purposes in another; and gathers in one section the clauses enumerating their powers. Many other revisions are largely technical and conforming amendments.

Proposed Legislation Preserves Measures Providing Oversight of NPCs

The proposed legislation statute makes no changes in VA’s power to regulate and oversee the NPCs. Further, NPC records remain fully available to the Secretary and his designees; to the Inspector General; and to the Government Accountability Office (GAO). Likewise, NPCs are still required to undergo an annual audit by an independent auditor in accordance with the sources—Federal or private—and amount of its prior year revenues, and they must submit to VA the resulting audit report along with detailed financial information and descriptions of accomplishments.

In the wake of the Sarbanes-Oxley Act and new Federal Accounting Standards Board (FASB) requirements and auditing standards, even the most basic form of nonprofit audit has become an effective means for assessing an organization’s financial controls. Additionally, as more NPCs assume responsibility for Federal grants, a higher percentage of NPC funds are subject to Generally Accepted Government Accounting Standards (GAGAS) and OMB Circular A–133, the most rigorous and comprehensive level of auditing standards. These audits are comprehensive and provide a sound framework for examining an organization’s controls over funds as well as compliance with program requirements.

Conclusion

In conclusion, NAVREF urges the Subcommittee to approve the Discussion Draft for introduction and enactment at the earliest possible opportunity. The NPCs are already a highly efficient means to maximize the benefits to VA of externally funded

research conducted in VA facilities, ably serving to facilitate research and education that benefit veterans. Additionally, they foster vibrant research environments at VA medical centers, enhancing VA's ability to recruit and retain clinician-investigators and other talented staff who in turn apply their knowledge to state-of-the-art care for veterans.

Twenty years after the VA–NPC public-private partnership was first authorized by Congress, and co-incident with the expiration of authority to establish new NPCs, this is a timely opportunity to update and clarify the NPCs' enabling legislation. This draft legislation will accomplish those objectives. Experience working within the current statute has brought to light its many strengths, but also areas that will benefit from modification, enhancement and updating, particularly in light of the increasing complexity of both research and nonprofit compliance. We believe enactment of the proposed legislation, preferably including authority for NPCs to reimburse OGC for certain legal services, will allow NPCs to better achieve their potential to support VA research and education while ensuring VA and congressional confidence in their management.

NAVREF thanks the Subcommittee and its staff members for their work on the Discussion Draft. We look forward to working with the Members of the Subcommittee and the Senate Committee on Veterans Affairs toward enactment of the final legislation. Please direct any questions you may have to NAVREF Executive Director Barbara West at 301–656–5005 or bwest@navref.org.

Committee on Veterans' Affairs
Washington, DC
July 2, 2008

Carl Blake
National Legislative Director
Paralyzed Veterans of America
801 18th Street, NW
Washington, D.C. 20006–3517

Dear Mr. Blake:

Thank you for your testimony at the House Committee on Veterans' Affairs Subcommittee on Health legislative hearing that was held on July 26, 2008.

To ensure that the Subcommittee has Paralyzed Veterans of America (PVA)'s views on all of the bills that were discussed at this hearing, I request that you please provide a statement for the record on the following two bills that are enclosed with this letter:

1. H.R. 6366, Veterans Revenue Enhancement Act of 2008
2. Discussion Draft, To Amend Title 38, United States Code, relating to employment of psychologists by the Department of Veterans Affairs

I would appreciate receiving your statement by July 8, 2008

Again, thank you for your testimony. I look forward to reading your comments on these additional bills. If you have any questions or concerns, please don't hesitate to contact Chris Austin, Executive Assistant to the Subcommittee on Health at (202) 225–9154.

Sincerely,

Michael H. Michaud
Chairman

Paralyzed Veterans of America
Washington, DC
July 8, 2008

Honorable Michael H. Michaud
Chairman
House Committee on Veterans' Affairs
Subcommittee on Health
335 Cannon House Office Building
Washington, DC 20515

Dear Chairman Michaud:

On behalf of Paralyzed Veterans of America (PVA), I would like to thank you again for the opportunity to testify before the House Committee on Veterans' Affairs, Subcommittee on Health at the hearing held on June 26, 2008. We appreciate your efforts to continue to improve the health care services available to the men and women who have honorably served and are currently serving.

Following the hearing, you submitted an additional inquiry regarding two additional proposed bills—H.R. 6366, the "Veterans Revenue Enhancement Act" and a draft bill regarding employment of psychologists at the Department of Veterans Affairs (VA)—that were not received by PVA prior to the hearing. We would like to offer our views on these two bills. Our statement for the record on the two proposed bills is attached.

PVA looks forward to working with you and Ranking Member Miller to ensure that the most appropriate enhancements are made to the VA health care system. Thank you again.

Sincerely,

Carl Blake
National Legislative Director

H.R. 6366, the "Veterans Revenue Enhancement Act"

PVA has no objection to the proposed bill that would require the Department of Veterans Affairs (VA) to consolidate its patient accounting centers into seven regional locations. These locations would be required to conduct industry-modeled billing and collection activities. It is a well-known fact that the VA has historically done a poor job in achieving its third-party collections estimates. While in recent years there has been some improvement, the VA continues to leave a significant amount of money that could be used to enhance the quality of health care services on the table.

This legislation would expand the concept of the Consolidated Patient Accounting Center (CPAC) that was included as a demonstration project in the Conference Report accompanying Public Law 109-114. Subsequent to the enactment of that law, the VA created the Mid-Atlantic Consolidated Patient Accounting Center demonstration project located in Asheville, North Carolina. With establishment of the Center, third-party collections at the medical facilities in VISN Six have greatly improved. Using the CPAC in Asheville as a model, the VA could significantly improve its collections systemwide.

**The "Department of Veterans Affairs Psychologist
Employment Fairness Act"**

PVA believes that the intent of this legislation is to remove psychologists from the Hybrid Title 38 system used to hire and promote certain health care professionals in the VA. As explained by the American Psychological Association (APA) at a hearing held by the Subcommittee on May 22, the hybrid model requires Professional Standards Boards to make recommendations on employment, promotion and grade for psychologists, and is still more subjective than a pure Title 38 program. The APA explained that implementation of the new Title 38 Hybrid boarding process has been extremely variable and chaotic across the system. As such, we have no objection to this legislation.

Committee on Veterans' Affairs
 Washington, DC
 July 2, 2008

Dennis Cullinan
 National Legislative Director
 Veterans of Foreign Wars (VFW)
 200 Maryland Avenue, N.E.
 Washington, D.C. 20002

Dear Mr. Cullinan:

Thank you for the testimony provided by Christopher Needham, Senior Legislative Associate, National Legislative Service, at the House Committee on Veterans' Affairs Subcommittee on Health legislative hearing that was held on July 26, 2008.

To ensure that the Subcommittee has VFW's views on all of the bills that were discussed at this hearing, I request that you please provide a statement for the record on the following two bills that are enclosed with this letter:

1. H.R. 6366, Veterans Revenue Enhancement Act of 2008
2. Discussion Draft, To Amend Title 38, United States Code, relating to employment of psychologists by the Department of Veterans Affairs

I would appreciate receiving your statement by July 8, 2008.

Again, thank you for your testimony. I look forward to reading your comments on these additional bills. If you have any questions or concerns, please don't hesitate to contact Chris Austin, Executive Assistant to the Subcommittee on Health at (202) 225-9154.

Sincerely,

Michael H. Michaud
Chairman

**Comments of the Veterans of Foreign Wars of the U.S. On Additional Bills
 Following the June 26, 2008 Subcommittee on Health Hearing**

H.R. 6366

The VFW has no position on the "Veterans Revenue Enhancement Act." This bill would create seven centralized patient accounting centers that would attempt to enhance VA's ability to collect from third parties.

These centers were first devised as a demonstration project that has been occurring in Asheville, NC. The aim is to standardize collection practices in a central location, using private sector business practices to improve the rate of collections from third party insurers for the non-service-connected care certain veterans receive.

The appeal of this approach is that the enhanced collections are returned to the department for use in health care delivery. With the increased emphasis on collections as part of the appropriations process, ensuring that VA gets every projected dollar is critical. We have argued that these collected dollars should be a supplement to the regular appropriations, but in the years where Congress has not agreed, it only serves to increase the importance of VA collecting every dollar possible.

We do wonder whether the centralization of these processes is necessary though. Were the standardized processes and business practices utilized in Asheville applied to every VA medical center, wouldn't it be likely that their collection efforts be improved? It is likely that VA managers could use the lessons learned from the demonstration projects to improve practices throughout the system without consolidation. With steady leadership and oversight—similar to the level of oversight the Committee has used over the last 7 years or so to move VA's collections efforts from their initial dreadful state—perhaps consolidation would not be necessary.

Draft Bill, Relating to the Employment of VA Psychologists

The VFW is pleased to support this draft bill, which would enhance VA's ability to recruit and retain psychologists. The bill would shift psychologists into the appointment category that includes doctors, dentists and optometrists. We believe that this change would increase VA's ability to recruit and retain high quality psycholo-

gists, something that the system greatly needs—especially with the demand for mental health services expected to rise dramatically in the coming years.

In testimony by the American Psychological Association before an April 2008 Senate Veterans Affairs Committee hearing, Dr. Randy Phelps explained that the current Hybrid Title 38 hiring practices were having a negative effect on psychologists within VA. They claim that the hiring authority is resulting in lower pay, more paperwork hassles and bureaucratic procedures that prevent or curtail promotions. Together, these hurt VA's ability to recruit and retain these essential health care personnel, at a time when VA needs more of them than ever.

With the increased attention paid to mental health, and the growing demands veterans have for these kinds of services, putting psychologists on par with other essential health care personnel makes sense. Mental health care is part of the total health care package and its practitioners deserve the same level of benefits and the same type of compensation system.

One of the biggest complaints about the level of mental health services veterans have is with access. VA has made great efforts to increase the number of psychologists within the system—over 800 new hires since 2005—but VA must certainly do more. To do this properly, VA must continue to provide a competitive work environment on par with what is available in the private sector. This legislation would be a step in that direction, and we urge its passage.

Committee on Veterans' Affairs
Washington, DC
July 2, 2008

Honorable James B. Peake, M.D.
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue NW
Washington, DC 20240

Dear Secretary Peake:

Thank you for the testimony provided by Gerald M. Cross, M.D., FAAFP, Principal Deputy Under Secretary for Health, Veterans Health Administration, who was accompanied by Walter A. Hall, Assistant General Counsel, and Gary M. Baker, Chief Business Officer, Veterans Health Administration, at the House Committee on Veterans' Affairs Subcommittee on Health legislative hearing that was held on July 26, 2008.

To ensure that the Subcommittee has the Department of Veterans Affairs' (VA) views on all of the bills that were discussed at this hearing, I request that you please provide a statement for the record on the following two bills that are enclosed with this letter:

1. H.R. 6366, Veterans Revenue Enhancement Act of 2008
2. Discussion Draft, To Amend Title 38, United States Code, relating to employment of psychologists by the Department of Veterans Affairs

I would appreciate receiving your statement by July 8, 2008.

Again, thank you for your testimony. I look forward to reading your comments on these additional bills. If you have any questions or concerns, please don't hesitate to contact Chris Austin, Executive Assistant to the Subcommittee on Health at (202) 225-9154.

Sincerely,

Michael H. Michaud
Chairman

[AS OF JANUARY 12, 2009, THE VA FAILED TO PROVIDE THE ADMINISTRATION VIEWS ON THE TWO BILLS.]

Committee on Veterans' Affairs
 Washington, DC
 July 2, 2008

Raymond Kelley
 Legislative Director
 American Veterans (AMVETS)
 4647 Forbes Boulevard
 Lanham, MD 20706

Dear Mr. Kelley:

Thank you for your testimony at the House Committee on Veterans' Affairs Subcommittee on Health legislative hearing that was held on July 26, 2008.

To ensure that the Subcommittee has Paralyzed Veterans of America (PVA)'s views on all of the bills that were discussed at this hearing, I request that you please provide a statement for the record on the following two bills that are enclosed with this letter:

1. H.R. 6366, Veterans Revenue Enhancement Act of 2008
2. Discussion Draft, To Amend Title 38, United States Code, relating to employment of psychologists by the Department of Veterans Affairs

I would appreciate receiving your statement by July 8, 2008.

Again, thank you for your testimony. I look forward to reading your comments on these additional bills. If you have any questions or concerns, please don't hesitate to contact Chris Austin, Executive Assistant to the Subcommittee on Health at (202) 225-9154.

Sincerely,

Michael H. Michaud
Chairman

**Statement for the Record of
 Raymond C. Kelley, AMVETS National Legislative Director
 before the
 House Veterans' Affairs Committee
 Subcommittee on Health
 Concerning H.R. 6366 and the "Department of Veterans
 Affairs Psychological Fairness Act"
 Thursday, July 8, 2008**

Chairman Michaud, Ranking Member Miller, thank you for providing added time to respond to these two pieces of legislation

AMVETS wholly supports H.R. 6366, the "Veterans Revenue Enhancement Act of 2008," which would require VA to establish no more than seven consolidated patient accounting centers within the next 5 years. The General Accounting Office (GAO) has recently estimated VA has not collected 1.2 to 1.4 billion dollars through third party collections. For VA to maintain its world class status of exceptional care, it is important to continually improve all areas of their operations. This includes collecting from third party insurance companies. This unrecovered revenue would greatly assist in fully funding the needs of our veterans.

AMVETS holds no official position on the "Department of Veterans Affairs Psychologist Employment Act." However, AMVETS would like to point out the fact that moving Psychologist to the "pure title 38" would make it harder to hire and retain these professionals who are at a critical need at this time.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions regarding our opinion on these matters.

Committee on Veterans' Affairs
 Washington, DC
 July 2, 2008

Joe Violante
 Legislative Director
 Disabled American Veterans (DAV)
 807 Maine Avenue, S.W.
 Washington, D.C. 20024-2410

Dear Mr. Violante:

Thank you for your testimony at the House Committee on Veterans' Affairs Subcommittee on Health legislative hearing that was held on July 26, 2008.

To ensure that the Subcommittee has Paralyzed Veterans of America (PVA)'s views on all of the bills that were discussed at this hearing, I request that you please provide a statement for the record on the following two bills that are enclosed with this letter:

1. H.R. 6366, Veterans Revenue Enhancement Act of 2008
2. Discussion Draft, To Amend Title 38, United States Code, relating to employment of psychologists by the Department of Veterans Affairs

I would appreciate receiving your statement by July 8, 2008.

Again, thank you for your testimony. I look forward to reading your comments on these additional bills. If you have any questions or concerns, please don't hesitate to contact Chris Austin, Executive Assistant to the Subcommittee on Health at (202) 225-9154.

Sincerely,

Michael H. Michaud
Chairman

**Prepared Statement of Adrian M. Atizado,
 Assistant National Legislative Director of
 the Disabled American Veterans**

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting the Disabled American Veterans (DAV) to submit testimony for the record on legislation before the Committee on Veterans' Affairs Subcommittee on Health. DAV is an organization of 1.3 million service-disabled veterans, and devotes its energies to rebuilding the lives of disabled veterans and their families.

You have requested testimony on two bills primarily focused on health care services for veterans under the jurisdiction of the Veterans Health Administration (VHA), Department of Veterans Affairs (VA). This statement submitted for the record reviews our positions on both proposals, and we offer them for your consideration.

**The Department of Veterans Affairs Psychologist Employment Fairness Act
 (Draft Bill)**

The need to increase psychologist staffing levels in response to the increasing demand for the care they provide is apparent. This measure would amend title 38, United States Code, § 7401 by moving VA's appointment authority of psychologists from hybrid title 38 to "pure title 38." The intended flexibility of the hybrid model requires Professional Standards Boards to make recommendations on hiring, pay grade and promotion for medical care providers, which is more subjective than pure title 38 where recruitment, promotion and retention is based solely on the individual's qualifications.

DAV does not have a resolution on this particular issue, therefore, we can take no official position. However, we note that although psychologists remain the only doctoral health care providers in VA who remain in hybrid title 38, this legislation would allow psychologists to avoid the well documented delays in the hybrid title 38 boarding process. Moreover, with VHA as the single largest employer of psychologists in the Nation, this bill would in turn subject psychologists to the erosion of

collective bargaining rights being experienced by pure title 38 health care providers, which this Subcommittee is aware.

H.R. 6366, the Veterans Revenue Enhancement Act of 2008

In 1986, Congress authorized legislation giving VA authority to bill private insurers for care provided to insured nonservice-connected veterans. In 1990, this authority was expanded to allow VA to collect for the treatment of nonservice-connected conditions of insured service-connected veterans. In 1997, Public Law 105-33 established the current Medical Care Collections Fund (MCCF) and authorized VA to retain all collections from insurers as well as other revenues such as veterans' copayments and deductibles. The funds collected may only be used for providing VA medical care and services and for VA expenses for identification, billing, auditing and collection of amounts owed the federal government.

Before the MCCF was established, VA was allowed to keep only enough collections to cover administrative collection costs and was required to deposit the remainder in the U.S. Treasury. This law also granted VA authority to begin billing reasonable charges versus reasonable costs for care. Reasonable charges are based on the amounts that insurers pay for the same care provided by private industry health care providers in a given geographic area.

Funds collected through MCCF are used as an offset rather than a supplement to annual discretionary appropriations for VA's medical care budget. The efficient and timely collection of these reimbursable costs greatly benefits the VHA in meeting the demands of an increasingly overburdened system. The DAV, in concert with the *Independent Budget*, believes that it is the responsibility of the Federal Government to fund the cost of veterans' health care. Therefore, we urge Congress to provide a sufficient, timely and predictable medical care budget fully funded by direct appropriations.

Although the VA has the legal authority to collect third-party payments for certain types of care, Congress should consider any funds derived from third-party collections as a supplement, not a substitute for appropriations. In the same vein, we are opposed to Congress and the administration, using collections or projections of collection, to reduce appropriations.

Although VA has attempted to implement more effective billing practices and systems, it has historically been unable to meet its collection goals.

Having accurate information on third party insurance, such as the type of policy and the types of services covered, patient copayments and deductibles, and preadmission certification requirements, is key to VA's MCCF program. VA's ability to accurately document the nonservice-connected care provided to insured veterans and assign the appropriate codes for billing purposes is essential to third-party collections. Although VA can bill only for nonservice-connected care, we occasionally hear reports from service-connected disabled veterans indicating that VA is billing their insurance company for treatment of service-connected conditions. In addition, failure to properly document care can lead to missed opportunities to bill for care, billing backlogs, overpayments by insurers, or denials of VA bills.

With the establishment of the VA's Chief Business Office (CBO), an expanded revenue optimization plan had been formulated that combines the 2001 Revenue Improvement Plan, the 2003 Revenue Action Plan, and a series of additional tactical and strategic objectives targeting a combination of immediate, mid-term, and long-term improvements to the broad range of business processes encompassing VA revenue activities.

In 2004, CBO began conducting a demonstration pilot to demonstrate improved revenue performance, increase collections and ultimately establish consistent, nationally deployable business practices. Meeting these expectations would serve to validate the viability and effectiveness of creating an industry-modeled regionalized Consolidated Patient Account Center (CPAC) with application of industry based performance measures, supported by organizationally aligned remote intake, utilization review and customer service functions.

Subsequent to a number of hearings conducted by the House Committee on Veterans' Affairs Subcommittee on Oversight and Investigations on VA's progress in third party collections programs, the "Revenue Improvement Demonstration" provision in Conference Report 109-305, in which the conferees modified the original provision in House Report 109-95, recommended VA initiate a new pilot program that will provide a comprehensive restructuring of the complete revenue cycle including cash-flow management and accounts receivable processes in certain VA hospitals. Due to similar objectives, CPAC was selected to be the host site for the Revenue Improvement Demonstration Project (RIDP).

The CPAC pilot was planned in three phases. Completed on September 30, 2006, Phase I began with the activation of the Mid-Atlantic CPAC in Asheville, North Carolina, by converting the Veterans Integrated Service Network (VISN) 6 Centralized Revenue Unit, which only served VISN 6 facilities (8 VA Medical Centers), into the first CPAC. Phase II would take place in VISN 11, a non-consolidated VISN. As the pilot progresses, an evaluation is to be conducted before proceeding to the next phase. Phase III would concentrate on a national expansion.

Coinciding with the oversight hearings, previous reports by the Government Accountability Office (GAO) in September 2001, January and May 2003, and July 2004, describe weaknesses in VA's revenue cycle including inadequate patient intake procedures for gathering insurance information, insufficient physician documentation of specific medical care provided, a shortage of qualified coders, billing backlogs, missed billing opportunities, and inadequate pursuit of accounts receivable. We understand a recent GAO report reiterates previous findings that VA's third-party billing and collection processes continue to be ineffective and limit the revenue received by VA from third-party insurance companies.

With the establishment by VA of the Mid-Atlantic CPAC, the collection of third-party revenues has improved significantly at the medical centers in VISN 6; however, we note that problems continue to persist related to unpaid bills such as coding, billing, and documentation errors. GAO also found a lack of adequate management and accountability and oversight such as VA's requirement for medical center accounts receivable staff to make up to three followup contacts in a timely manner and document such followups with third-party insurers on unpaid amounts and to document the details.

VA medical centers subject to GAO's report indicate the followup failure rate is due to inadequate staffing, where VA shifted non-revenue functions from billing and collections staff to other medical center personnel to provide greater focus on the revenue function. Additionally, they determined that there are no established formal policies and procedures such for proper oversight to maximize the third-party insurer billing and collection processes by medical centers or VHA.

We urge this Subcommittee to provide VA the necessary resources and continued oversight to address the abovementioned concerns when considering H.R. 6366, which would authorize VA to establish no more than seven CPACs. Any loss of third-party revenue has a tremendous impact on VA medical care since such collections are being used as a substitute for, not a supplement to, direct medical care appropriations.

Mr. Chairman, again, DAV appreciates the Subcommittee's interest in these issues, and we appreciate the opportunity to present the DAV's views, which we hope will be helpful.

