SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES, ASSESSING THE VETERANS HEALTH ADMINISTRATION FISCAL YEAR 2025 POTENTIAL SHORTFALL

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES

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PART 3

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SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES, ASSESSING THE VETERANS HEALTH ADMINISTRATION FISCAL YEAR 2025 POTENTIAL SHORTFALL

WEDNESDAY, NOVEMBER 20, 2024.

DEPARTMENT OF VETERANS AFFAIRS

WITNESSES

SHEREEF ELNAHAL, UNDERSECRETARY FOR HEALTH
JOSH JACOBS, UNDERSECRETARY FOR BENEFITS

Mr. CARTER. Come to order.

We have a—oh, yeah, there you go.

We got a couple of nice folks going to talk to us today about some misunderstandings we have got with the Veterans Affairs Committee. Dr. Shereef Elnahal, close?

Mr. ELNAHAL. Yes, sir.

Mr. CARTER. All right. And Mr. Joshua Jacobs.

We want to welcome both of you and we hope you can give us good answers to the questions we have.

The Subcommittee recognizes and appreciates the work done by the Veterans Administration. We know that since the PACT Act, enrollment in the VA healthcare has grown significantly as we provide earned benefits to our veterans.

Unfortunately, the inability to accurately forecast is hindering these efforts. In July, the VA alarmingly notified Congress of a potential $15,000,000,000 shortfall, including 12,000,000,000 in fiscal year 2025 for the Veterans Health Administration.

Oddly, VA opted to notify Congress of this immediately following, the House and Senate marked up bills for the fiscal year. Given the dire emergency expressed by the VA of the potential September lapse in pensions, disabilities, and education benefits, Congress quickly acted and passed the Veterans Benefits Continued Accountability Supplemental Appropriations Act.

Unfortunately, we recently found out that none of the nearly $3,000,000,000 provided in that act was utilized in fiscal year 2024, as intended. In fact, the VA carried over $5,100,000,000 into the new fiscal year or the next fiscal year.

This inability to accurately forecast is unacceptable. The VA's irresponsibly insisted fear that benefits and pensions would be interrupted for American veterans caused us certain concern. That brings us to today's primary hearing topic to discuss the VA's re-

quest for $12,000,000,000 in additional funds for Medicare account in Fiscal 2025.

Failing to immediately utilize the $3,000,000,000 as indicated, it is kind of a natural question that we would have the accuracy of your predictions. So we will also remain steadfast in our commitment to our veterans and we'll make sure they receive the benefits they have earned, but current estimates continue to raise questions.

We hope we have a candid conversation this morning on this request test and we look forward to hearing from you.

Ranking Member Wasserman Schultz, I will now yield to you for any opening remarks that you would like to make.

Ms. WASSERMAN SCHULTZ. Thank you, Mr. Chairman.

I thank the gentleman for yielding and welcome Dr. Elnahal and Mr. Jacobs, and thank you both for being here today and for your service.

So we are here to discuss some of the budget challenges that VA is facing as they work to accommodate the growing number of veterans who rely on services by the Department, which is a good thing.

Before we get into that, I want to quickly walk through how we got here today. Two summers ago, we passed the PACT Act, which was the largest expansion in a generation of healthcare and disability compensation for veterans who were exposed to toxic substances during their military service.

We also created the Toxic Exposures Fund, or the TEF, which ensured that these expenses would be covered on the mandatory side of the ledger because our veterans deserve to have certainty that all of their qualifying needs will be taken care of year after year.

And when we make promises like the PACT Act, we must keep them. Since the passage of this bill, the Biden Administration has worked tirelessly to make sure that veterans who qualify receive the benefits and the healthcare that they deserve.

The Administration has been so successful that VA has seen a 37 percent increase in veterans enrolled in VA healthcare and serviced 7.5 million more healthcare appointments than last year.

Additionally, VA processed over two and a half million disability benefit claims, a 27 percent increase over last year. And those claims are being granted at higher rates. And this year, Veteran trust in VA has reached an all-time high of over 80 percent.

Clearly, the PACT Act is working. Such success, though, does bring challenges. And one of those is predicting how much it will all cost, all of this will cost.

Now, I recognize how difficult that can be, but it is also incredibly concerning that the VA incorrectly estimated its costs. In June, VA told us that there would be major shortfalls in both VBA and VHA. In fact, at that time, VA told us the shortfall would be $2,800,000,000 for VBA and 12,000,000,000 for VHA.

VA also told us that the 2,800,000,000 billion for VBA was urgently needed by September 20th of this year. So Congress quickly worked to appropriate this funding, only to find out two months later that VBA had more than enough carryover to cover all of its needs for the year.

Now, while I join my colleagues in asking the tough questions as to how we got here, it is important to understand a key fact here. The fact that VA did not need the full supplemental is rare.

In this case, the government agency actually needed less money than anticipated and was still able to provide high quality benefits and care without going over budget.

Now, some of us have been in this Congress where we have had to go and pass appropriations because an agency overspent their money, including VA, a number of years ago. And Judge Carter and I, you and I were in that Congress and so we have dealt with overspending line items.

In this case, we have a situation where they actually spent less. I would always prefer that an agency, particularly one as important as the VA, try to make sure that they have all the money they need to serve our veterans rather than them spending like drunken sailors overspending their line items and then we have to rush in and appropriate more because they have over promised and not delivered in the way that they should.

So we should be digging into the VHA shortfall because quite frankly we need to reexamine your $12,000,000,000 estimate. And I know you are taking a closer look at that number and you are awaiting OMB's review, but it is absolutely essential, as you and I spoke about Dr. Elnahal, that your new estimate be as accurate as possible.

In addition to managing the 37 percent growth in participation, VHA is also facing the rising costs of healthcare, which I think all of us understand is occurring, which adds to the uncertainty around your budget needs.

So we would like to better understand what those cost increases are. I feel confident in saying that we are all here to support all of us. This Committee has repeatedly shown that we are all here to support the needs of our veterans.

We want to ensure that we keep our promise to care for those who have served in our nation's military and for their families, caregivers, and survivors. But what truly worries me, in the coming year, is what the incoming administration is saying about "government efficiency" by threatening to defund unauthorized programs.

$119,000,000,000 in VA healthcare is on the chopping block. Everyone needs to understand that that cares about our veterans. Congress must not delay our work into next year. I think, as appropriators, we all prefer an omnibus bill to a CR. We should be passing full year appropriations bills and we should be working on them right now so that we fully fund the benefits and care our veterans have earned.

However, here we are one month away from the expiration of the Continuing Resolution still without any top line agreement. And at the same time we need to appropriately fund all of our non-defense programs so that we are not constantly facing shortfalls and requiring supplementals just to fund our government's basic functions.

Responsible governance requires taking care of our veterans' needs inside the VA and I hope our friends on the other side of the

aisle continue to keep that in mind and I look forward to your testimony and I yield back the balance of my time.

Mr. CARTER. We have been joined by the Ranking Member of the Appropriations Committee, Ms. Rosa DeLauro, and I am happy to yield you for any opening remarks you consider to make.

Ms. DELAURO. Thank you so much, Chairman Carter, and I appreciate the opportunity to be here. And thank you and Ranking Member Wasserman Schultz, for holding this important hearing on the potential shortfall for the Veterans Health Administration.

Again, my thanks and a warm welcome also go to today's witnesses, Under Secretary for Health, Dr. Elnahal, and Under Secretary for Benefits, Mr. Jacobs. Thank you for appearing today and look forward to your testimony.

While today's hearing covers a vitally important topic, I just have to echo something that the Ranking Member said. I really am dismayed that the Committee is disinterested in completing the work of the Appropriations Committee on time.

We do sit one month from the expiration of the Continuing Resolution that we passed in September and the date is December 20th and we, to date, do not have a top-line agreement.

What we should be doing, this committee and the Congress, really laser focused on finishing appropriations bills, bills that we ought to have become law before the end of the year.

There are some of my colleagues who want to delay our work until well into next year and they would like to pass another Continuing Resolution. Well, Continuing Resolutions are never a good way to fund the programs and services that our veterans depend on.

We need to properly fund the government so that we are not constantly facing shortfalls, needing supplementals to keep the government functioning to ensure veterans receive the healthcare services that they are entitled to.

So Congress needs to do its job. My view, let's not adjourn without enacting full year appropriations bill. Democrats are at the table and ready to negotiate on a final full year bill that can gain the support of Democrats and Republicans in the House and the Senate for that is what is needed in order to keep the government open. So I really do implore the majority to join us.

On the topic of today's hearing, thanks to the successful outreach efforts of the Biden Administration, the VA is serving more veterans than ever before. But that increase in beneficiaries in addition to the rising cost of health care has led to a funding shortfall for VA medical care.

This is a success story and we should applaud the Biden-Harris Administration for ensuring America is upholding its promises to our brave veterans.

Over two years ago we enacted the PACT Act. We promised veterans that they would receive benefits and medical care that they require after exposure to toxic substances with dedicated funding. And we extended that to all veterans, all of them.

And thanks to the Administration's outreach to veterans entitled to the care, the number of veterans seeking care from Veterans Health Administration has increased beyond projections necessity facilitating additional funding to bridge the gap.

In fact, more than 760,000 veterans have enrolled in VA health care since the PACT Act was passed, which represents a nearly 37 percent increase compared to an equivalent period before the legislation was signed.

So we must provide this dedicated funding to uphold our promises. Our nation's veterans laid down their lives, their bodies on the line for this country's freedom and security. And we talk about it all the time. We pride ourselves in talking about these issues. We take pictures with veterans when we go overseas. We take pictures of the young men and women who are serving abroad for this thing.

So they are entitled to this care. We said it was there. They now have said, hey, I need the care. So we need to ensure that this care is provided for. This should be nonpartisan and non-controversial.

Before I conclude, let me address the VA benefits supplemental that we passed in September. While it remains clear that there is a large resource gap that we must take steps to address to ensure our veterans receive the benefits and the care that they deserve and they're entitled to, I am concerned by the Department's apparently unnecessary request for an expedited 2,800,000,000 for Veterans Affairs, which was in fact not needed prior to October 1st.

Quite frankly, it does make it more difficult for this Committee to pass and provide the necessary supplemental appropriations if we cannot be confident of the accuracy of what agencies are telling us about their need and when they need it.

So I look forward to receiving more information about how this costly error occurred. What steps the VA is taking to ensure that future estimates are as accurate as possible.

Having said that, the purpose of today's hearing is on VA healthcare, and I look forward to a robust discussion and how we can support our veteran's health needs.

We stand together, as the Ranking member pointed out. There is no difference of views as to our support and our dedication to the young men and women who have fought and served this great nation. But that means we send them off with a blare of bugle and a ruffle of drums. But we have to deal with the issues that they face when they return. And we must ensure that we uphold promises that we made to our veterans. Thank you very much for being here. I yield back.

Mr. CARTER. Thank you. Thank you, Madam Ranking Member. We thank you for your hard work. Chairman Cole could not be here today because he had something that interfered with his ability to, but he did send a written statement which, without objection, his prepared remarks will be included in the record.

Without objection, your entire written testimony will be included in the record.

Now we will recognize each of you for an opening statement and then we will proceed with questions.

Dr. Elnahal, you may proceed.

STATEMENT OF SHEREEF ELNAHAL

Mr. ELNAHAL. Thank you, Mr. Chairman, Ranking Member DeLauro, Ranking Member Wasserman Schultz, and members of the Subcommittee, thank you for the opportunity to testify today

on the ongoing budget needs for the Veterans Health Administration to continue serving our nation's veterans.

Since President Biden signed the PACT Act, we've provided veterans with more care and more benefits than ever before. We know that VA care is the best and often the most affordable care available to vets and that those in our care are less likely to be lost to suicide.

That is why we have opened the door to VA eligibility for health care at every possible turn we could under this law, launching the most aggressive outreach campaign in history to educate veterans about the resources available to them.

Thanks to the resources provided by Congress and our relentless efforts to reach more veterans, we exceeded even the most aggressive projections for care delivered last year. At the end of Fiscal Year 2024, nearly 800,000 veterans had enrolled in VA Healthcare since the enactment of the PACT Act, a 37 percent increase over the period prior to the PACT Act.

Additionally, over 900,000 veterans saw an increase in their priority group, meaning reduction in their co-pays and qualifying for more services like dental and long-term care for many veterans.

We also set an all-time record for appointments delivered last fiscal year, all while driving down wait times for primary care and mental health and these trends have continued in the initial weeks of fiscal year 2025.

At the same time, VA care continues to outperform non-VA care and external care reviews around quality and patient safety. In fact, the most recent CMS Overall Hospital Quality Star ratings show that nearly 60 percent of VA hospitals were rated four or five stars compared to only 40 percent of non-VA hospitals.

And for ten quarters straight, we have outperformed our counterparts in the CMS HCAHPS Survey measuring patient satisfaction with inpatient care. And most importantly, we've increased veteran trust in VA healthcare, reaching an all-time high of 92 percent trust for veterans who receive an outpatient appointment.

These outcomes are the direct result of hard work from our frontline employees and leaders alike across our system. Through a series of access sprints earlier this year, teams made it easier and faster for veterans to access VA care by offering night and weekend clinics and by increasing the number of veterans scheduled into daily clinics.

Today, we continue to see their impact and shorter wait times for primary care and mental health. And through the Referral Coordination Initiative, we're working to maximize the number of options we offer to every veteran, including more VA options alongside community care options when they qualify.

And veterans have voted with their feet often choosing these VA options even when they did not qualify, even when they did qualify rather for community care, contributing to a slower growth of referrals in the community than over the last few years.

Our clinicians have also become more productive, achieving a nine percent increase in productivity per clinician since pre-pandemic levels in 2019, and a seven percent increase in physician productivity specifically in fiscal year 2024 alone.

While we're optimizing every resource provided by Congress to deliver world class care to vets, we also face many of the same cost challenges as the private sector. In fact, the cost for drugs and medicine in fiscal year 2024 increased by just over 13 percent compared to the approximately nine percent increase that was estimated at the time of the 2025 President's Budget, and we continue to estimate further cost escalations this coming year.

Because of our aggressive efforts to manage responsibly within the budget VA achieved this historic growth in veteran care while staying just under the fiscal year 2024 enacted budget. We stayed within the budget, an outcome that we did not expect when we initially submitted our supplemental request to Congress this past July.

However, many of the strategies we used are not sustainable in the long run. For instance, we cannot continue to delay medical equipment purchases year over year, and we continue to believe that growth in staff, rather than attrition, is needed to meet increases in veteran care demand.

Due to the updated information about our financial position at the end of last year, we're continuing to evaluate our fiscal year 2025 funding requirements and we now estimate that we will need less than the amount that we requested in July.

With more updated information, we're analyzing our revised funding need carefully and methodically, and we will share the revised need with this committee as soon as we finalize it with OMB.

If VA medical care does not receive additional funding in FY25, VA will be forced to make difficult decisions to remain within the current budget, most notably on outreach, care coordination, and more.

That is why our excellent field leaders have been briefing you and your teams this week about the real and specific impacts to veteran care if VHA has not afforded additional resources this year.

To conclude, the most important reason we need more resources is our record in delivering more care and more benefits to veterans than ever before, and our hope is to continue this historic level of outreach and care delivery and we appreciate the consideration of this committee. I look forward to your questions.

[The information follows:]

Dr. Shereef Elnahal was appointed by President Joseph R. Biden to serve as Under Secretary for Health at the Department of Veterans Affairs (VA) and confirmed by the Senate on July 21, 2022. In this role, he leads the largest integrated health system in the nation alongside a team of nearly 400,000 professionals delivering world-class care to 9 million enrolled Veterans.

In the first year of his tenure, Dr. Elnahal has overseen the Veterans Health Administration's (VHA) implementation of the Sergeant First Class (SFC) Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act, the largest expansion of Veteran benefits in a generation. To prepare the enterprise to provide more care and more benefits to more Veterans, caregivers, and survivors than ever before, he has spearheaded initiatives to improve access, expand infrastructure, and train employees to serve Veterans impacted by toxic exposures. Under his direction, VHA also embarked on an aggressive hiring effort, growing its workforce at historic rates despite recruitment and retention challenges in the broader health care market.

Prior to his appointment, Dr. Elnahal served as President and Chief Executive Officer of University Hospital in Newark, NJ from 2019 through 2022, leading the hospital through the COVID-19 public health emergency and providing a model for urban hospital and regional response efforts. Under his leadership, the hospital also realized substantial improvements in care quality and patient safety against national benchmarks.

Previously, Dr. Elnahal served as New Jersey's 21st Health Commissioner, appointed to the Cabinet post by Governor Phil Murphy and confirmed unanimously by the New Jersey Senate. During his nearly two years as Commissioner, he expanded the New Jersey Health Information Network, worked to improve infant and maternal health outcomes and reduce health disparities, and made strides in curbing the opioid epidemic.

This is Dr. Elnahal's second tour of duty at VA, having served as VA's Assistant Deputy Under Secretary for Health for Quality, Safety, and Value from 2016 through 2018, overseeing national policies around quality of care for the VHA, and as a White House Fellow in the VA from 2015-16. During that time, he co-founded the VHA Innovation Ecosystem, a program that continues to foster the spread of innovation and best practices that improve Veteran care across the nation.

Dr. Elnahal holds an M.D. from Harvard Medical School and an M.B.A. with Distinction from Harvard Business School.

STATEMENT OF
SHEREEF ELNAHAL, M.D., MBA
UNDER SECRETARY FOR HEALTH
VETERANS HEALTH ADMINISTRATION (VHA)
AND
JOSHUA JACOBS
UNDER SECRETARY FOR BENEFITS
VETERANS BENEFITS ADMINISTRATION (VBA)
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

NOVEMBER 20, 2024

Chairman Carter, Ranking Member Wasserman Schultz, and Members of the Subcommittee, thank you for the opportunity to testify today in support of the ongoing budget needs for the Veterans Health Administration (VHA) and the Veterans Benefits Administration. VA is honored to serve the Nation's heroes: Veterans.

VA is delivering more health care and benefits to more Veterans than ever before. Since Congress supported and President Biden signed the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxins (PACT) Act into law, we have done everything in our power to reach out to every Veteran and survivor who is eligible for PACT Act benefits to bring them to VA as quickly as possible—because Veterans who come to VA are proven to do better. These steps included:

- **Expediting health care eligibility under the PACT Act by up to 8 years to ensure that Veterans could access care as quickly as possible:** VA used its authority under the PACT Act to expedite health care eligibility by up to 8 years so that all Veterans who were exposed to toxins are eligible to enroll directly in VA health care—regardless of whether they served at home or abroad—as long as they meet basic eligibility requirements. This means that they do not need a service-connected disability to enroll in VA health care. This also allowed some Veterans who are already enrolled to transition

to higher-level priority groups. This step expanded access to care under this authority for many Veterans, including: 1) some Veterans who served in Iraq or Afghanistan, dating back to the Gulf War, 2) Veterans who deployed in support of the Global War on Terror Contingency Operations, and 3) Veterans who were exposed to toxins here at home. Without expediting this eligibility, the first group of those Veterans would not have become eligible for care until this October 2024 and the last group would not have become eligible until 2032. It expanded access to life-changing or life-saving care to many Veterans, including more than 50,000 Veterans who have already enrolled under this authority.

- **Expediting presumptive benefits under the PACT Act by up to 4 years:** VA used its authority under the PACT Act to expedite benefits eligibility, deciding not to phase in presumptive conditions over several years as called for by the law. This expedited presumptives for head cancer, neck cancer, gastrointestinal cancer, reproductive cancer, lymphoma, pancreatic cancer, kidney cancer, melanoma, hypertension for Vietnam Vets, and much more. Most of those conditions would have only become presumptive in October 2024, and some would not have become presumptive conditions until 2025 and 2026.
- **Launching the most aggressive outreach campaign in VA history:** From the moment the PACT Act passed the Senate, VA has been conducting an all-hands-on-deck outreach campaign to bring more Veterans to VA. This includes launching a one-stop launch website for Veterans to apply for PACT Act benefits, hosting thousands of events since the passage of the PACT Act, sending millions of letters and emails directly to eligible Veterans, conducting a nationwide advertising campaign, enacting the first-ever text messaging campaign to reach out to eligible Veterans, and working with influencers and partners to spread the word about the PACT Act.

VA made these decisions so that millions of Veterans who got sick while fighting for our country could get the benefits and healthcare they deserve as quickly as possible and save lives. Data also clearly indicates that when Veterans are receiving VA benefits and health care, their risk for suicide decreases. Without VA's outreach campaign, many Veterans would not know about the PACT Act.

The generous resources provided by Congress enabled us to reach Veterans and survivors with more care and benefits than ever before and we remain grateful for your support. Key results over the past fiscal year (FY) include:

- **Providing more world-class health care to Veterans:** VA delivered more than 127.5 million health care appointments, representing a 6% increase over last year's record. During this fiscal year, wait times decreased and VA health care outperformed non-VA care on independent reviews for patient satisfaction and care quality.
- **Delivering more earned benefits to more Veterans:** VA delivered $187 billion in benefits (including $173 billion in compensation and pension benefits) to 6.7 million Veterans and survivors this year — all of which are all time records. VA also processed 2,517,519 disability benefit claims, a 27% increase over last year's all-time record.
- **Earning Veteran Trust:** Veteran trust in VA reached 80.4% this year, an all-time record and an increase of 25% since 2016. Veteran trust in VA health care also reached 92%, another record.
- **Encouraging Veterans to apply for health care and benefits under the PACT Act:** Thanks to the largest outreach campaign in VA history, more than 796,000 Veterans have enrolled in VA health care since the PACT Act was signed into law — a nearly 37% increase over the previous equivalent period. VA has received 4,414,334 claims for disability compensation benefits over the past two fiscal years —a 29.8% increase over the two years prior. Additionally, 913,459 Veterans upgraded their priority groups, making them eligible for care with fewer copays.
- **Supporting Veterans in crisis:** VA provided no-cost emergency health care to more than 50,000 Veterans in acute suicidal crises. Additionally, the Veterans Crisis Line is supporting more Veterans than ever, receiving 1,123,591 million calls, texts, and chats — surpassing last year's record by 12%.
- **Supporting Veterans experiencing or at risk for homelessness**: VA housed 47,925 Veterans experiencing homelessness in FY 2024 and ensured that 96% of the Veterans housed during this time did not return to homelessness. The 2024 Point-in-Time (PIT) Count showed a record low in Veteran homelessness since measurement began in 2009

and a 7.5% decrease since 2023. Overall, the data shows a 11.7% reduction in Veterans experiencing homelessness since 2020 and a 55.6% reduction since 2010.

- **Supporting a record number of survivors of Veterans:** 519,453 spouses and dependents received survivor benefits from VA, representing a 4.5% increase over last year's record and totaling an estimated $10.6 billion in earned benefits.
- **Supporting a record number of Veteran caregivers:** VA provided services, resources, and assistance to a record 88,095 Veteran family caregivers, representing an 18.6% increase over last year's record.
- **Supporting a record number of women Veterans:** A record 741,259 women Veterans received compensation payments from VA this year, representing an 8.2% increase over last year and totaling an estimated $20.4 billion in earned benefits. Additionally, 52,130 women Veterans enrolled in VA health care in FY 2024. VA now has more women Veterans enrolled in its health care system than ever before.
- **Providing record dental care to Veterans**: VA dental clinics provided over 6 million procedures to more than 630,000 Veterans, representing 9% and 12.5% increases over last year's records, respectively. Through community care, VA delivered a record additional 3.4 million procedures to more than 330,000 Veterans.
- **Providing life insurance to Veterans, service members, and spouses**: VA provided $1.5 trillion in life insurance coverage to 5.6 million policyholders, matching last year's record.
- **Helping Veterans, service members, and spouses become and remain homeowners**: VA guaranteed over 416,300 home loans, saved over 158,000 borrowers from foreclosure, and approved 2,439 Specially Adapted Housing grants.
- **Processing record numbers of Veterans' appeals**: VA processed 116,192 Veteran appeals, representing a 12.5% increase over last year's record.
- **Commemorating more Veterans on the Veterans Legacy Memorial:** Nearly 10 million of the nation's heroes now have individual commemorative pages in the Veterans Legacy Memorial – the nation's largest digital platform dedicated to the memory of Veterans and service members. This is an all-time annual record, reflecting an increase of more than 5,055,400 Veterans over the past year alone.

- **Giving Veterans final resting places in VA National Cemeteries**: A record 5,572,495 million people — including 3,981,362 million Veterans — are now buried in VA national cemeteries.

These important results for Veterans, caregivers, and survivors have exceeded even the most aggressive projections and expectations. Because of that, VA has identified a need and has asked Congress to provide additional funding in FY 2025 for a potential shortfall in VA medical care funding.

Medical Care Anomaly Request

On the four occasions when Secretary McDonough testified in Congress in support of the President's FY 2025 Budget Request, he mentioned that VA may need to come back to Congress to ask for more funding if we continued to bring record numbers of Veterans to VA. On July 15, 2024, VA did just that, updating this Committee and its counterparts on the overall fiscal state of benefits and medical care, and the increased needs for funding to meet the increased Veteran demand. On August 28, 2024, the Administration requested a funding anomaly of $12 billion for to the Cost of War Toxic Exposures Fund to cover a potential shortfall in medical care funding in FY 2025.

With FY 2024 over, we know that VHA's actual spending more closely aligned with the FY 2025 President's Budget than anticipated at the time of the original request in August. This was a result of several factors. The cost of our workforce was lower than expected, we delayed purchases of new equipment, and community care grew at a rate lower than projected in the original anomaly request. Consistent with the original anomaly request, we obligated more in FY 2024 than projected in the FY 2025 President's Budget for drugs/medicines and prosthetic devices.

As a result of these changes, we carried over more funding into FY 2025 relative to what we assumed in the anomaly request. In fact, the funding carried over into FY 2025 was very

close to our original projection in the 2025 President's Budget, and we will use this carry over funding to address our needs this fiscal year.

Due to our financial position at the end of FY 2024, we are continuing to evaluate our FY 2025 funding requirements and now estimate we will need less than the original requested amount to fully meet Veterans' and beneficiaries' health care needs.

Our budget outcome in FY 2024 was a result of our efforts to manage the budget and resources responsibly. However, we recognize some of these strategies are not sustainable in the long run. For example, VA cannot continue to delay medical equipment purchases year over year. As we briefed Congress last year, we still need to hire approximately 5,000 additional employees compared to the level we had in mid-June 2024 in high growth areas such as mental health. While VHA is not hiring at the same rate as it did in recent years, it will continue to hire best-in-industry talent to fill critical, high-priority vacancies and positions to meet the needs of Veterans.

We also need additional funding to support a higher growth rate for community care than previously projected in the 2025 President's Budget, but lower than projected in the original anomaly request. Enactment of the 2018 MISSION Act dramatically changed the way VA leverages community care to meet the needs of Veterans. In FY 2024, VA set a record for community care appointments for the sixth year in a row, and we project continuing to need additional resources in 2025 to deliver community care for Veterans. The increase in community care obligations from FY 2023 to FY 2024 was just under 15%, lower than the year-over-year growth rate in the three previous years. However, as the costs of community care continue to grow, it places increasing pressure on VA's medical care capabilities.

Finally, we continue to need relief for cost pressures occurring in the pharmacy and prosthetics programs that were not anticipated when VA developed its FY 2025 budget. Costs for drugs and prosthetic devices (including eyeglasses and hearing aids – two high volume service lines for VA) are higher than anticipated due to market pressures and increased demand for newer, high-cost weight-loss and other medications. In fact, obligations for drugs and medicine in FY 2024 increased by just over 13% compared to the approximately 9% increase that had

been estimated at the time of the 2025 President's Budget, and we continue to expect further escalation in FY 2025.

If VA medical care does not receive additional funding early in FY 2025, VA will be forced to make difficult decisions to remain within the current budget, most notably on outreach, care coordination, and more. Thus, this funding is necessary to maintain the excellent outcomes for Veterans that VA is achieving on quality, access, and Veteran trust.

Benefits Supplemental Appropriation

VA is deeply appreciative for Congressional support in enacting Public Law 118-82, the Veterans Benefits Continuity and Accountability Supplemental Appropriations Act, 2024. As you know, this summer, VA identified several factors that required it to reassess its FY 2024 mandatory funding needs, largely driven by an increase in the total number of anticipated disability compensation and pension claims.

As a result of the updated June projections, and out of an abundance of caution, VA requested $2.883 billion in additional mandatory benefits funds for FY 2024. These funding estimates were conservative to ensure more than sufficient funding would be available to get through the end of FY 2024 and deliver on the promise to provide Veterans their earned benefits, especially as VA continues to break records in benefits delivery. Critically, any funding shortfall of just $1 would have prevented VA from processing its September pay file, and, as a result, delay disability compensation, pension, and education benefit payments to approximately 7 million Veterans and survivors. Those Veterans and survivors rely on those monthly payments, and any delay could have been devastating for them and their families.

While the supplemental funding Congress provided was not immediately used, prudent management still compelled VA to request the mandatory benefits funding to ensure that Veteran benefits payments continued without interruption. The amount of the supplemental funding and more was used in October 2024, and it went directly to providing disability compensation, pension and education benefits for Veterans, survivors, and their families. VA ultimately only

carried over 2.5% of compensation and pension benefits funding and 4.6% of education benefits funding this year. This is dramatically less carryover than in previous years, when VA carried over 10.1% and 30% last year and 11.7% and 43.2% the year before. This demonstrates how close VA managed to its budget during this year – and why the supplemental funding was necessary to avoid a worst-case scenario. (Without $2.3 billion in supplemental funding, C&P carryover would have been 1.2% of total obligations. Without the supplemental funding, education benefits would have only carried over 0.6% of total FY 2024 obligations.)

VA is currently updating its mandatory budget estimates for the 2026 President's Budget. These updates will include final FY 2024 data and revised assumptions based on these data, such as refined workload projections, updated economic assumptions, an updated cost estimate for the Rudisill v. McDonough Supreme Court ruling, and estimates for regulatory changes. VA will share updated budget estimates with the Committee once they are finalized.

Conclusion

We are honored to be serving the Nation's Veterans and their families and am proud to be working with Congress to deliver more care and more benefits to more Veterans than ever before. These results are life-changing for millions of Veterans and their survivors, and we look forward to working with you to address this need for additional funding so we can continue to ensure the Nation's Veterans get the health care and benefits they have earned and deserve. This concludes our testimony, and we look forward to answering your questions.

Mr. CARTER. Mr. Jacobs.

STATEMENT OF JOSH JACOBS

Mr. JACOBS. Good Morning Chairman Carter, Ranking Member DeLauro, Ranking Member Wasserman Schultz, and members of the Committee. I appreciate the opportunity to appear before you today.

As you know, VA is currently delivering more benefits to more veterans, family members and survivors than ever before. This historic success stems from implementation of the Sergeant First Class Heath Robinson PACT Act and our unprecedented proactive outreach to connect veterans with the benefits that they've earned.

This summer, VA identified several factors that required us to reassess our FY24 mandatory funding needs, largely driven by an increase in the total number of anticipated disability compensation and pension claims.

Our goal was to ensure sufficient resources would be available to carry us through the end of the year and deliver on our promise to provide veterans and survivors with earned benefits on time and without interruption.

We were mindful that a funding shortfall of just $1 would have prevented VA from processing its September pay file, delaying monthly disability compensation, pension, and education benefit payments to the approximately seven million veterans and survivors who rely on them.

When we recognized the risk of exceeding our performance targets and jeopardizing timely payments, VA notified the Committee and kept Congress apprised of developments in the subsequent months.

Veterans and survivors rely on these payments and any delay could have been devastating to them and their families. This was a risk we simply were not willing to take and slowing benefits delivery was not an option because we know the transformative impact these benefits have on the lives of veterans.

We serve veterans like Dave Hale and his wife Carrie. Three years ago, Dave survived a vehicle collision with only minor injuries. But months of persistent neck pain ultimately led to a diagnosis of a rare cancer.

Following Dave's diagnosis, Carrie quickly became his caretaker. Dave's claim was denied, but Carrie didn't stop fighting. After attending a PACT Act outreach event and working with both VA employees and advocates, she got the help she needed and Dave's cancer was finally granted 100 percent service connection in June of 2023.

In his final days, Dave's only worry was his family and comforted by the knowledge that they would be taken care of, Dave passed away less than two months later.

This is the power of the PACT Act life changing support for veterans, their families and survivors and Carrie and Dave's story is just one of millions that demonstrates the impact of this historic law you helped to pass.

Since the PACT Act was signed into law, VA has approved more than 1.3 million PACT Act related claims equating to over $8,000,000,000 for veterans and survivors.

In fiscal year 2024, VA delivered an all-time record $187,000,000,000 in benefits to nearly seven million veterans and survivors. We also processed more than 2.5 million disability benefits claims, a 27 percent increase over last year's all-time record and thanks to the largest, most aggressive outreach campaign in VA history, veterans, family members, and survivors are applying for and receiving a variety of benefits at higher numbers than ever before.

We are grateful to Congress for providing the supplemental funding we requested. While those funds were not immediately used, prudent management compelled VA to request the funding so veterans benefit payments could continue without interruption.

In October, the amount of the supplemental funding and more was used directly providing disability compensation, pension, and education benefit payments for veterans, families, and survivors.

Moving forward, we're incorporating lessons learned to adjust our budget projections, including estimates for the 2026 President's Budget, so we can avoid this situation in the future.

That means accounting for the capacity of our workforce to deliver at record levels, anticipating higher rates of annual growth and average disability ratings, and continuing to transparently share our status of funds reports every month.

We will provide updated estimates when they're finalized and will continue providing these monthly updates to the Committee. We remain focused on delivering more benefits to more veterans and survivors more quickly than ever before and we thank you for your continued support. I look forward to answering any questions members of this Committee may have.

[The information follows:]

Department of Veterans Affairs Senior Executive Biography

Joshua Jacobs

Under Secretary for Benefits

Joshua Jacobs serves as the Under Secretary for Benefits. In this role, he leads more than 32,000 Veterans Benefits Administration (VBA) employees in the delivery of non-medical benefits programs. VBA provides disability compensation benefits to nearly 6 million Veterans and their survivors and administers pension benefits for over 300,000 Veterans and their survivors. Through a nationwide network of 56 regional offices, special processing centers, and VBA Headquarters, he oversees the execution of nearly $189 billion in direct benefits to Veterans and their dependents.

Josh previously served as Senior Advisor for Policy in the Office of the Secretary, where he helped to design and implement a new structure and process for enterprise governance and policy development. In this role, Josh established and chaired a new Evidence Based Policy Council, which meets on a regular basis to drive enterprise policy making. Josh also developed a new interagency policy development process to coordinate and implement more than 50 interagency policy efforts.

Prior to rejoining VA in 2021, Josh Jacobs was a Senior Associate at Booz Allen Hamilton. From 2013 to 2017, Josh served as Senior Advisor in the Office of the Secretary of VA, where he was awarded the Secretary's Meritorious Service Award. Josh also served nine years in the U.S. Senate, including two years as Deputy Staff Director for the Senate Veterans' Affairs Committee. Josh is a graduate of the University of Washington. He and his wife, Julia, have three children.

Mr. CARTER. Thank you. And we appreciate you being here to explain this. And I don't think anyone sitting at this dais would disagree that we are very proud of the way the VA has reacted to the PACT Act and the way that you have done a great job to take care of our fighting people.

But what the question we have here is communication with the people who pay the bills. That's us. And accurate as can be communications. And I would like to hear, and I hope everybody else would like to hear, exactly how you make your estimates.

I am going to have a question about that. What do you use to make these decisions? It was sort of coincidental that we got this information one day after the presidential election was called.

And so that seemed a little circumstantial, as we would say in the courtroom. But anyway, we are concerned about, and we still don't have a real number. We are talking $12,000,000,000 right now as you study it or as you talk to OMB or whatever is coming up.

We need clear communications is what we are talking about. Because this is a lot of money. It is a lot of money on the short fuse. Nobody's criticizing you, but that you are accomplishing great things in the VA. You are. But we have to pay the bills and we have to know what is going on. That is what this is, at least I am trying to shorten what we are thinking about.

We are talking about why are we in the dark? And if you get, and if you don't know, then you don't know. But we are going to have the same situation. We will have timed on each question. And I will start.

I will start and then the Ranking Member will follow me and then we will go as you came into the hearing.

Our office was briefed earlier this month about status of the funds and projections for VA's funding for FY25. And as I mentioned, it is oddly coincidental that one day after the President's election was called, he told us about the 12,000,000,000. This raised a flag. There was something strange about that.

And OMB, you said OMB is working on it. Your statement continues that we are at the same place, OMB is working on it right now. According to your response to the letters we were sent, VA projected that you would have nearly 12,500,000,000 unobligated funds carried over into FY25.

Now that we are more than halfway through November, please tell us the burn rate, fiscal year to date, and the latest on the projections for the remainder of the year.

While we appreciate that you relayed to us the $12,000,000,000 shortfall as an overestimate, you still said more funds would be needed as you projected to the end of the year. When do you expect to provide the revised number to us so that we can resolve this matter?

It is critical that the VA answers us so that we can assess this matter swiftly. Veterans and this body deserve to have honest, transparent, and documented budget needs to enable us to provide the great care to all of our veterans.

How do you anticipate this request to come forward? And the final proposal of moving to the mandatory side is not viewed by at least this side of the aisle as a viable last option.

So with that, if you would answer the questions is how do you make projections? And you say more projections are going to be made and give us an example of how they will be reported to this body so that we can have a continuing idea of where we are going to be.

Appropriating in the dark is very difficult for appropriators and we would rather not do that. So if either one of you would like to give us what device you use to make projections, it would be of interest to me.

Mr. ELNAHAL. I'm happy to start, Mr. Chairman.

I think you're more than right to demand transparency or it's our constitutional obligation to grant you that transparency, which is why in July, when we were mid-year, not knowing where we would necessarily end up, we came forward with our projected funding need into the end of fiscal year 2025.

So we went as much in advance as possible with that request. That estimate has proven to be an overestimate, as you said, based on the data up to that point in the fiscal year on our care execution levels, on things like the cost per full-time employee.

As we briefed to your staff, we were off by about two percent on ultimately what the cost per full-time employee was amounting to about $3,000 per employee. But because we have a more than 400,000-person workforce, when amortized over the entire organization, that ended up being well over a billion dollars of costs that we didn't actually obligate when we expected to in July. And so that's one reason that our estimate was off.

In the coming weeks Mr. Chairman, we are going to make sure that we methodically and carefully recalculate what that need is, because we need to get it right, or at least more right than we did in July. We don't want to be giving you something that was as ultimately inaccurate that we gave you in July.

Now, that was, again, our best estimate with the data we had at the time. Another factor was that our operational leaders across the organization manage to the budget by making key decisions to be able to achieve that. So, we did stay within the FY–24 enacted budget, but some of the actions they took are ultimately not sustainable.

So, for example, deferring and delaying equipment purchases. We also anticipate continuously increasing costs in pharmaceuticals and prosthetics. Medical inflation is far exceeding consumer price index, and so these are cost pressures that the entire healthcare system is facing, Mr. Chairman.

Normally we project our funding needs through actuarial models called the rolling healthcare projection model. Mid-year, we had to do an estimate run with a different methodology. We're now going to be using more up to date and hopefully more accurate assumptions when we calculate and deliver our funding to you.

Mr. JACOBS. Mr. Chairman, on the benefits side, we estimate our cost requirements, looking at the number of claims we anticipate receiving and producing, and that could be influenced by the total number of employees we have, their efficiency levels, the availability of overtime funds.

On the education side, we're looking at economic indicators trying to assess the rate of utilization for those education benefits, to

include whether veterans and beneficiaries are using those benefits in a full time or part time capacity online or in person.

What we found in looking back at fiscal year 2024 is the primary driver, and the primary reason why we came to you and requested the additional funding is we updated our projections, assessing that we would complete 2.5 million claims, not the 2.2 million we had originally projected and thought was aggressive yet achievable. Well, it turns out we did in fact exceed 2.5 million claims completions. What we didn't anticipate is that the proportion of those claims was more heavily weighted on veterans receiving a claim for increase rather than new veterans getting a claim for the first time. And the cost differential there resulted in us not exceeding the amount of mandatory funding as we had anticipated.

The other point that I'll mention is that without the supplemental funding on the education account, we would only have carried over about half a percent of our total funds, which would have meant that if we had had even about 5,000 more students utilize those training and education programs, we would have exceeded the total level.

So, as we look forward to improve on our budget formulation process, we're taking into account the lessons learned, increasing total production estimates, trying to dig deeper into the proportion of claims that are new versus claims for increase, and we're making sure that we also anticipate a greater growth in the average disability rating for veterans.

Mr. CARTER. Ranking Member Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you very much, Mr. Chairman. I'm going to come back to the short fall, and just want to begin by underscoring the concern that I raised in my opening remarks.

President-Elect Trump recently announced that Vivek Ramaswamy would co-lead a so-called Department of Government Efficiency, which sounds like it is not even actually going to be a governmental agency. And he's already made headlines saying that unauthorized programs should no longer receive appropriations. His precise words were that, "we can and should save hundreds of billions each year by defunding government programs that Congress no longer authorizes."

As you well know, veterans healthcare benefits are currently not an authorized program, so if—and perhaps my colleagues are unaware of that. But—so if Republicans in the majority follow through on Ramaswamy's wishes, it will mean that veterans would no longer be eligible for in-patient surgeries—for—no longer be eligible for in-patient services, like surgeries, acute care, and injuries that may require urgent care and outpatient services like health appointments, immunizations, and nutrition and education.

Ramaswamy's strategy would strip this committee members—this committee of our authority to determine how the federal government should be funded. All members of this committee should be outraged about that. It appears that we should be reminding the incoming administration that our nation's founders gave Congress the power of the purse.

So, Dr. Elnahal, my question is, this stated strategy would obviously have a devastating impact on our veterans. Can you further

elaborate on what eliminating almost $119 billion in medical care would mean for our veterans?

Mr. ELNAHAL. I'd be highly concerned about it, Congresswoman. Right now, we take guidance from our general counsel and our authorities. And so, we have a 1996 law that established the medical benefits package that clearly does state that our authority to provide care is related directly to the advance appropriation that we get every year.

So, we're pretty confident in our authority to provide the full scope of medical care. And we're in a position now, because of the historic growth in the number of veterans enrolling in VA, but also the number of veterans who are relying on us more because we're doing things like increasing priority groups when Josh and his team out of VBA offer more service connected benefits to these vets who are already enrolled. That is actually substantially increasing care demand.

And so, we'd be highly concerned about any cuts. In fact, we need to grow our workforce to a level of 405,000 employees as we estimate to be able to deliver that care in a timely way. Despite these increases in demand, we've seen wait times on average go down instead of up for primary care and mental health. We've seen historic performance on quality, patient safety, veteran satisfaction and trust. We want to make sure we maintain those outcomes while we provide accessible, high quality care to vets.

Ms. WASSERMAN SCHULTZ. Thank you, and just to my colleagues on appropriations, you know, we have a culture here that we are proud of that is—that there are Democrats, Republicans, and appropriators. And I mean, I think we all have to think through if this is a plan that actually is moved forward, about the number of laws that have expired in a sense and no longer have an authorization that we fund here, even without the authorization, which is our right and Congress's authority.

And so, it's just something that I wanted to make sure that I shined a spotlight on, because it would dramatically affect the—Congress's authority more broadly, and specifically our authority as a—as a committee.

On the VHA shortfall, Dr. Elnahal, as I mentioned in my opening statement, both the increasing cost of healthcare and the uncertainty around the number of veterans with PACT Act qualifying needs who will be coming to rely on your services adds to the uncertainty in your cost estimates certainly.

And you in your testimony and your answer to Chairman Carter just now pointed to that, particularly in pharmacy and prosthetics. With the success of the PACT Act, can you give the committee some insight into how many veterans you are now serving, and where the shortfalls exist?

For example, what types of providers will you need to be hiring, and can you be more specific about exactly what costs are increasing, and how that's impacting your ability to not just predict your costs, but to sustain a high level of care?

Mr. ELNAHAL. Yes. So, we face systemic cost increases, again, as does every health system in America, Congresswoman, on pharmaceuticals, prosthetics, key elements of veteran care delivery that VA shoulders a responsibility for.

We're a very integrated, comprehensive healthcare system. We have one of the largest pharmacy operations in the country. We bear those costs and deliver those needed medications to vets. And so, we anticipate that we will see an increase. We observed an increase, I should say, of about 13 percent in pharmaceutical costs this last fiscal year.

We're projecting an increase of up to 24 percent into FY–25, both because of the intensity and volume of medications we're delivering, but also because of the newer types of medications for obesity that are high cost, but can ultimately help and serve veterans across the country. And so, those are a lot of the systemic costs. When it comes to our fulltime employee needs, Congresswoman, we have been relentlessly hiring frontline employees and clinicians and folks who directly serve veterans.

The vast majority of employees that we hired at historic levels in FY-23 were frontline employees. We are budgeting for physicians, nurses, housekeeping aides, food service works, and the entire gamut of employees needed to make hospitals and clinics move to give veterans timely care, and that's really—we're going to be indexing—should be able to get these supplemental funds.

Ms. WASSERMAN SCHULTZ. And just one more brief thing. How has the growth in community care impacted your budget, particularly as it relates to this shortfall?

Mr. ELNAHAL. Every single referral into the community is an added—what we'll call variable cost—and an added cost to ultimately the agency. Now, I've supported community care from day one in my tenure. Community care is absolutely needed for many veterans when we don't have a service available, and when we can't offer timely services. It's actually the law under the MISSION Act for us to be able to offer those services.

What we've done instead of limiting access to community care is actually over-indexed and offered more VA care over the last fiscal year. So, we're offering telehealth appointments, more in-person appointments. We are offering appointments between medical centers that more veterans are taking us up on, and veterans are voting with their feet. So, between 2022 and 2023, and 2023 and 2024, there was a significant difference. It was 18 percent over the last period, and we grew by about 14.8 percent between 2023 and 2024.

So, we're slowing the growth of community care, not because we're limiting those options, but because we have a more robust workforce than ever. Our clinicians are becoming more productive, and we're offering a lot more VA options to vets whether they qualify for community care or not.

Ms. WASSERMAN SCHULTZ. Great. Thank you. Thanks for the indulgence, Mr. Chairman. I yield back.

Mr. CARTER. Mr. Valadao

Mr. VALADAO. Thank you, Chairman. Thank you to our witnesses for testifying before the committee today. Like the rest of my colleagues, I am incredibly concerned with the VA's ongoing challenges in accurately estimating demand utilization and cost, and reiterate the need for more transparent and detailed explanations of what the VA needs to fulfill its mission of providing for our nation's veterans.

I know it's been hit on a little bit, but even chatting with my colleagues on the authorizing side, there's a lot of concern—there's not a lot of clarity on the way that these are estimated, and there was a letter that was signed by our chairman here, Chairman Carter and Chairman Bost, specifically requesting quite a few different clarifications, and it sounds like there has been little to any response at all on those, and a lot of excuses. Any response to what's taking so long to give the answers to, what is it, 15 questions on there?

Mr. JACOBS. Congressman, I was under the impression we had responded, but I can go back and confirm if I am mistaken. We certainly—as Dr. Elnahal mentioned—we have a Constitutional responsibility to cooperate in a transparent manner to provide you with the answers you need to do your duties to the people you represent, and to the taxpayers of this country. We owe you that, and we will commit to doing that.

We will be transparent. We have provided monthly status of fund reports since the summer; those will continue. And we are also complying with requirements associated with the supplemental appropriation you passed to provide reports detailing information about our budget formulation process.

Mr. VALADAO. After that supplemental was passed, we were under the impression, or at least it's come out that we—it was no longer needed. When did you actually know we didn't—that you didn't need those $3 billion?

Mr. JACOBS. We identified that after we had received the funds. It takes us several weeks to reconcile our accounts and make sure that we've identified things like prior recoveries, and kind of the—all of the numbers. And so, once we had verified that, we communicated that.

Mr. VALADAO. And so you knew a few weeks afterwards that you didn't need the extra 3 billion that was——

Mr. JACOBS. The full——

Mr. VALADAO [continuing]. [Crosstalk].

Mr. JACOBS. The full, complete—I think we had a sense of the C&P earlier, and the RB took a little bit longer, but then we had to reconcile and verify that.

Mr. VALADAO. All right. How does the VA plan to measure long term outcomes and increase funding, particularly in areas like mental health, homelessness reduction, and caregiver support?

Mr. ELNAHAL. I'll take that one, Congressman. So, the most important public health and clinical priority we have is veteran suicide. And so, that is going to be—it continues to be the most important metric that we measure when it comes to the mental health and well-being of our vets.

We also measure access to care. So, we've been able to reduce average wait times for a new patient in mental health by about 14 and a half percent year over year from fiscal year 2023 to 2024, mostly because we hired thousands of mental health frontline clinicians to be able to see more vets, but also because we've been working on productivity and ensuring consistent standards on the number of patients seen per provider, and of course we also have a large gamut of metrics on quality and reliability of care delivery when it comes to mental health, and we're happy to follow up with

you on exactly how we're measuring those outcomes. I was just handed a note that says we did send back a 46 page response to the letter that you mentioned on November 8th, but we'll make sure we'll double back with you and your team on that response.

Mr. VALADAO. So, for—on the responses they have gotten so far, the numbers don't add up to the $12,000,000,000 that you are asking for. And that is a huge problem. When we talk about a number of $3,000,000,000 that was given and then not necessary. Now there's a $12,000,000,000 request, but there is no clarification on what those needs are.

I feel like we need a little more transparency on that. And if you can bury in a 38-page letter actual facts, I think that would be helpful on.

Mr. ELNAHAL. I don't disagree, Congressman, that our projections could have been more accurate. Conceded that for sure. What we're trying to do is make sure we work very diligently to make sure that the number we do give this Committee is much more accurate. And that is taking time and we're going to work as methodically as we can with OMB. But yes, the projections as of July were an overestimate.

Mr. VALADAO. All right. What mechanisms are you currently using to keep these numbers as transparent and accurate as possible moving forward?

Mr. ELNAHAL. We have monthly budget execution reviews, Congressman, with every single one of our network leaders. We have robust participation from our medical centers. We're tracking full-time employee levels, community care utilization, pharmaceutical costs, prosthetic costs, productivity, a number of metrics that are giving us much more real time information directly from the folks managing our system.

And so that information is available to this committee upon request at any time when it comes to our budget execution. I will say that a large part of the reason why we're here and we ultimately need less money this fiscal year is because our operators grew care significantly while holding down costs as much as they could responsibly.

And so we're seeing wait times go down, we're seeing care volumes go up. And we stayed within the FY24 enacted budget not by accident, but because we have excellent leaders across our system managing the costs very, very closely.

And so that was an unexpected outcome, ultimately a good one because we have more resources going into this year, but our projections need to be more accurate.

Mr. VALADAO. I am under the impression that one of the administrators at the Department actually used the phrase SWAG. So scientific wild ass guess as a way of some of the estimates that were projected and why they were so far off.

And I think that was actually addressed in the letter. And I mean that's a scary thought when you think about the billions of dollars that were being budgeted, spent, not spent, asked for. And then when you hear phrases like that from whistleblowers, I think that is a pretty scary thing for us, especially when we are all in the same room here. I think we all care about the same thing. Making sure that we take care of our veterans and the amount of

money that is being thrown around is irresponsible for the taxpayers.

A lot of veterans are taxpayers as well. A lot of them left the services and go out in private sector and work hard, pay taxes. We want to make sure that we are as responsible as possible. And when we hear phrases like that, I think we owe it to our citizens to make sure we do our best to not play these games anymore.

And I hope that in the response we can find some of the answers to the questions I had and that the Committee had. Thank you.

Mr. CARTER. Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman, Dr. Elnahal, and Mr. Jacobs. Thank you so much for being here today and thank you for your commitment to ensuring that our veterans receive the care and the services that they deserve.

I greatly appreciate your service and your invaluable contributions to this important discussion. I really think that while there has been discussion about the overestimates of cost, I want to congratulate you because it appears to me that by any metrics of quality and care that you have taken your mission to take care of those who have served very, very seriously.

This Committee, for over several years now has insisted that we not come up short on care for our veterans and even made it a part of our annual process to advance fund medical care for our veterans to make sure that regardless of what exigencies might happen here on the Hill, that our veterans would be cared for.

But by all of the metrics of performance, you have done a tremendous job, better than in many, many, many decades. And so I want to congratulate you for that. I would like to associate myself with the comments of the Ranking Member because I think that it is better to have the resources and not need them urgently than to need them and have our veterans come up short.

And I think that you gave our veterans the benefit of the doubt in those estimates and fortunately, budget wise, you didn't have to expend it. But nevertheless, I appreciate, and I think our veterans appreciate the fact that you had them in mind and you did not want them to come up short.

So I certainly congratulate you on that. But I want to ask you, with the fluctuations and costs related to pharmaceuticals and your need for additional staff, the fact that your managers were able to cut costs to stay within the projected budget, but as you say, those cost-cutting mechanisms are not sustainable, you have got to invest in the future. You have got to hire more staff. You have got to anticipate the additional cost increases that will be coming for the quality of services and equipment that you have to acquire.

What is it that we can do, on this Committee, to give you additional tools to more accurately project and to make sure that we never, ever have to come back for additional funds because we have targeted and have sufficient resources?

Mr. ELNAHAL. So I'll start, Congressman. I appreciate your comments very much. As the Secretary compels us to do every day, we are not going to relent on our outreach to more veterans across the country to give them their earned healthcare and benefits. And we've acted that way since the PACT Act was signed.

We accelerated healthcare eligibility eight years in advance of what was required for the law for different cohorts of veterans as of March 5th of this year, including every veteran who's deployed to a post 9/11 conflict now qualifying for VA Healthcare, every veteran deployed to the Gulf War, every veteran deployed to the Vietnam and expansive deployment locations.

And that is the primary reason why we are here. We're given the authority to bring more vets into the system. Every single veteran we enroll, on average, reduces their risk for suicide, which is reason enough to do this.

Mr. BISHOP. I am hearing from my veterans every day that they are really, really happy with the recent support that they feel from the VA. They feel like their claims are being addressed, that they are getting better care, they are increases where they deserve an increase, are coming quicker, the wait times are better. They seem to be happy.

And the data that you supplied in your testimony indicates that the confidence in veterans is much, much increased. And so I really have to congratulate you for that. I think this Administration has done a tremendous job in that.

Mr. ELNAHAL. Thank you, Congressman. But I know that we do need to work on our budget formulation, and that is something we're commissioning an external review to assess. And we're going to make sure our projections get better and better over time.

Mr. CARTER. Mr. Rutherford.

Mr. RUTHERFORD. Thank you, Mr. Chairman. And I thank our witnesses for being here this morning.

You know, I want to echo Mr. Bishop's thanks. As a Navy dependent growing up, my father was a World War II and Korean veteran. And, you know, I know what veteran benefits and all meant to my family growing up.

I know Mike and Scott and others in the Appropriations Committee who have served this country and are veterans themselves. The future of veteran care in America couldn't be in better hands, I think, from an appropriation standpoint, nobody is going to be cutting care to our veterans.

Now, can we do it better? Sure. And we need to look at that. And I want to ask because in my previous life, I had to put together big budgets every year. And you know something that I noticed, I could really hit it on the dime when it was simply carrying everything forward the way it had been for 10 years, you know, 15 years. But when you throw in a new program like the PACT Act, that's where the SWAG comes in, I know.

Now, it is scientific, but you try to base it on something, but you don't have those former events that you can really turn to to gauge what's the response going to be. You don't know how many veterans are going to respond to PACT Act. And I first want to say also I think you all did an amazing job getting the call out to all the veterans, making them aware of the PACT Act existence even.

And so, but not knowing how they're going to respond to that, you know, for you to try and put together a budget, that's, I know that's tough. And I think when you look at the size and scope of veteran healthcare and veteran benefits, I think you all did a pretty good job, quite frankly.

Now there is also processes that are in place where we can do rescissions and that sort of thing. So it is not like the money is just gone. But I do want to ask you one thing because, and the reason I would rather see you overestimate than under is because I know how important, and I think you would agree, preventative healthcare is early healthcare.

You know, I have members in my family that have had screenings and things that have literally saved their life and saved the system a whole lot of money because they don't have to pay for the more serious illness down the road.

So my question is the PACT Act and in the call that you all put out, getting these folks in earlier, getting to them more quickly, four years, I think, versus eight, those kind of changes.

Is there any projections on, and it may be too early yet, but are there any projections on how much is actually being saved by addressing these health needs earlier by the clarion call that you all put out?

Mr. ELNAHAL. Yeah, Congressman. So we believe that preventative care is the best care, and that was one of the main motivations for us to accelerate healthcare eligibility under Section 103 of the PACT Act, which you granted us as an authority under that law.

And for the first time for many, many veterans, they no longer had to prove that they needed to have a service-connected condition to get access to VA healthcare. The benefit of the doubt on their need for healthcare was given to the veteran for the first time for millions of additional veterans.

And so we could say for the first time to those veterans that we can be there for you in a preventative posture rather than waiting for you to get sick and ultimately get granted service connection before we treat a condition you already have.

Mr. RUTHERFORD. Exactly.

Mr. ELNAHAL. We'd much rather be in a preventative posture as you may. Now, in terms of projections on cost savings, that remains to be seen. This is a historic piece of policy that will be thoroughly analyzed into the future. But the main motivation, Congressman, as you know, isn't cost, it is preventing illness and prolonging the life and allowing veterans to thrive across the country.

Mr. JACOBS. Congressman, I would just add, as we look at the two decades leading up to enactment of the PACT Act, our obligations for the compensation and pension account grew at an average rate of eight percent. In the two years since the law was enacted, it grew at 17 percent and then 16 percent. So there's been tremendous growth. We carried over significantly more money in the last two years at about a 10 and 11 percent rate relative to what we had done previously.

We obviously were a little too tight in this past fiscal year. And so we'll work to apply those lessons moving forward. But your point is a good one. The PACT Act has fundamentally expanded our ability to deliver more benefits to more veterans and survivors.

It's an incredible authority. But it's challenged us with respect to budget formulation, and we'll make sure we apply the lessons learned moving forward.

Mr. RUTHERFORD. Thank you. Look, linear projections are easy. Dynamic projections of what human behavior is going to be is

tough. And quite frankly, I think you all did a good job. Thank you. I yield back.

Mr. CARTER. Mr. Cuellar.

Mr. CUELLAR. Mr. Chairman, thank you. And to the Ranking Member also, and I want to thank our witnesses for being here. And I certainly want to thank you for all the work that you do for our veterans. So I want to say thank you.

My question goes on the shortfall. I know it has been asked, but I want to ask it a little differently. So in July 2024, you all projected a $15,000,000,000 budget shortfall. Then it was revised in November to 5,100,000,000. That is a shift of about a little bit over 20 billion. Not 1,000, not thousands, not millions, but billions. That's a large amount of discrepancy. And I got serious questions, if you all can write down the questions.

What measures are being implemented to enhance the accuracy of future budget forecasts and prevent similar situations is one question. And in that what internal controls are being strengthened?

The second question, to ensure financial accountability within the VA and to go into some of the questions, I assumed that the financial projections were influenced by three things, lower than expected workforce costs, I assume? If that was one. Delay equipment purchases, I assume that was another one? Slower growth in community care, I assume that was another one?

But my question when you talk about the measures to strengthen internal, I assume you all are using the internal control systems within the standards set forth by the GAO that is the Green Book, the Standards for Internal Control of Federal Government. I assume you all are doing that now?

I assume also that you all are conducting your yearly evaluations internal control systems to comply with the Federal Managers Financial Integrity Act of 1982 to make sure that we have the effectiveness and the efficiency in operations, reliable financial reporting, and of course compliance with applicable regulations.

And I assume, also, you all been implementing the OMB Circular A123 also to do this. On the measures, and I say this to my colleagues, 14 years ago we changed the law to ask you to do performance measures. The only thing is I couldn't get across was I was trying to add this to the appropriations where we could actually have an input and we can still do that, Mr. Chairman.

Right now the way the measures are being done, including cost savings, they are left up to the agencies to in many ways pat themselves on the back because they will put certain measures that are a lot easier to achieve. But I hope sometimes we can talk about where Congress can have a say so on the measures that include cost savings.

If we put in $1, what do we get for $1? What are the cost savings? And I haven't seen your measures in a while, but a lot of the measures we are looking at were just measures of activities and not results or results oriented. And I think you know what I am talking about.

But anyway, I have a couple questions that are down the line as the Chairman and the ranking woman also, but I want to ask you about some of the internal measures.

Mr. ELNAHAL. Absolutely, Congressman.

Just to clarify one thing, we had estimated a potential need in FY25 as of July to be 12,000,000,000 for VHA. We have not yet submitted what that revised number will be. We know it will be lower, potentially substantially lower, again based on all the factors I mentioned.

Our operators managing as closely as they could to the budget and ultimately staying within the enacted budget, affording us the carryover approximately that we had estimated originally in the budget.

But then there are also elements that we expect like increased pharmaceutical prosthetic costs and other systemic factors in healthcare that will factor into that ultimate need.

On the budget formulation review that we're doing, as Congressman Rutherford mentioned, you know, dynamic factors in play here. We hired a huge number of people, unprecedented number. An all-time record of more than 60,000 people in FY23 precisely to prepare for robust implementation of the PACT Act. Because we were also doing an unprecedented outreach campaign to bring more veterans in.

And so even if we are off by about two percent in the cost per FTE, which is approximately what we were off by as of July versus what we know now, that translates into well over a billion dollars of difference in the actual outcome. And so we're really looking at these factors.

We want to make our projections as better and ultimately more accurate. But there's a very dynamic last few years in play here. We also just finished our audit with the OIG on complying with all of the different parameters that you mentioned.

And so we're taking that. We've improved year over year, but there are still things that VA needs to work on. And of course we welcome your oversight and accountability on outcomes. Our most important outcomes are veteran trust, which stands at an all-time high of 92 percent, quality and patient safety outcomes, which VA outperforms the private sector by 60 percent, getting the top two grades versus 40 percent of the private sector.

And of course access wait times are down in primary care and mental health. And when it comes to actual care delivery, we are up significantly, breaking records every year in appointments delivered.

Mr. CUELLAR. And we thank you. My time is up, Mr. Chairman. But if you recall, in the state of Texas we actually did put performance measures where we actually sat down with the agencies and looked at them.

And there's a way we can add them to the report language at least so we can see customer service like you mentioned. And thank you for a good job on that. You can look at cost savings. There's a lot of things we can do and maybe next year we can look at some of that.

And Florida also has done that also. I know Texas and Florida and probably the other states, also Nebraska and the other folks have looked at this, but it is something that we should start thinking about having to say so on performance measures.

But with that, thank you Mr. Chairman, Ranking Member and to both of you, thank you for what you do to help our veterans. Thank you.

Mr. CARTER. Ms. Bice.

Ms. BICE. Thank you, Mr. Chairman. And I want to thank Dr. and Mr. Jacobs for being with us today.

I first want to say that it is disappointing to hear the ranking member politicize this topic. No one is suggesting that VA benefits are going to be cut. No one is suggesting they're going to be eliminated.

The next administration will do everything they can to ensure that our veterans' care is a top priority. It didn't happen under the first Trump Administration and it is not going to happen under the next one. So I think it is important to point that out.

I want to talk about a couple things. First and foremost, the budget relied heavily on unobligated funds. You all had quite a bit of that. Can you talk about what specific factors led to the assumption and why were these risks not highlighted to Congress early on?

Mr. ELNAHAL. Are you referring to the medical care carryover that we budgeted?

Ms. BICE. Correct.

Mr. ELNAHAL. Yeah. So this has been a consistent pattern of advanced appropriations over the last many years where, for reasons that I think are very veteran centric, you all have authorized funding for us that would more than complete the needs for the current fiscal year and then carry over a substantial amount into the next fiscal year to minimize the risk that ultimately the agency would run out of money.

Ms. BICE. What percentage would you say are these unobligated funds?

Mr. ELNAHAL. Yeah. So in terms of amount, we approached about $12,000,000,000 that we carried over into this fiscal year. Out of a denominator for this fiscal year, a budget approaching $150,000,000,000, and so——

Ms. BICE. Eight percent.

Mr. ELNAHAL. It's a substantial amount. And again, I think the point is to make sure that we're well resourced. But because of the PACT Act and because of historic care delivery rates, we are going to be requesting additional funds. It's just not going to be 12,000,000,000 and that's what we're working out right now.

Ms. BICE. Thank you. In the 20 October 2024 report to Congress, it was identified that the VA still needs to hire about 5,000 additional employees specifically for mental health care. Did you hire fewer medical employees this year than anticipated?

Mr. ELNAHAL. We think we need to hire more employees, Congresswoman, than we were able to this fiscal year because we had a budget that was tighter just like every other agency under the Fiscal Responsibility Act.

And so that is why we came forward in July saying we know we're going to need more employees. This is what we're estimating to deliver timely, high-quality care. We still think we're going to need about 405,000 employees into the next fiscal year, which is higher than what we are currently at right now.

And we again are going to be over indexing. And the vast majority of them are going to be frontline clinicians and folks directly serving veterans.

Ms. BICE. Did you slow hiring because of your budgetary concerns?

Mr. ELNAHAL. We had to, we had to slow hiring. Now, we were still thankfully able to maintain better access, good outcomes. We're concerned though about our ability to do that if we don't get additional funds this fiscal year, which is why we came out in July with that request.

Ms. BICE. Was slower growth in community care because providers weren't available to provide the care, such as dental or specialty care for the new priority veterans that were adopted into the program?

Mr. ELNAHAL. So we're dealing, Congresswoman, with significant growth in community care year over year. So that's the first point. You know, we're talking about 14.8 percent and 2024 compared to 2023, 18 percent from 2023 to 2024.

So we're all talking about growth across the board. We were able to slow that growth not by impacting eligibility for community care or denying community care to veterans, but rather by offering more VA options reliably to veterans thanks to the hard work of our employees across the system.

So every time a veteran now qualifies for community care, we attempt to also say, here's a telehealth option, here's your in-person option, and empower the veteran with the choice. We want the veteran in the driver's seat choosing where they get care next and if they choose the community when they qualify, we have to honor that and we should honor that.

Ms. BICE. You mentioned at the beginning of your testimony that there were 1.7 new enrollees and increased priority rankings. What was your estimate for each of those initially?

Mr. ELNAHAL. So we were not sure exactly how many veterans would take us up on this. So that's a big variable that was hard to predict. Right now we're close to 70,000 veterans enrolling because of the Section 103 authority alone.

And we are now well over 800,000 veterans enrolling since the PACT Act was signed. And so what's interesting is that if you take our most recent data up to where we are in November, right Now we're actually 47 percent more enrollments than the equivalent period before the PACT Act.

So if anything, we're potentially accelerating that growth. And the fact that we increased priority groups for veterans was actually an accelerant to get more veterans qualifying for dental care, long-term care, for folks who ended up in the highest priority group.

So that's a whole set of services, some of which, especially in long-term care is very costly. But we're still going to do it and we're obligated to do it because that's what these vets have earned.

Ms. BICE. And if I just can just with my closing, give a shout out to Wade Vlosich, who is the VA director back in Oklahoma City, who is doing an absolutely remarkable job of making sure that my vets back home are well taken care of. So shout out to him.

And with that, Mr. Chairman, I yield back.

Mr. ELNAHAL. Agree.

Mr. CARTER. Mr. Franklin.

Mr. FRANKLIN. Thank you, Mr. Chairman, and thank you to our witnesses for your time here with us today. And I would like to echo a lot of the comments my colleagues have already made.

When you get to the end of the dais a lot of those questions that I had originally have been touched on, but it also gives me a chance to kind of assimilate and assess kind of what I have been hearing. And I really do hope you all understand the significance of this.

I mean, you put us through big hoops to try to get money appropriated. Our phones lit up back home. We had veterans scared to death thinking they were going to lose all their benefits. And it turns out this was all in a big budget screw up, really.

Dr. Elnahal, I do appreciate your comments that we need to get it right. You are looking at an outside group to come in and help do a review and that it is important to work hard to improve the accuracy of these projections. I fully agree with you.

I know you have had service on the private side and the public, you know, on the private side, you don't have the luxury of missing budgets like that. You just don't. In the government, we can always make it up. We just create money out of thin air and we press on down the road.

So it is easier. It is always easier to underestimate and have carryover than to miss your budget. And Mr. Jacobs, I get it, I understand your point that we can't afford to miss. We're certainly not going to leave our veterans hanging. But to say, you know, it is a risk we are not willing to take to under budget by a dollar and you know, you have made the comment about it being prudent management.

I guess I just want to understand, do you feel that this whole episode was prudent management?

Mr. JACOBS. Congressman, when we identified the updated projections that identified the potential need for additional money, we had a couple options to make. One, which we chose to do was to elevate the risk, to communicate it and to seek the funding knowing that if we're even $1 over our spending cap, we would have to delay benefits for all nearly seven million veterans and survivors.

Unlike other mandatory programs, we don't have authorities to provide such sums as are necessary. And so we're limited by that fact. We considered a couple of other options.

One is we could keep our head down, hope everything worked out and pray to God that we didn't exceed the cap and have to come to you telling you that we are going to delay payments because we know the impact that would have on the customers we serve.

The other option we considered was, okay, maybe we can slow down benefits so we don't hit the cap. That's what I assume would happen in the private sector. That wasn't an option we thought was fitting with a veteran centric ethos of delivering more benefits to more veterans.

And so I'm certainly not happy with the way things turned out. In an ideal world, we wouldn't have to come here. I spent 10 years working in Congress. I worked for an appropriator. I know how significant it is to make a request of this nature and secure the funding.

I'm incredibly grateful for you, for everyone, for making this happen. And we want to make sure we apply the lessons learned moving forward so it doesn't happen again.

Mr. FRANKLIN. So it sounds like some of the brakes you did put on though were reducing the hiring, the pace of hiring personnel and the equipment, bringing on new equipment?

Mr. JACOBS. On the benefits side, we did not. All of the funding we're talking about was dollars in the pockets of veterans, families and survivors. And I'll defer to Dr. Elnahal for——

Mr. FRANKLIN. I am interested in the equipment purchase delays because here it is we are in a new budget year and the safe thing to do, if our standard of performance is to never screw up and be as safe as possible, are we holding back on these equipment purchases now because it is early in the new fiscal year and then we may get to the end of this fiscal year and we are kind of worried again so we kick the can on down the road? What kind of equipment are we talking about and what are we suffering by not making these purchases have been appropriated?

Mr. ELNAHAL. It ranges, Congressmen, from some of the more most complex equipment we have at our medical centers. Upgrades, maintenance, entirely new equipment to deliver complex surgeries and high acuity care to more simple things like the rising costs of, you know, CPAPs and home devices that veterans need.

We're anticipating significant cost increases, as is every other health care system across the country. And so that is why we know we are going to need additional funding.

Mr. FRANKLIN. So why didn't you, once you got the extra appropriation, and then you realized, whoops, we really didn't need all that money, why not make end of the year equipment purchases instead of rolling it forward? Why not execute the things that you thought you were going to do at the beginning of the fiscal year?

Mr. ELNAHAL. I think, Congressman, what was enacted as a supplemental was the veteran's benefits money for compensation.

I don't know if you want to comment on that, Josh?

Mr. FRANKLIN. Okay, I understand.

Mr. ELNAHAL. Yeah.

Mr. FRANKLIN. Different pot of money, right?

Mr. ELNAHAL. Yeah.

Mr. FRANKLIN. Got it.

All right, thanks, Mr. Chairman, I yield back.

Mr. CARTER. I guess we can have a second round, short.

So I have a question just popped up. Who's doing the external review?

Mr. ELNAHAL. We're still trying to secure the folks who are going to do that on the outside. It's going to be contract based and it's going to look at our budget formulation processes.

And so once we have that available, of course we'll share it with the IG, we'll share it with this Committee. We're committed to that.

Mr. JACOBS. And Mr. Chairman, the Inspector General is also conducting an independent review of our budget formulation process. I believe that's a requirement of the law you enacted.

Mr. CARTER. That is an inside review.

Mr. JACOBS. Yes, sir.

Mr. CARTER. He is very competent. Very competent.

Well, with all the issues that we have got that we are not getting any information, then AI lies out on the perimeter and people are going to start speeding things up.

I don't know if you thought about that or not, but one of the things that, you know, we knew all about this, you knew all about this back in July, all right? Now, if I understand AI correctly, it's like a, it goes vroom. I mean, it just instantly covers every kind of information you ever wanted to know, maybe something you didn't want to know. I am totally ignorant in what it does.

But so far I've seen nine or ten people come talk to me about getting it, and everything has to do with speed. Speed is very important. I think I want you to be, at least be, thinking about the fact that you are overwhelmed without speed.

If you don't get accurate numbers and figure out a way to get accurate numbers with speed, then that is going to make it even worse. And I fear that for Appropriations too. Consistently we are moving money around when we have the opportunity to move money around and aren't on a CR. And if we speed things up, it is going to be a lot harder to get this thing all figured out.

And I think that is the real reason all of us are saying we have got to be kept current. A billion dollars, 1,000,000,000, to the American public, is a tremendous amount of money. $15,000,000,000 is almost beyond anybody's comprehension. And a trillion dollars is beyond anybody's comprehension except the people that deal with it.

So when we start, when you realize that, and I loved what he said, what we have to realize is there is nobody staying more current on what is going on with the VA than our veterans. They pay attention. They belong to organizations that keep them informed. And the minute they see something they think might be going wrong, they light up the telephones all over this country and good for them, you know?

I made a mistake one time when I was on my first trip overseas and I went to Korea and I decided I would be smart and hold a town hall meeting with the, woah was that rough. Those soldiers, they knew exactly what they wanted to ask me and although I appreciate it and I enjoy doing it, but I mean, these guys pay attention to these current events because it is their livelihood, a lot of them.

Just like people on Social Security pay attention to that. People on Medicare pay attention to that because if something goes wrong, they are left out in the cold. And I understand a lot of talks going on, but I don't think I can guarantee you that I am not going to be standing for anybody trying to abolish anybody's anything to do with our Veterans Administration.

And I don't think my colleague is either. We are with you 110 percent, but keep us informed. And I hope the external audit, or whatever you want to call it, is going to give you some information about tools you can use because you know, I know you are not, we haven't mentioned it, but we are in an inflationary period right now. That gives people the ability to raise prices above a legitimate value, in some instances, because of inflation. I know the cost of this weight loss drug because I am using it. It is $1,000 a month.

That is a lot of money. But I have lost a lot of weight, so I am happy.

But bottom line is that we have got, medicine is hard to deal with, but the shock of a number and the coincidental shock of the number right after the presidential election was confirmed looked very political, to be honest with you, and very concerning to the people on this side of the aisle.

A day after the change is coming and you people are subject to that change and we know that. Those kind of things bring politics into it and you shouldn't bring politics into this.

So I ask you to please, I am not going to have a question, I am just going to make a speech. I ask you and if you don't then I am going to be really mad. I don't get mad very often, but when I do, it is pretty dangerous.

So please, I'm asking you and then I am going to be over there knocking on doors if I don't get the answers.

I yield back to my friend and colleague, Ms. Wasserman Schultz.

Ms. WASSERMAN SCHULTZ. Thank you, Mr. Chairman.

I just want to make sure I underscore that I am absolutely going to be pointing out concerns that arise as a result of the decisions of the incoming administration or the projections about decisions of the incoming administration that affect our veterans. That is our job.

So when we have a leader, who has been selected by the incoming president, who has specifically said that any unauthorized program would be recommended for elimination and elimination of their funding, it is important to point out here, in a public hearing, the impact of that on our veterans, which would, as I mentioned, be very significant. There's nothing political about that.

And to just paint a brush and say, well, we didn't do that in the last administration. It wasn't proposed in the last Administration. It is potentially going to be proposed in this one. And if that is the case, as appropriators, we need to be aware of that.

It wouldn't only affect veterans' programs. There are hundreds and hundreds of unauthorized items that we fund here. And Congress has the power of the purse. So it is not political. It is a respect for the system of checks and balances and the way the founding fathers established our role in the Constitution, which specifically gives Congress the power of appropriations and exclusively gives us that role.

So that having been said, I want to just ask a question about women's health because obviously we know women make up the fastest growing group of veterans that are enrolled in VA health care, but many of their health care needs go unaddressed.

And I know VA has been working to address those problems. You have made some progress in hiring gender specific providers and addressing harassment at VA facilities.

Can you talk about that progress in hiring providers that specialize in issues like intimate partner violence, military sexual trauma, maternity and newborn health services, and what more needs to be done? And can the VHA shortfall and where you come in around what you are going to need to address funding some of those needs?

Mr. ELNAHAL. Yes, Madam Ranking Member. Absolutely. We've been prioritizing women's health, fastest growing demographic by far across the system. Our Office of Women's Health reports directly to me, the Undersecretary, and we've been able to preserve the support and the resourcing for women's health providers even throughout this more difficult budget time.

In fact, we have specific purpose funding thanks to your enabling legislation that requires us to do that. And so that funding was distributed in part to retain our essential women's health providers throughout last fiscal year, but also to hire additional providers.

And we have the same exact program going into this fiscal year that's actually agnostic to whether or not we get this money because of how important this is. We need to make sure that we are catching up to the demand of increasing numbers of women veterans enrolling. We broke a record just this last year with more than 50,000 women veterans enrolling in fiscal year 2024. And we hope that number gets even higher because of our targeted outreach.

Our programming has also only accelerated our women's health mini residencies for providers who had not been used to seeing women. Historically, there were fewer women in the VA and many of our clinicians have been in VA for a long time.

Our efforts to bring in more gender specific care, more GYN specialists, more access to mammograms in the VA, but at the very least coordinating breast cancer screening. Maternity care coordination, we made a move to provide more coordination for women veterans up to a year after birth rather than just eight weeks. That was a change we made last fiscal year.

And we've been much more expansive about how we talk about screening and mammograms to women vets across the country. So this remains a priority, will remain a priority as long as we're here and we can continue to push it.

Ms. WASSERMAN SCHULTZ. And the VHA shortfall, is there any way that we can address some of the resources being directed to address those issues?

Mr. ELNAHAL. Absolutely. I think the shortfall, if it's filled when we get you all a number, will allow us to net grow our full-time employees. And so of course women need the full gamut of medical care and they will benefit from increasing numbers of physicians, nurses, and other frontline providers that will be as essential for women vets as the rest of our veteran population.

But we've been able to preserve our investment in women vets even throughout these more difficult budget times.

Ms. WASSERMAN SCHULTZ. Good.

And then Mr. Chairman, again, flagging things is not politicizing them, but the incoming administration has not been shy about its plan to indiscriminately fire and harass federal civilian employees.

I really want to underscore that doing that will be directly attacking veterans. VA has the second largest number of civilian employees among all federal agencies, maybe some members don't realize that, second only to the Department of Defense. It includes VA doctors, nurses, dentists, social workers, mental health professionals, pharmacists, people working to streamline electronic health records, our cemetery caretakers, many others.

And additionally, when considering the entire federal civilian workforce, 30 percent are veterans. So cutting the number of civilian employees means cutting healthcare and other services for our veterans. So Dr. Elnahal, can you talk more about how civilian employees contribute to VA's mission and what it would mean if a subsequent administration follows through on a plan to reduce the civilian workforce and how that would impact our veterans?

Mr. ELNAHAL. Well, about a third of our employees, Madame Ranking Member, are veterans themselves. So many more have a veteran in their lives, a spouse of a veteran, a caregiver, and take the mission personally. And where we've increased our staff has overwhelmingly been for frontline employees and employees carrying out our essential programs like veteran homelessness.

We've been able to bring veteran homelessness to a record low since we started measuring it. Because we've been able to preserve and staff up on our homelessness program teams in the field, we're now offering support and care to more caregivers than any time in the history of the VA. About 80,000 caregivers benefit from one part of our programming or another.

And all of this is on the backs of our excellent employees. They're the ones executing this mission. And so I'd be concerned about broad brush approaches to reducing the workforce. That would have to be a very methodical effort. But right now we estimate that we're going to need more employees and not less.

Ms. WASSERMAN SCHULTZ. Right.

Thank you. And thank you both for your service to our nation's veterans.

I yield back, Mr. Chairman.

Mr. CARTER. Mr. Rutherford.

Mr. RUTHERFORD. Thank you, Mr. Chairman.

And first, let me begin by saying, you know, I represent Northeast Florida and Jacksonville, St. Augustine, and I can tell you our veterans are very appreciative of the healthcare that we receive in Northeast Florida and the attention that they get.

The challenge that we have is our VA Medical Center, the closest VA Medical Center is in Gainesville, which is about a little over an hour away. So our VA health care clinics like the Leo C. Chase CBOC down in St. Augustine, very important to us because of the distances to the other facilities.

We have got a little situation. I am going to get a little parochial here, but we have got a little situation where I think, because of their upfront folks, the numbers are not there. They are short staffed is what I am hearing that the phones are being rolled over to the Villages Clinic for answering.

And what that's doing is a lot of our veterans who access them by phone normally looking to get those community care referrals and things, they get sent down to this clinic down there just for the phone answering. And either they never get the message back at the CBOC or the people that they are talking to down in the Villages Clinic can't help them.

And so they are not getting the service, obviously, because of this phone transfer system. I am sure it is happening probably all over the place. So my question is, what can we do to help hire those frontline people that really, I mean, that is the door in. And so, you

know, do you, do you hire through staffing agencies? Have you tried that? Is there, you know, what can we do to get these offices manned?

Mr. ELNAHAL. So I did get a heads up, Congressman, about your concern on the St. Augustine CBOC and the call center. I conferred with our network director over VISN8, which is Florida, this morning, and he told me that we'll have at least two new members of the call center team at the St. Augustine that will serve the St. Augustine CBOC within the next couple of months by the end of January.

Right now it's being diverted to the Villages Call Center because they do have the capacity to be able to take these calls, but you prefer to have folks who are closer to where the veteran gets that care and has personal relationships, ideally with the clinicians delivering that care, which is why VISN8 is going to staff up.

So that's a concern we'll follow very closely. And more generally, Congressman, this is why we are coming forward with a supplemental funding request for VHA. The more resources we have, the more frontline employees, like our essential call center employees who are serving vets every single day to be able to meet that need.

So yes, this is not only an issue in your area of the country. We need more medical support assistance and call center employees. That's part of where, if we do get the supplemental funding, that's part of where it will go.

Mr. RUTHERFORD. Did I understand you correctly that you missed it by two percent on the salaries and benefits and that's a billion dollars, right?

Mr. ELNAHAL. Yeah. So in general, we stayed actually about $240,000,000 below what the enacted budget requires overall. When it comes to a big variable about why our estimate was off, as of July, we estimated the cost per FTE to be about $158,000 per clinician. That's skewed quite high because of the number of physicians we have.

Mr. RUTHERFORD. You were two percent off?

Mr. ELNAHAL. Yeah. And we were two percent off. We ultimately, that number came down to 155,000 as of the end of September. And when we got that data, that two percent difference translated, when you over 400,000 employees to be a very high dollar amount in the absolute terms.

Mr. RUTHERFORD. Yeah. Thank you. Thank you all doing a good job. Thanks.

Mr. ELNAHAL. Thank you.

Mr. CARTER. Both of you were well informed and informed us well. We appreciate it. We appreciate it very much. You communicated well with us today and we are asking for it to be communicated well either by when we write you a letter or whatever with the kind of information you have given us.

So thank you. Thank you for what you've done. And remember, we all are here to support the veterans of our country. And there is no one on this Committee that is trying to do anything to wipe out our veterans or the veteran care. And we will be soldiers in the field fighting on your behalf if something like that comes along.

And I will remind anybody that so far I haven't found any agency that is authorized. Maybe somebody knows one, but I can't think,

the State Department is not authorized. There's a lot of people who aren't authorized. The Defense Department is not authorized. It is kind of an amateur's, no offense, an amateur's comment about the government.

We could spend about two or three sessions authorizing people if we wanted to. We probably should, just to get back in the real world, but you are talking about just about the whole government is not now not authorized. So that's another politics I am trying to point out.

Listen, thank you very much for doing this. And I remind the members, if you have any questions you want to submit, submit them to us within seven days to the Subcommittee. And with that, we thank you very much for your time.

The Subcommittee is adjourned.

[Whereupon, at 11:41 a.m., the Subcommittee was adjourned.]

Department of Veterans Affairs (VA)
Committee on Appropriations
Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
U.S. House of Representatives

"Oversight Hearing – Assessing the Veterans Health Administration Fiscal Year 2025 Potential Shortfall"

November 20, 2024

Question 1: *Artificial Intelligence*. What initiatives is the VA currently exploring or implementing to integrate artificial intelligence into its operations to streamline processes, reduce redundancies, and enhance accountability measures to ensure financial accuracy and precision?

VA Response: VA is exploring multiple initiatives related to Artificial Intelligence (AI) and operational efficiencies that are included in the Office of Information & Technology's (OIT) 2024 AI use case inventory, which was published on December 16, 2024. Many of these initiatives are early-stage pilots or initiated projects and VA sees significant opportunity to use AI for the purposes outlined in your question. Examples include:

- OIT is piloting an on-network generative AI chat interface that employees are now using to assist with basic administrative tasks (drafting emails, summarizing documents, summarizing meeting notes, etc.). This pilot has about 1,500 users. Early survey results show more than 72% of users agree or strongly agree that the tool has made them more efficient. VA is quantifying these efficiency gains and other positive outcomes, such as employee satisfaction and quality of work.
- OIT is piloting GitHub Copilot as a coding-assistance tool to enhance developer productivity and streamline common coding tasks. The pilot currently has 186 users enrolled and around 60 active daily users, with plans to scale further. Early feedback has been positive (users have noted improved workflow efficiency) and the team is actively refining automated onboarding processes, communication plans, and engagement strategies as the pilot expands.
- Veterans Benefits Administration (VBA) is using AI in fraud detection. Most direct deposit changes at VA are safe, but 1-2 out of every 1,000 are fraudulent and intended to steal Veterans' benefit payments. The Payment Redirect Fraud (PRF) model uses AI to identify which changes are likely to be fraudulent and refer those changes to investigators for review and remediation.
- The Office of Management (OM) plans to integrate AI into Purchase Card dashboards to support identification of fraud and waste. Purchase Card dashboards are a suite of dashboards that allow various purchase card managers to monitor employee purchase card spending. The dashboards help monitor for fraud, waste, and abuse, and assist in providing oversight for compliance with purchase card laws and policies.

WITNESSES