

**NOMINATION OF HON. R. JAMES NICHOLSON
TO BE SECRETARY, DEPARTMENT
OF VETERANS AFFAIRS**

HEARING

BEFORE THE

**COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE**

ONE HUNDRED NINTH CONGRESS

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**NOMINATION OF HON. R. JAMES NICHOLSON
TO BE SECRETARY, DEPARTMENT OF
VETERANS AFFAIRS**

MONDAY, JANUARY 24, 2005

UNITED STATES SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in Room SR-418, Russell Senate Office Building, Hon. Larry Craig presiding.

Present: Senators Craig, Hutchison, Burr, Thune, Isakson, Akaka, Rockefeller, Jeffords, Obama, and Salazar.

**OPENING STATEMENT OF HON. LARRY CRAIG,
U.S. SENATOR FROM IDAHO**

Chairman CRAIG. Good morning, ladies and gentlemen. The Committee will come to order. It is my pleasure to call this hearing to order, the first hearing of the Senate Committee on Veterans Affairs for the 109th Congress and the first hearing of this Committee that I have the honor of chairing.

In a few moments, we will receive testimony from the President's nominee to serve as Secretary of Veterans Affairs, Ambassador Jim Nicholson, and I will offer him the opportunity to introduce the family members who have accompanied him to the hearing this morning. But if I may, I would like to offer a few introductory remarks first.

Let me begin by thanking my Republican colleagues for electing me Chairman of this Committee earlier this month. I pledge to them—and to all of the Committee Members—that I will work diligently to meet the needs of America's veterans that we are honored to serve. I also would pledge to all of you, as I have to our Ranking Member, Senator Akaka, that I will maintain the Committee's long tradition of approaching veterans' issues in a constructive, problem-solving and bipartisan manner.

This approach has worked very well during the 10 years that I have had the privilege of serving on this Committee, and that will continue under my stewardship. I welcome back to the Committee the returning Members, starting with our Committee's newly-appointed Ranking Member, Senator Daniel Akaka of Hawaii. I look forward to working with you, Senator, in putting together and advancing this Committee's agenda. We have already met to discuss a lot of issues and we will continue to meet together and work to-

gether for the good of our veterans. We share those same desires and goals.

I also want to welcome back Members to the Committee with previous service: Senator Specter, who may not be with us this morning—I think he is in transit—Senators Hutchison, Graham and Ensign on the Republican side; Senator Rockefeller who is with us, and Senators Jeffords and Murray on the Democratic side.

Finally, but most particularly, I want to welcome our new Senators who have been chosen to serve on this Committee: Senator Burr, who is with us this morning; Senator Isakson, who is also with us; Senator Thune, who I think will be joining us; and Senator Obama, who is with us. Senator Salazar is sitting down waiting to make introduction this morning. Again, thank you all for being here. I look forward to working with you.

Now, to return to the business at hand. The President has nominated Ambassador Jim Nicholson to serve as Secretary of Veterans Affairs. Mr. Ambassador, I thank you for accepting this charge. As you will soon find out, running VA is one of the tougher jobs in Washington, one that will perhaps be made more difficult by two realities that you will face. You will succeed a man who will be a tough act to follow, and second, it now appears clear that the fiscal environment that you will inherit will be considerably less friendly than the relatively flush times the VA has enjoyed over the past 4 years. But I know, Mr. Nicholson, that you are up to the challenge.

When you are confirmed, you will find that this Chairman, and I hope the Committee's Members, will be partners with you in making sure that America's veterans are continually served in the necessary and the appropriate fashion that we expect and that I know you anticipate.

Before I proceed, let me offer to you a brief summary of Ambassador Nicholson's extraordinary background. Jim Nicholson was born on an Iowa farm in 1938. He left Iowa in 1957 to attend the United States Military Academy at West Point. After graduation in 1961, he served 8 years in active service in the Army as a Ranger and paratrooper. Most notably, he served a tour in Vietnam from 1965–1966, where he earned, among other decorations, the Bronze Star, the Combat Infantry Badge, the Air Medal and the Vietnamese Cross of Gallantry.

After returning from Vietnam, then-Captain Nicholson served on active duty for 4 more years until 1970, followed by an additional 21 years as a Reserve officer. He retired from the Army Reserves in 1991 at the rank of colonel. Mr. Nicholson holds a masters degree in public policy from Columbia University and a J.D. from the University of Denver.

After practicing law for a relatively brief time in Denver in the 1970s, he launched a successful real estate development career in Denver. Among other positions, he served as Chairman and President of Renaissance Homes of Colorado. His business career was also marked by extensive community involvement and charitable activities.

In 1986, Mr. Nicholson became a committeeman for the Republican National Committee, and in 1993, he was elected RNC's vice-chairman, and in 1997, he was elected for a 4-year term as the

RNC's Chairman. It was during that time that I grew to know Jim a great deal better than I had in the past.

In August of 2001, President Bush appointed Mr. Nicholson U.S. Ambassador to the Vatican. From that post, he has advocated for religious reconciliation, religious freedom in China and Russia, and against the international exploitation and enslavement of defenseless persons, commonly referred to as human trafficking.

If I may comment, that summarizes what I believe to be an extraordinary career. Veterans are fortunate, I think, that you have answered the President's call to service, Jim, and I hope that this Committee can offer quick confirmation.

Now, if I may, let me recognize our Committee Members for any comments they would like to make, and let me turn, of course, to our Ranking Committee Member first, Senator Akaka.

Senator.

**STATEMENT OF HON. DANIEL K. AKAKA,
U.S. SENATOR FROM HAWAII**

Senator AKAKA. Thank you very much, Mr. Chairman.

I am very pleased to be here with you. I look forward to working with you. We have had a great beginning. We have sat together and chatted about the future of this Committee, and from that conversation I can tell you that we have some common ideas, and of course, the common idea is to help our veterans the best we can. And I am also pleased to be working with Senator Craig, because we have had a long history of working together in the House as well as here in the Senate, and we've talked about things that make me feel excited about this Committee and its future.

I am also very pleased to welcome Ambassador James Nicholson to our hearing today. Mr. Ambassador, I also want to welcome your wife, Suzanne, and your family and thank them for their contributions to this process as well. And I want to thank you for taking time to meet with me before today's hearing.

We have some new Members in the Veterans' Affairs Committee, and I am confident that, without question, they will make important contributions as we work together to fulfill our Nation's commitment to America's veterans.

Mr. Ambassador, I know I do not need to impress upon you the importance of the leadership role you will soon assume as VA Secretary. As a graduate of the United States Military Academy, you have been provided with valuable lessons in leadership that can be applied to VA. We expect you to hit the ground running with the many challenges that you will face, and of course, and I want to emphasize this, we will be here to support you.

On the health care side of VA, I think you will find that we are always open to new and cost-effective ways to care for our current veterans and those who are returning from Iraq and Afghanistan. However, it is a non-starter to cut back on services or cut who is eligible for VA care. I want you to know that we are proud of the work that this Committee and other Members have done in the past and in 1996 to improve eligibility for care.

Health care is now very often provided in different settings that frequently are not hospitals. Outpatient clinics dot the landscape and provide for ease of access. We are seeing huge numbers of vet-

erans seeking VA care for the first time. I, for one, believe this is a good thing. Others rationalize that as we are at war, we must cut back on VA care. I simply do not understand that logic. We are at war, and therefore, we must do everything we can to show our military that VA health care will be there for all veterans who served.

On the benefits side, we are in crisis. VA has come under fire for the lack of timeliness of its claims processing. As a result, the Veterans Benefits Administration has turned its attention to decreasing the amount of time it takes to process a claim, to the detriment of the quality of its decision making. We are looking to you for innovative approaches so that the Veterans Benefits Administration can absorb changes in law and new business processes without always going into a nose dive. Our veterans deserve no less than quality workmanship done in a timely manner.

Mr. Ambassador, because you did mention and quote from George Washington, I want to do so as well and say that, I quote: "The willingness with which our young people are likely to serve in any war, no matter how justified, shall be directly proportional to how they perceive the veterans of earlier wars were treated and appreciated by their Nation."

Mr. Ambassador, our Nation and our veterans are depending on you. Our servicemembers returning from Iraq and Afghanistan have earned a seamless transition from the military to civilian life. You must assure us that the Department of Veterans Affairs will do its part in this endeavor.

Thank you very much. I welcome you, Mr. Ambassador, your family, and thank you very much, Mr. Chairman.

Chairman CRAIG. Senator Akaka, thank you very much.

What I would like to do for those Members who have opening statements is turn to you in the order in which you came into the Committee room, and then, we will turn to our colleagues who are here to introduce and endorse the Ambassador. We will administer the oath of office—or the oath for the Committee to the Ambassador and allow his testimony. We will not get to that office yet.

[Laughter.]

Chairman CRAIG. That is anticipating a much more accelerated process than we are going to go through today.

[Laughter.]

Chairman CRAIG. Senator Isakson, I believe you were the first to enter the room. Do you have any opening statement?

**STATEMENT OF HON. JOHNNY ISAKSON,
U.S. SENATOR FROM GEORGIA**

Senator ISAKSON. Mr. Chairman, I will submit my full statement for the record. I would like to make two or three quick comments.

One, it is a privilege and an honor to serve on this Committee, and to serve with you as Chairman and Ranking Member Akaka; I look very much forward to doing that. I am delighted to be here at this hearing for Ambassador Nicholson and particularly delighted to be here in the best interests of the veterans of the United States of America. I know that the opening statement of the Ambassador is to follow, I have already read it, and I want to acknowledge at the outset my appreciation for his principles and

commitments in terms of veterans, their health care, and the honor of those who make the ultimate sacrifice in our United States military, and I look forward to the hearing and the opening statement of Ambassador Nicholson.

Thank you, Mr. Chairman.

Chairman CRAIG. Thank you, Senator.

Senator Obama.

**OPENING STATEMENT OF HON. BARAK OBAMA,
U.S. SENATOR FROM ILLINOIS**

Senator OBAMA. Thank you very much, Mr. Chairman and Ranking Member Akaka. Thank you so much for allowing me to join this Committee. It is a great honor to be here.

I want to thank, first of all, Ambassador Nicholson, for his service to this country. It is a great honor for you to not only be willing to serve now in this current position, but also your service as a veteran to the United States. And I am looking forward to working with you. We have had occasion to meet, and I have no doubt that you will do an outstanding job.

As you know, I do have a set of particular concerns with regard to Illinois that I will be raising with you. Senator Akaka mentioned this quote earlier from George Washington about the importance of us serving our veterans so that we can continue to ask our Nation's young men and women to serve on our behalf. I think the Father of our Country understood what every veteran in this great country knows today: that when we send our troops to war, it is our solemn obligation to care for them upon their return and to do so in a timely manner and to treat them with the respect and dignity which they have earned and which they deserve.

Now, a lot of my questioning is going to be focused on the fact that in Illinois in particular, there seems to be some concern that we are failing to live up to that obligation. Very specifically, Illinois' disability pay compensation system appears to be broken. There was a recent report by the *Chicago Sun-Times* that found that Illinois veterans, when compared to the compensation levels granted to veterans in other States, rank 50th out of 52 States and territories, and I think, in fact, we have a chart here that I just want to show very briefly.

Apparently, there is as much as a \$5,000 discrepancy between Puerto Rico and Illinois with respect to compensation levels for disabled veterans. Mr. Ambassador and Members of this Committee, that is unacceptable by President Washington's standard, and it should be unacceptable by our standards as well.

Worse still, many of the veterans who finally receive benefits only get them after long, stressful battles with the VA. I believe we can and we must do better. Over the past several days, I have met with more than 500 veterans throughout Illinois to hear about what they believe, how they believe they are being treated by the VA. Though I know that the Department is doing some things very well, and that was acknowledged by a number of the veterans' groups, nearly every veteran I talked to was frustrated. Some have been fighting claims for decades; some have yet to receive compensation they deserve, and worst of all, some feel that the VA simply is not listening to them or does not care about them.

So I recognize that some of these issues are going to have to do with budget concerns. It was already referred to by our Chairman that you are going to be inheriting a more difficult fiscal situation than your predecessor. At the same time, I also know that because we are at a time of war, this is precisely the time when we are going to have to do better. We know that the situations that contribute to post-traumatic stress disorder are directly proportional to the type of warfare fought. Urban combat in Iraq, mixed with an insurgency that is not always identifiable, coupled with a prolonged deployment create an even greater stress on today's brave soldiers.

And I will just note in closing that a recent Army study showed that 1-in-6 soldiers in Iraq reported symptoms of major depression, and some think that figure could eventually reach 1-in-3, a figure equal to those veterans who served in Vietnam. With hundreds of thousands of veterans from Iraq and Afghanistan who are going to be coming back from the war, some predict that the soldiers requiring mental health treatment could exceed 100,000.

So I look forward very much to working with you, Mr. Ambassador. I look forward to the answers that you're going to be providing to this Committee. I am looking forward to your actions to address the disparities that I have already alluded to. Hopefully, if we learn where we failed our veterans in the past, we can better serve them in the future.

I thank you for your attention.

Chairman CRAIG. Senator, thank you very much.

Senator Burr, any opening comment?

Senator BURR. Thank you, Mr. Chairman, and I would ask unanimous consent that my full statement be in the record.

Chairman CRAIG. Without objection.

**OPENING STATEMENT OF HON. RICHARD BURR,
U.S. SENATOR FROM NORTH CAROLINA**

Senator BURR. Mr. Chairman, let me thank you for your gracious welcome to us. Also, congratulations on your chairmanship and to the Ranking Member. I look forward to this year.

To the Ambassador, let me say welcome back. I know Rome is a difficult place to leave, but it is my understanding that from the top of the Capitol dome, you can see the Vatican. I am told you can see everything from the top of the Capitol dome.

[Laughter.]

Senator BURR. The Veterans Administration will be a very difficult challenge at a very challenging time. In 1988, Ronald Reagan said of veterans: "America's debt to those who would fight for her defense does not end the day the uniform comes off. For the security of our Nation, it must not end."

In North Carolina, Mr. Ambassador, we now have over 800,000 military veterans. Honoring and working for those individuals is something that I believe is a duty of a Member of the United States Senate. We understand the importance of taking care of those who have served so bravely and willingly to protect the freedoms and the liberties that we have here in this country.

But in the last 16 years since the new department was created, I do not think that we have perfected the operation of what it does. My hope, my wish and my belief is that you come with a level of

commitment not to solve 100 percent, but to solve something every day. I believe that is the most we can ask of you. I believe that is the most we should expect, that after your tenure and our tenure that, in fact, our veterans are better off because of the contributions we have made.

I look forward to your confirmation. I urge my colleagues to be as quick as the Chairman has tried to be by his acclamation.

And I would yield back.

[Laughter.]

[The prepared statement of Senator Burr follows:]

PREPARED STATEMENT OF SENATOR RICHARD BURR,
U.S. SENATOR FROM NORTH CAROLINA

Thank you, Chairman Craig, and congratulations on your new chairmanship and to Senator Akaka as Ranking Member. I know you will serve our nation's Veterans well and I look forward to working with you both.

Let me welcome you, Ambassador Nicholson, back from Rome and to the United States Senate. I congratulate you on your selection by the President to serve in the crucial position of Secretary of Veterans Affairs and I appreciate your willingness to serve in this new capacity.

My Dad, Dr. David Burr, served as a Frogman in the Navy during World War II, and he sends along his regards as well.

When the legislation that created the Veterans Administration was signed into law in 1988, President Ronald Reagan said that *"America's debt to those who would fight for her defense doesn't end the day the uniform comes off. For the security of our nation, it must not end."*

North Carolina has a growing population of Veterans, approaching 800,000 in recent reports. Honoring and working for these Veterans is something I intend to work on as Senator from North Carolina.

We all understand the importance of taking care of those who have served so bravely and willingly to protect the freedoms that America offers. With troops on the ground defending those freedoms as we speak, we are reminded to do our best for our Veterans.

In the past four years, the budget of the Department has increased by just about 50%. Clearly, Congress and the Bush Administration have committed to improving health care benefits and access, quality of life programs, and pensions for Veterans.

But in the 16 years since the new Department was created, we have certainly not perfected the operation. We still have inefficiencies and waiting lines to see physicians. We continue to evolve and upgrade, but work remains.

As a member of this Committee, I will commit myself to improving the Department so that the care and services provided to Veterans will improve.

I hope that you will join me in that commitment and I look forward to working together to improve the Department of Veterans Affairs.

Chairman CRAIG. Thank you, Senator.

Now, let me turn to one of the more senior Members of the Committee and one who I have had the privilege of working with over the last good number of years on veterans' issues, certainly an outspoken advocate for veterans. We always appreciate your presence and service on this Committee, Senator Rockefeller.

**OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA**

Senator ROCKEFELLER. Thank you, Chairman Craig, and I very much am pleased that you are our Chairman. As I discussed with the Ambassador, I think you are going to make an excellent Chairman.

What this Committee, I think, needs is kind of the methodical work, systematically going through issues not just as they pop up in dramatic fashion, but on a systemic basis. I think that is part of your makeup and part of your discipline, and I have great re-

spect for your fairness. And I equally honor Senator Akaka, who has been on this Committee for a long time; is a veteran and a splendid person.

Ambassador, you have already brought people together. There are three people who I have never seen before, and they sit across the table from me, and I must say that I am very pleased to be working with you three gentlemen. The other lady, I already know very well and have very high respect for.

Senator Obama, I think it is wonderful that you are on this Committee. I think that you will bring a wonderful vigor to it and intellectual analysis, and Senator Jeffords is just a piece of art, a special person, and he is always good.

A couple of points: it was mentioned earlier that young people are more likely to go into the service if they feel that their Veterans Administration is going to take good care of them afterwards. Actually, I do not agree with that statement, and I think that is one of our problems. It is very hard to get even those who are entering the service to think about more than what it is they are going to be doing, which is certainly understandable: the training and the pressure they are going to be under.

But I think there is an enormous instinct in this country to somehow assume that when veterans come home that they are going to get the care that Abraham Lincoln promised them. And I do not think that is the case, and yet, it is also one of the best health care systems in the world and the only one over which, in a sense, those of us who represent the American people have full control, which makes your position particularly important.

We had a very good talk. One of the things I liked about you was not just your 30 years of service, your Ranger training, a number of other things we discussed, but I think you are doing this for the right reasons. You did not have to do this. You did not have to accept this job, because you are at a position and experience and et cetera where you do not need to. You have served your country in many ways. But you have chosen to do it, and I respect that. I think your soul is good, and I think that is an awful good place to start.

A number of the problems have been raised. I worry, as Senator Obama does, particularly about what is going to happen with our returned veterans and the whole post-traumatic stress disorder syndrome. I even have not given up yet on work to be done on the Persian Gulf War Syndrome, and that may be, if I get to it, part of my questioning.

But the work of this Committee, and I have been on it now for 20 years, is extraordinarily important. Because it is a B committee in the parlance of the Senate, it is not always given the weight that some of the other committees, the Finance Committee, the Commerce Committee, whatever, might be given.

I think that is a terrible mistake, particularly where we are now in our Nation's history and where I think we are going to be for several generations. We have to resolve as a Committee, Mr. Chairman, and this is one of the reasons why I am so glad that you are Chairman, we are going to have to resolve as a Committee as well as a Veterans Administration to sort of put a new intensity into our work. We cannot expand our numbers. Your numbers are so

large that only the Pentagon has more people, and the question is how do you bring them the top level, the middle level, you know, how do you close that gap and shape people to your will, which I think is innate to your character and to your experience and to what you want to do?

So I welcome you. You flat out have my vote for a lot of reasons, and I think you are going to do a very good job, and I think it is our job to work very closely together.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator Rockefeller, thank you for those comments.

This may be a B committee. When we are through with it in the next few years, we will show the United States Senate that it will have the intensity of a Super A.

All right; we thank you very much for that.

Now, let me turn to Senator Thune.

**OPENING STATEMENT OF HON. JOHN THUNE,
U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Thank you, Mr. Chairman and Senator Akaka.

It is a privilege to be on the Committee and to have the opportunity to work with you and the other Members of this Committee and also on behalf of America's veterans. This is important business that we go about as we strive to serve the needs of America's veterans, men and women who have served this country and sacrificed for all of us when we were the ones in need of their service. And it is particularly important now because we are a country at war, and we will have men and women who will be returning to civilian life trying to piece their lives together after some of the most difficult and hazardous tours of duty in recent history. Many will come back disabled, and we owe all of these veterans our utmost care and devotion.

I also want to note that my State of South Dakota boasts an exceptionally high ratio of veterans to its overall population compared with other States. Because it is a largely rural State with many remote communities, our veterans face a number of peculiar issues. One of the problems I will be interested in addressing while on this Committee is improved access to VA health care facilities. Often, the nearest VA hospital is hundreds of miles away, and to require a veteran to drive three or four hours to the nearest VA hospital for a simple blood test, especially for elderly vets, is simply not fulfilling this country's obligation, and I look forward to working with you toward finding a solution to this problem and many more. We owe that to our veterans.

I also look forward to working with Ambassador Nicholson. I cannot think of a more qualified nominee for this position. You have got the character of an Iowa farm kid and have paid a lot of dues in the time since, and I just think it is so important, your commitment and dedication to serving the wellbeing of veterans all across this country the same way that you were to serving the needs of the servicemen under your command when you were in uniform.

And the fact is that you have a tremendous record of service to this country that did not end when you took the uniform off, and for that, the country is already grateful, and we are looking very

much forward to working with you as we again attempt to address the important challenges and problems that are facing veterans across this country at a time when we have some unique needs, the Nation being at war, and, as was noted earlier, the budgetary constraints that we are all under, but I cannot think of a priority that is higher in terms of what we need to be doing to honor and respect and serve the needs of America's veterans.

And so, I am delighted to be a part of this Committee and look forward to working with you and am anxious to see you quickly confirmed.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator Thune, thank you.

Now, let me turn to Senator Jeffords from Vermont, where the snow might be just a little deeper this morning.

[Laughter.]

**OPENING STATEMENT OF HON. JAMES M. JEFFORDS,
U.S. SENATOR FROM VERMONT**

Senator JEFFORDS. Mr. Chairman, congratulations on assuming the chairmanship of this Committee.

Chairman CRAIG. Thank you.

Senator JEFFORDS. I am very pleased that you have articulated your strong support for America's veterans, and I look forward to working closely with you and Senator Akaka to see that our veterans get the care and the benefits that they need and deserve.

Mr. Ambassador, you are a graduate of West Point and a distinguished veteran. You know the rigors of combat, and you have seen the valor of America's finest. You have now accepted one of the greatest challenges in American Government, that of fulfilling our promise to our veterans. As a veteran myself and an enrollee in my local VA, I know first hand the challenges this system is facing.

Your predecessor, Secretary Principi, did a tremendous job in improving the VA, even in the face of insufficient budgets, but we can, and we must, do better. It is no longer a matter of choice of relative priority. Hundreds of thousands of men and women have gone into war, as required by their commander-in-chief. They have suffered both visible and invisible wounds. They require immediate care today, and many will require extensive care for the rest of their lives.

We cannot equivocate in providing that care, nor is it morally acceptable to provide that care at the expense of veterans of previous eras. We are not meeting our national obligation if we turn away any class of veterans. I ask you to join me and join this Committee in ensuring that our Nation's veterans receive the care and benefits that they deserve.

Mr. Chairman, I ask that my entire statement be made a part of the record.

Chairman CRAIG. Without objection. Thank you, Jim.

[The prepared statement of Senator Jeffords follows:]

PREPARED STATEMENT OF HON. JAMES M. JEFFORDS,
U.S. SENATOR FROM VERMONT

Thank you, Mr. Chairman.

Let me first say that I appreciate the fact that you have moved swiftly to schedule this hearing on this critical nomination. I am very pleased that you have articulated your strong support for America's veterans, and I look forward to working very closely with you and Senator Akaka to see that our veterans get the care and benefits they deserve.

Ambassador Nicholson, I appreciate your being willing to accept this difficult assignment. Your appointment comes at a critical time for our country and for the Department of Veterans Affairs. Under the very strong and able leadership of your predecessor, Secretary Principi, the VA was able to strengthen its health care system and improve the delivery of veterans' benefits.

However, the entire VA system has been hampered by the unwillingness of this Administration to provide the VA with the resources that are necessary to fully meet the needs of veterans. VA hospitals are forced to forego needed maintenance and capital improvements in order to prevent a shortchanging of veterans health care. Benefits that could have been provided in a more timely manner are being delayed because sufficient resources have not been devoted to processing of claims. Benefits that were widely endorsed by Congress, such as concurrent receipt of full VA disability and military retirement pay, are not being paid to veterans today because adequate funding has not been included in the Administration's budget.

And on top of all this comes the Iraq war and the sharp increase in demands on the VA system from returning servicemen and women.

As a veteran myself, I am determined that this Nation fulfill its obligation to the men and women it has sent into battle. I am worried that we do not have sufficient resources to care for all their wounds and replace all their missing limbs. I am even more concerned that we are not fully prepared to meet the challenge of the unseen wounds, the psychological wounds that this war is inflicting on both the visibly wounded and the physically unscathed veteran. While we may have disagreed on the wisdom of starting this war, I don't believe there can be any disagreement on the importance of properly caring for those who are now suffering because of their military service.

The activation of unprecedented numbers of National Guard and Reserve units is adding to the challenge facing the VA. Guard Members and Reservists come from all over America. Upon their return home, they do not have access to military base networks, where active duty military personnel find support. In many instances, the VA is their primary source of assistance. VA hospitals and clinics, many in remote areas, will be faced with new and very urgent challenges, ones they must meet!

Like many of my colleagues, I have been to Walter Reed Army Hospital and have glimpsed the enormity of the task facing the VA. Because you are a decorated soldier, I am sure you share my passion to do right by our veterans. I hope you also share my determination to demand that this be a top priority of this Administration.

Mr. Ambassador, let me just say in closing that we in Vermont are very lucky. Our White River Junction VA medical center and regional office is one of the very best in the country. Twice the recipient of the prestigious Robert W. Carey Achievement Award, the White River Junction VA was selected for the Trophy Award, the Carey Award's highest honor, this fall. As an occasional patient at the White River Junction VA, I can attest to both the quality of care and the efficiency of their service. This center is truly a model for other VA centers around the country. But even the White River Junction VA will not be able to maintain this quality of care if adequate funding is not secured in Washington. That must be our job. I am pledged to this task, and I ask you to join me in this commitment.

Our men and women did not hesitate when our President ordered them into battle. They continue to fulfill their duties with honor and selflessness. It is now our turn to see that this Nation fulfills its obligation to them. I am fearful that we are not meeting this challenge. I beg you to help me reverse this course.

Thank you.

Chairman CRAIG. Now, let me turn to Senator Kay Bailey Hutchison of Texas. Kay.

**OPENING STATEMENT OF HON. KAY BAILEY HUTCHISON,
U.S. SENATOR FROM TEXAS**

Senator HUTCHISON. Thank you, Mr. Chairman.

I do want to add to the Members who have said how pleased they are that you are going to be Chairman and that you want to make this an active and working Committee and also, your Ranking Member, Senator Akaka, who has a wonderful record in the service as well.

I am very pleased with the nomination of Jim Nicholson, Ambassador Nicholson. I think that the previous Secretary of Veterans Affairs, Secretary Principi, did a wonderful job of reaching out to veterans to show how much he cared about the health care and the services that they are being given. I found him to be a straight shooter and someone on whom we could always rely to do what he said he would do, and I have known and worked with Ambassador Nicholson for many years and have found exactly the same type of person: a straight shooter who always does what he says he will do.

I am particularly pleased that the President has appointed someone with such a great record in service. I think your credibility with the veterans' community is absolutely unsurpassed and essential, and I think you have done a great service for our country the last 4 years, I think that you are uniquely qualified to continue in service in this very important way.

There are so many issues now facing our veterans, and I think many of them have already been mentioned. I would just add two more: one is the Gulf War Syndrome that was really undetected for so many years, because it was felt in many of the high echelons of government that the Gulf War Syndrome, which affected one in every seven people who returned from the original Gulf War was psychosomatic, that it was really stress and had no actual damage to any body part.

And because of that, I think we lost a lot of time in finding out what the source of these symptoms were, and I have made it a cause of mine to assure that we get to the bottom of it through research and then the treatment that will come from the research that is being done, because now, there has been a causal connection between brain damage and access or being around chemicals, not necessarily chemical weapons, but just exposure to chemicals and brain damage.

Secretary Principi made a commitment of \$60 million over 4 years, \$15 million per year, to continue this research, and I think it is very important that we continue, and I hope to ask you in the question period if you will continue this commitment. Not only will it help treat the veterans of the Gulf War, but will help us determine future problems that we might face in battle and access and exposure to chemicals and the type of people who might be able to get an antidote or some kind of an enzyme that would keep them from being so afflicted as those we have seen.

The second major thing that I think is particularly timely is the effect that BRAC will have on veterans' health care services at bases. I would hope that you would take an active role in looking at bases that serve veterans where there is little access around that base so that if that base were shut down, veterans' health care concerns would be elevated, whether you would weigh in on that to show a factor, at least; it is not that you would not close the base, but that it would be considered another one of the costs if you

are going to have to put a veterans facility in that area to compensate for the loss of active duty and whether or not that is, in fact, efficient. It may be; it may not, but I would hope that as we go into this BRAC year that we look at veterans' health care services that is now being done routinely on active duty bases.

You have a number of issues on the table, but I know you are up to the job, and I will enthusiastically support your nomination, and I hope that with the cooperation of the Chairman and the Ranking Member and all of the Committee Members that we can move your nomination quickly so that we will not have any time wasted in beginning the next phase of addressing issues.

The third area that I should mention as I close is the CARES Commission that was put forward in the last 4 years, the last 2 years, and its impact on veterans' facilities, and I hope that you will continue to allow those communities that are affected by the CARES Commission's recommendations to have full access to you and the committees that would be making the final decisions on how those facilities will be used.

So with that, I am looking forward to working with you through these very important years, and I know that you will do a wonderful job for our veterans. Thank you.

Thank you, Mr. Chairman.

Chairman CRAIG. Kay, thank you very much.

Now, before we turn to the Ambassador for his oath and also his testimony, let me turn to our colleagues who are here today to introduce him to the Committee: the senior Senator and the freshman Senator from the great State of Colorado. First of all, Senator Wayne Allard.

Senator.

**STATEMENT OF HON. WAYNE ALLARD,
U.S. SENATOR FROM COLORADO**

Senator ALLARD. Thank you, Mr. Chairman.

First of all, I would like to congratulate you on your leadership as the Chairman of the Veterans' Affairs Committee and also congratulate Senator Akaka for his position as Ranking Member on the Committee. I extend my best wishes to the Members of the Committee.

I am also very pleased today that my colleague, newly-elected Senator Ken Salazar is joining me at the table in support of Jim Nicholson to be Secretary of Veterans Affairs. Both of us showing up reflects the fact that we have bipartisan support from the State of Colorado, and we have a great deal of respect for what Jim Nicholson has done for the State, what he has done for the country, and what he will do, we think, on behalf of veterans.

Before I get further on my comments, and it is a distinct pleasure for me to be able to introduce Jim Nicholson to the Veterans' Affairs Committee today, I just want to relate a personal experience that I am having in the State of Colorado, and that is that veterans are somewhat reluctant—or they are just simply not signing up—when they come out of service in Iraq and leaving the active military, getting their names on the rolls of the Department of Veterans Affairs. If they would do that now, that saves problems that many of us face in our offices 20 or 30 years later trying to

get them through the paperwork, because you have already got them signed on the rolls of the Department.

And in some cases, we run across situations where they do not have a lot of confidence in the Department of Veterans Affairs. I have all the confidence in the world that under the leadership of Jim Nicholson, Ambassador now to the Vatican, that he will help correct that problem, and I think that he will help restore confidence in the Department of Veterans Affairs.

Now, I have known and worked for years with Jim in the State of Colorado, and I am proud that President Bush has nominated him to be the next Secretary of Veterans Affairs. As a West Point graduate, Army Ranger, highly-decorated combat veteran and almost 4 years of service as the ambassador to the Holy See, Mr. Nicholson is well-prepared and highly-qualified for the duties as the head of the VA. He brings forward a strong work ethic, and I think to be Secretary of Veterans Affairs, you have got to have a strong work ethic.

Born during the Great Depression as the third child of seven, Jim Nicholson grew up on a tenant farm in rural Iowa. Both he and his older brother, Jack, earned appointments to West Point while struggling as a farming family in the Midwest. Prior to Jim's appointment, his brother returned home from school the summer, and his family could not find enough money to send Jack back to New York for the start of his new term.

In order to solve this problem, a 15-year-old Jim Nicholson took it upon himself to find a job building railroads through his home State of Iowa. By working as long as 19 hours some days, Jim was able to not only earn enough money to send his brother back to West Point, but also was eventually able to buy his father a used car so that he could look for work.

These virtues that Jim displayed as a youth: work ethic, self sacrifice, and determination, are the qualities that will allow him to excel in the President's Cabinet. As a West Point graduate and decorated veteran, this former Army Ranger also has the personal experience in the armed forces that will serve his new constituency well. During his service in the Army, Mr. Nicholson fought in the Vietnam War and was a highly-decorated soldier. He was awarded the Bronze Star, the Combat Infantry Badge, the Meritorious Service Medal with oak leaf cluster, the Vietnamese Cross for Gallantry and two Air Medals while spending 8 years on active duty, 22 years in the Army Reserve before retiring as colonel.

Clearly, Jim Nicholson's qualifications after his Army career are just as impressive, including his advanced degrees, starting a successful real estate business, numerous community volunteer efforts throughout Colorado, and finally culminating in his service as an ambassador to the Holy See.

This is a man who has been asked to serve his country in a new capacity and who will answer that call with his own sense of duty and honor, and it is indeed a great pleasure for me to introduce Jim Nicholson to the Committee, and I also want to thank in a public way the willingness of his wife Susan to allow him to take on this job, because it means that he will spend time away from the family and will mean a greater burden on her, and I think a special thanks should be extended to her.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator, thank you.

Now, let me turn to Senator Salazar. Senator Salazar is also a Member of this Committee, and we welcome you to the Committee and look forward to your statement.

Ken.

**STATEMENT OF HON. KEN SALAZAR,
U.S. SENATOR FROM COLORADO**

Senator SALAZAR. Thank you, Senator and Chairman Craig and Senator Akaka, Ranking Member, and Members of the Committee.

I very much look forward to serving on this Committee. Like all of you here, this is something that we do by choice, and I made the choice to sit on this Committee, requested the Committee assignment because of my respect for the veterans of our country. My father passed away several years ago, a proud veteran of World War II and insisted that he be buried in his uniform from World War II because he wanted to make a statement about how proud he was of this country and how proud he was of the freedoms that we enjoy.

In that same vein, I have had uncles killed in World War II and many members of my family who have served in many wars and nephews who are currently in the military, and so, I very much look forward to contributing to the efforts of this Committee to make sure that we are honoring our commitments to our Nation's veterans and in that regard very much look forward to the activism that you will bring to this Committee, Mr. Chairman and Mr. Ranking Member.

Let me also say, I didn't do my opening statement like the rest of the Committee Members, but I do have an opening statement, and if there is no objection, I would just submit that for the record.

Chairman CRAIG. Without objection.

Senator SALAZAR. Thank you, Mr. Chairman.

Let me say that it is an honor for me as a fifth-generation Coloradan today to be able to introduce a very fine and distinguished member of our State, a favorite son from Colorado, and that is Ambassador Jim Nicholson, to this Committee.

Ambassador Nicholson and I have not always been on the same team, if you will, on political issues in the State of Colorado or the Nation, but I will tell you that you get to a point, as we are today in our Nation, when the elections are now over, that we need to move forward and get about the country's business, and certainly the business of how we take care of our veterans in my State and around this Nation is one of the most important priorities of our country.

And so it is with that statement that I am very proud to be able to introduce Ambassador Nicholson and also to urge my colleagues, both Republicans and Democrats, to join in voting for his confirmation. I look forward to working with him. We have already started working together on a host of issues in Colorado, including addressing the issue of a Veterans Affairs Medical Center in Denver. He has sent clear signals that notwithstanding the challenges that we face there that we are hopeful that we will be able to resolve the issues and move forward with the construction of a facility there

that this Committee has been involved in making possible over the last several years.

I have met with Ambassador Nicholson and talked to him about his life story and about his commitment to our Nation and to our Nation's veterans. Ambassador Nicholson has proven with his life story that nothing can stop him fighting for those things that he believes in. He was born in Iowa in a tenant house without plumbing. His family sometimes had to go without food. His mother's faith and his dedication to family taught him that he could succeed no matter how difficult the challenge.

I know a little something about growing up on a poor farm with a big family and trying to get by on a little, and I am confident that his own life experiences have given him the ability to lead the second-largest department of our Nation to be the best that it can be.

Ambassador Nicholson's early life experience steeled him to succeed as a cadet at West Point and then as an Army Ranger, who won the multiple decorations that have already been mentioned today. He took on those assignments as burdens of a young man who had to fight for everything he and his family got, and he took them on as a patriot who knew the best that America had to offer.

I know that this hearing will go well and that the nomination process will go quickly and that our country will give Ambassador Nicholson another opportunity to serve our great Nation as the Secretary of Veterans Affairs. The new challenges that he will face are difficult. The basic question for all of us in this room and in this country is how does the United States honor its solemn obligations to our country's heroes in a time of the huge and historic deficits that we face today?

I do not know that any of us know the answer to that question, but I do know that Ambassador Nicholson has the ability and the tenacity to make sure that we prioritize the needs of veterans around our country. And so, it is with that statement that I pledge my support to Ambassador Nicholson. I urge a positive and quick vote for his confirmation in the U.S. Senate.

Thank you very much.

[The prepared statement of Senator Salazar follows:]

PREPARED STATEMENT OF HON. KEN SALAZAR,
U.S. SENATOR FROM COLORADO

Good afternoon. Thank you Mr. Chairman. It is a privilege to serve on this Committee with you and with Senator Akaka. I very much look forward to working with you and all of my colleagues as we strive to honor our obligation to those who so honorably served this country. I know I will learn a great deal from all of you, as you share your experiences and leadership on a wide range of issues affecting the Nation's veterans. I am confident that my own experience as the son, brother, and uncle of proud Salazar family veterans will be helpful to this Committee.

And thank you, Ambassador Nicholson, for your long and distinguished service to our country, and to the great State of Colorado. Your experience as an Army Ranger in Vietnam and your 22 years of service in the Army Reserves will be very valuable, I expect, as you consider ways to improve the lives of your fellow veterans. And as I said in my introduction of you, your experience both as a soldier and a diplomat will be invaluable as you fight within the President's Cabinet for the funding our veterans have earned. It is long past time for us to fully fund the VA, and I pledge to help you meet that goal.

Let me reiterate my appreciation to this committee for authorizing the creation of a new VA medical facility in Colorado at the old Fitzsimons Army Medical site.

The development of this site presents a unique opportunity for Colorado veterans to become a part of a world-class medical campus.

The close proximity of the University of Colorado Hospital to the VA's current hospital has served both communities well. The relocation of these hospitals to Fitzsimons will strengthen this relationship, resulting in what I'm sure will be continued cost savings and, most importantly, excellent health care for our veterans.

I am hopeful that after some breakdowns in communication, the hospital is back on track and that our veterans in Colorado will soon have the world-class facility they have earned.

Colorado is blessed with values that encourage service to this great Nation, including in the armed forces. The VA invested more than \$900 million in Colorado in 2003 to serve nearly 433,300 veterans who live in Colorado. 56,904 patients received health care and 57,706 veterans and survivors received disability compensation or pension payments from VA in Colorado. More than 9,401 veterans, reservist, or survivors used GI Bill payments for their education, there were 68,461 owned homes with active VA home loan guarantees, and 3,339 veterans were interred in Ft. Logan and Ft. Lyon national cemeteries.

Those are impressive numbers, but the fact of the matter is that our veterans still have to wait too long for care, are forced to jump through duplicative and cost-increasing hoops to get the prescription drugs they need, are confronted with hospitals that are outdated, loan guarantees better suited for real estate markets of two decades ago, and in too many cases are forced to choose between the retirement they have worked for and the disability pay they have earned.

One more thing that I find very disheartening, Mr. Chairman, is the simple fact that in any given year, 500,000 veterans face at least one night of homelessness. Imagine that: half a million men who laid everything on the line for us spend the night on the street because they cannot afford shelter. In Denver alone there are nearly 9,000 homeless veterans.

We can do better for our veterans—our national heroes. I anticipate we will hear a lot over the coming weeks about the impact the historic deficits we currently face will have on the priorities of our country. That is as it should be—we cannot continue to heap debt on our children and grandchildren at the rate we have done so for the last 4 years.

I recently signed a letter, circulated by our Ranking Member, Senator Akaka, calling on the President to fully fund the Veterans Administration in his upcoming budget proposal. I also wonder, Mr. Chairman, if we have not come to the point where we move to guaranteed funding for the VA. It just is not fair to our veterans and their families to have to hold their breath each year to see if they will be able to get the care and support they were promised.

Ambassador Nicholson, after our discussion last week I am hopeful that you will keep these principles in mind as you begin your assignment. At our meeting, I shared my priorities with you, and I reiterate my commitment to work with you to enact each of them. In particular, I look forward to working with you and my colleagues on this Committee to finalize the new VA facility at Fitzsimons.

Again, thank you, Mr. Chairman and Senator Akaka. And thank you, Ambassador Nicholson.

Chairman CRAIG. Now, we turn to the gentleman that we are here to take testimony from, and as we do that, Mr. Ambassador, if you would stand, please; let me administer the oath.

[Witness sworn.]

Chairman CRAIG. Also, at your leisure, please introduce anyone you would like to introduce, your family, who accompanied you here today. We look forward to your testimony.

Please proceed.

STATEMENT OF HON. R. JAMES NICHOLSON, NOMINEE TO BE SECRETARY, DEPARTMENT OF VETERANS AFFAIRS

Mr. NICHOLSON. Thank you, Mr. Chairman, Members of the Committee.

I want to thank you for the opportunity to appear before you so early in the new Congress and for the many other courtesies that you and your staffs have extended to me. Your words and actions underscore your commitment to the millions of veterans who look

to the Department of Veterans Affairs for the benefits and services they earned, benefits and services that our Nation has pledged to gratefully give them.

Let me add my congratulations to you, Senator Craig, and to you, Senator Akaka, on your election to Chairman and Ranking Member respectively of this Committee, which oversees the department of our government with the largest civilian work force and with one of our highest priorities: to deliver first class, timely medical care and benefits to our veterans. Your selections speak volumes about your colleagues' confidence in your commitment to America's veterans.

I am joined here today by my wife of 37 years, Suzanne. She has always been at my side, through thick and thin, and I am very grateful to her for her support of me in accepting this honor and this considerable challenge from President Bush to lead this great Department if confirmed. I am also joined by my son Nick and his wife, Charlotte, who live in the Washington area. Our other two children could not be here.

I am also joined by a man who has been mentioned here already this morning, my older brother, the pacesetter in our family, Brigadier General Jack Nicholson and joined by my kid brother, Patrick Nicholson, who is here.

Service to our country—

Chairman CRAIG. Jim, let me welcome all of your family to the Committee. We appreciate your being here.

Mr. NICHOLSON. Service is a long tradition in my family. My father was an enlisted man in the Navy during World War II. My father-in-law served in both World War II and Korea. I have mentioned my brother, Jack, who served 30 years in the Army and was, until just very recently, the Under Secretary of the Department of Veterans Affairs for Memorial Affairs, where he did an outstanding job. One of my sons is a veteran; four of my nephews are colonels in the Army and Air Force.

My 30 years of active and Reserve service in the Army, coupled with my 4 years at West Point, have defined my life. I love the armed forces of our country, their courage, their integrity, their sense of duty. That is why I am so honored that President Bush selected me to build upon his Administration's great record of care and compassion for our Nation's veterans of service in our armed forces, and if confirmed, it would be a privilege for me to follow the footsteps of Secretary Principi, a man who has provided outstanding leadership and tireless dedication to the welfare of this Nation's veterans.

I feel humbled that America's veterans, men and women who served on the front lines for freedom, justice, and peace in democracy's name might look to me as the faithful steward of their trust and the leader of VA's 230,000 employees who work so diligently around the clock to assure our veterans that we are making good on the Nation's debt to her defenders.

Mr. Chairman, as has been said, I do come from the heartland of this great country, Iowa, from a boyhood life that is so far removed from this historic and stately temple of liberty that we are in here today that it made Washington seem barely a dream. It was a hardscrabble life, to be sure, but my family of seven kids was

filled by my mother with hope and confidence, and she used to continually say to us, "if you will work hard, study hard," and she would always say, "and pray hard, you can be a success in America." You can have legitimate dreams of a better life, in spite of sometimes the extreme poverty that we were in, and you can make those dreams come true, she would say.

As a teenager, I remember watching young men going off to the Korean War, following in the wake of World War II, yet another test of freedom's will to defeat an inhumane and evil tyranny, yet another answered call by our countrymen to go off to a frozen peninsula that we had never heard of prior to that. They went off because their country asked them to go.

One of the brothers of a pal of mine never returned. One of my best friends, who was slightly older than I, came back, but he left a leg over there. He was also my introduction to the VA, as they worked very hard to try to get his prosthesis to work properly. Now, again, we are at war, and again, our country is asking our men and women in uniform, all volunteers now, to go to the sound of the bugle. Those friends and neighbors who stood tall for freedom 50 years ago are now among our most distinguished veterans, and today's heroes will soon join them.

I will, if this Committee so entrusts me, be proud to lead the Department dedicated exclusively to honoring their service and sacrifices, to making good on our country's promises to them. I have had the privilege of wearing the uniform of the United States Army in combat, so I have seen both the horrors of war and the heroes of America making the greatest sacrifices of military service on behalf of their comrades and our Nation.

One cannot leave a battlefield without having profound respect for the courage and cool of all who have served there. One cannot appreciate all the blessings of our freedom without thanking the men and women who serve in war to bring about peace. Their example of unwavering commitment to their mission, no matter how dangerous or uncomfortable, will always reverberate with me and readies me for a mission of service to those veterans.

I will do my utmost to see that they receive all they have earned and that it is delivered with the dignity that they have also earned. I do not underestimate the enormity of the responsibilities of Secretary of Veterans Affairs. This Committee knows well that the VA is the second-largest Cabinet department, operates the Nation's largest integrated health care system and is relied upon by millions of veterans, their dependents and survivors not only for health care, but for billions of dollars in monetary benefits, life insurance, education, mortgage insurance and readjustment benefits.

The challenge of leading such an organization is daunting, but I am prepared to accept it. If the Senate confirms my nomination, I will commit without hesitation to upholding the following principles: veterans should have access to the best available health care in the most appropriate clinical settings, delivered in a timely manner by caring, compassionate clinicians, and veterans, their eligible dependents, and survivors are entitled to prompt, accurate, equitable and understandable decisions on their claims for benefits, and veterans should be appropriately honored in death for their service and sacrifices on behalf of a grateful Nation.

Mr. Chairman, the manner in which the VA supports the transition of today's servicemembers into veterans, especially those who are injured or because they became ill as a result of their service in combat areas, will define the Department for them. If confirmed, I will ensure that the VA and DoD continue to work collaboratively to provide a seamless transition, so that returning servicemembers are timely provided the benefits and services that will enable them to reclaim their rightful places as citizens in our society.

I am aware of recently-reported concerns of possible regional variations in disability compensation awards. Veterans' entitlements to Federal benefits is the same regardless of where in this country they may reside, and if confirmed, I will ensure that standardized training and sound quality controls support a uniform approach to claims adjudication. Further to that point, I will, if confirmed, order a prompt study into this whole question of equity and geographic differences in benefits adjudication. No one that I have yet met knows exactly why these differences occur exactly the way they do, but we need to understand this fully and then take remedial action as appropriate.

Mr. Chairman, if the Senate will afford me the opportunity, I pledge to work with this Committee and individual Members of both houses for the betterment of veterans and their families. I will keep you informed. I will listen to your concerns, and I will respect your oversight responsibilities.

I understand that the success of the Department requires a strong collaboration with the veterans' service organizations who function both as our ears to the ground on matters of service delivery and as our partners in devising solutions to problems as they arise. If confirmed, I will work closely with the VSOs so that I may both benefit from their counsel and draw upon their willingness to serve their comrades.

I am also deeply committed to earning the respect, trust and following of the men and women of the VA who have made service to veterans their life's calling. The VA work force represents an enormous reservoir of dedicated, committed talent that must be put to its best possible use. I will hold myself and my leadership team accountable for ensuring and harnessing our employees' best efforts. It will be my job and my privilege to lead and harness this awesome force of talented people so that all of us have the same focus: our veterans.

It is critical that we honor America's debt to those who have served us so faithfully. When President Bush announced my nomination, I did quote America's first commander-in-chief, President Washington, who said that it is, quote: "our debt of honor." And today, with so many American men and women in uniform stationed around the globe, we give them heart when we keep faith with those who have served before. They do have the right to know that we will stand by them as well in their time of need. This is also integral to our Nation's ability, I believe, to be able to continue to attract an all-volunteer force ready to defend us anywhere, any time.

The armed forces of our country are, in my opinion, the model for what is good and great about America. They are a paragon of integrity; they do not take; they give. They are disciplined, highly

trained, with a love for their country. They are a unique force in the world, and we need to treat them uniquely well. Our VA, under Secretary Principi, has made terrific strides in serving our veterans. The VA provides health care to 860,000 more veterans now than it did in 2001. It has drastically reduced waiting times for health care appointments and opened nearly 100 new community-based outpatient clinics so that 87 percent of the veteran population now lives within 30 minutes of a VA medical facility.

As a result of its focus on excellence in health care, the VA is now the proven benchmark in preventive health care quality and chronic disease management. Since 2001, the VA has also drastically reduced its inventory of pending claims for disability compensation, reduced average processing time for those claims and at the same time substantially improved the quality of claims decisions.

Moreover, in 2001, the VA embarked upon the largest expansion of the national cemetery system since the Civil War. When construction of all the new cemeteries is completed, the VA will have expanded the national cemetery system by 85 percent, and according to the latest American Consumer Satisfaction Index, the National Cemetery Association earned a rating of 95 out of 100, the best rating ever earned by a Federal agency. And I want to again here send a salute to my big brother, because he was the head of that Administration that got that wonderful affirmation from the people that have used or benefited from that Administration, many of them at the most sensitive, sad time of their life.

I will, if confirmed, strive to move the Department to another level by building upon all that has been put in place and improving upon those areas that remain a challenge. The VA is a great American institution, created and founded by a country that appreciates that freedom is not free, and our veterans' lives and limbs are the price that is too often paid.

It falls on the Secretary of the VA and the men and women he or she leads to keep faith with the expectations of all our fallen citizens in uniform, past, present, and future, expectations that they will be cared for as needed. This, too, is the mandate of the grateful people of the United States. I pledge to you if confirmed by you that I will do all in my power to see that both the veterans and the citizens of our great Nation are pleased by the service of their Veterans Administration.

This concludes my remarks, Mr. Chairman.

Chairman CRAIG. Mr. Ambassador, thank you very much.

Let me talk to my colleagues about procedure here. We are certainly going to ask you to engage in all of the questions you want to ask of the nominee. It is important that we build a record. I think the nominee knows as well as we do that that record becomes increasingly valuable as time goes on as it relates to his performance and promises made, and we believe strongly that that is important.

But we also have another reality in front of us. Many of you have already expressed your open support and willingness to move the Ambassador's nomination forward to the Senate floor. We also happen to have a quorum at this moment.

[Laughter.]

Chairman CRAIG. I am going to turn to my colleague, the Ranking Member, to see if he might want to comment on this before we address you as to what he and I might choose to do here.

Senator AKAKA. Mr. Chairman, I know some Members will be leaving soon. As such, after our Committee Members and Ambassador Nicholson make their statements, I would recommend that we immediately mark up Ambassador Nicholson's nomination.

We have not seen the Ambassador's FBI report yet, but I would ask that the Committee's approval be contingent upon its approval of the FBI report and would therefore recommend that we immediately take up this nomination.

Senator HUTCHISON. Mr. Chairman.

Chairman CRAIG. Senator Hutchison.

Senator HUTCHISON. I move that the Committee report the nomination of R. James Nicholson to the Senate with the recommendation that his nomination to serve as Secretary of Veterans Affairs be confirmed, subject to Mr. Nicholson's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate and further allowing Senator Akaka and others who might wish to look at the FBI file the time, obviously, to do that. But I think we should move the confirmation forward.

Senator ROCKEFELLER. Mr. Chairman.

Chairman CRAIG. Senator Rockefeller.

Senator ROCKEFELLER. I will, in every way, cooperate with the Chairman and Ranking Member on this, but I think it is important to make a point here. In the case of Secretary Principi and others, we have all been involved with the confirmation process with a number of folks over the years, and there is a psychological difference, and I think sort of a procedural difference, between asking the questions which are closest to us and not asking the questions that are closest to us before we vote. There is a particular sort of emphasis and a poignancy, a moral poignancy in a way, about the asking of those questions.

I would just note that for the record that I hope this will not become a common practice. I think it is the first example of our Chairman having to deal with the fact that some Members will be leaving, and that is another matter that we all need to discuss to make our Committee rise to the A level that the Chairman and all of us want. But I certainly will not stand against what the Chairman is suggesting, because I strongly favor the nominee, but I want to just put that on the record.

Chairman CRAIG. Let me dutifully note exactly what you have said, Senator, and I do not disagree with that. That is why I would assume that anyone having questions, and I have several, remain so that we build an important record for the Committee in moving with the new Secretary of the Veterans Administration. But I do not disagree with your overall feeling as to priority of action.

Is there a second to the—

Senator BURR. Second.

Chairman CRAIG. It has been seconded that this Committee move forward the nomination of Jim Nicholson as Secretary of Veterans Affairs with the caveat so expressed in the motion as it relates to questions to be asked and answered. Senator Akaka and I will

spend time with the FBI report this morning and background information to assure us that there are no difficulties with that.

Senator JEFFORDS. Mr. Chairman, I do have questions that I do wish to ask, which may make a difference on my decision how to vote.

Chairman CRAIG. All right.

Senator JEFFORDS. That is why I raise it now, so I feel that we perhaps should take the regular order, but I am not going to object.

Chairman CRAIG. All right; does the Committee wish a roll call vote?

Senator JEFFORDS. Aye.

Senator ROCKEFELLER. I think it would be respectful to the nominee to have that.

Chairman CRAIG. Then the Clerk shall call the roll.

The CLERK. Mr. Specter.

Mrs. Hutchison.

Senator HUTCHISON. Aye.

The CLERK. Mr. Graham.

Mr. Burr.

Senator BURR. Votes aye.

The CLERK. Mr. Ensign.

Mr. Thune.

Senator THUNE. Aye.

The CLERK. Mr. Isakson.

Senator ISAKSON. Aye.

The CLERK. Mr. Akaka.

Senator AKAKA. Aye.

The CLERK. Mr. Rockefeller.

Senator ROCKEFELLER. Aye.

The CLERK. Mr. Jeffords.

Senator JEFFORDS. Present.

The CLERK. Mrs. Murray.

Senator AKAKA. Aye by proxy, Mr. Chairman.

The CLERK. Mr. Obama.

Senator OBAMA. Aye.

The CLERK. Mr. Salazar.

Senator SALAZAR. Aye.

The CLERK. Mr. Chairman.

Chairman CRAIG. Aye.

The CLERK. Eleven ayes, zero nays.

Senator HUTCHISON. Mr. Chairman, I would just like to make a parliamentary inquiry, and I would like to make a motion if it is necessary, to allow Senator Jeffords to change his vote if he wishes following his questioning so that if he decides he would like to move one way or the other, he be allowed to do that.

Chairman CRAIG. I have no objection as the Chairman to that.

We will proceed with that caveat, that following questioning, your vote can be changed as you wish.

Senator JEFFORDS. Thank you, Mr. Chairman. I did so because I believe there are questions which are very pertinent to how I will vote. I firmly believe that the VA must serve the needs of all veterans. Because of budget shortages, your predecessor was forced to create a new category of veterans known as Priority 8 veterans.

While Secretary Principi fought hard for adequate funding for the VA, the Administration did not see fit to meet this request to provide the VA with sufficient funds to treat these veterans. All indications are that in order to reduce the budget deficit, the Administration is going to cut funding for the VA or at least freeze the funding at 2005 levels, which, of course, amounts to a cut in actual services provided.

If that proves to be the case, are you willing to go to the President and request that additional funds be provided to the VA so services can be maintained for all veterans, or are you willing to accept that we may have to write off whole categories of veterans as now ineligible for VA services? In my opinion, that would be a gross mistake.

Mr. NICHOLSON. Thank you, Senator. That is an important question, and it, I think, aptly encapsulates, you know, some of the tension that exists in trying to balance resources that are available or will be available with the needs of our veterans.

I will say I have not seen the 2006 budget. They have not made that available, so I cannot comment on what that budget has in it. But I am well aware of one of the important points of your question as it relates to the so-called Category 8 benefits to veterans, and I am aware that that has been curtailed. Those are veterans in that category who, on a means test basis, have the ability where they are above that de minimis level and thus not at this time entitled to benefits strictly because of the finite amount of resources available to serve the whole population, and the Veterans Administration has a delineated set of priorities by law.

The first and foremost is to take care of those veterans who have been disabled because of the service that they have provided to our country or have incurred a chronic condition. Another priority is those that have fallen down on their luck and are indigent and are poor and then those that also have spinal cord injury or diabetes or kidney disease.

And so, there is a balancing that has to go on. I will say to you that my commitment in taking on this job if I am given the privilege is to the veterans and their needs, because I feel it, and they deserve it. And it will be a task for you and your oversight responsibility for me in my leadership of the Department if I am there to find that balance in a world of not infinite, but finite resources.

Chairman CRAIG. Senator Jeffords, do you—

Senator JEFFORDS. Yes.

Mr. Ambassador, the war has produced many new challenges for the VA. One of these challenges is meeting the increased need for mental health services. Initial DoD data shows that 17 percent of the returnees from Iraq and Afghanistan suffer from post-traumatic stress disorder, PTSD. Studies by the VA now seem to indicate that as many as 25 percent of the returnees who seek VA care have some form of PTSD.

In fact, this may only be the tip of the iceberg. This presents two challenges to the VA: first and most immediately, we must provide additional resources to existing VA health programs all across the country, so that they can meet this clinical demand. As a greater number of National Guard and Reserve soldiers serve in combat, there will be an increasing need for highly-skilled mental health

professionals in the widely-scattered VA hospitals and clinics all across the country. We no longer have the luxury of concentrating mental health services in a few centers around the country thinking we can adequately serve all veterans.

Secondly and no less important, the VA must provide additional resources to support research in the causes, assessment and treatment of PTSD by the National Center for PTSD. There is much and do not understand about the effects of stress and trauma on our servicemembers and the implications on their long-term health. I believe that significantly increased funding for VA mental health programs must not only be a priority, but must be viewed as an absolute necessity. I would appreciate your comments.

Mr. NICHOLSON. First of all, I share your concern about that, Senator, and I also agree that I think that those men and women coming back have had a unique combat experience. I mean, there is, in that urban environment with suicide terrorists, there is no safe place. So that presents a new, I think, and unprecedented challenge to us in the whole realm of trauma, and I do not know what that number is or what that percent is or will end up being, but that is something that commands our priority attention, and we need to have early intervention and screening with those people and begin a counseling regime when we identify that it would be appropriate for that servicemember.

We need to learn more about it, and I think there is some very good research going on. I know there is some of it right there in your State, as we have discussed before, at the Wind River Junction, and there are three other centers throughout the United States where this research is ongoing. And the Department, I have also learned, as set up these polytrauma centers for the treatment, not just the research, but the treatment of these people.

So that really has the attention of the VA and needs it, and I will pledge to work with you and others on that as a priority.

Senator JEFFORDS. I appreciate that answer. Thank you.

Chairman CRAIG. Senator, thank you very much for that questioning.

We will now proceed with a normal round of 5 minutes per Senator in the order in which you came in, and I also appreciate the cooperation of my colleagues to adjust the scheduling and facilitate the situation so that we will not have to return this afternoon for the actual motion and vote for the disposition of this nominee from this Committee.

Does the Senator from Vermont wish to keep his vote as is at this time?

Senator JEFFORDS. Yes, I do.

Chairman CRAIG. Let us now begin with questions, and again, Jim, we appreciate your cooperation with the Committee, and as I have stressed earlier, we certainly believe that the record that is built here today—you have already heard some very important concerns expressed by many of my colleagues—is an important one as we work with you in the coming years to make sure that the Veterans Administration is responsive not only to current veterans' needs, but future veterans' needs.

You have talked about a variety of your priorities. You have obviously, I trust, examined the record of Tony Principi, who leaves us

with a marvelous tenure, and so, let me ask you this question: how do you see your first 100 days at the VA unfolding, and what would be your immediate priorities?

Mr. NICHOLSON. I will answer the last part of your question first, Senator Craig, and say that my immediate priorities are performance, I think, going to be on those people that are returning from our combat zones in Iraq and Afghanistan and some of the serious disabling cases that there are there to make sure that we are doing everything in a timely way to make a seamless transition from those people from their active duty military status to that, into the Veterans Administration status.

And I will say that this is not yet perfected as I understand it. There is still work and emphasis needed for the transference of their health information and that, you know, we accept them into our system, our hospitals and our centers. And we do it without uncertainty on their part and the part of their families.

I met with some wounded members yesterday and family members, and we talked about this, because some of these people—I met yesterday with a young Army major and her husband, and she was a Blackhawk pilot in Iraq and incurred an RPG rocket that blew off her legs. And her copilot was almost injured as seriously, but yet, she landed her helicopter and saved the crew's life and then went unconscious and woke up two weeks later at Walter Reed and now has this unbelievably positive attitude, but is inquisitive about, you know, what's next, and what's available to her. We have to take care of that first and foremost.

The rest of the 100 days, I think, is to consolidate, address the problems that are still out there, one of which I know that Senator Obama is going to bring up which is a concern of mine and organize and build on the great progress that has been made in the last 4 years.

Chairman CRAIG. As my last question in this round, let me offer you an easy one. All you have to do is say yes to this one. Last year, at my insistence, the Committee and the Congress approved legislation transferring title of a parking lot adjacent to the Boise VA Medical Center from the General Services Administration to the VA. My goal in pressing for the land transfer was to allow VA to collocate its regional office, now in rented space a substantial distance away in the downtown area of Boise, near the VA Medical Center so that veterans could secure all needed VA services at a single site.

Do you agree that the collocation of VA facilities at a single site makes sense, and will you give priority attention to the proposed collocation of the VA Boise Regional Office at the Boise VA Medical Center?

Mr. NICHOLSON. Yes, I agree.

[Laughter.]

Mr. NICHOLSON. I think I have to be intellectually honest. Yes, I believe in the proposition that co-location and efficiency, primarily for those people that we are serving, the veterans.

Chairman CRAIG. Exactly.

Mr. NICHOLSON. As to that specific situation, I am not aware of it.

Chairman CRAIG. Sure.

Mr. NICHOLSON. But it sounds good, and I'll be happy to take a look at it.

Chairman CRAIG. Thank you very much.

Let me turn to my colleague, Senator Isakson.

Senator, questions, and we are now and will stay with the 5-minute process.

Senator ISAKSON. Thank you, Mr. Chairman.

Ambassador Nicholson, I wanted really to ask one question and let you kind of expand on it. Late last year, the 48th National Guard Unit of the State of Georgia was activated. They are being trained now. In May, they will be deployed in Iraq.

Our country is at a point in time where we have never been more dependent on our Guard and our reservists, and obviously, on volunteers. And we live in a world where we know, although we hope it will not happen, that there will be another time and another place and another occasion where we will call America's young men and women in our reserves to fight on our behalf.

So, therefore, the attractiveness of that, continuing to meet our recruiting requirements and the quality of life when activated for those Guardsmen and reservists is critical. I would like to hear your thoughts on that topic in particular and if, in fact, you have looked into the future of your administration, what you might want to do to accomplish that in terms of the attractiveness of taking care of those Guardsmen and reservists.

Mr. NICHOLSON. I tried to make that point in my opening statement, Senator, because I do think there is a causal effect between how we end up fulfilling the promise that we make and the attitude of people as they look at that as one of their options for a vocation or service to their country, however they see it.

I think it is also very important the way we project it or market it, and I am sensitive to Senator Rockefeller's comment about that, because I think, and I can remember being this way that, you know, as a young trooper, you feel a certain immortality and that these things that they talk about, you know, VA old folks homes or even VA hospitals are vagaries that do not apply to me and in that way would have a diminished recruiting or marketing appeal which bespeaks that we need, I think, to really have a strong outreach about those benefits and that concern of our country and, you know, we are spending and trying very hard to provide a great service to our veterans, and I think that education about that is a very important point going forward in this all-volunteer force context.

Senator ISAKSON. Well, I appreciate your commitment, and I appreciate the fact that in your 30 years, 8 were active, and 22 were Reserve, so you've been on both sides of that service to the country, and I am honored to have voted for your confirmation. I look forward to working with you.

Mr. NICHOLSON. Thank you.

Senator ISAKSON. I yield back.

Chairman CRAIG. Thank you.

Freshman Chairmen are sometimes allowed a little margin of error, and I erred a moment ago in failing to recognize my colleague and Ranking Member Danny Akaka, so let me turn to him now for his round of questioning, and I am going to even try to

soften that mistake a little bit by handing him the gavel for a moment while I step out, so now, you are in full control, Danny. And following your questions, would you please recognize Senator Obama, and I will be back in just a moment? Thank you.

Senator AKAKA. [Presiding]. Thank you very much, Mr. Chairman. It is great working with you.

Mr. Ambassador, you spoke of this earlier. From your experience with the military, I know you understand the value of seamless transition. The transition from the Department of Defense to the Department of Veterans Affairs needs to be, I feel, hassle-free and as beneficial as possible for servicemembers. I think we have some work to do in this arena, and I am glad that VA is focusing some attention on it by opening up a new office. What is your assessment of the transition from active duty to veteran status and is anything else missing besides the transfer of medical records?

Mr. NICHOLSON. Thank you for that question, Senator Akaka.

We are at war, and we do have people coming back from war, and we have two different kinds of people. I mean, when they are at war as warriors and our soldiers defending us are the same. But when they return, the Guardsmen and the reservists get into sort of a different queue than the people who are part of the regular force. And we need to do better. The goal is there, and we will achieve it, but I cannot sit here and tell you that I think it is perfect or where it should be.

For Guardsmen and Reserve, what we are finding is that some of them come back from their deployment, and they are not captured for the kinds of debriefings and briefings of what is available to them, and they are getting sort of scattered. They are obviously so anxious to get home and get back in their communities with their families that some of them are falling through the cracks, and we know that now and are taking steps to intervene early.

For example, I know that the VA put some people on a troop transport and was able to sail with them and brief them on their way coming home from Iraq. On the side of the regular force, we need still to do better on the sharing of information with the Department of Defense, medical information particularly. I think the goal is there, that both agencies, both departments want to get there, but we are not there yet, but it is a high priority.

Senator AKAKA. Thank you.

In your answers to my pre-hearing questions, which I certainly appreciated from you, you indicated that you are, and I am quoting: "firmly committed to taking care of our core constituency," which you define as "those with service-connected disabled conditions, low incomes, and veterans with special health care needs." You went on to say that you will work to ensure that sufficient resources are available to care for these veterans who depend upon VA for care. Tell me more about the attention that will be paid to the millions of other veterans who depend upon VA care.

Senator ISAKSON. The priority are those that you have stated for the Veterans Health Administration and Veterans Benefit Administration. That is not meant to say or to be at the exclusion of so many other veterans who do not fall into those categories, but that is, and I think by law, Senator, those priorities are a mandate of the law.

We just have to, I think, get the best value for the dollars that you all authorize and appropriate to us to serve as large a population of veterans as we can, because there are a lot of needs there. They are not all the same, but my goal, certainly, if I am made the Secretary of this Department is to do our utmost and for me to do my utmost as an advocate for veterans and to see that the maximum number of veterans that we can take care of are taken care of.

Senator AKAKA. Well, thank you for that. My time has expired. Chairman CRAIG. Senator Obama.

Senator OBAMA. Thank you very much, Senator Akaka.

The comment that I want to make is that with respect to your brother. My grandfather is buried in Honolulu. He was a World War II veteran, and it was an outstanding service. And the division that your brother was operating does, in fact, do an excellent job, and I am grateful for that.

Now, I am very appreciative, Ambassador, of the fact that you took the time to meet with me ahead of this hearing. Part of the reason that I agreed to gladly vote for your confirmation, despite not having the opportunity to ask questions formally in the Committee, was the fact that we had met earlier, and you had addressed some of my concerns in your opening statement.

But I do think it is important for purposes of getting it in the record just to indicate the nature of the concerns that we have. As I stated, there has been a series of *Chicago Sun-Times* articles that I would ask unanimous consent to place into the record that indicate that there are wide regional disparities with respect to disability benefits paid to our disabled veterans. Illinois is doing particularly poorly, ranking 50th, although I would note that Colorado is not better. It, I think, ranks 44th. And these are not modest discrepancies; as I indicated from the chart earlier, these are discrepancies that go into the thousands of dollars.

Chairman CRAIG. [Presiding]. Without objection.

[The article referred to appears below.]

State's wounded vets at bottom for benefits

December 3, 2004

BY **CHERYL L. REED** Staff Reporter

Marine Lance Cpl. Andrew Derrig was fixing a dented .50-caliber machine-gun round outside one of Saddam Hussein's palaces when the bullet exploded. The blast cut through his hand, blew out an eye and scattered shrapnel over the 18-year-old.

Now, a year and a half later, the 2002 graduate of Luther North High School in Jefferson Park has another concern: How much money will the federal Veterans Affairs office in Chicago decide his injuries are worth? Disability benefits can range from \$109 to \$6,576 a month for an unmarried soldier.

Derrig and other wounded soldiers returning from Iraq to Illinois have good cause to worry. The VA office here is one of the stingiest when it comes to deciding how much money a disabled vet's injuries are worth, a Chicago Sun-Times examination of federal records shows.

That finding comes even as the number of disabled vets is rising to what's expected to be record levels, because of the war in Iraq and other factors.

Even though the VA's mission statement -- "To care for him who shall have borne the battle, and for his widow and his orphan" -- comes from Illinois' own Abraham Lincoln, disabled vets here face a tougher battle to win benefits than those elsewhere.

WOUNDED WARRIORS

ABOUT THE SERIES: The Chicago office of the federal Veterans Affairs agency consistently awards less disability pay to disabled vets than do VA offices elsewhere. With more wounded soldiers surviving today, the problem is likely to get worse as more return from Iraq, reporters Cheryl L. Reed and Lori Rackl found.

Illinois' wounded vets paid less

Illinois vets each receive thousands of dollars a year less in disability pay, on average, than vets from other states and U.S. territories.

The top three:

1. Puerto Rico: \$11,607
2. New Mexico: \$10,851
3. Maine: \$10,842

The bottom three:

50. Illinois: \$6,802
51. Michigan: \$6,733

52. Ohio: \$6,710

SOURCE: 2003 VA annual benefits report

Who decides what wounded vets get?

In Illinois, military veterans' disability claims are decided by 31 raters in the Chicago regional office of the Department of Veterans Affairs, based on medical, military and personnel records.

To appeal, vets can ask for a review by one of nine regional review officers or by one of 300 attorneys and law judges on the Board of Veterans Appeals in Washington — potentially a yearslong process.

Any further appeals go first to the U.S. Court of Appeals for Veterans Claims — which currently has six judges and then on to the U.S. Court of Appeals for the Federal Circuit and, finally, the U.S. Supreme Court.

PHOTO GALLERIES

- [Stories of five Illinois veterans](#)
- [John Gomez, paralyzed in Iraq](#)
- [Lou Vargas, Vietnam veteran](#)
- [How Illinois compares to other states](#)

PART 2: COMING SUNDAY

What's behind the rising tide of disabled soldiers? A key factor: The military is keeping injured soldiers alive at an unprecedented rate. As these survivors tap into the Veterans Affairs health-and-benefits system, it could strain the VA.

their predecessors.

"The Chicago raters were trained by guys who saw themselves as keepers of the treasury, and they took that role seriously," said Randy Bunting, assistant supervisor for Chicago's Disabled American Veterans organization.

VA offices in Arkansas, Maine and New Mexico award the highest disability benefits -- \$3,000 to \$4,000 higher per veteran per year than Illinois vets. Veterans in Wisconsin get nearly \$1,000 more a year than their Illinois counterparts. Soldiers from Puerto Rico see the biggest awards -- nearly \$5,000 more a year than Illinois vets get.

There shouldn't be such wide disparities, said U.S. Rep. Lane Evans, (D-Rock Island), the ranking Democrat on the House Veterans Affairs Committee. Responding to the Sun-Times' findings, Evans said he will seek a congressional investigation when the new Congress convenes in January.

"I don't like this," Evans said. "It's very serious for Illinois veterans."

Some disabled vets have waited years for a ruling on their benefits. Some die waiting. Others press their appeals for decades.

Federal authorities say the rules for deciding how much disability pay a soldier will get are clear. But they acknowledge that staffers in Chicago have consistently interpreted those rules more harshly than those elsewhere, creating a situation soldiers and their advocates say unfairly punishes them solely on the basis of where they live.

"The folks who do the adjudication in Chicago are pretty tough," said Ed Anderson, a senior analyst at VA headquarters in Washington. "Folks there really look at everything with jaundiced eyes, and they are rather stringent in their application."

Six percent of Illinois' 922,000 veterans receive disability payments, which are untaxed; the national average is 10 percent.

The VA first began comparing disability awards given by each state's regional VA office in 1998. Since then, Illinois has ranked at or near the bottom nationwide. According to the VA's annual reports, Illinois ranked dead last from 2000 to 2002 for payments to its wounded. Asked about this, VA officials in Washington produced a new set of figures this week that put Michigan last during those years and Illinois second to last.

It isn't just chance, either, according to veterans advocates who note that the VA staffers who make the decisions here follow the lessons of

Evans said he worries that claim delays will worsen as wounded U.S. soldiers return from Iraq and flood VA hospitals and disability offices. A higher rate of wounded soldiers is surviving injuries in this war than any other prolonged conflict.

No one in the Chicago VA regional office is intentionally trying to slight vets here, said Michael Olson, director of the office, who said he can't explain why Illinois has consistently ranked so low.

"We are granting as much as we can," Olson said, quickly adding, "I'm never happy that we are doing the best that we can."

The average waiting time for a claim to be decided in Chicago is 137 days. Typically, that's only the first step in a long process with the VA. Veterans can spend decades unemployed or working at low-paying jobs before they get any substantial disability pay.

Some die waiting for benefits

Even heroes can have trouble winning disability pay. Consider Jesus Lugo, 45. The soldier from Des Plaines was burned over 40 percent of his body when he pulled a fellow Marine from their burning barracks in Japan in 1979. The Marines honored him for his bravery. But Lugo didn't know he was entitled, by federal law, to disability pay until after his discharge, when a co-worker at McDonald's told him. In 1982, he was awarded a 10 percent disability for his burns. He pressed his claim, and 16 years later the VA increased his burn disability to 80 percent.

"I hope the men and women coming back from Iraq now don't have to wait as long as it took me to get disability," Lugo said.

Korean War veteran James Gates' disability claims date to 1978. The VA didn't decide the South Side man was entitled to any disability pay until after he died in March of heart failure at age 69.

"He never received a dime from the VA," said Bob Hodge, Gates' Chicago attorney since 1989.

Gates joined the Army at 17 in 1951 and fought in Korea. In 1953, he was assigned to Camp Desert Rock in Nevada, where the government secretly tested nuclear bombs. Blown out of a foxhole during a nuclear test, Gates ultimately lost his teeth and developed a lung disease that doctors linked to radiation exposure.

The VA consistently rejected Gates' claims, ruling first that he couldn't prove he had served in Korea and then in Nevada. After Hodge dug up documents proving Gates' service record, the VA rejected Gates' doctors' diagnosis.

Like many other older veterans, Gates' fight with the VA was hampered by the military's own poor record-keeping. Most of Gates' military records were destroyed in a 1973 fire at a St. Louis VA records warehouse.

Had Gates won his second appeal, the VA would have owed him hundreds of thousands of dollars in retroactive disability payments, Hodge said. If a vet can prove an error was made in a decision or continuously fights a decision that ultimately is overturned, the VA has to provide retroactive disability pay. But if a single appeal deadline is missed, a veteran must start all over.

"They should have made his case a priority," Hodge said. "But they didn't. They never asked him to come in and give an account, and they never tried to find witnesses. We'll never know what happened out there. Most of the men are dead, and now so is Gates."

More delays in paying disability

Even when the VA does award benefits, it doesn't mean a veteran gets the money. For instance, the VA is withholding \$2,724 a month from Martin Furlan, an 87-year-old World War II veteran from Antioch, until it decides whether he can handle the money. In 1945, Furlan was deemed to have a 10 percent disability because of a gunshot wound in his foot. In 2000, the Disabled American Veterans argued that Furlan should have received 20 percent. The VA agreed and had to pay Furlan the additional 10 percent dating back 55 years, amounting to \$14,738.

But Furlan's niece, Sherry Faris, 45, of Burr Ridge, thought her uncle should have received compensation for his other injuries, too. Furlan was shot in the face, in the left eye, and his foot was mangled by shell-fragment wounds. Since then, he has lived with severe eye pain and a limp. Besides a Purple Heart, he was awarded the Silver Star and two Bronze Stars.

"I think a lot of veterans just give up," said Faris, who has spent the past two years fighting the VA in Chicago for Furlan. "It's a flawed system."

Over the summer, Faris filed a new claim for her uncle. This time, the VA awarded him 100 percent disability for post-traumatic stress disorder and physical injuries. Even so, Furlan has to wait for a competency investigation before receiving his new award. The VA still sends his old award -- \$205 a month -- without question.

"This is no way to treat the men who defended our country," Faris said. "They are the ones who almost died."

Never told about benefits

Furlan also has been fighting with the VA for her stepfather, Donald Satkas, who was shot twice while serving in South Korea in 1951. He also suffered frostbite on his nose, hands and feet, VA records show. Throughout his life, Satkas had a host of medical problems, including a limp, skin cancer, diabetes and colon cancer -- conditions he believes were related to his service. But Satkas didn't know he could get disability pay until he noticed a poster detailing VA benefits at a VA hospital in 1990. By then, he was 59.

A veteran doesn't have to be injured in a war to get VA disability. Any injuries or diseases suffered while enlisted or serving -- including car accidents -- are covered.

Injuries are judged on severity and rated from zero to 100 percent. Loss of body parts, paralysis, deafness and blindness get higher payments. The money is to offset unemployment or the inability to seek higher-paying jobs. It's also meant to compensate for how injuries affect soldiers socially.

Satkas first filed a claim in 1990 and was awarded zero percent for the bullet wound in his elbow. He appealed, and the VA gave him 10 percent -- about \$76 a month. For 13 years, the low rating gnawed at Satkas. Then, in September 2001, a stroke paralyzed him. During an MRI scan, the family learned there was still a bullet lodged in Satkas' hip. In 2003, Satkas' family filed a new claim. This fall, Satkas received his new rating: 80 percent, mostly for the effects of frostbite. The VA denied any benefit for the bullet in his hip.

"It shouldn't have taken this long," Faris said. "My father is 73 years old. He should have been getting benefits the day he got discharged. Why don't they tell them what they're entitled to? They just deny and deny and hope you give up."

Raters 'tough' and 'overwhelmed'

The disabilities of World War II veterans are the most underrated, said John Rodriguez, a Persian Gulf War veteran from the Disabled American Veterans organization who helped Furlan and Satkas file their claims.

"You can go to any VFW, and a whole bunch of veterans will tell you that no one ever told them they could get benefits," Rodriguez said.

At a picnic in 1999, Rodriguez met five veterans from various wars who'd been awarded the Purple Heart for combat injuries. He asked about their disability pay. None knew they were entitled to that. Rodriguez said he filed claims for them, and all ended up with 100 percent disability pay.

"The problem with the VA is that each regional office is so different," said Rodriguez, who also has worked in Montana, New York, Puerto Rico, Georgia and Washington. "In Montana, I got claims done in one day. In Chicago, it's a combination of [VA raters] being tough, ignorant, compassionate and just so overwhelmed."

Each month, the Chicago VA gets 1,400 to 1,500 disability claims. These are decided by 31 raters, whose pay ranges from \$52,195 to \$81,323. The VA expects the wait time to increase as more soldiers return from Iraq.

In the past year, the Chicago office has decided 13,687 disability claims -- just under the national average. Veterans filed disagreements on 13 percent and formally appealed about 3 percent. The Board of Veterans Appeals in Washington overturned Chicago raters 16 percent of the time last year.

Michael Stephens, who oversees Chicago's disability raters, defends the process, which is based on a review of medical and military records. "I can't say there's a lot of wiggle room," Stephens said. "I can say that it's a human process, and there is some room for individual variance."

Psychological wounds tough to prove

Veterans representatives who file claims say there is a great deal of subjectivity, especially involving post-traumatic stress disorder. About three years after returning from Vietnam in 1968, Louis Vargas, of Crest Hill, a town near Joliet, started having violent nightmares as he relived being ambushed in the jungle, watching a soldier die and seeing the faces of the dead he carried, he said. He began drinking heavily and picking fights. Eventually, he couldn't stand to be in a crowd. He couldn't tolerate loud noises. He became emotional while watching war footage. One night, he recalls, his mother startled him in his sleep, and he pointed a gun at her.

In 2000, Vargas had a breakdown. The chief doctor of the Post-traumatic Clinical Team at the VA's Edward Hines Hospital near Maywood diagnosed Vargas with combat-related post-traumatic stress disorder and told him not to return to his job as a mechanic at a nuclear power plant. Vargas never returned. He spends his days attending veterans meetings and group therapy.

But when Vargas applied for disability, using letters from a VA doctor that say Vargas is unemployable because of post-traumatic stress disorder, the Chicago raters told Vargas he couldn't prove he saw combat.

"They think it's a joke to hold someone's life in their hands," said Vargas, now 57. "At one point, they told me they would like me to prove that I was in Vietnam."

Much of Vargas' military record was destroyed in the St. Louis warehouse fire. Vargas has spent the past four years accumulating documents and pictures to support his account.

"Lou has a strong claim," said Bunting, who wrote Vargas' appeal.

Getting disability pay for Vargas' physical injuries has proved easier. The VA awarded Vargas 20 percent disability for diabetes linked to Agent Orange and 10 percent for a knee injury when a 208-pound ammunition round fell on him. But the VA has repeatedly denied him anything for post-traumatic stress disorder, even though Social Security awarded Vargas full disability, about \$1,800 a month, based on the VA doctor's diagnosis.

Vargas' family says battling the VA has worsened his condition. His wife, Bernice, recently quit her job. She's afraid to leave her husband alone.

"It's been four years of torment," Vargas said. "They get you so mad and so angry, and they just expect you to say, 'The hell with it, and I'm not going to do it any more.'"

Vargas is still waiting for a decision from the Board of Veterans' Appeals in Washington.

Military discharge delays pay

Despite being paralyzed from the neck down in March after his tank rolled into the Tigris River in Iraq, Joel Gomez, 24, of Wheaton, had been waiting for the Army to decide that he was physically incapable of returning to duty. The delay has cost Gomez more than \$3,800 a month -- the difference between his military pay and his expected VA disability. VA pay doesn't kick in until a soldier is discharged.

"If I don't get discharged soon, I'm going to go Charles Manson on somebody," Gomez said, exhibiting his dark humor as a ventilator noisily pumped air into his lungs.

Gomez, who is largely cared for by his parents, also hasn't received his monthly military pay since April. Gomez received a \$7,000 Army check recently, but the military has to complete an audit to see how much it still owes him, said Daniel Howell of the Paralyzed Veterans of America, who is helping Gomez get VA benefits.

"There's a big part of me that feels let down," Gomez said in a slow, breathy voice that keeps tempo with his breathing machine. "It's like I've been cast in the wind -- that the military just forgot about me."

A coughing spasm engulfed Gomez for several minutes as his father looked on with concern. When Gomez regained composure, his father placed a tube in his mouth, and Gomez sipped green tea.

"It's like I'm 6 years old again," he said, looking around the tiny room he first had as a child.

Gomez said he doesn't regret joining the military at 17. "I'd do it again," he said.

On Nov. 10, Gomez finally got his discharge. The VA initially awarded him \$5,734 a month, which didn't cover the cost of in-home medical care. To grant more, raters needed a doctor's letter

saying Gomez was bedridden and needed skilled medical care. After Howell got a VA doctor to do that, the VA upgraded him on Nov. 23, to the highest rating -- \$6,576 a month.

"It's a slap in the face when a soldier has to come back and wade through all this bureaucratic red tape just to get benefits," Gomez said. "It's sad that Illinois is so bad to its soldiers."

Nearby states play it cheap with disabled vets

December 6, 2004

BY **CHERYL L. REED** Staff Reporter

While Rust Belt states like Michigan, Ohio and Illinois are ranked at the bottom of the nation in federal disability pay to wounded soldiers, their neighboring Midwestern states are granting below-average payments, as well.

Last year, the average annual disability pay nationwide to wounded veterans was \$8,065. But Minnesota, Missouri, Wisconsin, Iowa and Indiana all granted less.

Of those five states, Indiana ranked the worst -- 45 out of 52, including D.C. and Puerto Rico. Indiana's regional VA office in Indianapolis grants, on average, \$6,910 per veteran--about \$100 more than veterans in Illinois receive. Illinois is ranked No. 50.

ABOUT THE SERIES

Wounded warriors

The Chicago office of the federal Veterans Affairs agency consistently awards less disability pay to disabled vets than do VA offices elsewhere. With more wounded soldiers surviving today, the problem is likely to get worse as more return from Iraq, reporters Cheryl L. Reed and Lori Rackl found.

CHARTS

Illinois vets each receive thousands of dollars a year less in disability pay, on average, than vets from other states and U.S. territories.

- [Veteran Affairs average annual amount per veteran for disability](#)
- [How Illinois compares to other states](#)

For the last six years, Illinois veterans have received the lowest or near the lowest disability payments in the country.

Tough going

"The raters in Indianapolis seem to be a little tougher than other regional offices," said Michael, 57, of Hobart, Ind.

Michael, a wounded Vietnam veteran, didn't want to give his full name because he said he doesn't want the VA office in Indianapolis to know he lives in the state. Michael said he obtained a 100 percent disability rating for post-traumatic stress disorder and a wound to his right foot in 1995 while living in California. He moved to Hobart in 1998.

"I've not moved my records because I don't want Indianapolis to screw up my disability," he said.

Better in Minnesota

Of the north Midwestern region, Minnesota pays the most to its disabled veterans: \$7,872 on average per year. Missouri follows at \$7,848. Wisconsin gives out \$7,739, and Iowa grants \$7,490 per wounded veteran each year.

That fact, revealed in a Chicago Sun-Times article last week, sparked Illinois politicians Friday to demand investigations into why the federal VA office in Chicago was one of the stingiest in the country.

On Saturday, Mayor Daley joined the chorus of politicians seeking a VA review, including Gov. Blagojevich and U.S. Sen. Dick Durbin (D-Ill.).

The federal VA spends \$19.5 billion a year in disability pay to 2.4 million veterans. Only 6 percent of Illinois' veteran population of 922,000 receives any disability pay. The national average is 10 percent.

Many soldiers refuse to apply for disability because they see it as a handout, said Daniel Howell of Chicago's Paralyzed Veterans of America office.

"We have this Midwest attitude here that as long as a guy has all his fingers and toes, he's not going to apply," said Howell, a Chicago native. "In California and New York, if they are wounded, they apply."

Nine percent of New York and California veterans receive disability.

A Persian Gulf War veteran, Howell says he was reluctant to file after he was burned over 20 percent of his body in a helicopter crash. Howell waited four years before he put in a disability claim. Now he receives 70 percent disability, about \$1,056 a month.

Things may be improving

For the last six years, Howell's day job has been helping other wounded veterans file claims. Although Illinois remains at the bottom of the nation in disability pay, Howell says he believes that the Chicago VA office is getting better.

"For a long time, there was a very conservative attitude among the raters," Howell said. "But over the past year and a half to two years, we've seen a huge change in the caliber of the ratings decision, which is to the benefit of the veteran."

Senator OBAMA. I know that when we met, I stated that I recognize this is something that you are just now getting yourself familiar with, but I did want to just for purposes of the record find out from you, based on what you know so far, have you discerned any reason as to why Illinois veterans are virtually last in the Nation in terms of average disability benefits? Can you think of any reason why the disparities in average disability benefits is so wide nationwide?

And finally, I would just ask whether—I know that Secretary Principi, acting on a request from the Illinois delegation, has ordered the Inspector General to look into this problem. I am wondering whether there are any preliminary findings. My staff tells me the study may take four months, and I am just wondering whether there is some mechanism to speed that up.

Mr. NICHOLSON. Thank you for that question and for the time that we had together in your office, Senator.

This was a problem of first impression for me in my learning curve, and it is beguiling. The answer to your question about do I have any preliminary notions about why this is occurring is that I do not. I have met with the Inspector General to discuss this to see if he had any preliminary ideas, and he said that he did not yet either. I have talked to several members of the senior leadership of the VA about this, and there are things that you can conjure about it. I mean, there seems to be some correlations between median incomes and even housing density, for some reason, and I do not know why, but that does seem to correlate somewhat. Where people are living in more spread out and sparse environments, those benefits seem higher.

So I would only—I do not even have a good basis to speculate. I know the concern, I share it, and we need to find out why this is happening and then see what we can and should do about it. And I look forward to working with you on that, because it is a real issue.

Senator OBAMA. Mr. Chairman, I think my timer started all over again, and I would love to have another 5 minutes, but I want to be fair to the other Members of the Committee.

Chairman CRAIG. I am observant of the time. You do not have another 5 in this round, but you do have time for another question if you would like to ask one.

Senator OBAMA. Well, I do have another question.

Chairman CRAIG. Please proceed.

Senator OBAMA. And I may, you know, after this question have one more.

Chairman CRAIG. Sure.

Senator OBAMA. Although I am happy to wait for a second round, if that is possible.

Chairman CRAIG. Very fine.

Senator OBAMA. But one of the speculations in the articles and discussions with veterans that I have had on this issue is that the raters in Illinois, and there seems to be some correlation with the Midwest having lower payments than in other parts of the country, that the raters in some fashion are either trained differently or incentivized differently in terms of their evaluations of claims. And

I recognize you are still trying to figure out what causes this specific disparity.

I would ask a broader question, and that is how standardized are the ratings procedures that are taking place in these various regional offices, and what kinds of incentives are we creating for raters? Are they being rewarded, which is the suspicion, sadly, of some of the veterans that they are being rewarded for turning down claims as opposed to being rewarded for being accurate and just and hopefully generous in terms of making decisions?

Mr. NICHOLSON. As to the training, that is something that I am asking myself, is that, you know, how uniform and consistent is the training, the preparation of these adjudicators? And I think that there, also, is a fertile area for us to look at to ensure that it is.

I also read the reports of your town hall meeting in Illinois last week, Senator, and read where there was a statement about incentives for people turning down claimants. I am not aware that that exists, but that is something I also will find out. This is a high priority for me, if confirmed, to really get our arms around this. That is, to me, a surprisingly big disparity in our country.

Chairman CRAIG. Thank you, Senator.

Now, let me turn to our colleague, Senator Burr.

Senator BURR. Ambassador, once again, welcome. I think that every member of this institution probably has the health care of veterans at the top of their list of concerns. It is of mine, and I know it is of Senator Jeffords.

It is disturbing to see the long lines. It is disturbing to see the amount, the length of the waits by individuals that are following the process that the VA sets up. This is not a case where we do not have a set of procedures that are in place. The fact is that we do. In Charlotte, North Carolina today, for a veteran to see a primary care physician, it is a two to three month process. That is unacceptable. It would be in any realm of health care, and I realize that health care is still evolving, and thank goodness, it is, because of the advances that take place.

My question specifically to you and if you cannot answer it, if you would jot it down to check into as you take over is: are the funds following the migration of veterans? In the South, we have seen a growth in the veteran population. Are, in fact, the dollars that are devoted to veterans' health care following those individuals from region to region if they relocate? Do we have the correct amount of dollars? I am sure we all know the answer to that is we do not, and we will continue to be challenged as it relates to health care dollars.

And how can the Department of Veterans Affairs more quickly and efficiently adjust the VA funding formula to get funds where they are most needed and where they can do the most good?

Mr. NICHOLSON. Senator, let me start by answering your question in a general way: I think the VA has done a very commendable job in recent years in transitioning from a hospital-based medical care system to an outreach, to a community-based outreach clinical system. There have been several hundred new clinics brought on line to try to get closer to where veterans are.

There is this whole comprehensive CARES process that has been evolved, which is, you know, the Capital Asset Review for En-

hanced Services, and it takes into account the demographic shifts of our country, where when most of the hospitals were built, they were built where the people then lived after World War II, and that is the vintage of the hospitals; they average over 50 years old.

That has changed, and people now are moving south, and they are moving west and southwest, and that CARES process took a look at that to see what responses ought to be needed for the delivery of care where the veterans are. That is ongoing. I think that is something that, you know, will have my obvious priority management attention.

But we are still in need of more primary care clinics so that we can cut these waits and get out there where the veterans are and be convenient to veterans. We have the same goal, of course, for the cemetery system, so that people do not—so that this system is accessible.

Is there enough money to do this? I cannot address that with you this morning specifically, but that certainly is a goal of the agency is to continue to push those community-based clinics out there to be available, to cut waiting times, and then, you know, be there if they need referrals for more specialized medical care into a bigger, secondary, tertiary facility.

Senator BURR. Let me say publicly that Secretary Principi did a wonderful job during his leadership at the Veterans Administration. My concern is that possibly, those dollars do not shift as quickly as the population does, and certainly, within this institution, we know how hard it is to move dollars, but secondly that there may be a culture that accepts two to three months as acceptable, and I hope you will very quickly try to change that cultural problem if, in fact, it exists within the Veterans Administration.

I thank you for your testimony today. Congratulations on the vote, and Mr. Chairman, I yield back.

Chairman CRAIG. Senator Burr, thank you very much.

Senator Rockefeller and Senator Hutchison, Mr. Ambassador, have had to leave us. They apologize through me to you. It does not in any way reflect their intensity or their interest in your tenure and in the activity of the Veterans Administration. We will submit their questions for you so that you can respond to them in writing, so they will become a part of the record. You will have those to deal with, I would hope, in an expedited fashion.

Now, let me turn to our colleague from Colorado, Senator Salazar. Ken.

Senator SALAZAR. Thank you, Senator Craig.

Ambassador Nicholson, this question is a simple yes or no. Over the weekend, Secretary Principi actually spent all of Friday night getting to Denver for a very early morning meeting to try to move forward with what I believe is going to be a state-of-the-art medical facility for veterans that will help us take care of veterans and also research the issues around medical care for veterans. Will you be as supportive as Secretary Principi has been of that project as we move forward?

Mr. NICHOLSON. Yes.

Senator SALAZAR. That is all I need.

Mr. NICHOLSON. Possibly more.

Senator SALAZAR. Good.

Mr. NICHOLSON. If that is possible.

Senator SALAZAR. Secondly, in Colorado as well as across the country, I think one of the major problems that we all face is the backlog in terms of claims processing. I think 4 years ago, according to my information, there were approximately 400,000 claims that were awaiting processing for disability compensation. Today, that number has grown to 470,000. I do not know the reason why that number has grown, but do you have any thoughts on it, and is it something you could look into for this Committee?

Mr. NICHOLSON. Yes, sir, it is an important question. In looking at that as I have done, actually, got those—the number of those claimants to dip through a real mobilized effort, but what has now happened is that they have gone back up, and one of the reasons for that is it takes a certain amount of time to process and adjudicate a claim.

What is now happening is that they are finding that a claimant has an average, now, of eight different parts to his or her claim. So the claims have gotten much more complex and perforce takes much more time. And that is probably a reality, which means that we are going to have to figure out how to adjust to that resourcewise, adjudicators, in ways that we will have to deal with so that we can once again try to cut that backlog way down.

Senator SALAZAR. That is something that you will work on?

Mr. NICHOLSON. Yes, I will. I am well aware of that problem. I have had a lot of discussions in the time that I have, you know, been working with the Department to get up to speed, and they share that commitment. You have my commitment that we will work hard on that.

Senator SALAZAR. Ambassador, a question on prescription drugs. A veteran who now has a prescription filled out by a private doctor cannot use the VA prescription drug benefit unless, as I understand it, he goes to a VA physician and gets the prescription reviewed and then authorized. The Department of Justice, as I understand, last year, in the last several years issued an opinion to the Secretary of Veterans Affairs saying that he did have the authority to go ahead and waive that and to allow the prescription drug benefit to be used whenever you have a private physician that has already issued the prescription.

Is that something that you are aware of, and is it something you would be willing to work on to try to implement with this authority that the Department of Justice now has found that you have as Secretary or will have as Secretary soon?

Mr. NICHOLSON. Yes, Senator, it is. I am aware of that problem, that issue, and I am also aware that the Secretary has waived that at least once, maybe twice. Where the waiting was so long, he exercised that discretion that he had. And what the factual basis for that was, I could not comment on, but I know the principle, and I share the concern about it.

I mean, there are a lot of important policy implications around that, because, you know, doctors who are professionals that we have in the VA, and I think we have some of the very best in the world, like to not just have somebody come, you know, and get the prescription, so to speak, but to have them in their medical portfolio, so that they know exactly what their condition is and can

treat them comprehensively. And that is part of the balance against just having them, you know, just come to your pharmacy and get a prescription. And I plan to look into that carefully.

Senator SALAZAR. Thank you, Ambassador.

Mr. Chairman, I have several other questions, but for the sake of the Committee's time and Ambassador Nicholson's time, what I would like to do is to have those questions submitted to the record, and then, Ambassador Nicholson, if you would respond to us in writing on down the road soon, I would appreciate it.

Mr. NICHOLSON. I would be happy to.

Chairman CRAIG. Senator, thank you very much. There are a number of Senators who are going to do, and have done, just that, and all of the questions that you will ask of the nominee will be submitted to him. We will ask for a prompt return so that the nominee's answers can become part of the record. That is a valuable part of that.

Let me turn to Senator Jeffords. Do you have any further questions, Jim?

Senator JEFFORDS. I have about two.

Chairman CRAIG. Please proceed.

Senator JEFFORDS. Ambassador Nicholson, the VA has received significant recognition for its outcome—

Chairman CRAIG. Jim, is your mike on? Thank you.

Senator JEFFORDS. The VA has received wide acclamation for both its ability to monitor outcomes and for its performance. Compared to the private sector and Medicare at the same time, private sector and Medicare co-pays are increasing, and prescription drug coverage remains generally poor.

Many veterans can choose between VA and non-VA care. This is particularly true in Medicare-eligible veterans. Current budgeting for VA health care costs is based primarily on past use, but is the VA considering the possibility that VA usage may increase from a less-likely sector, the veterans who have recently relied solely on Medicare? Will you give special attention to this factor in drawing up your budget recommendations in the future?

Mr. NICHOLSON. Yes, Senator, we will. We must try to make the best projections that we can to develop our budgets and thus request the resources that we think are going to be needed. There has been a large increase in requests for VA Medical care, as you well know, since 2001. It has gone up by a huge delta. And again, I think the agency's response to that has been very laudatory. And as far as I know, and there is a lot that I need to know more about this, that we could expect that increase to continue, and we have to be prepared for that.

Senator JEFFORDS. As you know, the VA has been experiencing difficulty hiring certain types of jobs, ranging from the most specialized physicians all the way to cleaning and housekeeping staff. Part of this difficulty comes from some unintended consequences of locality pay. Locality pay is intended to ensure that VA workers are paid a wage that represents roughly an equal standard of living in different parts of the country.

However, locality pay has created real problems for the VA in certain areas. For instance, experienced nurses at the VA Hospital in White River Junction, Vermont are paid 20 percent less than

nurses just 8 miles away across the river in Hanover, New Hampshire. Are you willing to examine the effects of the Federal locality pay structure in the VA and consider increasing VA pay where necessary to prevent shortchanging of employees?

Mr. NICHOLSON. Yes, Senator, I am very willing to look into that. I have not; that has not come to my attention yet in my preparation for this job. I was unaware of what you just stated. But I certainly will look into it and see what I think should be done about it, because retention and recruitment are very big issues.

I was reading a report yesterday, the Veterans Administration has 47,000 people in its professional nursing services, which is registered nurses and practical nurses and nurse assistants, and we have, as we all know, a nursing shortage in this country, and we need to be at our best to recruit and retain nurses and all other people on this team.

Senator JEFFORDS. With that excellent answer, I will retreat.

Chairman CRAIG. Senator, thank you very much.

Now, let me turn to Senator Akaka.

Senator AKAKA. Thank you, Mr. Chairman.

Mr. Ambassador, as a follow up to my previous question on seamless transition, I would like you to commit to working with me and any other Members who are interested towards making sure that our new veterans are able to receive the care and the services they need and are made aware of the services and benefits available to them.

You mentioned in our prior chat that you will be improving the system by which servicemembers are made aware of services and benefits available to them.

I want to make a statement prior to moving on to my next question. I urge you to look strongly at the makeup of the VA health care system. Nearly 2.5 million middle-income veterans are coming to VA for care. They pay co-payments, and nearly 90 percent bring their health insurance coverage with them. The cost of treating these veterans is the lowest of all patients seen by VA, and I believe we can care for our core constituency and still meet the health care needs of other veterans who have earned VA care.

I want to comment to Senator Salazar that you will be pleased to know that today, with Senator Reid, I will be introducing legislation to allow veterans to bring their outside prescriptions to VA. If you are interested, please talk to me later.

Mr. Ambassador, VA's drug purchasing and negotiations have yielded incredible savings for the Federal Government and also for veterans. For example, VA uses the Federal supply schedule to buy Zoloft, a medication for depression, at nearly half the price of retail outlets, and I assume you will not be inclined to reduce the vitality of negotiations. Given the incredible success of the VA drug purchasing program, do you believe that the Federal Government should do more in other areas?

Mr. NICHOLSON. First of all, I would say, Senator, that I believe in the old management theorem of, you know, if it ain't broke, don't fix it, and the VA's drug purchase program certainly is not broke. So I would just like to salute those who have gone before me, if I am able to follow, and what they have done, because it is extraordinary.

The question of whether that could be replicated in the rest of the Federal Government is a good question, and I, at this moment, I do not feel qualified to give you a good answer. I would be very happy to pursue it, work with you, stay in touch to see what I end up thinking about that, but I do not think I can give you a good answer.

Senator AKAKA. Thank you. Certainly, we will be willing to work with you on that.

Mr. Ambassador, VA's specialized services are one of the jewels of the VA health care system. Yet, for years, we have received complaints that VA managers are foregoing their responsibility to maintain a high level of specialized services. For example, maintaining the level of psychiatric care has remained a problem.

In general, I am looking for a commitment that specialized services, especially mental health care, will be different under your administration. What assurances can you give that this will be so?

Mr. NICHOLSON. The assurance that I can give you right now, Senator Akaka, is that I will take a look at that right away, because I am not aware of that problem that you have described. I know the VA is working with, I think, 107 different academic medical institutions to benefit from the cross-training that both medical students, residents, get from that, and I am unaware that the specialized care is suffering. I thought that it, in fact, was benefiting from that academic collaboration that is going on. But it is something that I will certainly look at.

Senator AKAKA. Thank you, Mr. Chairman. My time has expired.

Chairman CRAIG. Thank you.

Mr. Ambassador, Senator Akaka talked about two areas that are of concern to me. I had the privilege the week-before-last of going to the Veterans Hospital in Spokane, Washington, a facility that both Senator Murray and I share equally, and it services both north Idaho, parts of Montana and the State of Washington. And there, I saw this prescription drug process in action. And what I found very unique is that while people oftentimes arrive there to get their prescriptions filled, they are sent out from a center in California, and they are at the veteran's doorstep in 24 hours; tremendously automated; very, very effective and cost-saving, and I agree that that part of the Veterans Administration appears at this moment to be tremendously efficient.

There is something about seamlessness that concerns me, though, and it is a new phenomenon that we are engaged in in this country that is something that I will address as Chairman and something that I think concerns a good many of us. Idaho is a perfect example of a lot of States today who are deploying their Guard and their Reserves in unprecedented numbers into active duty. The State of Idaho, at one point, 2 million people, and I think Senator Thune referenced that in his questioning as a percentage of total population, has about 2,500 in service now as Guard and Reserves that have just been deployed to Iraq; the Army National Guard's 116th Cavalry Brigade Combat Team.

Here is my concern: veterans' programs were designed for the most part to facilitate the transition of active duty troops out of service and back into civilian life and not to facilitate the movement of Reserves and Guard personnel into and out of active duty

versus Reserve roles. Do you think veterans' programs need to be reassessed in light of an increasing movement of Reserves and Guard personnel into and out of—and sometimes back into—active duty roles? Do VA programs reflect the perhaps-dated view that persons are either in or out of service, and once they have finished with active duty, they are finished for good? Do we need to rethink programs to account for the needs of Guard and Reserve personnel who are asked to shift into and out of, and sometimes back into and then oftentimes out of, active duty?

It is increasingly the case in the current situation we are now in and one that I know the Defense Department is attempting to address in a variety of ways, and it is something that I believe that we may want to review pretty thoroughly. Your reaction?

Mr. NICHOLSON. I think it is a very important subject area, and I agree with you. I think that probably because of custom, I mean, it is quite unusual what is going on now with the deployment into war zones for, you know, long periods of time for Guard and reservists.

Chairman CRAIG. This Guard unit will be expected to be there for at least 18 months.

Mr. NICHOLSON. So, you know, we are looking at really kind of a de novo situation over the last several decades at least in our country, and we do need to adjust the systems to make sure that these people who have gone there and have served are treated exactly the same. And that is underway, I will tell you. I mean, there is that shared commitment both at DoD and at VA.

What needs to still be perfected is the system, so that people do not get away from it, because many of these young people cannot wait to get home and get back to their jobs and their families, and they do not know about, or they do not think about VA and the screening and the education that should precede that, and that is underway and very important. And the program, the benefits, I think, are good. You know, they are working very hard giving the families Tri-Care while they are away, making sure that the families know what they are entitled to, and then, the VA gives any veteran returning from one of those calls to duty 2 years of its services.

It is there; what is needed is to make sure that everybody knows it and makes use of it.

Chairman CRAIG. We will follow up with you to make sure that we work forward on that and that that process is completed so that that knowledge is available, and services are accessible.

Let me turn to my colleague, Senator Thune, questions of the ambassador.

Senator THUNE. Thank you, Mr. Chairman, and again, I appreciate your testimony and your dedication to this important mission. I know that there have been some questions asked in my absence about some of the issues I was concerned with, one with respect to the CARES Commission, and I also know that there really are not any of these problems that probably cannot be fixed with more money, and that is the challenge that we face up here and that you will face in the job as well as most of the issues, in many cases, at least, the issues that are brought to me by the veteran community in my State of South Dakota are funding issues. And that

clearly is one of the issues that we are going to have to grapple with, but I am also interested in working with you on ways that we can make our dollars go further and ways that we can become more efficient.

But I also have a specific interest, having said that and talked about some of the challenges and problems that you face that sometimes can only be solved by money; as I referred to earlier, in access in rural areas, in your testimony, and I believe this to be true, that with the community-based outpatient clinics, which have been extremely successful in rural areas like South Dakota, you said that 87 percent of veterans now have access to a VA facility that is within 30 minutes.

And in South Dakota, they have to be driving awfully fast, I think, to be able to get there in 30 minutes in a lot of places, but I know there are places not unlike South Dakota, other regions of the country that are very rural, very remote, and where veterans still have to drive sometimes hundreds of miles to get to a facility.

And there are some things that have been proposed to address that. In some cases, veterans who have need for a simple test that could be performed in a local clinic in their own community, and I guess I am wondering if that is something that you would consider establishing, and that is improved access to a local clinic.

Congressman Osborne, a former colleague of mine on the House side, introduced a bill that would have earmarked 5 percent of VA funding to contract with rural civilian health facilities to provide services locally, and I understand that the VA has opposed that sort of mandatory approach, but I guess I am wondering if there is a less restrictive solution that you might support that would allow veterans to have access to some of these facilities, which are, in many cases, considerably closer and more convenient than the distances they have to travel in rural areas?

Mr. NICHOLSON. The answer is yes, Senator Thune. I believe I am correct in saying that some of that is now happening, that there are cases where they are engaging, on a contract basis, local doctors to take care of veterans who are too distant from a VA facility or a VA clinic or who cannot adequately be serviced with telemedicine, which is really, now, coming into its own, and the VA, I think, again, is on the forefront in the innovations of the use of that.

And I have been learning examples of where they monitor people's blood sugar and their heart rate and their temperature electronically remotely every day, and we have equipped people, we have allowed them to stay in their homes, and instead of institutionalizing them in a long-term care facility, they stay at home; there is a camera on both ends, and people talk to each other, and that has got great potential to mitigate part of that. And I will look into the use of local contractors more, but I think some of that is happening.

Senator THUNE. I appreciate that, and I do want to pick up on one thing that you mentioned, because I really believe that, and I have seen the examples of this in the State of South Dakota, where telemedicine is doing some wonderful things, and I hope that is something that can be further employed with the VA. I worked as a Member of the House on some changes in the Medicare program

that will make it more possible for facilities in rural areas to be able to have access to many of the benefits of technology: teleradiology, a lot of diagnostic type things can be done from a distance now. And with the technology that exists and is available, we certainly want to employ that, and particularly if it is a way that we can achieve cost-savings, and I would suspect that there are a number of ways where, if veterans had access to some of the technology that is available in health care today and could be served in that fashion, we might be able to achieve some cost-savings as well.

So I appreciate your interest in working with us on that. As I said earlier, I am delighted that you are going to be in the position. I think you are going to be a wonderful person with tremendous experience and compassion for the veteran community, and we look forward to working with you.

Thank you, Mr. Chairman.

Chairman CRAIG. Thank you, Senator.

Senator Obama, further questions?

Senator OBAMA. Thank you, Mr. Chairman.

Ambassador, I just want to revisit a couple of issues that we discussed earlier. The first, I guess, is I was not clear with respect to the investigation that you intend to be engaged in that the Inspector General has already started on this disabilities disparity, when, exactly, we can start getting some sort of report, and I was wondering if you had some date that when I go back to Illinois and talk to veterans, I can say as of this time, I think we will at least have the initial assessment in terms of what is going on.

Mr. NICHOLSON. I wish I could give you that, Senator Obama, but I cannot. I asked that same question myself of the Inspector General.

Senator OBAMA. Okay.

Mr. NICHOLSON. And he said he could not, would not project that.

They are working on it with intensity, and we, if I am confirmed and take over the VA, are going to review where his work is and then see what, you know, if we should be doing something independently of this, put a team together to look at this.

I discussed this a great deal with our very able head of the Veterans Benefits Administration, Admiral Cooper. He shares the concern over this and sort of the puzzlement about why this is happening to that degree, but we don't know. I can just tell you that we will stay in close touch, and we will be working on it.

Senator OBAMA. Let me say this: I have no doubt that you are concerned about it, and I think that there are going to be other people that are concerned about this. My concern is that you have got a full plate coming into this thing. I mean, the issues that were just raised, I thought the Chairman raised an excellent point about Guardsmen and Reservists and how you have to rethink the role there, because as I travel throughout the State of Illinois, we get the same thing, that the lines are now blurred between active duty and our citizen-soldiers. The point that Senator Thune raised about travel times, you know, believe it or not, in Illinois, we have got some folks who have to drive a lot, too, and are experiencing the same issues.

So you are going to have a lot of things coming at you, and I guess my concern is that without some timetable, this can get lost. And I should note that even in the *Sun-Times* article, for example, you have got quotes from senior analysts in headquarters here in Washington that say things like the folks who do the adjudication in Chicago are pretty tough; folks there really look at everything with a jaundiced eye, and they are rather stringent in their application.

So, I mean, there are people in your offices that have opinions about why this is occurring, and if the Inspector General cannot give us a date certain, then, I guess I would be interested in whether there was some team that could be put together, you know, so that I can provide some certainty to the folks back home.

Mr. NICHOLSON. I understand exactly what you want and why, and I am sympathetic to it. I can only say that we will get on it, and I will make a decision about whether I think there is some independent group that should come together to look at it or wait for the IG, and as soon as I can give you some projection of time, I will do so, Senator.

Senator OBAMA. Okay. Fair enough. Not to belabor the point, because I only have a minute left on this round: one issue that does seem to be coming up is the fact that there may be a shortage of personnel in these offices. You know, it appears at least that just to give an example, during the past 2 years, the number of claims filed for service connection and the numbers of issues per case have increased; you have already noted that.

My understanding, at least, is that the Administration has proposed decreasing the number of employees available to adjudicate claims. As of December 31, 2004, there were 48 fewer adjudication employees in the VA regional offices than there were on September 30, 2004. So given what we expect to be a significant influx of claims being made, partly as a consequence of great medical care in the field, one of the results of that is more disabled veterans making claims. I am wondering whether, in fact, we are reducing or even just maintaining, keeping constant, the number of people evaluating claims and what you intend to do to make sure that these numbers are sufficient to meet the demand.

Mr. NICHOLSON. The time that it is taking for these claims to be filed and adjudicated bothers me. It seems to take a long time, and so, I have a goal to see if we can shorten it. As to the number of adjudicators, I think that they did go down, but the agency was then able to transfer, I think, some fiscal 2004 money into this budget cycle so that we are now hiring some more adjudicators, and the net result of that should be we should have more. And I am not speaking specifically to your case there, you know, in Chicago, Illinois—

Senator OBAMA. No problem.

Mr. NICHOLSON.—but across the system.

Chairman CRAIG. Senator, thank you.

Senator Jeffords, further questions?

Senator JEFFORDS. Mr. Chairman, I ask unanimous consent that I may change my vote from nothing to yea.

Chairman CRAIG. I appreciate that. The Committee does, and it will so dutifully be noted without objection.

Thank you.

Senator AKAKA. Mr. Chairman.

Chairman CRAIG. Senator Akaka, further questions?

Senator AKAKA. This is my final question, and I would ask that my other questions be placed in the record.

Mr. Ambassador, each year, the Administration sends its budget proposal to Congress with the expectation that Congress will improve upon it. We have had some success in doing just that, but I believe we can do better for our veterans. I would like to start the process more rationally. What are your thoughts on the current budget process for VA health care? Do you agree there is room for improvement?

Mr. NICHOLSON. I am going to respond to that based on my general awareness, Senator, of the budget process and say that yes, I think we collectively could improve on the process by seeing if we could get budgets done and not have to use continuing resolutions so that we could get more certainty into the Executive agencies, the departments of the Government, so they know where they are, and they can project their work load, know what their capacity is going to be. So that categorically, I would say yes.

As to the specifics of the Veterans Administration and its budget formulation, I do not feel qualified to give you an answer on that at this point. I have not had that experience yet.

Senator AKAKA. Yes, well, another question, and it may fall into the same category: I was going to ask you whether you have had a chance to become familiar with the proposals to fully fund VA health care by shifting at least some of the funding to a mandatory account. If you have an idea about that, will you please express it?

Mr. NICHOLSON. I have had an opportunity to have a discussion with people about that, and what I believe at this point is that given the mission of the VA and that where you get these exigent conditions, like we have with a war, and the load that comes from that and the intense and expensive care that comes from having to do right by those people that are injured and disabled, diseased as a result of that that having the flexibility that the VA now has in the health care area is a plus for them.

It allows them to meet some of these specific demands, and thus, the present system which supports that seems good to me categorically.

Senator AKAKA. Well, I thank you, Ambassador, for your responses. I want to wish you well in your administration.

Mr. NICHOLSON. Thank you.

Senator AKAKA. And Mr. Chairman, I submit the rest of my questions for the record.

Chairman CRAIG. Thank you, Senator, for doing that.

I will also submit the balance of my questions for the record.

Do any of our colleagues have further questions?

Senator THUNE.

Senator THUNE. Mr. Chairman, I also would do that. I have some questions I would like to have answered for the record.

Chairman CRAIG. All right. Without objection.

Senator Obama.

Senator OBAMA. Mr. Chairman, I do have a number of questions I would like to submit.

Chairman CRAIG. Good.

Senator OBAMA. And I will follow suit, but there are just three points I think that can be dispatched within 5 minutes that I would like to complete here in the hearing if that is all right.

Chairman CRAIG. Please proceed.

Senator OBAMA. One issue that has come up fairly frequently, Ambassador, is the issue of back pay for disabilities. I mean, it seems to be a particular problem where you have a veteran who goes in, gets evaluated, the initial evaluation says 10 percent disability. He continues to pursue his claim. Perhaps two or three years later, there is an evaluation that, in fact, he was deserving of 70 or 80 percent. And one of the questions I guess I have is that—and I am not sure whether you know the answer to this—where there is an adjustment of that sort? Is that veteran then entitled to back pay or retroactive benefits given the second opinion that was rendered?

Mr. NICHOLSON. I am not sure I know the answer either, Senator. Is your question that when they looked at the veteran the second time, and they found him to be 70 percent that they also found that he should have been adjudicated 70 percent when it was 10?

Senator OBAMA. Right; this would not be a situation where there would have been a deterioration of his condition, but rather, simply, it turns out that there was a different assessment that was made.

Mr. NICHOLSON. I do not know the answer. That is a good question, and it also leads to what his appeal rights might be about that.

Senator OBAMA. Right.

Mr. NICHOLSON. I will look into that and learn from the answer and provide it to you.

Senator OBAMA. Okay; the second question I have really has to do with the whole issue of mental health and post-traumatic stress disorder that has already been discussed. Right now, are there plans to expand the resources available for those purposes, and if so at what point, would this Committee sort of get a sense of how that is being structured?

Mr. NICHOLSON. There are plans to expand that in anticipation of the needs of returnees from Operation Iraqi Freedom and Operation Enduring Freedom. I would think that—I guess the first time probably, I mean, we can always talk about it soon, but the 2006 budget also will encompass that.

Senator OBAMA. Should reflect some of those.

Mr. NICHOLSON. Yes, and should have what the agency has in their—

Senator OBAMA. Okay; and just the final point that I would make, and this circles back to this broader concern that I have expressed about disparities, regional disparities.

If it turns out that there does appear to be a problem with the raters and how they are trained and the lack of standardization, I guess part of what I would very much be interested in would be to see some sort of third-party reviewer to come in and assess these claims and to think about how we create the same system across the board. I mean, I am new to this Committee, but one thing that I am absolutely certain of and that is that if a veteran has lost a

leg and lives in Illinois, they should get the same disability as a veteran who lost his leg and lives in Puerto Rico. I mean, that seems to me an unassailable statement.

And so, one of the commitments that I am going to have is if it turns out that the raters need some sort of additional training, it may also be necessary that we have some sort of third-party reviewers or somebody from the Washington office that starts overseeing some of this work until it gets smoothed out.

Mr. NICHOLSON. I think that is a very insightful question, Senator. I will tell you that the VA does send people around to do an independent review of adjudications, and I have looked into that with respect to Illinois, and for some reason, they seem to have been found to have been pretty accurate and pretty consistent.

Senator OBAMA. I am just curious: is it consistent internally in the sense that they are uniformly stingy with all of the—I mean, I do not mean to be sarcastic, but I guess—

Mr. NICHOLSON. That is not the meaning of the way I used it. This person had this set of conditions, and they were adjudicated thusly and that was being done consistently in the findings of—because it is sort of an ombudsman function that the VA does do, just to run a check on how these people are doing. So that has not shed any light yet, but as I said in my opening statement about this, there are two parts: we have got to get to the bottom of it and then figure out what to do about it. And you have my commitment on both of those.

Senator OBAMA. Right. Okay. I appreciate your commitment.

Mr. Chairman, I appreciate you devoting this time to an issue that is very important to my folks.

And finally, I want to thank you, Ambassador. I know that before this hearing, you had made a commitment that once we had some answers, you would be willing to come to Illinois to discuss them directly with veterans. I appreciate that commitment, and I wish you all the best of luck in your service.

Mr. NICHOLSON. Thank you.

Chairman CRAIG. Well, Senator Obama, let me thank you, and obviously, this is an issue of great importance to you. It is an issue of great importance to this Committee. As this issue matures, and we are able to assess facts, it sounds like the ideal kind of issue that would deserve some oversight of this Committee, and I pledge to you we will do that in cooperation, also, with the Secretary to make sure that happens.

Senator OBAMA. Thank you, Mr. Chairman.

[The prepared statement of Mr. Nicholson follows:]

PREPARED STATEMENT OF R. JAMES "JIM" NICHOLSON, NOMINEE FOR SECRETARY,
DEPARTMENT OF VETERANS AFFAIRS

Good morning, Mr. Chairman, and Members of the Committee.

I want to thank you for the opportunity to appear before you so early in the new Congress, and for the many other courtesies you and your staffs have extended me. Your words and actions underscore your commitment to the millions of veterans who look to the Department of Veterans Affairs for the benefits and services they earned—benefits and services that our Nation is pledged to gratefully give them.

Let me congratulate you, Senator Craig, and Senator Akaka on your, election to Chairman and Ranking Member, respectively, of this Committee, which oversees the department of our government with the largest civilian workforce, and with one of our highest priorities, to deliver first class, timely medical care and benefits for our

veterans; Your selections speak volumes about your colleagues' confidence in your commitment to America's veterans.

I am joined here today by my wife of 37 years, Suzanne. She has always been at my side through thick and thin and I am very grateful to her for her support to accept this honor and challenge from President Bush to lead this great Department, if confirmed. I am also joined by my son, Nick and his wife Charlotte who live here in the DC area. Our other two children could not be here.

Service to our country is a long tradition in my family. My father was an enlisted man in the Navy during WWII. My father-in-law served in both WWII and Korea. My brother, Brigadier General Jack Nicholson, served 30 years in the Army and was, until now, the Under Secretary of the VA for Memorial Affairs, where he did an outstanding job. One of my sons is a veteran; four of my nephews are Colonels in the Army and Air Force. My 30 years of active and Reserve service in the Army, coupled with my four years at West Point, have defined my life. I love the Armed Forces of our country—their courage, their integrity, their sense of duty.

That is why I am so honored that President Bush selected me to build upon his Administration's great record of care and compassion for our Nation's veterans of our Armed Forces. And, if confirmed, it would be a privilege for me to follow in the footsteps of Secretary Principi, a man who has provided outstanding leadership and tireless dedication to the welfare of this Nation's veterans.

I feel humbled that America's veterans—men and women who served on the front lines for freedom, justice, and peace in democracy's name—might look to me as the faithful steward of their trust, and the leader of VA's 230,000 employees who work so diligently, around the clock, to assure our veterans that we are making good on the Nation's debt to her defenders.

Mr. Chairman, I come from the heartland of this great Nation—Iowa—from a boyhood life so far removed from this historic and stately temple of liberty that Washington was barely a dream. It was a hardscrabble life, to be sure, but my family of seven kids was filled by my mom with hope and confidence. She used to say to us, "if you will work hard, study hard and pray hard, you can be a success in America, you can have legitimate dreams of a better life and make them come true."

As a teenager, I remember watching young men go off to the Korean War, following in the wake of World War II—yet another test of freedom's will to defeat an inhumane and evil tyranny. Yet another answered call by our countrymen to go off to a frozen peninsula that we had never heard of, because their country asked them to go. One of the brothers of a pal of mine never returned. One of my best friends slightly older than I left his leg over there. He also was my first introduction to the VA as they wanted to get his prosthesis right. Now, again, we are at war, and again our country is asking our men and women in uniform, all volunteers, to go to the sound of the bugle.

Those friends and neighbors who stood tall for freedom 50 years ago are now among our most distinguished veterans, and today's heroes will soon join them. I will, if this Committee so entrusts me, be proud to lead the Department dedicated exclusively to honoring their service and sacrifices, to making good on our country's promises to them.

I have had the privilege of wearing the uniform of the United States Army in combat, so I have seen both the horrors of war and the heroes of America making the greatest sacrifices of military service on behalf of their comrades and our Nation.

One cannot leave a battlefield without having profound respect for the courage and cool of all who have served there. One cannot appreciate all the blessings of our freedom without thanking the men and women who serve in war to bring about peace. Their example of unwavering commitment to their mission, no matter how dangerous and uncomfortable, will always reverberate with me and readies me for a mission of service to veterans. I will do my utmost to see that they receive all they have earned, delivered with the dignity they also deserve.

I do not underestimate the enormity of the responsibilities of Secretary of Veterans Affairs. This Committee knows well that VA is the second largest Cabinet department, operates the Nation's largest integrated health-care system, and is relied upon by millions of veterans, their dependents, and survivors, not only for health care, but for billions of dollars in monetary benefits, life insurance, education, mortgage insurance and readjustment benefits. The challenge of leading such an organization is daunting, but I am prepared to accept it.

If the Senate confirms my nomination, I will, without hesitation, commit to upholding the following principles:

- Veterans should have access to the best-available health care, in the "most appropriate clinical settings, delivered in a timely manner by caring, compassionate clinicians. And,

- Veterans, their eligible dependents and survivors are entitled to prompt, accurate, equitable and understandable decisions on their claims for benefits. And,
- Veterans should be appropriately honored in death for their service and sacrifices on behalf of a grateful Nation.

Mr. Chairman, the manner in which VA supports the transition of today's servicemembers into veterans, especially those who are injured or become ill as a result of their service in combat areas, will define the Department for them. If confirmed, I will ensure that VA and DoD continue to work collaboratively to provide a seamless transition so that returning servicemembers are timely provided the benefits and services that will enable them to reclaim their rightful places as citizens in our society.

I am aware of recently reported concerns of possible regional variations in disability-compensation awards. Veterans' entitlement to Federal benefits is the same regardless of where in this country they may reside, and if confirmed, I will ensure that standardized training and sound quality controls support a uniform approach to claims adjudication. Further, to that point, I will, if confirmed, order a prompt study into this whole question of equity and geographic differences in benefits adjudication. No one that I have yet met knows exactly why these differences occur the way they do, and we need to understand this fully and then take remedial action, as appropriate.

Mr. Chairman, if the Senate will afford me the opportunity, I pledge to work with this Committee and individual Members of both houses for the betterment of veterans and their families. I will keep you informed, I will listen to your concerns, and I will respect your oversight responsibilities.

I understand that the success of the Department requires a strong collaboration with the veterans' service organizations, who function both as our ears to the ground on matters of service delivery and as our partners in devising solutions to problems as they arise. If confirmed, I will work closely with the VSOs so that I may both benefit from their counsel and draw upon their willingness to serve their comrades.

I am also deeply committed to earning the respect, trust, and following of the men and women of VA who have made service to veterans their life's calling. The VA workforce represents an enormous reservoir of dedicated, committed talent that must be put to its best possible use. I will hold myself and my leadership team accountable for ensuring and harnessing our employees' best efforts. It will be my job and my privilege to lead and harness this awesome force of talented people so that all of us have the same focus—our veterans.

It is critical that we honor America's debt to those who have served us so faithfully. When President Bush announced my nomination, I quoted America's first Commander in Chief, George Washington, that "[I]t is a debt of honor."

And today, with so many American men and women in uniform stationed around the globe, we give them heart when we keep faith with those who have served before them. They have the right to know we will stand by them as well in their time of need. This is also integral to our Nation's ability to be able to continue to attract an all-volunteer force willing to defend us anywhere, anytime.

The armed forces of our country are, in my opinion, the model for what is good and great about America. They are a paragon of integrity; they don't take, they give; they are disciplined, highly trained with a love for their country. They are a unique force in the world and we need to treat them uniquely well.

Our VA, under Secretary Principi, has made terrific strides in serving our veterans. VA provides health care to 860,000 more veterans than it did in 2001, has drastically reduced waiting times for health-care appointments, and opened nearly a hundred new community-based outpatient clinics so that 87 percent of the veteran population now lives within 30 minutes of a VA medical facility. As a result of its focus on excellence in health care, VA is now the proven benchmark in preventive health-care quality and chronic disease management.

Since 2001, VA has also dramatically reduced its inventory of pending claims for disability compensation, reduced average processing time of those claims, and, at the same time, substantially improved the quality of claims decisions. Moreover, in 2001, VA embarked upon the largest expansion of the National Cemetery system since the Civil War. When construction of all the new cemeteries is completed, VA will have expanded the National Cemetery system by 85 percent. And, according to the latest American Customers Satisfaction Index, the National Cemetery Administration earned a rating of 98 out of 100—the best rating ever earned by a federal agency.

I will, if confirmed, strive to move the Department to another level by building on all that has been put in place and improving upon those areas that remain a challenge. The VA is a great American institution created and founded by a country

that appreciates that freedom isn't free, and our veterans' lives and limbs are the price that is too often paid.

It falls on the Secretary of the VA, and the men and women he leads, to keep faith with the expectations of all our fallen citizens in uniform—past, present and future—expectations that they will be cared for, as needed. This too is the mandate of the grateful people of the U.S. I pledge to you, if confirmed by you, that I will do all in my power to see that both the veterans and the citizens of our great Nation are pleased by the service of their VA.

This concludes my remarks, Mr. Chairman.

QUESTIONNAIRE FOR PRESIDENTIAL NOMINEE

1. Name: Robert James Nicholson
2. Address: PSC 59, Box 66 APO AE 09624
3. Position to which nominated: Secretary of Department of Veterans Affairs
4. Date of nomination: 1/05/05
5. Date of Birth: February 4, 1938
6. Place of Birth: Struble, Iowa
7. Marital Status: Married
8. Full name of spouse: Suzanne Marie Nicholson
9. Names and ages of children: Robert Jr., 35; Nicholas, 34; Katherine, 27
10. Education: Institution, dates attended, degrees received, dates of degrees; U.S. Military Academy, 1957–61, BS 1961; Columbia University, 1966–69, MA 1969; University of Denver College of Law, 1970–72, JD 1972.
11. Honors and Awards: Imagio Dei Award, Archdiocese of Denver; Nostra Aetate Award, The Center for Christian-Jewish Understanding at Sacred Heart University; Honorary Doctorate in Civil Law, University of Dallas; Honorary Doctorate of Public Service, John Cabot University; Honorary Doctorate of Public Service, Regis University; Horatio Alger Award Recipient; Man of the Year, Colorado Mortgage Lenders Association; Investiture as Knight, Sovereign Military Order of Malta; Home Builder of the Year, Homebuilders Association of Metropolitan Denver; Distinguished Citizen of the Year, Colorado Association of Homebuilders; Distinguished Citizen Award, Parker, Colorado; Who's Who in American Politics; Pope John Paul II knighted Ambassador Nicholson with the Grand Cross of the Order of Pius IX for his services as the representative of the United States of America to the Holy See; Bronze Star Medal; The Combat Infantry Badge; Meritorious Service Medal with Oak Leaf Cluster; The Air Medal with Oak Leaf Cluster; The Vietnamese Cross for Gallantry; Army Commendation Medal with Oak Leaf Cluster.
12. Memberships: 2002–Present: Member, Knights of the Constantinian Military Order of St. George; 2001–Present, Member, Sovereign Military Order of Malta; 1978–2001, Chairman of the Board and President, Nicholson Enterprises, Inc.; 1991–2001, Chairman of the Board and President, Rowley Downs Land Company; 1991–2001, Chairman of the Board and President, The North Woodlands Company; 1991–2001, Managing Partner, N-4 Associates Limited Partnership; 1991–2001, Chairman of the Board and President, Renaissance Homes of Douglas County, Inc.; 1995–1999, Chairman and President, Renaissance Homes of Colorado, Inc.; 1995–1999, Chairman and President, Renaissance Homes North, Inc.; 1995–1999, Chairman and President, Renaissance Homes of Saddlebrook, Inc.; 1994–2001, Managing Partner, Parker Properties Joint Venture; 1986–2001, Director, St. Mary's Land and Exploration Company (Board of Directors); 1998–2001, Director, ITN Energy (Board of Directors); 1998–2001, Director, Community Corrections Corporation (Board of Directors); 1986–2001, Partner, Casa Del Sol Partnership; 1996–2001, Limited Member, Airport-Colfax, LLC; 1996–2001, Limited Member, GNMC Golf Office; 1988–2001, Limited Member, Tubac Investors, LLC; 1973–2003, Member, Colorado Bar Association; 1985–2001, Trustee, Nicholson Enterprises, Inc. Foundation; 1996–2001, Development Manager, Matrix Financial Services, Coyote Creek Development, Ft. Lupton, CO; 1989–2001, Managing Partner, 20 Mile Associates; 1994–1999, Managing Partner, Meridian Land Company; 1996–1997, Managing Partner, Phillips Ranch Properties; 1976–1978, Partner, Calkins, Kramer, Grimshaw and Harring Law Firm, Denver, CO; 1980–1996, Director, National Association of Homebuilders for Metropolitan Denver; 1981–1985, Director, Colorado Association of Homebuilders; 1995–1997, Director, Blue Cross/Blue Shield of Colorado, Inc.; 1976–1999, Director, Lerch, Bates & Associates, Inc.; 1990–1995, President, NTB Real Estate; 1997–2001, Chairman, Republican National Committee; 1997–1998, Chairman, Republican Task Force on Education (U.S. Senate, House, Governors and RNC); 1997–2001, Vice Chairman, International Democratic Union; 1993–1997, Vice Chairman, Republican National Committee; 1986–2001, Republican National Committee;

man for Colorado; 1993–1997, Chairman, Republican National Committee Rules Committee; 1998, 1992 and 1996, Delegate, Republican National Convention; 2000, Chairman, Republican National Convention; 1996, Chairman, RNC Special Task Force on Presidential Primary Reform; 1986–1990, Chairman, Chairman's Circle for the Colorado Republican Party; 1987–1990, Director, The Center for Democracy; 1987–1991, Chairman, Elephant's Club for the Colorado Republican Party; 1996, Member, Committee on Arrangements, Republican National Convention; 1996, Member, Host Committee Relations, Republican National Convention; 1987–1992, Member, Republican National Committee Budget Committee; 1996, Colorado Co-Chair, Gramm for President; 1996, Surrogate Speaker, Dole for President; 1996, Surrogate Speaker and Fundraiser, Allard for U.S. Senate; 1992, Chairman, Business Leaders for Considine for U.S. Senate; 1988, Andrews for Governor Campaign; 1980, Strickland for Governor Campaign; 1984, Kramer for U.S. Senate Campaign; 1984, Winn for Governor Campaign; 1976, Vanderhoef for Governor Campaign; 1999–Present, Served as fundraiser, advisor, campaign coordinator and grassroots organizer for scores of legislative, county commissioner, mayoral and city council races in Colorado for 25 years.

Director, Daniels' Fund (Board of Directors); Member and Director, Horatio Alger Association (Board of Directors); Admitted to practice, U.S. Court of Appeals for the Armed Forces; Admitted to practice, U.S. Supreme Court; Colonel, U.S. Army Reserve (Retired); Trustee, U.S. Military Academy Association of Graduates; Commissioner, Defense Advisory Committee on Women in the Services (DACOWITS); Commissioner, Colorado Air Quality Control Commission; Chairman of the Board, Volunteers of America, Colorado; Chairman, Listen Foundation Annual Campaign; Trustee, Kent Denver School; Member, President's Commission on White House Fellows, Western Selection Panel; Trustee, Colorado Youth Citizenship Foundation; Member, Platte River Greenway Foundation; Member, Governor's Unified Housing Task Force; President, West Point Society of Denver; Presidential Appointee, Board of Directors, New Community Development Corporation (U.S. Department of Housing and Urban Development); Member, Denver Bar Association; Trustee, Denver Chamber of Commerce, Institute for Better Government; Director, Colorado Association for Housing and Building; Selectee, Leadership Denver; Director, Artreach Board of Directors; Member, Mayor's Manpower Area Plan Council Member; Who's Who in American Politics.

13. Employment record: 6/1956 to 8/1956, U.S. Department of Agriculture, Laborer, LeMars, Iowa; 7/1956 to 2/1970, United States Army, Cadet and Officer, West Point, New York; Ft. Lewis, Washington; Ft. Benning, Georgia; Ft. Bragg, North Carolina; Republic of Vietnam; 2/1970 to 9/1971, Lerch, Bates and Associates, Administrative Assistant, Denver, Colorado; 9/1971 to 12/1972, Office of the Mayor, Administrative Assistant, Denver, Colorado; 1973 to 1975, Calkins, Kramer, Grimshaw and Harring, Lawyer, Denver, Colorado; 1/1975 to 1/1976, Colorado Association for Housing and Building, Lawyer, Denver, Colorado; 1/1976 to 4/1978, Calkins, Kramer, Grimshaw and Harring, Lawyer, Denver, Colorado; 12/1999 to 8/2001, ITN Energy, Director, Littleton, Colorado; 4/1991 to 8/2001, Rowley Downs Land Company, Chairman/President Denver, Colorado; 12/1995 to 5/1999, Renaissance Homes of Colorado, Chairman/President, Littleton, Colorado; 4/1970 to 9/1999, U.S. Army Reserve, Colonel, St. Louis, Missouri; 9/1998 to 8/2001, Community Corrections Corporation, Director, Roseland, New Jersey; 6/1986 to 8/2001, St. Mary Land and Exploration Company, Director, Denver, Colorado; 1/1997 to 1/2001, Republican National Committee, Chairman; 4/1978 to 8/2001, Nicholson Enterprises, Inc, Chairman/President, Denver, Colorado; 8/2001 to Present, U.S. Department of State, Ambassador to the Holy See (Vatican) Rome, Italy.

14. Military Service: 40StH Military Intelligence Detachment-Strategic; 1957–1961, Cadet, U.S. Military Academy, West Point, NY; 1961–1962, 2/Lt., Fort Benning, GA, Student Officer; 1962–1964, 1/Lt., 4th Infantry Division, Fort Lewis, Washington (Platoon Leader Company Commander); 1964–1965, 1/Lt., Ft. Holabird, MD/Ft. Bragg, NC, Student Officer In Preparation for Vietnam Army Language School, Monterrey, CA; 1965–1966, Cpt., Republic of Vietnam, Senior Advisor to the 402nd Infantry Scout Bn (ARUN); 1966, Cpt., Ft. Holabird, MD, Student Officer; 1966–1970, Cpt./Major, U.S. Military Academy, Staff and Faculty, Admissions Officer and Operations Officer; 1970–1991, Maj/Ltc/Colonel, U.S. Army Reserves, Denver, CO (HQ at St. Louis, MI), USMA Liaison Officer; 1991, Retired from U.S. Army Reserves as Colonel, Honorable Discharge.

15. Government record: All Listed Above.

16. Published writings: Book: "The United States and the Holy See-The Long Road," published by *Trenta Giorni Societa Cooperative*, 2003; Article: "Biotech Food for the Hungry," *International Herald Tribune*, October, 2004; Misc: Various articles and letters to the editor during 1997–2001 as Chairman of the RNC.

17. Political affiliations: (a) List all memberships and offices held in and financial contributions and services rendered to any political party or election committee during the last 10 years.

Chairman, Republican National Committee; Vice Chairman, Republican National Committee; Republican National Committeeman, Colorado; Chairman, Republican National Convention; 2000, Chairman, RNC Rules Committee.

Contributions

	Value	
Republican National Committee	\$15,000	10/25/99
Value in Electing Women PAC	250	10/01/97
Ronald Gene Schmidt for Governor	250	9/23/98
Republican National Committee	15,000	7/31/97
Republican National Committee	500	11/17/98
Republican National Committee	500	11/17/98
Colorado Republican Party	1,000	11/19/96
Wayne Allard for Senate	720	11/05/96
Colorado Republican Party	1,000	3/21/96
Colorado Republican Party	750	5/16/96
Colorado Republican Party	1,000	11/19/96
Republican National Committee	15,000	1998
Tom Cole for Congress	500	2004
Peter Coors for Senate	1,000	2004
Bush-Cheney Committee	4,000	2004

(b) List all elective public offices for which you have been a candidate and the month and year of each election involved in: Republican Committeeman for Colorado, elected March 1986, re-elected June 1988, June 1992, June 1996; Republican National Committee, Vice Chairman, elected January, 1993; Republican National Committee Chairman, elected January, 1997, re-elected January 1999.

18. Future Employment relationships: (a) State whether you will sever all connections with your present employer, business, firm, association, or organization if you are confirmed by the Senate.

(b) State whether you have any plans after completing Government service to resume employment, affiliation, or practice with your previous employer, business firm, association, or organization. No.

(c) What commitments, if any, have been made to you for employment after you leave Federal service? None.

(d) (If appointed for a term of specified duration) Do you intend to serve the full term for which you have been appointed? Yes.

(e) (If appointed for an indefinite period) do you intend to serve until the next Presidential election? Yes.

19. Potential conflicts of interest: (a) Describe any financial arrangements, deferred compensation agreements, or other continuing financial, business, or professional dealings which you have with business associates, clients, or customers who will be affected by policies which you will influence in the position to which you have been nominated. None to my knowledge.

(b) List any investments, obligations, liabilities, or other financial relationships which constitute potential conflicts of interest with the position to which you have been nominated. None to my knowledge.

(c) Describe any business relationship, dealing, or financial transaction which you have had during the last 5 years, whether for yourself, on behalf of a client, or acting as an agent, that constitutes a potential conflict of interest with the position to which you have been nominated. None to my knowledge.

(d) Describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage defeat or modification of any Federal legislation or for the purpose of affecting the administration and execution of Federal law or policy. None, other than in a general way in support of the Republican Party agenda as the Chairman of the RNC.

(e) Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements involved.)

20. Testifying before the Congress: (a) Do you agree to appear and testify before any duly constituted committee of the Congress upon the request of such committee? Yes.

(b) Do you agree to provide such information as is requested by such a committee?
Yes.

RESPONSE TO POST-HEARING QUESTIONS

QUESTIONS FOR THE RECORD, SENATOR LARRY E. CRAIG, CHAIRMAN, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: I have been given a very brief overview of your military service. Please provide me with some details of that service, particularly your combat experience in Vietnam. How has that service equipped you to assume the post of Secretary of Veterans Affairs?

Response: Service to our country is a long tradition in my family. My father was an enlisted man in the Navy during WWII. My father-in-law served in both WWII and Korea. My brother, Brigadier General Jack Nicholson, served 30 years in the Army and was, until now, the Under Secretary of the VA for Memorial Affairs, where he did an outstanding job. One of my sons is a veteran; four of my nephews are Colonels in the Army and Air Force. My 30 years of active and Reserve service in the Army, coupled with my 4 years at West Point, have defined my life. I love the Armed Forces of our country—their courage, their integrity, their sense of duty.

I have had the privilege of wearing the uniform of the United States Army in combat, so I have seen both the horrors of war and the heroes of America making the greatest sacrifices of military service on behalf of their comrades and our Nation.

One cannot leave a battlefield without having profound respect for the courage and cool of all who have served there. One cannot appreciate all the blessings of our freedom without thanking the men and women who serve in war to bring about peace. Their example of unwavering commitment to their mission, no matter how dangerous and uncomfortable, will always reverberate with me and readies me for a mission of service to veterans. I will do my utmost to see that they receive all they have earned, delivered with the dignity they also deserve.

Question 2: Have you had an opportunity to assess Tony Principi's tenure as Secretary? Do you yet see how your tenure will differ from his in style or substance? Are there elements of his leadership you will seek to emulate?

Response: I assess Secretary Principi's tenure as Secretary to have been one of a superb performance. I believe that my tenure should build upon his. To use a Navy metaphor, he began a sea change at the VA and I see a major part of my responsibility to see that this continues and that the VA is brought into the twenty-first century to serve twenty-first century veterans. This implies that we must upgrade both physical stock of the VA (the average age of a VA hospital is over 50 years), and we must ensure that the quality of medicine given to our veterans is on the cutting edge and both medical care and benefits are given in a more timely way and that we are being consistent. So yes, there are many elements of Secretary Principi's leadership that I would plan to emulate, the principal one of which would be hands-on transparent and accessible management and with a continuing emphasis to serve our veterans with compassion, competency and dignity.

Question 3: I hope very much that this Committee will be able to work cooperatively with you and the VA to solve problems that America's veterans face. To do that, we will need you to appear personally before this Committee to express the Administration's position on issues that concern veterans. Can we count on you to make personal appearances at Committee hearings when asked?

Response: Yes, you can count on me to make personal appearances at committee hearings when asked.

Question 4: Access to health care for veterans who reside in rural areas of Idaho is particularly difficult, and it is a problem that calls for creative and innovative approaches. I recently learned that Steele Memorial Hospital in Lemhi County, Idaho has donated space that can be used by veterans to secure "telemedicine" services from the Boise VA Medical Center. Such arrangements, it seems to me, improve the care provided to rural veterans at no cost to VA.

A. Do you agree that VA and Congress must work together to improve access to VA services for veterans who reside in rural areas? If so, will you place a high priority on improving access to VA services for veterans who reside in rural areas?

B. Will you monitor the progress—and hopefully, the success—of the Lemhi County program and provided periodic updates to me?

Response: A. I agree that VA and Congress should continue to work together to improve access to VA services. Growing up in rural Iowa has given me an apprecia-

tion for veterans who reside in rural areas. I will put a high priority on exploring approaches to improve access to VA services in a cost-effective manner.

To assist in addressing the issue of improved access to health care services, VA will continue to look at establishing additional Community Based Outpatient Clinics (CBOCs). Since CBOCs are scheduled to be opened in Fiscal Year (FY) 2005.

Response B. The Boise VA Medical Center (VAMC) has worked with Steele Memorial Hospital in Salmon, Idaho to install two telehealth devices that will give VA the capability to provide both primary care and mental health care services to veterans in this area (a Viterion 500, and a video phone). The Viterion 500 provides the capability of doing physiological monitoring remotely. The video phone will enable a mental health provider to interact directly with a patient. The Boise VAMC has already established services for two VA patients at the Steele Memorial site and they plan to add additional veterans. In addition, VA has placed monitors in the private residences of two other veterans in the Salmon area who are not able to easily access the Steele Memorial Hospital site.

The Boise VAMC will provide periodic updates about this program to VA Central Office officials. In addition, they would be pleased to provide your office with quarterly progress reports on the implementation of telehealth services in the Salmon area and other parts of rural Idaho. These reports will highlight the locations of telehealth sites, the number of veterans served and the type of services offered.

Question 5: Secretary Principi undertook an extensive review of VAs hospital infrastructure—a review that is called the Capital Asset Realignment for Enhanced Services, or “CARES”, initiative. The Secretary proposed that three VA Medical Centers be closed (in Pittsburgh, Cleveland, and Gulfport, Mississippi), that VA build hospitals in two cities that have no VA medical centers (Las Vegas and Orlando), and that decisions concerning the fates of 15 other VA Medical Centers be deferred pending further study.

A. Have you yet had the opportunity to consider these decisions? Do you think you ought to reconsider then, and get your own assessment of VAs future medical infrastructure needs? Or do you think you ought to trust in the validity and soundness of these decisions and simply implement them?

Response: A. I have been briefed regarding former Secretary Principi’s decisions on CARES as well as the comprehensive process that lead up to his decisions. At this time, I intend to move forward on CARES implementation. I will be briefed on a regular basis regarding the additional studies that are currently underway and regarding implementation of all CARES initiatives through VHA’s Strategic Planning Process.

The CARES process was the most comprehensive assessment of VA capital infrastructure and the demand for VA health care ever achieved. The evaluation and review provided by the CARES commission insured that the process was independent and objective. Their well-reasoned report provides a road map for moving VA forward in planning for, investing in, and locating our capital facilities. I believe that the CARES report presents a carefully studied and strategically sound path for the Department, and I will use it as a blueprint for VAs future.

B. One of the major criticisms of the CARES initiative was its failure to address VAs needs for long-term care facilities. Secretary Principi advised this Committee that a long-term care review would take place later. Do you intend to carry out Secretary Principi’s commitment to assess VAs needs for long-term care facilities? Where does that review now stand?

Response: B. I fully support the continuation of VA’s assessment regarding Long Term Care (LTC). VHA has recently completed new runs on LTC workload projects by market and priority category. Strategic Planning Guidance will be going out to the VISNs and facilities in the next month requesting operational plans to include Strategic Initiatives. Each VISN will prioritize its strategic initiatives by year and within the year along with cost projects for inclusion in the VISN and National Strategic Plan. Implementation of all CARES initiatives, including LTC initiatives, is dependent on future funding.

Question 6: During the past few budget cycles, the Administration has proposed, at various times, that so called “low-priority” VA patients pay an annual deductible (of \$1,500), an annual enrollment fee (of \$250), and that prescription drug co-payments be increased (from \$7 per prescription per month to \$15). These proposals were greeted with some skepticism on the Hill.

A. What is your position on proposals to increase the costs borne by “low priority” veterans seeking care at VA? Do you think some cost-sharing approaches make more sense than others? Do you think that this is a fair way of raising the level of funding available to VA?

B. Do you believe that it makes sense for VA to impose fees on some classes of veterans and not on others? Does it make sense for VA to try to tamp down demand

for care by “low-priority” patients so that it can devote more of its resources to the care of the service disabled and the poor?

Response: A. Imposing cost sharing provisions, within reason, on veterans who have a lower priority for care should help to focus resources towards the care of those veterans who need us most.

Through eligibility reform legislation, Congress requires the VA Secretary to decide annually whether VA has adequate resources to provide timely, high quality care for all enrolled veterans. Each year, VA reviews actuarial projections of the demand for VA health care in light of available budgetary resources and develops policies accordingly.

Response: B. VA has proposed cost-sharing policies for Priority 7 and 8 enrollees as a means of balancing veteran demand for VA health care and the finite resources available, and ensuring that VA has the capacity to serve those veterans who need us most—veterans with service-connected medical conditions, special needs, and low incomes. VA is committed to serving these veterans who depend upon VA for their health care and represent our core constituency.

Thus, VA expects that those veterans now enrolled in priority groups 7 and 8 who frequently use VA health care services will likely pay the enrollment fee in order to continue to receive those services. However, many other veterans in priority groups 7 and 8 do not currently use the system, or use it very infrequently. Those veterans will likely not pay the enrollment fee, but rather will leave the VA system and use other health care options available to them.

In some cases, the savings and additional collections associated with cost sharing proposals could help avoid more drastic enrollment decisions such as disenrollment of current users.

Question 7: Do you believe that Operation Iraqi Freedom troops will more likely be afflicted with Post-Traumatic Stress Disorder than their predecessors in prior wars? Does this “no rear echelon” theory make sense to you? Does your combat experience in Vietnam give you any insight on this theory of extraordinary stress from Iraq combat?

Response: War related psychiatric disorders among veterans of our Nation’s wars for the past 60+ years have resulted in disorder rates from 10–20% of troops (all services) with higher rates associated with increased combat exposure and injury. The mental health problems of veterans of the Vietnam war have been studied with the latest psychological tools and scientific approaches and revealed that while 30% of male Vietnam theater veterans met diagnostic criteria for PTSD at some point in their lives, only 15% met those criteria when they were assessed at a point some 10 years after the war was over. Almost everyone exposed to the horrors of war comes away from the experience with some emotional distress, but our data suggests that 70–85% of combatants may be expected to have no long term sequelae from the war. Features of combat associated with stress related disorders include: frequency of exposure to threat, including injuries sustained; number of actual combat experiences, and repeated tours of duty in the war zone. To the extent that these are features of the war in Iraq, one may expect a rate of emotional problems including, but not limited to PTSD (e.g. depression, substance use disorders) at least comparable to those in Vietnam. Given current efforts at early identification of emotional stress in theatre and post-deployment, by DoD and VA clinicians it may be possible to lower the incidence of long term problems by a concentrated effort at early detection and care.

The “no rear echelon” theory is reasonable given the nature of the current war in Iraq. The insurgency is a form of guerilla warfare in which attacks can occur at any place and time. Established bases and supply convoys are subject to rocket, mortar and Improvised Explosive Devices (IED) attack as well as more traditional forms of combat such as combat patrols fighting in Fallujah. These experiences have been confirmed by our troops and by the military healthcare providers who have been in theatre and made presentations to VA staff.

It is reasonable to compare aspects of the war in Vietnam to the current experience in Iraq. Urban combat, as in Fallujah, for example, was experienced in Vietnam in Hue and other cities during the Tet Offensive. Jungle warfare has similar stresses to urban warfare including the enemy being hidden from sight either by jungle or buildings. Guerilla warfare, in which one cannot tell friend from foe; when the enemy attacks from amidst innocent civilians; when mines and IEDs are used to attack without warning and with the enemy at distance so they cannot be counterattacked, are all extremely anxiety provoking. Modern body armor, and evolving combat doctrine and training of our troops, and the superb in theater medical support received by troops in combat, can strengthen our troops against these stresses.

Question 8: Some years back, VA reorganized its health care bureaucracy into 22 “Veterans Integrated Service Networks” to decentralize decision-making and to encourage innovation by managers involved in the actual care of patients. More recently, authority for critical decisions—for example, VAs recent review of its medical care infrastructure needs—appears to be migrating back to VA headquarters.

A. As a matter of management philosophy, do you tend to delegate decision-making authority? Or do you believe that—at least in Government—authority has to be centralized in easily-identified senior officials who are accountable to the President and to the oversight of Congress?

Response A. There is always a tension between centralization and decentralization. A system that is too centralized is grossly ineffective and inefficient. On the other hand, a system that is too decentralized loses the integration and cohesiveness that defines it as a “system.” VA operates a large, integrated health care system that functions both efficiently and effectively. Improvements in quality, access, veteran satisfaction, and efficiency are measurable and have been widely recognized. Health care policy is established centrally in Washington and is expected to be executed uniformly throughout all 21 Veterans Integrated Service Networks (VISNs). I will expect the VISNs to address the unique challenges of their respective environments, and I will hold management at all levels accountable for implementing national policy consistently. I intend to work with VHAs national and Network leadership to assure that we address the local, regional, and national needs of veterans effectively. I believe in performance measurement, and I will be very aware of performance at all levels of the organization.

Question 9: As you are undoubtedly aware, the veteran population is aging rapidly—recent statistics show that nearly 60% of the veteran population is over age 55. This trend suggests to me that VA will face increasing demand for long-term care services. Yet VA is only required to provide in-patient-based long-term care—that is, nursing home care—to the most severely disabled of the “service-connected” veteran population.

A. Do you think VA can meet the demand of aging baby-boomers for long-term nursing home care? Do you think VA ought to try to meet the need? Do you have any sense of how much it would cost VA to take on this mission?

Response A. VA can meet the Long Term Care needs of all veterans for whom we are required to provide such care. VA policy is to provide for the institutional needs of veterans in priorities 1–3, and those with special needs. By reserving nursing home care for those situations in which a veteran can no longer safely be maintained at home, and by providing long-term care in the least restrictive setting that is compatible with a veteran’s medical condition and personal circumstances, we can create a medical and extended care benefits package that is available to veterans who need them most. Non-institutional care is a basic part of the benefits package for all enrolled veterans. VAs policy is to increase our capacity to provide non-institutional home and community-based care by 18% annually, in order to be able to meet the full need of enrolled veterans by 2011. A detailed cost estimate, however, is unavailable at this time.

B. Do you think the current policy of mandating that long-term care be provided only to those with the most severe of service-connected disabilities strikes the proper balance of assuring that available resources are directed to those having the best claim to VA-provided care?

Response B.: Yes. The current law assures that the most severely disabled service-connected veterans will be cared for if they need nursing home care, while preserving flexibility for VA to provide care for less severely disabled veterans, the indigent and those with special needs as resources permit.

C. Where do outpatient-based long-term care services fit into the equation? Does the requirement that VA provide such services to even low-priority veterans divert resources away from the neediest veterans—those who need in-patient care—to deal with service-connected conditions?

Response C.: VA believes that long-term care should be provided in the least restrictive setting that is compatible with the veteran’s medical condition and personal circumstances, and whenever possible in non-institutional home- and community-based settings. Supporting veterans in their local communities maintains their established ties with spouse, family, friends and their spiritual community. These contacts help provide the vital social, emotional, and spiritual elements that complement the physical components of care that VA traditionally provides in its hospitals and clinics. The availability of a spectrum of home- and community-based services often prevents unnecessary—and costly—institutionalization of veterans. It is as essential that these services be available to enrolled veterans, including lower priority veterans, as it is that acute care services be available to them. The cost of non-institutional home- and community-based services is very modest in comparison

to nursing home costs, and has relatively little impact on the availability of in-patient services for the neediest veterans. A far greater impediment to the most efficient allocation of resources is the requirement of the Millennium Act (Public Law 106-117) that VA maintain an average daily census of 13,391 in its own Nursing Home Care Units. The President's budget for fiscal year 2006 proposes repeal of that provision.

Question 10: One of the challenges you will confront as Secretary is the backlog of compensation and pension claims awaiting VA adjudication. When Secretary Principi appeared before this Committee for his confirmation hearing in 2001, he committed to reduce the backlog and improve the accuracy of decisions rendered.

A. Is this mission accomplished? Is there still more work to do to speed claims processing and improve quality? Have you thought of a strategy you will employ to finish the job?

Response A.: Improvement of benefits claims processing has been an important goal of the President. Obviously, much progress has been made both in reducing the backlog and timeliness—and especially in the reduction of claims that had been pending from our oldest veterans who had been waiting more than a year for decisions on their claims. I am aware that quality levels have also significantly improved.

The changes made included making the regional offices—and the claims processing procedures and supporting IT applications—more consistent and efficient and improving the training and oversight of the programs. These major changes have resulted in improvements in production, timeliness, and quality.

While there has been significant success, there is much to be done. VBA has seen large increases in incoming claims and appeals, both from the returning servicemembers and from older veterans who had not previously submitted claims. We will continue to emphasize the improvements necessary to give our veterans the benefits they deserve and which the Congress has so generously made available.

Question 11: The budget for the current fiscal year is relatively tight compared to recent years and I expect the one which the Administration will propose for fiscal year 2006 will be tighter still. These realities have caused VA to prioritize eligibility for purposes of healthcare eligibility.

A. Do you think VA ought to adopt similar systems of prioritizing the processing of claims for benefits? For example, should claims filed by veterans who have just returned from a combat deployment go to the head of the line?

Should applications for benefits submitted by older veterans go first? Or, should VA simply adopt a “first-in, first-out” approach to prioritizing claims?

Response A. I have learned that VBA is giving top priority to the benefit claims of all returning war veterans who are seriously injured, and certainly providing the best possible service to these returning heroes must remain our highest priority. VBA has also advised me that claims from terminally ill veterans, homeless veterans, veterans with severe financial hardship and former prisoners of war also receive priority attention. I believe that priority processing for these claimants is also most appropriate.

Our goal must be to provide quality, timely, and compassionate service to all claimants. Reaching our goal will depend upon a well-trained staff who properly develop the claims submitted and then act on those claims as soon as they are ready to rate. I do not believe that VBA should adopt a strict first-in, first-out process.

B. Three years ago, VA established a “Tiger Team” to speed the processing of older claims submitted by World War II veterans. Should similar specialized teams handle other high priority claims, e.g., claims filed by servicemembers returning from Iraq?

Response B. The Under Secretary for Benefits has made me aware of the success of some of the specialized processing initiatives that VBA has undertaken in recent years, including the Tiger Team, the Pension Maintenance Centers, and the centralized processing of in-service death claims. VBA is now centralizing the rating aspects of the Benefits Delivery at Discharge program to two regional offices, Salt Lake and Winston Salem. These initiatives have demonstrated that specialized processing can provide better and more efficient service to veterans. I will look for additional opportunities to improve the delivery of benefits and services through specialization.

Question 12: VA spending from its compensation and pension account has grown by approximately 50 percent in the past 5 years.

A. Do you have any sense of what is driving these increases?

Response A. A number of factors have been identified to me as contributing to the increase in expenditures over the last 5 years. Those are listed below.

- There has been a 6% increase in the total number of beneficiaries receiving benefits from the VA from EOY1999 through EOY2004, an increase of 196,000 beneficiaries.

- Diabetes Mellitus and Prostate Cancer were added as presumptive conditions related to herbicide exposure, resulting in many new beneficiaries and increased ratings. Because of the nature of the two conditions, the disability evaluations for these conditions tend to increase fairly rapidly. In June 2001, just prior to adding diabetes as a presumptive condition, VA was paying about 38,000 veterans for this condition. By December 2004, VA was paying 199,000 such claims. Likewise, in June 2001, VA was paying approximately 18,000 prostate cancer claims. By December 2004, VA was paying almost 30,000 claims.

- VAs efforts to reduce the backlog of claims increased the number and amount of retroactive benefits paid.

- Vietnam Era veterans filed claims at rates higher than World War II and Korean War veterans, and veterans of the Gulf Era have higher application rates than Vietnam Era veterans. This may be due, in part, to VA's expanded outreach programs and the Benefits Delivery at Discharge initiative.

Question 13: As long as I have been a Member of the Veterans Affairs Committee, the problems confronting the compensation and pension system have been the same: the backlog of claims and appeals is too high; it takes too long for VA to process claims; and the accuracy of decisions made on applications for benefits is not as good as it ought to be. The Congress and VA have taken various approaches to solving these problems—more staff has been hired, computer systems have been bought, and VAs organizational structures have been repeatedly “re-engineered”. Yet problems persist.

A. Do you believe it is time for Congress and the Administration to take a closer look at the disability claims system to see if there are structural flaws within the claims process that are outside VA's control? Why do these problems seem to be resistant to management reforms and money infusions?

Response A. I would welcome working with you regarding issues that, while well intentioned, sometimes have adverse effects and merely clog the system. I would point out that the Congress has already authorized in the National Defense Authorization Act for 2003, a Veterans Disability Benefits Commission to look at the whole range of disability compensation benefits available to veterans from VA.

Question 14: On February 3, I will convene a hearing to examine the adequacy of the benefits provided to the surviving spouses and children of those who die in or as a result of service. From what I have seen so far, survivors must navigate through a confusing maze of services provided by at least three different Federal agencies to secure benefits. Making matters even more confusing, cash benefits provided by some agencies are offset from those provided by others—in plain English, cash payments are allowed from two agencies, for example VA and DoD, but not simultaneously. Will you commit to work with other Department Secretaries to end this confusion?

Response: I wholeheartedly agree that we should strive to make the benefits claims processes for surviving spouses and children of servicemembers and veterans as simple and straightforward as possible. I will be pleased to work with other Administration officials and with the Congress to ensure coordination of both survivors' benefits and survivors' benefits claims processes.

Question 15: Do you have any conflicts of interest which you have not fully disclosed to the Committee? Do you know of any other matter which, if known to the Committee, might affect the Committee's recommendation to the Senate with respect to your nomination?

Response: No, I do not have any conflicts of interest that have not fully been disclosed to the Committee or any matters that might affect the Committee's recommendation.

Question 16: Have you fully and accurately provided financial and other information requested by the Committee, and do you now affirm that the information provided is complete, accurate, and provided in a form not designed to evade or deceive?

Response: Yes.

Question 17: Do you agree to supply the Committee such non-privileged information, materials, and documents as may be requested by the Committee in its oversight and legislative capacities for so long as you shall serve in the position for which you now seek confirmation?

Response: Yes.

Question 18: An organization named the Lung Cancer Alliance has requested, by the attached White Paper, that I pose to you a question relating to a potential estab-

lishment of a pilot program for the screening, early detection and management of lung cancer. Would you please review that attached White Paper and comment?

Response: Routine screening for lung cancer is not recommended at this time, as there is currently no evidence of effectiveness. The Federal Government has two large trials underway by the National Cancer Institute, so there doesn't appear to be a need for a duplicative study by VA and DoD. There is no evidence that the lung cancers that veterans get by virtue of their smoking, exposure to combustion products, or any other exposures would behave differently from lung cancers that non-veterans get. Therefore, there is no compelling reason to duplicate in the veteran or military population the studies already underway in the general population.

Given that cigarette smoking is, by far, the most important risk factor for lung cancer, the most effective method of preventing lung cancer deaths is by keeping people from smoking in the first place and helping those who do smoke to quit. The Veterans Health Administration has a large-scale, effective program in place to assist those who smoke and are interested in quitting. A clinical practice guideline on tobacco use cessation, developed jointly by the VHA and the Department of Defense, has recently been updated and is available at www.oQP.med.va.Qov/cPQITUC3/tucbase.htm.

Lung cancer is a significant public health concern, with an estimated burden of 172,570 new cases in 2005 (13% of all cancer diagnoses). It is the leading cause of cancer-related deaths (29% of all cancer deaths), estimated in 163,510 fatalities for both men and women in 2005. Both incidence rates (new cases) and mortality rates (deaths) in men have been declining for more than a decade, but they have only recently started to decline for women. Since 1987, more women have died each year of lung cancer than from breast cancer. Cigarette smoking is by far the most important risk factor for lung cancer, implicated in 90% of lung cancers in men and 78% in women. Cigar and pipe smoking, environmental tobacco smoke exposure, and exposure to other environmental agents, especially asbestos and radon, are also risk factors for lung cancer.

Early detection of lung cancer through screening has not been shown to be effective in reducing deaths from lung cancer. Screening for lung cancer is not presently recommended by any major medical professional organization. A recent review of the evidence about lung cancer screening done by the U.S. Preventive Services Task Force, an independent panel of experts in primary care and prevention that systematically reviews the evidence of effectiveness and develops recommendations for clinical preventive services, concluded that "the evidence is insufficient to recommend for or against screening asymptomatic persons for lung cancer with either low dose computerized tomography, chest x-ray, sputum cytology, or a combination of these tests" (*Annals of Internal Medicine*. 2004; 140:738-9).

The National Cancer Institute (NCI), part of the National Institutes of Health, has two large studies underway to determine if screening for lung cancer is effective. Both are randomized controlled trials, the best type of study design for measuring the effectiveness of screening tests. The first of these, the Prostate, Lung, Colorectal, and Ovarian Cancer Screening Trial (PLCO), enrolled over 148,000 men and women participants between the ages of 55 and 74. Enrollment took place from 1992 to 2001 at ten centers around the country. Lung cancer screening was done by chest x-ray upon entry and annually for 3 years for smokers and for 2 years for never-smokers for those in the intervention group. Participants in the control group received routine health care from their physicians. All participants will be followed for up to 16 years. Results of the PLCO study are not expected for several years.

The second NCI-funded screening study is the National Lung Screening Trial (NLST), launched in 2002. This study is comparing two ways of detecting lung cancer: spiral computed tomography (CT) and standard chest x-ray, and aims to show if one test is better at reducing deaths from lung cancer than the other. Over 53,000 current or former smokers aged 55 to 74 years have been enrolled in the trial at more than 30 study sites across the country. Participants have been randomly assigned to receive either chest x-ray or spiral CT every year for 3 years and all will be followed by yearly surveys until 2009. Results of the NLST will not be available until then.

Both studies will provide evidence about the benefits, if any, of screening for lung cancer. They will also provide information about harms of screening. All screening tests have the potential for both benefits and harms. One common harm is false-positive tests results—the finding of an abnormality that appears to be a cancer that, upon further testing, turns out to be benign. In lung cancer screening, suspicious areas on chest x-ray or spiral CT often require invasive tests (lung biopsies done either through the chest wall with a needle or through open chest surgery) to determine if they are malignant or benign. Some screening tests may find many

areas that appear to be suspicious, but turn out to be benign, thus subjecting patients to the risks of the invasive tests for no benefit.

Another potential harm is called “over-diagnosis”—the finding of a condition that would not have become clinically significant had it not been detected by screening. Autopsy studies show that some people die with lung cancer, rather than from it. If improved screening tests find many small lung cancers that would not be likely to progress to the point of causing clinical disease and death, then the detection and subsequent treatment of these cancers might lead to more harm than good. The randomized trials underway for lung cancer screening (PLCO and NLST) will help to determine the extent to which these harms may occur, if screening were recommended and applied to large numbers of persons.

QUESTIONS FOR THE RECORD FROM SENATOR DANIEL K. AKAKA,
RANKING MEMBER, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF
R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: As you well know, Congress gave the Secretary the responsibility for deciding which veterans can enroll for VA health care. Using that authority, a decision was made in January of 2003 to refuse enrollment to so-called “middle-income veterans. Given that waiting times for care have decreased—thanks to the incredible work of your dedicated health staff—many of us here in Congress believe that the ban on Priority 8 veterans should be rescinded. Because an enrollment decision is typically made early in the year, I am curious as to what your position will be on this year’s enrollment decision.

Response: In addition to the incredible work of VA staff, the suspension of Priority 8 enrollment contributed to the reduction in waiting times. I will consult with VA staff to determine the need for continuing this suspension and/or the need to exercise another enrollment policy to balance demand with available resources for FY 2005. Equally important is the need to consider the out-year impact of enrollment decisions in terms of expected resource availability, expected demand for VA health care services and the potential for growing waiting lists and waiting times.

Question 2: In the past, VA has come under fire for the lack of timeliness of its claims processing. While VBA has made progress in improving timeliness and accuracy of disability claims processing, further improvement is needed. Notably, VBA has turned its attention to decreasing the amount of time it takes to process a claim and taken its focus off of appeals.

A. How can a more balanced approach be reached?

Response A.: I am aware of the need for a balanced approach to managing our claims workload. A balanced approach must be taken in the allocation of our personnel resources to ensure we are effectively managing the full spectrum of our claims and appellate processing responsibilities.

VBA has recently increased its emphasis on addressing appeals, necessitated by an increase in the rate and number of appeals filed. The increase is attributable to several factors, including the dramatic increase in the output of claims decisions in the last few years.

VBA and the Board recently signed an agreement regarding additional training that would be provided to field stations to ensure appeals are ready to be certified to the Board of Veterans’ Appeals. We need to continue to track and analyze appellate cases to determine how we can reduce the number of cases appealed to VBA as well as those remanded by the Board for further development.

B. I am concerned that VBA does not have enough employees to process claims timely and accurately. You noted in your pre-hearing questions that additional hiring is anticipated this year. Will this be reflected in the President’s Budget? If not, where will the funding for these employees come from?

Response B.: As a result of the Consolidated Appropriations Act, 2005 (Public Law 108–447), an additional \$125 million will be made available to VBA (through a transfer of funds from medical care) for compensation claims processing. Of this total, \$75 million will be used in 2005 to fund additional staffing to address the increased volume of disability claims. The remaining \$50 million will be used in 2006.

C. VA officials have acknowledged that VBAs compensation and pension claims processing needs to be more productive, that is, to decide more claims without significant increases in staffing. How do you plan to improve claims processing productivity without significant staffing increases?

Response C.: Increased productivity does not depend solely on increases in staffing. Better training, new technologies, and more efficient organizational processes and structures can also contribute significantly to higher levels of productivity. I believe we need to continue to focus on all of these areas.

VA's recent decision to consolidate the rating aspects of the Benefits Delivery at Discharge Program to two regional offices is an example of the type of process and structural change that I believe will allow VBA to be more productive. I will look for additional opportunities to apply technology and make changes that will enhance the delivery of benefits and services to veterans and their families.

Training is also key to improving productivity. I will focus our efforts on improving VBAs training systems, both for new employees and to raise the skill levels of the more experienced staff. Improvements will be achieved through providing employees with more and better training and with up-to date tools and IT systems to support their decisions. As employees develop their skills, they will work faster and with fewer errors.

Question 3: VA has become increasingly reliant on contractors. Do you support contracting out VA functions? If yes, do you have any concerns that it will erode VAs ability to meet its mission? And what functions would you be comfortable contracting out services for?

Response: VAs primary goal is to provide the best possible service to veterans within the current budget environment. As such, I will continually challenge the Department to examine ways to more effectively and efficiently use resources to better meet veterans' needs. Contracting out certain functions may provide one avenue for meeting this goal. However, the provision of services such as direct medical care are a core capability for the Department, and contracting out of these functions should only be pursued on an exception basis where in-house resources are not available. In addition, a clear business case must be made that justifies the rationale and provides assurance that contracting will not erode VAs ability to meet its mission. 38 U.S.C. 7409 affords the Department the flexibility to contract out for "scarce medical specialist services at Department facilities" in this case. However, VAs experience indicates that contracting out for such positions generally is much more expensive than direct hiring.

In addition, under 38 U.S.C. 8153, "to secure healthcare resources which otherwise might not be feasibly available, or to effectively utilize certain other health-care resources, the Secretary may, when the Secretary determines it in the best interest of the prevailing standards of the Department's medical care program, make arrangements, by contract or other form of agreement for the mutual use, or exchange of use, of health-care resources between Department health-care facilities and any health-care provider, or other entity or individual." Contract services in this regard must also be supported by a clear business case that ensures the quality of service provided by another source is as good as or better than the existing service at reduced costs.

There are other situations where contracting for non-core VA functions may be appropriate. Our analysis of these opportunities across the Veterans' Benefits Administration (VBA) and National Cemetery Administration (NCA) indicate that contracting opportunities are generally limited due to the nature of the functions performed, the relatively small numbers of personnel involved, and the fact that they tend to be highly geographically dispersed. Within VHA, we believe there may be some opportunities to enhance the effectiveness and efficiency of certain non-core, commercial, competitive functions, e.g., grounds maintenance, through the President's Management Agenda (PMA) competitive sourcing initiative. However, 38 U.S.C. 8110(a) (5) prohibits VA from conducting certain cost comparisons with the private sector unless funds are specifically appropriated for that purpose. Since funds have not been specifically appropriated for the purpose of conducting cost comparisons, VA's previously, OMB-approved competitive sourcing program has been on-hold until such time as legislative relief is obtained.

Question 4: GAO added VA's disability programs, along with other federal disability programs, to its high risk list in 2003. VBA's vocational rehabilitation and employment program has been criticized for insufficient emphasis on helping disabled veterans return to work. In what ways will you ensure that VBA strengthens its emphasis on helping disabled veterans reintegrate into the workforce?

Response: Secretary Principi established the Task Force on the Vocational Rehabilitation and Employment Program to conduct an independent assessment of the program. The Task Force's report, submitted in March 2004, contained many recommendations to produce a more proactive, employment-driven program.

VA is now in the process of implementing the recommendations. The most important of the recommendations is the Five-Track Employment Model, which calls for VA to focus its efforts on:

- Reemployment of veterans with their previous employers.
- Access to rapid employment services with new employers.
- Self-employment for veterans whose disabilities preclude more conventional channels of access to employment.

- Long-term vocational rehabilitation services for veterans who need such services to obtain suitable employment.
- Independent living services, with the possibility of employment when appropriate, for veterans whose disabilities are so severe at present as to preclude them from working.

Along with developing this model, VA is testing a new field position, Employment Coordinator. The Employment Coordinators will perform duties recommended by the Task Force. It is anticipated that they will enhance the delivery of quality and timely employment services and increase the number of veterans obtaining suitable employment.

I will ensure that the actions taken by VA to implement the Task Force recommendations will give our disabled veterans the assistance they need to successfully reenter the workforce.

Question 5: "While you were at the RNC did you have dealings with the VSOs and if so, what were the nature of those discussions?"

Response: Yes, I recall during my 4 years as Chairman of the Republican National Committee, that I had occasional meetings with the directors of several of the VSOs. I can specifically recall having one meeting around a table in my office at the RNC, but I do not recall what the substantive nature of the discussions addressed.

QUESTIONS FOR THE RECORD FROM SENATOR KAY BAILEY HUTCHINSON, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: Currently, military retirees in many parts of the country are not allowed to register with permanent military health care providers due to the shortage of military physicians. Do you believe that this situation can be corrected? How would you go about it?

Response: VA has an effective primary care system in place. When veterans are enrolled into the system, they are assigned a primary care physician. I would defer the questions on military health care to DoD.

Question 2: Many veterans are anxiously waiting the Base Realignment and Closure (BRAC) results which should be released in May of this year. A loss of a base or a post in a specific region of the country could mean that a deserving veteran may have to travel many additional miles to seek a treatment. Are you approaching the BRAC process with similar concerns?

Response: VA plans to cooperate fully with DoD throughout Base Realignment and Closure.

Question 3: Recently, the Walter Reed Amputee center here in Washington, DC has seen an influx of wounded and amputated veterans to its facility due to ongoing operations in Iraq and Afghanistan. What is the process to allow these future veterans to transition from Walter Reed back to their home of record or to their permanent duty station? Are you confident of the VAs ability to serve these veterans?

Response: VA shares your concern that our Nation's newest veterans get the healthcare and benefits they deserve, particularly those who are ill or injured as a result of their service in Iraq or Afghanistan. VA has worked hard over the past 18 months to implement numerous programs to ensure these veterans receive timely and high quality services and that their transition from DoD to VA is seamless and efficient. For the first time, VA employees are stationed at many of the major military treatment facilities (MTFs) receiving casualties from Iraq and Afghanistan. VA staff brief servicemembers about VA benefits, including healthcare, disability compensation, vocational rehabilitation, and employment. VA enrolls these veterans into the VA system and begins to complete the necessary paperwork for their compensation claims prior to discharge from military service which eliminates any gap in services or compensation. VA social workers facilitate the transfer of veterans from Walter Reed and the other major MTFs to the VA Medical Center closest to their home of record or most appropriate for the specialized services their medical condition requires. In addition, each VA Medical Center and Veterans' Benefit Administration Regional Office has identified a point of contact to ensure the seamless transition of these veterans into the VA system. Vet Centers located throughout the country are providing mental health services and counseling to returning veterans and their families, as well as bereavement counseling to those who have lost a family member in Iraq or Afghanistan. The Department has increased the number of transitional assistance briefings given to active duty, Reserve and National Guard servicemembers who are discharging from military service. The purpose of the briefing is to educate servicemembers on the VA benefits available to them. In total, the

Department held nearly 12,000 briefings reaching nearly 500,000 servicemembers, including those aboard some Navy ships returning to the U.S.

VA has made great strides in ensuring our veterans experience a smooth transition between military and civilian life. VAs next challenge is to ensure that those veterans and their families receive a high level of customer service. VA is working to strengthen its support system for the family to include Fisher Houses, hotels and meals. VAs goal is to honor each new veteran and their family with compassion, dignity, and coordination of every service and support that can help to restore function.

Question 4: A November report found unsanitary conditions at the Dallas Veterans Affairs Medical Center. I am concerned there is currently not a framework for improving a facility so critical to the veterans of North Texas. What will you do to remedy this shortcoming and prevent similar issues at other facilities?

Response: The Department of Veterans Affairs Office of the Inspector General (OIG) report that you referred to cited the status of the VA North Texas Health Care System (VANTHCS), Dallas during its May 2004 OIG Combined Assessment Program (CAP) review. Subsequent to this review, the OIG published report number 04-01878-34, on November 26, 2004 and tasked VISN 17 to draft a response to the findings that was due on January 19, 2005: VISN 17 submitted its response to the findings by the suspense date.

The CAP review focused on 14 areas. In two of the areas the reviewers did not identify concerns. In the remaining 12 areas, the reviewers noted a need for additional management attention.

VISN 17 and the VANTHCS began to immediately initiate action on the recommendations as early as the period following the OIG team exit briefing. An action plan along with a spreadsheet was developed by VISN 17 to monitor the VANTHCS progress in addressing the concerns noted by the OIG reviewers. Specific milestones were established to monitor the levels of improvement. The leadership of VISN 17 has been highly involved in this process. Periodic meetings have been held to track progress being made, and adjustments were made to ensure that milestones were met. As a result of these improvement efforts, the majority of the problems noted in the OIG CAP review were corrected by early January 2005. The VISN Director has noted that the only reason that the VANTHCC is not currently within 100% compliance is that some needed construction work has not been completed.

Key leadership positions in the Dallas facility will be filled by individuals tasked to facilitate the changes required to bring the Dallas facility to a higher level of performance. The Acting Under Secretary for Health has appointed a 5-member General Medical Review Team, and tasked the VA Office of the Medical Inspector (OMI) to review operations at the Dallas facility. The scope of the review includes interviews of key staff at the facility, and the review of five key operational areas. The results of the findings of the two teams will be used to enhance the operations of the Dallas facility in particular, and serve as a model to prevent similar situations in the future in other VA facilities. These lessons learned will augment other programs already in place that provide continuous monitoring of operations, and quality improvement.

An example of programs already in place is the VHA System-wide Ongoing Assessment Review Strategy (SOARS) program. During 2004, the Veterans Health Administration (VHA) initiated the SOARS program. To date, this initiative has visited 32 VA medical facilities. The purpose of this initiative is to identify problems and areas for improvement in 50+ key areas within medical facilities that includes cleanliness, infection control, safety, privacy, and security concerns. SOARS utilizes multi-disciplinary employees from throughout the system as Internal Consultants to identify issues as "external observers". This also allows the sharing of strong practices and problem solutions from other environments and the ability to take "lessons learned" back to other VA facilities. After a successful pilot phase, this program is now able to complete 4 facility site visits a month on a continuous basis with more planned for the future. SOARS will allow for the monitoring of past problems as well as the early identification and correction of problematic areas in the future.

Question 5: On November 12, 2004, Secretary Principi announced that VA would dedicate up to \$60 million (up to \$15 million annually over the next 4 years) for research into Gulf War Illness. Secretary Principi has been on the forefront of this issue, securing \$14.6 million in federal funding over the past 5 years for research into Gulf War related illness—much of it carried out at the University of Texas (UT) Southwestern by Dr. Robert Haley.

Ambassador Nicholson, can we have your assurance that you will keep this promise to Gulf War veterans?

Response: As Secretary Principi stated on November 12, 2004, VA will commit up to \$15 million in additional federal funding in FY 2005 to support continued research into the cause of and potential treatments for Gulf War illnesses. This rep-

resents VA's single largest set-aside of research funding for a specific area of investigation and almost 20 percent of all new research grant awards for FY 2005.

In response to a reporter's question about commitments beyond FY 2005, Secretary Principi said, "I'm not making any out-year commitments. . . And we have taken an unprecedented step by earmarking funds for this type of research. We certainly will look at it in 2006, 2007, 2008."

While it essential to find answers to what is causing Gulf War illness and to identify appropriate treatments, the specific financial commitment will need to be reviewed each year.

To implement the commitment for FY 2005 funding, VA is in the process of issuing a new request for proposals. The proposed studies will undergo the same intensive evaluation and review for scientific rigor as all projects sponsored by VA research.

Also, VA plans to establish a center dedicated to the investigation of potentially effective treatments for veterans with Gulf War illnesses. This center will use observational and epidemiologic methods to identify promising therapies and will conduct pilot studies that may serve as prelude for more definitive clinical trials. To ensure that this center is designed successfully to meet the methodological challenges of research in this difficult area of investigation, VA is working closely with the Research Advisory Committee in forming a committee of expert advisors to assist in the planning and design of the center. The Committee will be meeting in early March.

VA has funded 111 projects on Gulf War veterans' illnesses since 1991. The direct research costs of these studies as of October 2004 total \$56.4 million. Indirect costs associated with this research are estimated at \$16.9 million (historical data suggest indirect costs equal 30% of direct costs).

In FY 2004, VA approved 18 new Gulf War projects. Total funding over the life of these projects will exceed \$9.5 million. VA is currently funding 48 ongoing Gulf War studies in FY 2005. Areas of focus include: brain and nervous system; depleted uranium; interaction of multiple exposures; treatments; and epidemiology. Direct research costs for these studies total \$6 million.

Recent VA findings with impacts or potential for impacts in Gulf War veterans' illnesses include:

- Identification of a superior mode of treatment for veterans suffering from undiagnosed Gulf War symptoms.
- Finding that a statistically significant higher prevalence of ALS in Gulf War veterans (led to presumptive service connection for compensation).
- Confirmation of higher rates of PTSD and other psychological disorders among Gulf War veterans.
- Substantiation that adverse reproductive outcomes have not been more common among veterans deployed to the Gulf War than among those who were not deployed.

Examples of ongoing VA studies include:

Neuroimaging: A team at the San Francisco VAMC has initiated the largest effort to date to conduct research to detect any brain changes associated with Gulf War veterans' illnesses and to determine possible relationships with ALS. The team, under Dr. Michael Weiner, will use a 4-Tesla magnetic resonance imaging-magnetic resonance spectroscopy system that the VAMC acquired through grants from the Department of Defense (DoD) and the National Institutes of Health (NIH).

Epidemiology. Studies conducted to date have not shown an excess of cancer-related deaths among Gulf War veterans. However, because many cancers are not rapidly fatal, VA recently funded a cancer prevalence study among Gulf War veterans.

Amyotrophic Lateral Sclerosis (ALS): VA has initiated a national registry for veterans with ALS and an accompanying genetic tissue bank (ALS-DNA) to build upon its earlier prevalence study. The goals of the registry are to identify as completely as possible all veterans with ALS, not just Gulf War era veterans, and to provide a mechanism for VA to inform veterans with ALS about clinical drug trials and other studies for which they may be eligible. The ALS-DNA bank will involve collection of DNA and plasma from blood samples from consenting ALS registry participants. It is the intent that these materials be made available for future genetic research on ALS. The Veterans' ALS Registry has generated great enthusiasm and praise among the national community of ALS researchers.

While not specific to Gulf War veterans, VA investigators are also conducting a clinical trial to determine the safety and efficacy of sodium phenyl butyrate (NaPS) in subjects with ALS. While there is no know treatment for ALS, NaPS is a pharmacological treatment that has been shown to extend survival in mice with ALS. This study will also seek to identify optimal doses for NaPS and riluzole (currently, the only approved drug for ALS) and examine their combined effects in ALS mice.

Depleted Uranium: VA continues to fund a clinical health surveillance of Gulf War veterans who were exposed to depleted uranium (DU) oxides as a result of

friendly fire incidents. Some of these veterans have retained DU fragments that cannot be removed due to medical considerations, and the 39 surveillance participants, nine of whom remain on active duty, had significantly higher exposures than other servicemembers who served in the Kuwaiti Theater of Operations. Testing to date has found no differences in the frequency of musculoskeletal, cardiovascular, psychiatric, nervous system, or other disorders. Although the kidney is the putative critical organ for uranium toxicity under acute and chronic exposure conditions, no evidence of renal dysfunction has been found. Of note, none of the participants' offspring have had birth defects. This is far less than would have been expected. Despite these favorable outcomes, VA will continue to fund this surveillance to monitor for any potential DU-related long-term health problems.

Question 6: Will you look carefully at the CARES Commission report and where closure of a veterans' facility has been recommended, give time and weight to the appointed community task forces so local leaders may have a chance to maximize the efficiency and productivity of each of these facilities?

Response: The Implementation Process for CARES includes the requirement for stakeholder involvement by local VA facilities. For the additional study sites listed in former Secretary Principi's Decision Document, a formal process has been put in place to include leaders from the community to provide advice to the Contractor completing the studies. VISNs will be required to report on the progress of all CARES initiatives to the CIS which I chair.

QUESTION FOR THE RECORD FROM SENATOR ARLEN SPECTER, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: The Veterans' Park Conservancy (VPC), a group of concerned and civic-minded veterans and residents in Los Angeles, is eager to create a 16-acre National Veterans' Park on the undeveloped portion of land at the West Los Angeles VA facility. Over the past 15 years, this group has worked to preserve, protect and enhance the historic West Los Angeles VA property, including the National Cemetery and have made over \$3 million of improvements in this property. Many donors have made this work possible. The VPC intends to raise substantial private funding for development of the Park and is looking to have some assurance of permanence. Please review the January 21, 2005, letter addressed to me from Veterans' Park Conservancy regarding this matter and respond to their concern for the record. Ambassador Nicholson, will you work with Veterans' Park Conservancy toward a mutually beneficial agreement regarding the creation of a National Veterans' Park?

Response: The concerns addressed in this letter have been responded to by Secretary Principi in a letter dated October 8, 2004 (attached for the record). I will continue to work with Veterans' Park Conservancy within the framework identified in the Secretary's response. The Memorandum of Understanding signed in July of 2001 is our commitment regarding the creation of a National Veterans' Park and identifies the parameters of the partnership. The process described in the Memorandum of Understanding was successful in a similar project VPC performed for improvements to the West Los Angeles National Cemetery. Although it is VAs intent to have this area remain as parkland and open space, VA cannot consider preserving this designated area in perpetuity in view of the ongoing Capital Asset Realignment for Enhanced Services planning process. Included in that process will be a new Master Plan for the VA West Los Angeles campus that will guide the future use of the property.

QUESTIONS FOR THE RECORD FROM SENATOR JOHN D. ROCKEFELLER IV, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: Mr. Ambassador, as most people know, health care is my passion, and I push for quality health care at every opportunity, especially for our veterans who earned their benefits through distinguished service. Your predecessor, Tony Principi, was a good friend to me and to veterans. His candor and his voice about the true needs for VA health were crucial. I urge you to be as candid and as clear about the true need our veterans within the VA health system as we all struggle under the pressures of our budget deficits.

Response: The Fiscal Year 2006 Budget will enable VA to continue its mission of providing high-quality, timely, and compassionate health care to all enrolled veterans who seek care. This budget enables VA to place its greatest emphasis on our core population of veterans—those with service connected disabilities including re-

turning OIF/OEF veterans; those with low income; and those who have specialized needs—while asking veterans in Priority Groups 7 and 8 to make limited contributions toward the cost of their care. We believe that these contributions are modest in light of the comprehensive, high-value, and high-quality care the Department provides. In addition, this budget includes \$700 million in construction to continue the Department's commitment to the CARES initiative, \$100 million for the Mental Health Initiative, and \$100 million for Prosthetics. In future years, I assure you that I will be a firm advocate for budgets that allow the Department to meet the needs of all enrolled veterans who choose to come to VA for their health care.

Question 2: During the first Persian Gulf War, this committee asked many questions about Persian Gulf War illnesses. I was pleased that Secretary Principi did an advisory task force on the issue, and he pledged \$60 million in research to continue studies on the Persian Gulf War illnesses. I think VA should aggressively pursue additional research because we must have the facts, and I want to know if you are committed to follow through on this issue.

Response: As Secretary Principi stated on November 12, 2004, VA will commit up to \$15 million in additional federal funding in FY 2005 to support continued research into the cause of and potential treatments for Gulf War illnesses. This represents VA's single largest set-aside of research funding for a specific area of investigation and almost 20 percent of all new research grant awards for FY 2005.

In response to a reporter's question about commitments beyond FY 2005, Secretary Principi said, "I'm not making any out-year commitments . . . And we have taken an unprecedented step by earmarking funds for this type of research. We certainly will look at it in 2006, 2007, 2008."

While it is essential to find answers to what is causing Gulf War illness and to identify appropriate treatments, the specific financial commitment will need to be reviewed each year.

To implement the commitment for FY 2005 funding, VA is in the process of issuing a new request for proposals. The proposed studies will undergo the same intensive evaluation and review for scientific rigor as all projects sponsored by VA research.

Also, VA plans to establish a center dedicated to the investigation of potentially effective treatments for veterans with Gulf War illnesses. This center will use observational and epidemiologic methods to identify promising therapies and will conduct pilot studies that may serve as prelude for more definitive clinical trials. To ensure that this center is designed successfully to meet the methodological challenges of research in this difficult area of investigation, VA is working closely with the Research Advisory Committee in forming a committee of expert advisors to assist in the planning and design of the center. The Committee will be meeting in early March.

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Epidemiology: Studies conducted to date have not shown an excess of cancer-related deaths among Gulf War veterans. However, because many cancers are not rapidly fatal, VA recently funded a cancer prevalence study among Gulf War veterans.

Amyotrophic Lateral Sclerosis (ALS): VA has initiated a national registry for veterans with ALS and an accompanying genetic tissue bank (ALS-DNA) to build upon its earlier prevalence study. The goals of the registry are to identify as completely as possible all veterans with ALS, not just Gulf War era veterans, and to provide a mechanism for VA to inform veterans with ALS about clinical drug trials and other studies for which they may be eligible. The ALS-DNA bank will involve collection of DNA and plasma from blood samples from consenting ALS registry participants. It is the intent that these materials be made available for future genetic research on ALS. The Veterans' ALS Registry has generated great enthusiasm and praise among the national community of ALS researchers.

While not specific to Gulf War veterans, VA investigators are also conducting a clinical trial to determine the safety and efficacy of sodium phenyl butyrate (NaPS) in subjects with ALS. While there is no known treatment for ALS, NaPS is a pharmacological treatment that has been shown to extend survival in mice with ALS. This study will also seek to identify optimal doses for NaPS and riluzole (currently, the only approved drug for ALS) and examine their combined effects in ALS mice.

Depleted Uranium: VA continues to fund a clinical health surveillance of Gulf War veterans who were exposed to depleted uranium (DU) oxides as a result of friendly fire incidents. Some of these veterans have retained DU fragments that cannot be removed due to medical considerations, and the 39 surveillance participants, nine of whom remain on active duty, had significantly higher exposures than other servicemembers who served in the Kuwaiti Theater of Operations. Testing to date has found no differences in the frequency of musculoskeletal, cardiovascular, psychiatric, nervous system, or other disorders. Although the kidney is the putative critical organ for uranium toxicity under acute and chronic exposure conditions, no evidence of renal dysfunction has been found. Of note, none of the participants' offspring have had birth defects. This is far less than would have been expected. Despite these favorable outcomes, VA will continue to fund this surveillance to monitor for any potential DU-related long-term health problems.

Question 3: In September 2004, the GAO issued a report noting that VA needs better data to plan and prepare to serve veterans with Post-Traumatic Stress Disorder (PTSD). GAO specifically calls on VA to do a full assessment of current veterans receiving PTSD care. Then VA should work with DoD to help identify how many servicemembers may need PTSD care and where they will be located. Given that medical experts predict that about 15% of military personnel serving in Iraq and Afghanistan will develop PTSD, the need for planning and care is real.

What is VA doing to follow up on this GAO report, specifically, what priority will VA make PTSD and care to our newest veterans, those returning from Iraq and Afghanistan?

Response: In follow up to the GAO report of September 2004, VAs Office of Environmental Epidemiology is identifying and tracking the numbers and locations of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) veterans being served by VA Medical Centers, outpatient clinics and Readjustment Counseling Service (Vet) Centers. To identify servicemembers who may need VA care, VA is working closely with DoD to maintain accurate data on numbers of OEF/OIF returnees and their use of VA services. For those veterans already in the system the Northeast Program Evaluation Center publishes an annual national analysis of all PTSD treatment programs. This provides Networks and Facilities with demographic analysis of the veterans seen in their programs.

Meeting the needs of our returning veterans and their families is among VAs highest priorities. VAs approach toward the returning troops and their families is guided by an emphasis on health promotion and preventive care principles. It focuses on patient and family education about good health care practices and behaviors to avoid. It avoids "over pathologizing" the veteran. For those who do have mental disorders, the orientation involves the concepts of rehabilitation that address a patient's strengths as well as deficits. It embodies a belief in recovery of function to the greatest degree possible for each patient. This approach is designed to identify and resolve problems in readjustment to civilian life, before they progress to problems requiring more intensive clinical interaction. Readjustment Counseling Service takes the lead in providing this level of care through the 207 community-based Readjustment Counseling Centers (RCS) throughout the United States. 50 additional Global War on Terrorism counselors have been added to these centers to meet this need. In addition the Secretary has expanded authority to RCS to deliver bereavement counseling to those in need.

For those that require clinical interaction, VA provides state-of-the-art psychotherapy and psychopharmacology treatments. The joint VA/DoD Clinical Practice Guidelines direct evidence-based care for PTSD and other disorders that may be associated with PTSD and the stress of war such as Major Depression and Substance

Use Disorders. VA provides this care through 144 specialized PTSD programs in all States. These consist of specialized in-patient PTSD units, Residential Treatment units, and Outpatient PTSD clinical teams. All patients are currently screened annually for PTSD. In addition an OIF/OEF clinical reminder tool in the computerized medical record was developed for clinicians which reminds them that they are seeing a veteran who has recently been exposed in the War effort and needs to be screened for PTSD, Depression, and Substance abuse.

Innovative clinical approaches are being pursued through the use of Public Law 180–170 funding which authorizes \$5 million for the development of special outreach, health promotion, consultation, and liaison programs for returning veterans in collaboration with Veterans' Benefits Administration, DoD, and community resources. P.L. 108–170 also authorizes an additional \$5 million each for the expansion of existing PTSD and substance use disorder treatment programs. In addition the National Center for PTSD coordinates state-of-the-art research for the VA and provides training and guidance to our clinicians. The National Center for PTSD produced an Iraqi clinician guide that provides a tutorial for practitioners on what they might look for in returning soldiers/veterans who have served in Iraq.

Question 4: The CARES Commission was intended to be a strategic plan for VA health care, but it did not truly consider long-term care issues and mental health issues. I believe each should be a priority of VA given the needs of the veteran population. How are you going to deal with long-term care and mental health?

Response: I fully support the continuation of VAs assessment of LTC and Mental Health (MH). VHA has recently completed new runs on LTC and MH workload projects by market and by priority category for LTC. Strategic Planning Guidance will be going out to the VISNs and facilities in the next month requesting operational plans to include Strategic Initiatives. Each VISN will prioritize its strategic initiatives by year and within the year along with cost projections for inclusion in the VISN and National Strategic Plan. LTC and MH initiatives are included in this process. Implementation of all CARES initiatives, including LTC and MH initiatives, is dependent on future funding.

QUESTIONS FOR THE RECORD FROM SENATOR JAMES M. JEFFORDS, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question: VA Physician Assistants—Mr. Ambassador, the Congress has been pushing the VA for many years to provide an advisory position within the VA for Physician Assistants. The VA currently employs over 1,500 physician assistants (PAs), who are a very important part of the VA healthcare structure. However, they do not fall neatly into either the doctor or nurse category. In 2000, Congress passed legislation directing the VA to implement a PA advisor to the Under Secretary for Health. The following year, a part time position was established, but it was located outside of Washington and given very little travel money. Congress has since reiterated that this position should be a full time position and be either located in the Washington DC area, or provided with a sufficient travel budget to fulfill the advisory duties. As of yet, however, this has not happened.

The current PA Advisor's lack of access to the department's policy deliberations hampers the department's ability to fully and appropriately utilize this important resource. Have you examined the issue of representation of the PAs in policy discussions, or the position of the PA Advisor? I understand that you may not have had time to reach this level of detail, but I would appreciate your attention to this question at your earliest convenience and a response as to your plans for the PA Advisor position.

Thank you.

Response: Prior to the enactment of P.L. 106–419, the Veterans' Health Administration (VHA) had utilized a physician assistant (PA) in a Lead PA function for advice, policy input, and guidance since October 1997. Since 2000, VA has established and filled the position of PA Advisor on a permanent or acting basis. This position was and continues to be filled by a field-based PA who advises the Under Secretary for Health (USH) while also performing clinical duties.

In 2001, the Secretary explained to Senator Jeffords and two fellow Senators the reasons that VHA believes that the responsibilities of the position would be best fulfilled by a field-based PA position.

The PA Advisor and the PA Field Advisory Group are fully engaged in policy deliberations and are consulted concerning a range of issues. See attached Fact Sheet.

RESPONSE TO SENATOR JEFFORDS CONCERNING THE PHYSICIAN ASSISTANT ADVISOR
TO THE UNDER SECRETARY

The PA Advisor position has been filled with a field-based PA, with financial support from headquarters for travel, training, and miscellaneous expenses.

Until recently, the position was 50 percent for headquarters duties; based on special projects, the amount of time has been increased to 75 percent for the past several months.

The Veterans' Health Administration (VHA) has a long-standing practice of obtaining clinical program leadership using field-based clinicians. As VHA explained in its May 2001 response to a prior Congressional inquiry concerning the PA Advisor position, this approach is not unique to PAs. VHA's Office of Patient Care Services has a number of clinical program managers working at VA medical facilities across the country. These include VHA's Chief Consultant for Spinal Cord Injury, located in Seattle, Washington; the Director, Podiatry Service, located in Cleveland, Ohio; the Director, Radiology Service, located in San Francisco, California; the Director, Optometry Service, located in Baltimore, Maryland; and the Director, Infectious Diseases Program Office, located in Cincinnati, Ohio, to name only a few. All of these clinicians devote half-time to national duties and half-time to local clinical responsibilities.

VHA believes that utilizing "hands-on" clinical providers as national program leaders where possible and allowing them to stay in the field provides several distinct advantages. First, clinical leaders maintain active practice, thus maintaining their clinical skills and current awareness of technology, patient, and treatment needs, demands, and developments. Second, they are able to approach national policy issues from the perspective of someone on the "front lines" taking care of patients. And third, when recruiting, VHA increases the pool of available candidates since many well-qualified candidates may not wish to give up clinical work or move to Washington for exclusively administrative assignments. We believe that these same advantages accrue to a field-based PA Advisor with an active clinical practice.

Public Law 106-419, which added the Advisor on Physician Assistants to the Under Secretary for Health's cadre of national clinical leaders, did not specify a duty station or how much time the position would be required to spend on PA Advisor duties. The legislative history of Public Law 106-419 would appear to indicate that the intent of Congress was to allow the position to be based in the field.

PL 106-419 amended 38 U.S.C § 7306 to require that the Office of the Under Secretary for Health include, among other specified positions, "[t]he Advisor on Physician Assistants, who shall be a physician assistant with appropriate experience and who shall advise the Under Secretary for Health on all matters relating to the utilization and employment of physician assistants in the Administration." This language is silent as to where the PA Assistant should be stationed and whether his or her advisory duties may be collateral to other assignments. However, there is specific legislative history indicating that Congress intended that the PA Advisor would be primarily assigned to a field facility and would simply travel to Washington to advise the U.S.H on an as-needed basis.

Prior versions of the bill (set forth in HR 4759 and HR 5109) provided that the Advisor on Physician Assistants "may have a permanent duty station at a Department medical care facility in reasonable proximity to Washington, DC." The legislative history shows that the version of the language enacted in PL 106-419 was approved as a compromise between HR 5109 and a Senate Veterans' Affairs Committee (SVAC) bill, S. 1810, which made no specific reference to the PA Advisor's duty station. While the compromise language omitted the House bill's reference to a permanent duty station other than VACO, Senator Rockefeller—then the Ranking Member of the SVAC—discussed the PA Advisor's duty station when he introduced the final bill on the Senate floor. Sen. Rockefeller's comments (found at 416 Congo Rec. S 10500, S10515) make it clear that the PA Advisor position was intended to be filled by a field-based provider:

Another important provision in this legislation that I am very proud of is the creation of a physician assistant advisory position within the Veterans' Health Administration (VHA).

The VA Under Secretary for Health will designate a VHA physician assistant to fill this position and charge that person with advising on all matters regarding the employment and use of physician assistants within the Veterans' Health Administration. The advisor may be assigned out in the field with periodical visits as necessary to VHA headquarters for reports, so that they are able to keep in touch both with physician assistants working all over the country and the VA Under Secretary for Health in VA Headquarters.

In the past several months, VHA has increased the percentage of time that the PA Advisor spends on advisor duties to 75% in order to meet the need to revise two critical VHA policy documents, one a VHA Directive on the utilization of PAs and the other VAs PA qualification standard. The Department will reconsider the PA Advisor position again in the 3rd quarter of FY 2005, with a focus on the justifiable need for the amount of time allotted to national issues and with due consideration for reduced personnel ceilings, budgetary constraints and other national priority issues.

VHA issued a national policy on the utilization of PAs, known as VHA Directive 2004-029: Utilization of PAs, in July 2004. This policy was developed with input from the PA Advisor, the PA-FAC, other PAs, Primary Care physicians and nurses, policy decisionmakers in VA Central Office, and other field staff.

VHA has undertaken a comprehensive revision of the qualification standards for VA PAs, a process that again has involved input into the utilization of PAs from the PA Advisor, the PA-FAC, and other stakeholders throughout the VA system.

In addition, VHA has established a PA-Field Advisory Committee (PA-FAC), which had its first face-to-face meeting in Washington, DC, on May 17, 2004. Prior to that meeting, VHA's National Director for Primary Care met with officials of the VA Physician Assistant Association, and the PA-FAC held monthly conference calls during which various PA issues were discussed at length to obtain input. A member of the PA-FAC also serves on VHA's Primary Care-Field Advisory Committee to represent PAs' interests, and VHA is currently developing PA training which would assist in PAs in their re-certification process.

Regarding the question of funding support for the PA Advisor's official travel, the level of funding has been equal to or greater than that provided to other individuals for the performance of their official duties. The level of support has consistently increased over time to support PA professional activities.

QUESTIONS FOR THE RECORD FROM SENATOR KEN SALAZAR, COMMITTEE ON VETERANS' AFFAIRS; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question 1: Will you commit to use your best efforts to make the new VA medical center at Fitzsimons a reality?

Response: VA continues to work on acquiring a site, preferably on the Fitzsimons site, in close proximity to University of Colorado Hospital and the affiliate to maintain the positive working relationship that has been so successful for all.

Question 2: How will you advocate for sufficient health care funding to meet increasing demand given the historic deficits we face?

Response: The Fiscal Year 2006 Budget will enable VA to continue its mission of providing high-quality, timely, and compassionate health care to all enrolled veterans who seek care. This budget enables VA to place its greatest emphasis on our core population of veterans—those with service connected disabilities including returning OIF/OEF veterans; those with low income; and those who have specialized needs—while asking veterans in Priority Groups 7 and 8 to make limited contributions toward the cost of their care. We believe that these contributions are modest in light of the comprehensive, high-value, and high-quality care the Department provides. In addition, this budget includes \$700 million in construction to continue the Department's commitment to the CARES initiative, \$100 million for the Mental Health Initiative, and \$100 million for Prosthetics. In future years, I assure you that I will be a firm advocate for budgets that allow the Department to meet the needs of all enrolled veterans who choose to come to VA for their health care.

Question 3: Will you work to lift the outdated and unfair income cap for care of priority 8 veterans?

Response: I will consult with VA staff to determine the need for continuing this suspension and/or the need to exercise another enrollment policy to balance demand with available resources for FY 2005. Equally important is the need to consider the out-year impact of enrollment decisions in terms of expected resource availability, expected demand for VA health care services and the potential for growing waiting lists and waiting times.

Question 4: Do you agree to exercise your authority to end co-pays and duplicative physicals to permit access to prescription drugs?

Response: Historically, VA medical care has been defined by the provision of comprehensive services for veterans, encompassing care provided across the continuum of time and care setting. VAs prescription benefit has been designed as an extension of the care continuum, rather than an "add-on", non-integrated service. As medications have become more costly and/or more difficult for patients to obtain in the pri-

vate sector, it is understandable that interest in VA providing a prescription-only benefit has increased. I am hopeful that the implementation of Medicare Part D next year will provide an additional option for patients' medication needs and will improve access to prescription drugs.

Providing prescriptions to veterans in the absence of comprehensive medical care is problematic for two primary reasons. First, and most importantly, I believe that coordination of care by one provider is the cornerstone of high-quality health care. Without up-to-date information such as a detailed medical history, a complete medication use summary, and other pertinent clinical information as can only be provided by a single Primary Care provider, there is risk that a course of treatment for an individual patient which is based on incomplete or inaccurate information could lead to significant negative outcomes. Specifically from a quality of care perspective, providing medication therapy in a fragmented, nonintegrated manner, as is the norm in much of the U.S. health care system, is conducive to greater medication misadventures. VA has considerable experience to demonstrate that providing pharmaceuticals as an integrated portion of VAs health care benefit is effective and efficient from both a qualitative and quantitative perspective.

Second, from an economic perspective, dispensing prescriptions prescribed by non-VA doctors would dramatically increase VAs per capita expenditures for pharmaceuticals and has the potential to divert resources from other medical care programs. VA has maintained unprecedented control over its per prescription unit costs by using sophisticated formulary management techniques and by assuring that prescriptions written by VA staff are consistent with the goals of the VA formulary management process. VAs per capita pharmaceutical expenditures are well below those of most, if not all, managed care organizations in the United States. This fact is most impressive considering that VA cares for patients that are typically among the oldest and sickest. Part of the reason for VAs success is the infrastructure in place to develop and promulgate evidence-based drug treatment guidelines and an effective National Formulary process. We strongly believe that the quality of care provided by a comprehensive Primary Care delivery approach, integrated with a well-managed National Formulary process is vastly superior to the fragmented, medication therapy model that many Americans access today.

I support VA's long-standing commitment to provide high quality, cost-effective and safe healthcare to our Nation's veterans who choose VA as their healthcare provider. However, based on the reasoning described above, at this time I do not support providing prescriptions to veterans outside of VA's comprehensive medical care program.

Question 5: How, specifically will you help reduce claims processing backlog for disability and compensation claims? There are currently 8,247 claims pending at the Denver Regional Office.

Response: Improvement of benefits claims processing has been an important goal of the President. I am aware that much progress has been made both in reducing the backlog and timeliness—and especially in the reduction of claims that had been pending from our oldest veterans who had been waiting more than a year for decisions on their claims. Quality levels have also significantly improved.

The changes made included making the regional offices—and the claims processing procedures and supporting IT applications—more consistent and efficient and improving the training and oversight of the programs. These major changes have resulted in improvements in production, timeliness, and quality.

While there has been significant success, much remains to be done. VBA has seen large increases in incoming claims and appeals, both from the returning servicemembers and from older veterans who had not previously submitted claims. We will continue to emphasize the improvements necessary to timely provide our veterans with the benefits they deserve and which the Congress has so generously made available.

I have been advised that the Denver Regional Office is working hard to reduce its pending inventory and is making good progress. To assist the office, over 1,000 cases were transferred to other regional offices for processing during the first quarter of this fiscal year. The Denver office also hired eight additional employees in 2004, which was the largest single recruitment in the Veterans' Benefits Administration's Western Area.

Question 6: Will you advocate to end concurrent receipt regulations, the "disabled veterans tax?"

Response: Under current statutory authority, concurrent receipt of military retirement pay and veterans' disability compensation is being phased in over a 10-year period for retirees disabled to a degree of 50-percent or more, at 10-percent increments each year through 2013. In October, legislation was enacted by Congress and signed by the President eliminating as of January 1, 2005, the phase-in period for

concurrent receipt for retirees receiving veterans' disability compensation for a disability rated 100-percent disabling. It is my understanding that the additional payments veterans receive as a result of concurrent receipt are generally received in the form of increased military retirement pay, which veterans had previously waived in order to receive VA disability compensation. Amounts veterans receive from VA as disability compensation are generally unaffected. Therefore, I would defer to the views of the Department of Defense on this issue.

Question 7: Funeral costs routinely cost many thousands of dollars. Those veterans who die from illness or injury directly related to their service receive only \$2,000 and the plot allowance for disabled or indigent veterans is only \$300. Will you agree to advocate to increase burial benefits to \$3,700 and \$1,100 respectively?

Response: I understand that VA provides a full range of burial benefits and services beyond the monetary benefits you mention. All of these are designed to help defray the cost of burial. Included in these benefits is burial in a national or State veterans' cemetery at no cost to the veteran. Additionally, grave liners, headstones and markers, and in some cases transportation fees to the nearest national cemetery are available.

I also understand that in addition to these benefits many veterans are entitled to burial assistance through other federal, State, and local governments, their employers, or fraternal organizations as well as through money they themselves have set aside for this purpose either through pre-paid burial trusts or in insurance policies. I have learned that the Government has responded to veterans' burial needs in recent years by establishing several new national cemeteries and by significantly enhancing the grant program under which State veterans' cemeteries are established. The State Cemetery Grants Program now provides up to 100 percent of the costs of improvements associated with the establishment, expansion, or improvement of a State veterans' cemetery, as well as the cost of equipment necessary to operate a new cemetery.

While VA benefits may not cover every expense associated with a burial, I believe they do represent a comprehensive list of benefits and services available to honor America's veterans at the time of death.

Question 8: Will you advocate to readjust mortgage assistance levels to keep pace with real estate process and inflation?

Response: The amount of guaranty that VA provides on a loan determines the amount of the loan that a lender will make to a veteran. Lenders will generally make a no-down payment VA loan for up to four times the amount of the VA guaranty. However, as your question rightly recognizes, the guaranty amount has sometimes become insufficient to permit all veterans to buy the homes of their choice with their VA home loan benefit.

I am pleased that both the Administration and the Congress have recognized the problem and recommended and passed legislation that will go a long way toward alleviating it. As the result of the Veterans' Benefits Improvement Act of 2004, the guaranty amount is indexed at 25% of the "conventional conforming loan limit," which is the limit on loans that can be purchased by Fannie Mae and Freddie Mac. The conforming loan limit is set annually by Freddie Mac to adjust for inflation and market conditions. When this limit increases, the VA guaranty will also increase to 25% of the new limit. In practical terms this means that lenders will now make a VA no-down payment loan for up to the conventional conforming limit, which is currently \$359,650.

Question 9: Members of the National Guard and Reserve become eligible for 2 years of health care through the VA after being deployed for more than 180 consecutive days. Given the increased reliance on Guard and Reserve in Iraq (where Guard and Reserve make up 40% of the troops) and the global war on terrorism, thousands of soldiers are becoming eligible for VA benefits—at the same time the President is contemplating freezing funding for VA health care at last year's level. What will you do to support this newest generation of VA clients, to ensure a seamless transition from serving overseas to receiving care through the VA, and to guarantee that these heroes will not return home to waiting lists or doctor shortages?

Response: VA has recognized the importance of seamless transition by opening a new VHA office dedicated to coordinating this critical issue. VA has been and will continue to work with DoD to ensure that we collect and share information on veterans serving in Operations Enduring Freedom and Iraqi Freedom. VA is also working with its health care actuary to assess the impact of these veterans on our health care system and ensuring that we plan for and are prepared to deliver the health care needed by this newest cohort of veterans. VHA is committed to ensuring its core constituency receives the services they need and is also closely monitoring access to health care in terms of waiting lists.

Question 10: *The New England Journal of Medicine* recently found that as many as 1-in-6 servicemembers returning from Iraq may suffer from Post Traumatic Stress Syndrome, but that many servicemembers do not receive mental health care. What can the VA do to improve mental health care for veterans?

Response: *The New England Journal of Medicine* article by Dr. Charles Hoge found that the percentage of study subjects whose responses met the screening criteria for major depression, generalized anxiety, or PTSD was 15.6–17.1% after duty in Iraq. Of those who screened positive for a mental disorder only 23–40% sought mental health care. The good news from this study is that 83% of the returning troops did not meet the screening criteria for mental disorders. The great majority of them will not suffer long-term consequences of their war zone experience, although many will have some short-term reactions to the horrors of war. Of those who do develop mental/emotional problems, PTSD will not be the only problem to be addressed. Major depression and substance abuse are two problems that can be recognized with screening and successfully treated. VAs approach toward the returning troops and their families is guided by an emphasis on health promotion and preventive care principles. It focuses on patient and family education about good health care practices, and behaviors to avoid. It also avoids “over pathologizing” the veteran. For those who do have mental disorders, the orientation involves the concepts of rehabilitation that address a patient’s strengths as well as deficits. It embodies a belief in recovery of function to the greatest degree possible for each patient. This approach is designed to identify and resolve problems in readjustment to civilian life, before they progress to problems requiring more intensive clinical interaction.

Program staff are contacting returned troops including members of the National Guard & Reserves, and families in forums such as preventive health/educational briefings that allow for informal sharing of information about stress related disorders and coping mechanisms, and availability of the range of VA psychosocial support services. Other activities such as participation in Public Service Announcements, presentations at community sites such as schools, faith-based and professional organizations, liaison with (Veterans Service Organizations, State Veterans’ Affairs Departments, and Military Unit Organizations), and other innovative approaches relevant to the local community may also be employed. Collaboration with Readjustment Counseling Service is a key element of these successful interventions.

VA provides comprehensive care for veterans with mental disorders through a continuum of services designed to meet patients’ changing needs. The intensity of care ranges from acute in-patient settings, to residential services for those who require structured support prior to returning to the community, to a variety of outpatient services. Outpatient care includes mental health clinics, “partial hospitalization” programs such as day hospitals and day treatment centers that offer care 3–5 days a week to avert the need for acute or extended in-patient care, and intensive case management in the community. Long term in-patient or nursing home care is available if needed. VAs mental health programs include programs designed to meet the needs of special populations of patients including those with schizophrenia, major depression, PTSD, and addictive disorders.

VA mental health care is based on two core elements: state-of-the-art psychopharmacology and evidence-based psychotherapy and psychosocial rehabilitation. Evidence-based practices are outlined in Clinical Practice Guidelines (CPGs), created jointly with DoD, including CPGs on major depression, serious mental disorders, substance use disorder, and PTSD.

Research in future practices is performed by Clinical research and services delivery entities such as QUERI (Quality Enhancement Research Initiative), ten Mental Illness Research, Educational and Clinical Centers (MIRECCs), and VA’s National Center for PTSD.

VA is known as a world leader in PTSD treatment and research, and will continue to deliver state-of-the-art care to veterans with PTSD.

Question 11: According to the National Coalition on Homeless Veterans, as many as 500,000 veterans spend at least one night a year homeless. They also have circulated that 1-in-4 homeless people in this country is a veteran. What can the VA do to improve the lot faced by homeless veterans, who according to some estimates may number as high as 500,000?

Response: VAs efforts to improve the, circumstances faced by homeless veterans are aimed at enhancing the continuum of services for homeless veterans. This includes: 1) outreach; 2) assistance in securing access to medical and mental health treatment, including substance abuse treatment; 3) case management; 4) transitional housing; 5) assistance in improving income support; and 6) assistance with permanent housing.

To this end, VA intends to offer funding through capital grants to increase the number of faith-based and community-based transitional housing beds that will be available for homeless veterans across the country. VAs goal is to provide support through per diem payments for approximately 10,000 community-based beds by 2009.

VA will continue the 29 Special Needs Grants to allow existing community-based grant and per diem recipients and their VA medical center partners to enhance services for special segments of the homeless population to include: (1) chronically mentally ill, (2) frail elderly, (3) women, including women with children, and (4) terminally ill homeless veterans. VA is committing approximately \$30 million across a 3-year period to support these partnership projects.

VA also intends to expand and augment the Domiciliary Residential Rehabilitation and Treatment Program for Homeless Veterans by activating 7 new programs and adding staffing to 10 existing programs in FY 2005. With these program activations, VA will have more than 2,100 domiciliary residential rehabilitation beds dedicated to homeless veterans.

VA will continue to work with the Departments of Housing and Urban Development (HUD), Health and Human Services (HHS), and Labor (DOL) in supporting collaborative initiatives that address the needs of chronically homeless people, including homeless veterans, by providing permanent housing, primary and mental health care and support services. VA's contribution to these collaborative projects includes the provision of case management services for homeless veterans who are enrolled in these programs. In addition, VA's Northeast Program Evaluation Center (NEPEC) is monitoring the programs and conducting a long-term evaluation to determine the effectiveness of this innovative approach.

VA is increasing its efforts of outreach to incarcerated veterans who are at risk of becoming homeless upon release from jails and prisons. These outreach efforts are aimed at providing veterans with detailed information about VA services and benefits that are available to them upon release and providing them with contact information for VA staff, staff in other Federal, State, and local government agencies, and staff in community-based programs so they can access services more easily.

VA will continue to work toward implementation of at least 3 projects to develop long term transitional housing for homeless veterans under the Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans Program. Conditional commitment letters issued to date would guarantee loans totaling \$9.57 million and would support approximately 367 transitional housing beds for homeless veterans.

Finally, VA is incorporating performance measures into VA Network Director's Performance Plans that focus on homeless veterans' access to primary care and mental health treatment. By identifying benchmarks and setting goals for improvement, VA expects to improve homeless veterans' access to health care services.

QUESTIONS FOR THE RECORD FROM SENATOR JOHN THUNE, SENATE VETERANS' AFFAIRS COMMITTEE; NOMINATION HEARING OF R. JAMES NICHOLSON TO BE SECRETARY OF VETERANS AFFAIRS

Question: I understand the VA is considering a proposal to standardize testing equipment made available to veterans suffering with diabetes.

- What data do you have to indicate that quality of care will not be compromised by switching veterans to different test equipment?

- What will the direct and indirect costs be to transition to a national program? How will these costs be measured?

- What are the VAs plans for obtaining public input into this program? Has the VA considered an advisory committee to monitor key aspects of the program including quality of care, access to testing equipment, and overall implementation?

Last year Congress extended the authorization of long term care (e.g. nursing home, geriatric day care, and home health care, etc.) to veterans with service connected disabilities rated 70% or higher. This is a 1-year extension of the 5 year authority originally provided for in the Veterans' Millennium Health Care Act of 1999. Terminating this program could have a negative impact on World War II and Korean Veterans and chronically ill Vietnam Veterans. Will you seek a permanent authorization for long-term health care?

Response: VA has two primary goals connected with standardization of Self Monitoring Blood Glucose (SMBG) equipment. First, we must ensure that veterans with diabetes receive the best care possible, including using reliable, state-of-the-art SMBG equipment with which they are comfortable; and second, we must pursue every opportunity to leverage our volume purchasing power to achieve savings to support more care for veterans.

Our initial efforts to implement standardization will be focused on providing new devices to veterans newly diagnosed with diabetes, to those whose existing equipment fails, as well as those patients who choose to change equipment on their own accord. Local VA providers will work with veterans who use the current standard SMBG equipment to offer transition to the new device. As is true with all VHA standardization efforts, individuals for whom the new device is not appropriate will be offered alternate SMBG devices. No one will be forced to change devices, and VA has made a commitment to various stakeholders to allow patients to continue to use their existing devices after a national award is made. Moreover, we would never prescribe a device that is not clinically appropriate for the individual patient.

VAs experience with standardization of pharmaceuticals and other medical supplies has shown that we can achieve significant savings to support expanded care to veterans, while simultaneously maintaining and in some cases, improving outcomes. The annual volume of SMBG strips has increased 70% from 91 million strips in FY 1999 to 155 million strips for FY 2004; however, the discounts offered by the vendors using this contract strategy have not significantly changed. The cost per strip has dropped by only a penny in the last 3 years even though utilization has increased. Currently VA spends approximately \$53 million dollars annually on blood glucose strips dispensed in the outpatient setting. Based on past standardization efforts however, a conservative estimate of SMBG devices cost avoidance would be in the range of 15–25% off of the current price. This would represent an \$8M to \$13M gross reduction in VAs annual cost for SMBG device strips. If VA were to make an award for 2 years, with 4 renewal options, the total gross reduction could approach \$64M to \$104M.

In September 2003, VA convened a multidisciplinary advisory group consisting of physicians, nurses, diabetic educators, medical technologists, and pharmacists and charged the group to review the SMBG medical literature and develop options for further SMBG standardization. This advisory group is conducting market research and clinical evaluations in this area, to include identifying direct and indirect transitional costs, and measurement of the same. Once the advisory group completes its evaluation and VA has had an opportunity to review its findings and analyses, VA officials will be pleased to brief the Committee on the results.

The Veterans' Health Care, Capital Asset, and Business Improvement Act of 2003, Public Law 108–170, extended the long-term care provisions of the Veterans' Millennium Health Care and Benefits Act of 1999 (the "Millennium Act", Public Law 106–117) for a 5-year period ending on December 31, 2008. We believe that periodic review and reauthorization of this authority by Congress is appropriate.

Section 1710B of title 38, United States Code, directs that the Secretary operate and maintain a program to provide extended care services to the extent and in the amount provided in advance in appropriations acts for such purposes. The law specifies that such services shall include geriatric evaluation, nursing home care, domiciliary services, adult day health care, respite care, and such other non-institutional alternatives to nursing home care as the Secretary may furnish as medical services under section 1701 (10) of title 38, United States Code.

Section 1710A of title 38, United States Code directs that the Secretary shall provide nursing home care (1) to any veteran who is in need of such care because of a service-connected disability, and (2) to any veteran who is in need of such care and who has a service-connected disability rated at 70% or more.

These categories of veterans are commonly termed "mandatory veterans" under the provisions of the Millennium Act.

Chairman CRAIG. To all of my colleagues, again, let me thank you for your cooperation and for allowing us to expedite this process, as we have effectively done this morning. I will leave the vote open for one full day. There are absent Members who might wish to cast their vote on this most important topic, and without objection of the Committee we will do so.

We will also ask the Ambassador—a variety of our colleagues are submitting questions, and the timeliness of his responses to those questions will be very, very important for completing a full record.

Lastly and finally, Mr. Ambassador, let me again congratulate you on being nominated by the President. We will move as expeditiously as we have and can to get you in place. It is obvious to me and to you, I think, that there are a good many concerns to be addressed and that we have our colleagues here who are certainly

going to be active participants with you in making sure they are effectively addressed and that you, the Administration, and the Senate and the House combined can work cooperatively together in a bipartisan way to make that happens.

With that, the hearing will stand——

Senator Jeffords.

Senator JEFFORDS. How do I stand on the vote?

Chairman CRAIG. You have been recorded as having voted aye.

The vote remains open, and we have several of our colleagues who were absent. We will seek them out to see if they want to vote before it is closed.

With that, the hearing will stand adjourned.

[Whereupon, at 12:41 p.m., the hearing adjourned]

A P P E N D I X

PREPARED STATEMENT OF JAMES B. KING, EXECUTIVE DIRECTOR, AMVETS

Chairman Craig, Ranking Member Akaka and Members of the Committee, it is a pleasure to submit AMVETS testimony on President George W. Bush's nomination of Ambassador R. James "Jim" Nicholson to be the Secretary of the Department of Veterans Affairs. Thank you for this opportunity and thank you, also, for scheduling this confirmation hearing as early as you have in the new Congress.

As National Executive Director for AMVETS (American Veterans), I would like to congratulate you, Senator Craig and Senator Akaka, on being voted by your colleagues, respectively, as Chairman of the Senate Veterans' Affairs Committee and Ranking Member. Your prior service on the Committee has been superb. You have helped charter a course for this Committee that has enabled the Nation to express its gratitude to the brave men and women who have served in our military forces and sacrificed so much to preserve our freedoms. I look forward to working with you in the days ahead.

I would also like to briefly comment on the service of outgoing Secretary Tony Principi, who has been an outstanding advocate for veterans' issues, and successfully lead the VA with passion, commitment and dedication.

Secretary Principi has been a true friend to America's veterans, and we sincerely appreciate everything he has done on their behalf. He set out to make a positive difference 4 years ago when he accepted the position, and he has done exactly that. Secretary Principi has served the veterans community with distinction, and we will miss him. We wish him well in his future endeavors.

Mr. Chairman, we are certainly mindful of the importance of this high national office. The Department of Veterans Affairs is the federal government's second largest department, responsible for a nationwide system of health-care services, benefits programs and national cemeteries supporting more than twenty-four million veterans. Its role is central to ensuring that our veterans receive critical medical care, benefits to which they are legally entitled, and lasting remembrance for their selfless sacrifices, patriotism, and unswerving dedication to this Nation whenever America called.

Over the course of the last several years, AMVETS has witnessed VA health care shift from an in-patient hospital base to a more comprehensive outpatient care system. Frankly, change in VA health care has been enormously successful and presented veterans with a day and night difference in quality of care. In fact, when the prestigious *New England Journal of Medicine* published a 2003 study on the quality of care, the VA system received the highest rated measures and proved to be "significantly better" than non-VA care.

Uncertainty about the future direction of VA health care, however, is causing concern to rise. We are hopeful that the next Secretary can improve overall delivery of veterans' health care. Despite growth in the VA budget, we watch certain veterans being shut out of the system designed for their care; we see curtailment of services at clinics and care units across the Nation due to stringent resources; and we hear some continue to propose budgetary restraint, new fees and higher pharmaceutical co-payments to access the care veterans earned through their military service.

The new nominee will immediately face these matters and many other challenges, including health care funding shortfalls, access to care, and timely care for veterans currently enrolled in the system. During President Bush's first term, the number of veterans enrolled in VA's health care network grew from 4 million to 7 million.

Conflicts in Iraq and Afghanistan have produced the highest number of U.S. casualties in two generations and many American soldiers will face a lifetime of injury from their military service. Given these facts, it is critical that the new nominee show a willingness to work with the members of this Committee, others in the Con-

gress and in the veterans community to ensure that resources keep pace with a system struggling to care for sick and disabled veterans.

The members of AMVETS staunchly believe the Department of Veterans Affairs should be led by an individual who understands that freedom is not free; that the price is too frequently measured in terms of lives lost and citizen soldiers either physically or psychologically injured for life—men and women whose service to our Nation left them hurt and too often unable to fully recover from the wounds of their military service. This leader must be a veterans' advocate for he and the department he leads must continue to advance the Nation's commitment to provide effective, prompt attention to the well-being of our veterans.

In these terms, AMVETS will work hand-in-hand with President George W. Bush's nominee to ensure VA's mission is met and the promises made to America's veterans are kept. We are heartened by the fact Mr. Nicholson is an outstanding veteran who has displayed a lifelong commitment to and respect for our men and women in uniform. His prior service as an Army Ranger, decorated Vietnam veteran, businessman, and most recently, as Ambassador to the Vatican, has demonstrated a life of service to his Nation and importantly to the community in which he lives.

As a successful Colorado businessman, Army Ranger, and ambassador who will now work, following confirmation, to coordinate policymaking and administration of the second largest federal department, Jim Nicholson will need to call on all his skills in the coming weeks when the President's new budget hits the table.

Clearly in order to meet his pledge to halve the budget deficit, the President will be looking to freeze some spending and cut burgeoning federal programs. We anticipate a tight budget, but we expect the administration and Congress to work together and recognize the need for a strong defense at home and abroad and a strong commitment to America's brave veterans who when called didn't tell their country they had other priorities and simply couldn't answer the call.

In summary, Mr. Chairman, AMVETS supports Jim Nicholson's nomination as Secretary of the Department of Veterans Affairs. We believe he is a committed individual who will do his very best to serve America's veterans and lead a department of more than 230,000 employees. We urge you and your Committee to forward his nomination favorably to the full Senate for confirmation.

Chairman Craig, thank you again for providing AMVETS the opportunity to submit testimony concerning the nomination of Jim Nicholson as Secretary of Veterans Affairs.

We look forward to working with you, Ambassador Nicholson, and others in Congress to resolve the issues facing VA today. As we find ourselves in times that threaten our very freedom, our Nation must never forget those who ensure that our freedom endures.

DEPARTMENT OF COLORADO VETERANS OF FOREIGN WARS
OF THE UNITED STATES.
Arvada, CO, January 23, 2005.

Hon. LARRY E. CRAIG, *Chairman,*
Committee on Veterans' Affairs, U.S. Senate.

Re: Jim Nicholson, Secretary of Veterans Affairs.

DEAR CHAIRMAN CRAIG, This letter written on behalf of the nearly 30,000 members of the Department of Colorado Veterans of Foreign Wars of the United States, and its' Ladles' Auxiliary, and the nearly 465,000 veterans in our State is in support of the confirmation of Jim Nicholson to be the next Secretary of Veterans Affairs.

It is not only a great honor for Jim to be nominated by the President, but by this nomination he has placed his faith in Jim for this most important position.

We in Colorado know of Jim's long term interest and commitment for veterans and their families. He will be an outstanding advocate for this Nation's veterans, their families, and the armed forces of this great country.

We fully support his nomination, and ask for your Committee's vote in favor of his confirmation.

Very truly yours,

DEPARTMENT OF COLORADO, VFW
R.E. "Bob" Clements,
Commander.

cc: U.S. Senator Wayne Allard, U.S. Senator Ken Salazar, John J. Senk, Jr., Adjutant General, Veterans of Foreign Wars of the United States, Robert Wallace, Executive Director, Washington Office, Veterans of Foreign Wars of the United States.

NATIONAL ASSOCIATION OF HOME BUILDERS,
January 24, 2005.

Hon. LARRY E. CRAIG, *Chairman,*
Senate Veterans' Affairs Committee.

DEAR CHAIRMAN CRAIG: On behalf of the 220,000 members of the National Association of Home Builders (NAHB), I would like to express our enthusiastic support for Ambassador Jim Nicholson as the next Secretary of the Department of Veterans Affairs. Ambassador Nicholson's strong background and proven leadership capabilities make him an outstanding choice for this cabinet position.

Ambassador Nicholson's commitment to his country, defined by his service in our Nation's military, will give him the practical experience needed to address the full range of concerns facing our Nation's veteran community. Moreover, his leadership for the past 3 years in his role as the United States Ambassador to the Vatican will serve him well while overseeing a department of more the 230,000 employees at the Department of Veterans Affairs.

From a housing perspective, as a former developer, I believe his experience will guide him as we work together to ensure those who have served our country have access to affordable housing.

We urge you to confirm Ambassador Nicholson's nomination as Secretary of Veterans Affairs.

Sincerely,

GERALD HOWARD,
Executive Vice President
and Chief Executive Officer

NATIONAL ASSOCIATION OF REALTORS, AL MANSELL, CRB, PRESIDENT,
January 24, 2005.

Hon. LARRY E. CRAIG, *Chairman,*
Committee on Veterans' Affairs, United States Senate.

DEAR MR. CHAIRMAN: On behalf of the more than one million members of the National Association of Realtors, let me first congratulate you upon your election as Chairman of the Senate Veterans' Affairs Committee. The National Association of Realtors looks forward to working with you on a range of housing issues affecting veterans under the VA Home Loan Guaranty Program.

With this letter the National Association of Realtors is pleased to support the nomination of Jim Nicholson as Secretary of the U.S. Department of Veterans Affairs. For the past 3 years Mr. Nicholson has served as the U.S. Ambassador to the Vatican. Prior to this he served as Chairman of the Republican National Committee. Mr. Nicholson has a distinguished career in the military, having served as an Army Ranger in Vietnam and graduating from the U.S. Military Academy. He was a practicing attorney and has an extensive background in residential real estate development. His experience in real estate will serve him well as the overseer of the VA Home Loan Guaranty Program which is an important program to our membership.

The National Association of Realtors represents a wide variety of housing industry professionals committed to the development and preservation of the Nation's housing stock and making it available to the widest range of potential homebuyers. The Association has a long tradition of support for the VA Home Loan Guaranty Program and has worked diligently with the Department of Veterans Affairs to fashion housing policies that ensure the VA programs meet their mission responsibly and efficiently.

The VA Home Loan Guaranty Program has made mortgage credit available to many veterans whose loans otherwise would not have been made. The program has helped many deserving veterans realize the American dream of owning a home and the program has had a profound impact on our Nation's economy and our mortgage markets. We stand ready to work with Secretary-Nominee Nicholson to address veterans housing issues encompassing his ideas, visions and innovations.

The National Association of Realtors welcomes the selection of Jim Nicholson as Secretary of the Department of Veterans Affairs, and we appreciate your grateful consideration of our endorsement.

Sincerely,

AL MANSELL,
President.

AMERICAN ASSOCIATION OF NURSE ANESTHETISTS,
January 26, 2005.

Senator LARRY E. CRAIG,
Washington, DC 20510.
Senator DANIEL K. AKAKA,
Washington, DC 20510.

DEAR MR. CHAIRMAN AND RANKING MEMBER: On behalf of the more than 33,000 Certified Registered Nurse Anesthetists (CRNAs) including the 530 full time CRNAs employed in the VA health system, we encourage Members of the Senate to confirm the President's nominee for Secretary of Veterans Affairs (VA), Jim Nicholson.

With an Army career that includes 8 years of active duty as an Army Ranger, medals of distinction for combat in Vietnam, and 22 years in the Reserves, Mr. Nicholson has been chosen by President Bush to lead this Nation's Veterans' health system. The profession of nurse anesthesia was begun treating America's soldiers in the battlefields of the 19th Century, a tradition of care continually improved and extended through the 21st Century as a substantial proportion of AANA members have worked to ensure safe anesthesia care to our U.S. Armed Forces and Veterans past and present. We look forward to working with Mr. Nicholson to promote anesthesia patient safety within our VA facilities, support educational funding for the VA-DoD nurse anesthesia school in Ft. Sam Houston, Texas, and ensure quality healthcare to all Veterans. The Administration has been more than gracious in extending us the open door to address issues of concern to ensuring safe and effective anesthesia care, so that we might together improve healthcare for those men and women who have served this country honorably in the military. I am sure that Mr. Nicholson will continue such a relationship.

If we can ever be of service during this process, please feel to contact Frank Purcell, Director of Federal Government Affairs in our Washington, DC office at (202) 484-8400.

Sincerely,

FRANK T. MAZIARSKI, *President,*
CRNA, MS, LTC, ANC,
American Association of Nurse Anesthetists (AANA).
CAROL M. CRAIG, *President,*
CRNA, Association of Veterans' Affairs,
Nurse Anesthetists (AVANA).

NATIONAL VIETNAM & GULF WAR VETERANS COALITION

Hon. LARRY E. CRAIG, CHAIRMAN,
Senate Committee on Veterans' Affairs,
Re: Hon. Jim Nicholson Secretary-designate, Department of Veterans Affairs.

DEAR MR. CHAIRMAN: The National Vietnam & Gulf War Veterans' Coalition is a federation of 98 veterans groups. One of our ten (10) goals is to have qualified Vietnam and Gulf War veterans appointed to high visibility government positions.

Colonel Jim Nicholson (USA-ret.) is a Vietnam Veteran, a graduate of the United States Military Academy, and a former U.S. Army Ranger who received the Combat Infantry Badge and the Bronze Star for service to his country. He knows and understands veterans and the military. It is with this in mind that we are pleased to strongly endorse and support Jim Nicholson for the position of Secretary of Veterans Affairs.

My organization and I have previously worked with Jim when he served as Chairman of the National Republican Committee. We were impressed with his availability to listen to our concerns, his fairness with regard to all matters, and his interest in improving the conditions of the men and women who have served in the Armed Forces of the United States. Jim Nicholson is a man of integrity in whom we have instilled our confidence and whom we feel will be an effective advocate for both the Bush Administration and this country's veterans. We urge you, the Senate

Committee on Veterans' Affairs, and the United States Senate to support Colonel Nicholson.

Respectfully,

JOHN J. MOLLOY, JR.,
Chairman.

ROLLING THUNDER, INC., NATIONAL CHAPTER 1
*Neshanic Station, NJ,
January 18, 2005.*

Hon. LARRY E. CRAIG, CHAIRMAN,
Senate Committee on Veterans' Affairs.

DEAR MR. CHAIRMAN: Rolling Thunder, Inc. National, a group of veterans and citizens concerned with all veterans, current and future, wholeheartedly endorse the Honorable Jim Nicholson for the position of Secretary of Veterans Affairs.

Our organization feels that Colonel Jim Nicholson, a retired Vietnam Veteran, truly knows and understands veterans and the military. We feel he will listen to our concerns and will be fair in all matters to improve the conditions of the men and women who have served and are serving in the Armed Forces of the United States. We strongly urge you, the Senate Committee on Veterans' Affairs, and the United States Senate to support Colonel Nicholson as the next Secretary of Veterans Affairs.

Sincerely,

SGT. ARTIE MULLER,
*Founder/National
Executive Director.*

