

NATIONAL PRESS CLUB LUNCHEON WITH ROBERT A. MCDONALD

SUBJECT: VETERANS AFFAIRS SECRETARY ROBERT A. MCDONALD WILL ADDRESS THE STATE OF THE VA AND THE CONTINUING EFFORTS TO IMPROVE SERVICES TO MILLIONS OF AMERICA'S VETERANS AND THEIR FAMILIES

MODERATOR: JOHN HUGHES, PRESIDENT OF THE NATIONAL PRESS CLUB

LOCATION: THE NPC BALLROOM, WASHINGTON, D.C.

TIME: 12:30 P.M. EDT

DATE: FRIDAY, NOVEMBER 6, 2015

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JOHN HUGHES: (Sounds gavel.) Welcome to the National Press Club. My name is John Hughes. I am an editor for Bloomberg's First Word, that's Bloomberg News' breaking news desk here in Washington, and I am President of the National Press Club.

Our speaker today is Robert McDonald. He is the eighth U.S. Secretary of Veterans Affairs. He will update us on the status of federal programs for people who have served in the military. But first I want to introduce our distinguished head table. This table includes both National Press Club members and guests of the speaker.

From the audience's right, John Fales, aka Sergeant Shaft. He's retired of the US Marine Corps, a wounded Vietnam veteran, and a Veterans Affairs correspondent. Ken Delecki, a Navy Vietnam veteran, and Commander of the National Press Club's American Legion Post. Christine Warnke, a veteran's advocate and host of The Next Word on MMC TV Channel 16. Paul Helso, past National President of the Benevolent and Protective Order of Elks of the United States of America. John Donnelly, a senior defense writer at CQ Role Call and Chairman of the National Press Club's Press Freedom Committee. Patty Andrews, a military veteran and Deputy Director of the VA Veterans Health Administration Office of Client Relations. Jerry Zremski, Washington Bureau Chief of the Buffalo News, Chairman of the National Press Club Speakers Committee and a former National Press Club President.

Skipping over our speaker for a moment, Kevin Wensing, a Captain of the U.S. Navy retired and the Press Club Speakers Committee member who arranged today's luncheon. Thank you Kevin. Neil Denton, Senior Vice-President and Chief Government Affairs Officer at YMCA of the USA. Max Letterer, an army veteran and publisher of Stars and Stripes. Angel Livas, President of D.C. Media Connection and MC of the Veteran Women's Rock Rally at George Washington University this coming Veterans Day. Michael Phelps, a Vietnam era Navy veteran and former publisher of the Washington Examiner.

[applause]

In addition to our audience here in the packed Ballroom of the National Press Club, I want to welcome our CSPAN audience as well as our audiences listening on Public Radio. You can also follow the action on Twitter. Use the hashtag NPCLive. That's hashtag NPCLive.

Robert McDonald was confirmed as Secretary of Veterans Affairs in July of last year. But he didn't have time to ease into the job. He came aboard to fix problems at the Department with 312,000 employees. The agency at the time was facing criminal investigations, congressional outrage, and construction cost overruns. You can remember the media reports from that time, as well as in internal VA audit. It was discovered that more than 120,000 veterans were either waiting for care or had not yet received it or had never received it. Schedulers were pressured to use unofficial lists or to engage in other practices to make waiting times appear more favorable.

Mr. McDonald made it his mission to restore trust with the nation's nearly nine million veterans and their families. He drew upon his past experience to try to set things right. As the former CEO of Procter and Gamble, he was no stranger to overseeing large, complex operations. He also had an understanding of military service. He served five years in the U.S. Army with the 82nd Airborne Division. He graduated from the U.S. Military Academy at West Point. He finished in the top two percent of his class.

Fifteen months now it's been since he took the job. So how are things going at the VA? Congress has provided \$16 billion dollars in additional funding for the VA to pay for some veterans to get medical treatment from other doctors and hospitals and to increase the number of VA staff.

Lawmakers also gave the VA Secretary more latitude to fire managers. McDonald sees much to be positive about at the Department. He was quoted telling a House Committee recently, "Maybe you could hold a hearing on its progress. I'd welcome that." Please join me in giving a warm National Press Club welcome to Veteran Affairs Secretary Robert McDonald.

[applause]

ROBERT McDONALD: Thank you. Thank you so much. You know, since the Civil War, the Y has been a friend of service members and veterans. And the YMCA's education scholarships were the forerunner of the GI bill. So today I'm pleased to announce that the VA and the Y have agreed to continue that legacy by further expanding our partnership. This enhanced agreement makes it easier for local VA facilities and YMCAs to collaborate on helping transitioning service members and veterans connect to the resources and opportunities that they need.

Neil thank you—Neil thanks to you and the entire organization for your enduring devotion to veterans. The Benevolent Protective Order of Elks have been friends of veterans for a long time too. The reconstruction hospital that they built in Boston in 1918 and gave it to the government was a forerunner of today's VA medical centers. Last month the Elks committed \$4 million dollars over a four year period to help end veterans' homelessness. Further, they're deploying 800,000 members across the country to help end veterans' homelessness in their own communities. Paul, thank you and the Elks across this great country for your generosity and loyalty to our nation's heroes.

[applause]

The Y, the Elks, these are the kinds of strategic partnerships we're establishing as part of our My VA Transformation, which are making profound differences in the lives of veterans and their families. Let me also welcome a great veteran and VA employee, Patty Andrews. Patty is representing more than 106,000 VA employees who are veterans themselves. Ask Patty why she works at the VA, and here is what she'll tell you. Veterans helping veterans is nothing short of a dream job. Patty, thanks for your example and your continued service to the nation and to the VA.

[applause]

Like John, I would like to recognize all the veterans here today and wish you all an early happy Veterans Day. Thanks to you all for your services and your sacrifices and those of your family as well. Several days ago, I was in Kansas City. I had lunch with a Vietnam veteran named Larry Parish. Larry agreed to let me share his VA experiences with you. Larry is a very active man. But over the last two years his health had deteriorated over a hip problem.

He said, and I quote, "I was 278 pounds. I was walking with a cane. I was in pain. And I was only 61. I was suicidal because of the pain and because nobody seemed to care." On the advice of a trusted friend, Larry turned to the VA. Here is what Larry said about VA's physical therapy. "They gave me my life back. They turned it around in 24 hours. They were the most comprehensive, most efficient, and the most cordial of any therapists I've worked with, public or private."

When Larry's VA doctor recommended a hip replacement, Larry chose VA. And he chose VA for two reasons. First, his private health insurance deductible was about 5,000 dollars, more than he could afford. But, more important to him was this. "I wanted

to go to the same place because they were so damned good. Every time someone saw me, they hugged me or pat me on the back and say, "Thank you for your service. Welcome home, brother."

That's VA doing it exactly right. The world class experience veterans earn and they deserve. It's employees living VA's "I care" values of integrity, commitment, advocacy, respect, and excellence. Those stories are out there in abundance. They're too rarely reported. I want to begin by telling you how VA is improving veterans' access to healthcare and meeting increasing demand with expanded capacity, how we've doubled the capacity required to meet last year's demand by focusing on four pillars. First pillar is staffing, space, productivity, and VA community care.

We have more people serving veterans, the Veteran's Health Administration net staff is up over 15,000. We have activated 1.7 million square feet and increased the number of primary care exam rooms in fiscal year 2014 so providers can care for more veterans every single day. We've added 2.2 million more square feet in fiscal year 2015. In the wake of the access crisis, we aggressively increased access to care. In the 12 months following the crisis, June of 2014 to June of 2015, we completed 7 million more appointments than during the same period the previous year. 2.5 million of these were within VA, 4.5 million of these were in the community.

This fiscal year we completed 61.5 million appointments, 3.1 million more than the last fiscal year. More than two million more at VA facilities, a million more in the community. Altogether this year, 2.6 million veterans were authorized care in the community. That's a nine percent increase over authorizations the year before.

Right now, 97 percent of appointments are within 30 days, 92 percent are within 14 days, 87 percent are within seven days, and 23 percent are the same day. Specialty care average wait time is six days. Primary care is four days. Mental health care is three days. Those averages are excellent for most, but if you're the one in the tail of the curve like a veteran living in the city seeing dramatic veteran population growth, they're not acceptable.

So we're going to take advantage of the scale of VA and its affiliates and partners to have a one-day access stand down, to make sure every veteran gets appropriately scheduled for care. Now we've made significant progress addressing veteran homelessness. Since 2010 over 230,000 veterans and family members have been permanently housed, rapidly rehoused, or prevented from falling into homelessness.

Altogether across the country, there's been a 33 percent decline in homeless veterans. Backlog claims are down 88 percent to 76,000 from a historic peak of 611,000 in March of 2013. We completed 1.4 million claims in fiscal year 2015, the highest in our history, and 67,000 more than last year. Today's veterans wait about 93 days for claims decisions. That's six months fewer than in March of 2013 and the lowest in this century.

Veterans are noticing. I met Veteran Keith Toy last week at the Washington, D.C. Medical Center. Keith's father served in Vietnam with the First Infantry Division and the 101st Airborne Division. And his grandfather fought Rommel in World War II. Keith brought up a great point that I want to share with you. He said, "My personal experience with VA has been 95 percent positive, both VHA and VBA. But some people aren't experiencing the same quality of the work that I got." Keith advised, "What we need to work on is consistency across the board." Well Keith pinpointed the reason the My VA transformation is shaping a seamless, unified, high quality veteran customer experience across the entire enterprise and across the entire country.

My VA, this transformation that we're within now, will modernize VA's culture, processes and capabilities to put the needs, expectations and interests of veterans and beneficiaries first. It's focused on five main objectives. First, we've got to improve the veteran experience. Second, we have to improve the employee experience. Third, we have to achieve service support excellence. Fourth, we need to establish a culture of continuous improvement. And fifth, we need to enhance strategic partnerships. Two of them are great examples here.

I have suggested, as John pointed out to the Chairman and ranking members of our Senate and House Veterans Affairs Committee, that we hold a hearing on the My VA transformation, rather than continuing the barrage of hearings that we've had on things that occurred two years ago. In the meantime, here are some of the updates on our progress Transforming VA.

We're realigning VA to facilitate internal coordination and collaboration amongst business lines. From nine disjointed, disparate organizational boundaries and organizational structures to a single framework. This means downsizing from 21 service networks to 18, that are aligned in five districts that are defined by state boundaries with the exception of California. The realignment means opportunities for local level integration, and it promotes the consistently effective customer service that Keith Toy described

Veterans from Syracuse to Seattle will see one VA. Our Veterans' Experience Office is fielding a VA staff of customer service experts who will help us get to Keith's vision. Every veteran everywhere getting the same world class service. They'll be similarly focused on delivering consistent quality and the highest standards of professionalism and integrity. The North Atlantic office opens at the end of this year. We're following up with the Southeast office in February, the Midwest office in April, and we're working details on the continental and Pacific offices.

This is about making it easier for veterans and their families to be VA customers. We've launched the My VA community model across the country. This model brings together local veterans service providers, advocates and others, to improve outcomes for veterans and their families in that community. My VA communities aren't run by VA. They're community-driven networks chaired by local leaders. I was in Connecticut when we established the first veterans community board in August. Thirty-seven other

communities across the country have adopted the My VA model. In 25 cities last May we kicked off Veterans Economic Community Initiative. Like My VA Communities, the Veterans Economic Communities promote local collaboration and partnership amongst organizations serving transitioning service members, veterans, and their families.

Because of its success, we've already seen we're doubling down on 25 more economic communities early next year. We're investing in VA employees. And the last federal employee viewpoint survey results show that employee experiences are improving, trending slightly higher than last year.

The best customer experience organizations in the world, not surprisingly, are also the best places to work. So we're training leaders in human centered design or design thinking and Lean Six Sigma. Great customer service companies use human centered design to understand what customers want and need, and then design customer experiences to meet those needs. Lean Six Sigma makes these processes effective, efficient, and repeatable.

We started training leaders on Lean Six Sigma last month. By December, 2016, we intend to have 10 percent of our leaders trained. For human centered design we're using a combined top-down and bottom-up approach to train a cadre of leaders and employees. We started in October, and we're looking to train 5,000 employees over the next year. Improving employees' experience is inextricably linked to improving veterans' experience. There is not a good customer service company in the world that has unhappy employees or untrained employees.

We kicked off our Leaders Developing Leaders Cascade training model with 300 senior field leaders last month. I was told it was the first time that top leaders of VA had ever gotten together on that scale. We're equipping leaders to dramatically improve delivery of care and services to veterans and to create a better work environment for our employees. This month we'll complete initial training for all senior leaders. So employees are better informed on the broadest spectrum of benefits and services so they understand all of VA, not just their little piece. We're giving them training that we call VA 101.

Six thousand employees over 60 sites have received VA 101 training so far. We'll have 170,000 trained by next December. VA 101 also helps employees better appreciate the value they bring to VA. So notable progress on healthcare delivery, the claims backlog, veteran homelessness, and our My VA transformation.

All that is to say that we've made undeniable and tangible progress. Every healthcare system has challenges and VA has its fair share. But some of them are unique to VA. You may have read the independent assessment of the VA's healthcare delivery systems. You've read about the stark differences in veterans' experiences from facility to facility, about the bureaucratic leadership and staffing challenges and failures in access and quality, about cultural challenges employees and leaders experience.

Well, as I testified to the House Committee on Veterans Affairs in October, the assessment has given us some new ideas and a great deal of information on some known problems. It also confirms our own analysis and indicates we're headed in the right direction for some time now. But, as long as one veteran doesn't have the Larry Parish experience, we've got more work to do.

So let me address some challenges before we open things up for questions. Access to care has improved. But here is the inevitability. Improved access means more demand. Remember, we completed seven million more appointments in the year following the crisis than we did the year before. That should have satisfied the pent up demand twice over. Still, the number of appointments not completed in 30 days has grown from 300,000 to 500,000 or nearly 500,000. Why? Because more veterans come to us for care. And the more veterans that come to us for care, the harder it is to balance supply and demand without additional resources.

That kind of imbalance predicts failure in any business, public or private. The healthcare industry is no different. Example, the 2014 access crisis. The access crisis was predominantly a matter of a significant mismatch of supply and demand. The crisis was exacerbated by greater numbers of veterans receiving services. You see more veterans like Larry Parish choose VA and for good reasons. For many, VA healthcare is just more convenient. For others like Larry, it's about quality and cost.

The average Medicare reimbursement for a knee replacement is \$25,000 dollars with a co-pay of 20 percent. VA saves veterans \$5,000 per knee replacement. Veterans don't pay for hearing aids. And we cover all hearing loss, not just service-connected. VA saves veterans something in the neighborhood of \$4,000 dollars for their hearing aids. Veterans notice this.

Hiring challenges will persist for the foreseeable future. Private sector healthcare turnover is about 30 percent. Our turnover rate at the VA is about nine percent. Pretty favorable. But we need more than 4,300 physicians and 10,000 more nurses. And we need to fill 41 senior level vacancies in the field. That growing shortage of qualified candidates is a national problems.

For our own part, we're working closely with the deans of medical schools to increase throughput. We're working with Congress. We're asking for more residencies. And we're asking for scholarships and loan reimbursements from Congress. And we're working with universities and state governments to create even new medical schools.

One of our most pressing challenges is the appeals process. Delivering timely decisions in the manner veterans deserve. The process is too complex. It's too confusing for veterans. And it's too lengthy. In 2015 the Board of Veterans Appeals served over 55,700 veterans, more than we have in recent memory. And they held over 12,700 hearings. That's a lot. But it's not enough.

Simply put, our capacity to serve veterans with a timely final appeals decisions is encumbered by some antiquated laws. They're evolved since World War I, and they don't well serve veterans today with a modern system. We work with veterans service organizations to reengineer the process. And now we're working with Congress to pass the laws necessary to bring the process into the 21st century.

We still have challenges in veterans' experience and benefit delivery. Last month I received an urgent email from Vietnam veteran Mike Hughes. Mike had submitted a correct and fully developed compensation claim, three benefits that was incorrectly rejected. Calls to his regional office were unproductive and understandably frustrating for Mike. The call center agent at that office couldn't access the information necessary to answer Mike's questions and to correct the problem on the spot.

Even though that's one veteran and one accountant, it's not the kind of customer service we aim to provide. We owe veterans more. We owe our employees who serve veterans more. They deserve the tools and training that empower them to give every veteran a world-class experience. For benefit call centers, we're strengthening our customer service model so it's more veteran-centric. We're empowering call center agents to process certain claims at the point of the call and to take action while the veteran is still on the phone with them.

And, as of this September, we're processing dependency claims at the point of the call so agents can, for instance, add a minor child or a spouse to a claim. As we continue to strengthen our service model, call center agents will begin taking more and more actions while the veterans are actually on the phone. Other initiatives I've described, like Lean Six Sigma, human centered design, leader-leader training, VA 101 and others will, over time, help us achieve our customer service goals for veterans.

We own these challenges. We're working hard to do our part aggressively tackling issues within our control. In a relatively short period for an enterprise of this size and complexity, we have demonstrated the significant capacity for meaningful change. The independent assessment reported that VA has the opportunity to achieve a place amongst the highest performing healthcare systems in the world. And we will.

But we know we can't accomplish all we need to do for veterans without the help of Congress, veterans service organizations, and many other stakeholders. The Y, the Elks, they're just two members on a great and growing team of more than hundreds of thousands of partners working with VA, from philanthropic organizations to nonprofits to businesses to other federal agencies.

But let me be clear. While these partnerships are important, our most essential partnership is with Congress. Congress holds the keys to many of these doors. Congress legislates the benefits we provide the veterans. And it's Congress that has to fund the benefits it legislates.

Some 25 of the independent assessment recommendations require congressional action. So we literally can't do it alone, not without the right congressional support. Now here are five specific requirements that will make a significant difference to veterans. And I've repeated them during testimony and at every other opportunity. I don't mind reciting them again.

First, we need Congress to fully fund the President's 2016 budget request. Second, we need Congress to give us the flexibility to align resources with veterans' demand for care. Third, we need Congress to act on the proposal we submitted May 1st to end the uncertainty about aspects of purchased care that outside the Veterans Choice program and that complicate provider participation in VA's other care in the community programs. Fourth, we need Congress to address the many statutory issues burdening VA with red tape and bureaucracy, like the appeals process. Five, we finally, we need Congress to streamline and consolidate all care in the community programs into one program.

The independent assessment reiterated this requirement for veterans. For years, a variety of different authorities and programs have provided care in the community to veterans. It's all very difficult to understand. Veterans don't get it, our employees don't get it, medical providers don't get it, so we sent our plan, the Veterans Choice Program, to the Hill, the new Veterans Choice Program to the Hill last Friday. It's VA's long-term vision for delivering timely and high quality community care. Veterans need to see Congress act on it quickly.

This week I had breakfast with the Chairman and ranking members of our Senate and House Committees. There's tremendous unanimity, tremendous unanimity to pass these measures, to work together to transform the VA, and to provide more consistent, delightful experiences for veterans.

Remember Mike Hughes, that veteran who couldn't get answers about his claim. A week after he wrote me, he wrote to me again. "One day after my email to you, I received a call from the regional office assuring me that my complaint had been heard, and that my claim was indeed one that would be handled promptly." That's the response Mike should have gotten to begin with. We'll get there. We're well on our way. I look forward to your questions. Thank you.

[applause]

JOHN HUGHES: Thank you Mr. Secretary. You mentioned the progress that you've made. However, looking back to the problems of two years ago, have you now held everyone accountable at the Department who needs to be held accountable? And if not, do you need any additional authorities so that you can hold them accountable?

ROBERT McDONALD: Let's talk about accountability. My good friend Jim Collins, who wrote the book *Good to Great Built to Last* talks about the need to get the right people on the bus, get them in the right seats on the bus. Of my direct reports, my

leadership team, ten of the 16 direct reports are new since I was confirmed, ten of 16. Also, over 90 percent of our medical centers have either new directors or new leadership teams.

In calendar year 2014, 1,100 people were terminated from the VA. In calendar year 2015, 1,500 people were terminated from the VA. Since July 29th, when I was confirmed of last year, 2,280 people have been terminated from the VA. We've proposed disciplinary action against 300 individuals for manipulating scheduling. And the worst of those you may have already seen, an individual in Augusta, Georgia was indicted, faces 50 charges of schedule manipulation. Those 50 charges bring with them a \$250,000 dollar fine and a potential for five years in jail. We're working with the IG. We're working with the Office of Special Counsel. We're working with the FBI on other investigations that are ongoing. Over the last year, we have had a total of 62 criminal convictions that have been discovered by our Inspector General.

Now, I have to say that accountability is a lot more than firing people. It's also about giving people the responsibility, giving them the training, and then working with them and training them to perform at a high level. One of the things we've done over the last year is we've built into people's performance review plans all of the things I've talked about, improving customer service, the My VA transformation, improving our call centers, this is all now being built into people's performance plans. So we've made progress. We have a lot more to do. There's lots of investigations currently underway. And as time goes on, you'll see the results of these investigations.

JOHN HUGHES: A question about cost control. What mechanisms have you put in place to control costs? How are you ensuring payments are proper and in line with fair market values?

ROBERT McDONALD: Cost control is really important. One of the things I believed in the Proctor and Gamble company is there were two things that would drive our company. One was innovation and I'm proud to say VA is a great innovator for this country. We spend \$1.8 billion dollars a year on innovation, on research. That research not only is critical to American medicine, but it's critical to the American people. But secondly, productivity. And productivity is critically important to us. We measure value units which is a common measurement in the medical industry. It's a measure of productivity. Our productivity is up eight percent over last year versus a budget increase of 2.8 percent.

We are, as I am asking for ways to improve our productivity every day. There's no question that demand is increasing for our services. I don't feel capable of going to Congress and asking for more money unless I can show them we're trying to save money. So if you look at my testimony over the last year, what you'll see in my budget testimony is I told Congress we had 10 million square feet of unused space. Unfortunately it's all in somebody's congressional district. [laughter] If we could close that space, that would save the VA and the American tax payer \$25,000 dollars a year. Please look at my testimony, 10 million square feet, \$25,000—I'm sorry, \$25 million dollars a year, \$25

million dollars a year, 10 million square feet, \$25 million dollars a year. So we are eager to work with members of Congress to close that space.

And we're going to have more space, because we have digitized the claim process. And by digitizing the process, we eliminated 5,000 tons of paper, 5,000 tons of paper.

JOHN HUGHES: Standardizing care, how will the VA standardize policies nationally so the veteran will have the same access to care, no matter what VA they attend? And the example they give are the various implementations and qualifying criteria for caregivers of post-9/11 veterans to receive a stipend.

ROBERT McDONALD: Great question. I think I addressed it in my remarks, but let me just add to it. That Dr. David Shulkin, our new Undersecretary for Health, one of the new leaders at VA, this is his number one job, is how to identify the current best practice in our industry and in the VA, and then bring all of VA up to that current best practice approach, while at the same time trying to innovate to improve the best practice.

There's a lot of work to do. Let me give you an example. If you're a veteran, and your address changes, you have to change your address in at least nine different locations in VA. In VA there is not one single data backbone with every customer listed. So for me, what we did was, we got together a group of people, all involved in this, and we're going to go to one data backbone with one list of address that, like good customer service organizations, keeps track of every interaction we have with every one of our customers. That's just one example, but that's going to cost money, and it's going to take time. But now is the time to do it. We have a new Assistant Secretary for the Office of Information Technology. Her name is Laverne Counsel. I recruited her. She was the IT leader at Johnson & Johnson and at Dell. She knows how to do this. So now is the time to get it done.

JOHN HUGHES: How have the changes that you initiated with My VA and I Care helped affect culture change at the department and improve morale?

ROBERT McDONALD: Again, I think I addressed that. The morale is slightly better, but it's not where we need to be. And the all-employee survey was taken this year before we did our Leaders Developing Leaders program. I think our Leaders Developing Leaders program has been a breakthrough. We're working with Nowell Tishi[?]. I've known Nowell for a number of years. Nowell was Jack Welch's mentor at G.E. He was also the founder and the creator of G.E.'s Crotonville training university. Nowell's daughter works for the VA. And he has helped us design a training program which has been outstanding.

Interestingly, the leaders do the training, I do the training, Sloan Gibson, my West Point classmate and friend of 40 years, he does the training. Our leaders do the training. We don't hire consultants to train our people. We train them ourselves. But Nowell helps

us facilitate and understand what best practices are. We've done 300. Those 300 are going to go back now and train their own organizations.

So what we did was, we used videos from our 300 training. We put together a packet, a training packet, and they're going to go train their subordinates. Some of our senior leaders will attend that training. I attended one last week in Kansas City. I was thrilled with what we were accomplishing their vision for the VA. What I need every single employee to do is talk about how their vision for their organization cascades from my vision or cascades from the organizational vision.

The acid test of any high performance organization is, can you walk into a medical center and ask the person in housekeeping how what they're doing that day contributes back to the vision of the major organization, the larger organization? That's what we're shooting for. It's like if you ask the person sweeping the floor at Kennedy Center what they're working on, and they answered, "I'm putting a man on the moon."

JOHN HUGHES: Hillary Clinton got some attention recently when she said the VA scandal has not been as widespread as it has been made out to be. Do you agree with her?

ROBERT McDONALD: I told you we've made progress and we have more work to do. [laughter] [applause]

JOHN HUGHES: CNN reported recently that long waits continue for many VA patients seeking medical services. In August, more than 8,000 requests for care had wait times longer than 90 days at the Phoenix VA. Why do these delays continue? And what can be done to cut down on the wait times?

ROBERT McDONALD: I think I addressed that too. 78 percent of veterans have a choice, and they had that choice even before the Choice Act. 78 percent of veterans have Medicare, Medicaid, their own private health insurance. So 78 percent of veterans have a choice. They exercise that choice. Today, on average, on average, the average veteran—and, of course, there is no average veteran—but the average veteran uses VA for 34 percent of their medical care, only 34 percent.

Now that 34 percent might be the hearing aids I talked about to save \$4,000 dollars. Or that 34 percent might be the knee replacement I talked about that saves \$5,000 dollars. Only 34 percent. As we have improved our care, as we have improved our culture, as people have learned about the great things that the VA does, as we have opened up more facilities, as we have hired more providers, more people are coming. More people are coming, and those already in the system are looking for more of their care from VA.

If that 34 percent becomes 35 percent, a one percentage point increase, I need a \$1.4 billion dollar budget increase from Congress, \$1.4 billion dollars for a single percentage point. And as many of you know, the budget problems we got into last year

because of a miracle hepatitis C drug that was invented in 2014-2015, that budget was talked about two years before that.

So we're going to have to do something with our committees to create the kind of processes that exist in business for how you have budget flexibility and agility to meet customer demand. Otherwise, what's going to happen is, as more people come into the system, if we don't get that budget flexibility, then the appointments might not be within 30 days. It may be the average mental health appointment—well not mental health, that would be a bad example, but maybe the average primary care appointment has to go from four days to five days or six days, because the budget is given to us by Congress, and the benefits are defined by Congress. All we're trying to do is make the two match.

JOHN HUGHES: Question about the VA complex in Los Angeles. Admiral Mike Mullen is investigating issues there. Some reports suggest decades of mismanagement according to the questioner. How extensive are these problems? And will people be held accountable?

ROBERT McDONALD: Mike is a dear friend, and he's there on my behalf, so I don't quite understand the question. But no, we have problems in West LA. When I became Secretary, I discovered that there was a lawsuit in Los Angeles. There were ten veteran plaintiffs suing the previous Secretary. And the lawsuit had been going on for four years, over four years. I discovered that that lawsuit was getting in the way of us solving problems in Los Angeles. I went to Los Angeles. We have changed the leadership in Los Angeles. We have hired more providers. We have strengthened our relationships with our medical school affiliates like UCLA and with new partners like USC. And we've created a community partnership and a master plan for our West LA facility, which is now on the internet. You're welcome to comment.

We have about 390 acres in Los Angeles. And we need to use that land properly for the care of veterans, rather than having use it as a car lot and other things that were done in the past. So we're moving in the right direction in Los Angeles. Again, we have a lot of work to do. Progress, but a lot of work to do. But at least we've got the lawsuit which I was able to settle with the plaintiffs out of the way. We've got stronger partnerships and we're moving in the right direction. And Mike is being very helpful.

JOHN HUGHES: It was reported last summer that 30 VA health systems lacked permanent directors. Why is it so difficult to fill these jobs? Is pay an issue? And do facilities without a director suffer as a result?

ROBERT McDONALD: Obviously I said job one is to get the right people on the bus, get them the right seats on the bus. But one of the things you want to make sure you don't do is put the wrong leader in the wrong place. So the process does take some time. As I said, 90 percent of our medical centers have either new leaders or new leadership teams. But I can personally vouch for each person we're putting in place. And if it takes a little bit longer to do that, I'm okay with that. I just want to make sure we get

the best team in place and we do our best to take care of veterans. There's no substitute for leadership. And leadership does matter.

JOHN HUGHES: This is a question about legislation that's been introduced to help World War II veterans exposed to mustard gas and help them secure compensation for their injuries if the VA doesn't help them. Will it take legislation for the VA to compensate these veterans and their families? Or is there something the VA can do now?

ROBERT McDONALD: Well what I'm trying to do right now is get the names of those individuals who suffered that. We have been collecting names, and we've got a short list. And I was lucky to meet—I think it's Kimberly? Is it Kimberly? I'm sorry, is she here? Yeah, from the NPR. She's the one who wrote the article. And what I'm trying to do is get her list so I can marry it with our list and find out why there's a discrepancy, because that's job one. We got to find the veterans who suffered through this. I'm not sure if legislation will be required. We'll do everything we can without legislation. I have a lot of other legislation that I need.

JOHN HUGHES: Speaking of that, the new plan presented to Congress to consolidate community care for veterans states explicitly that it requires congressional support and funding. How likely are we to see that plan realized, and when?

ROBERT McDONALD: Listen, as I said, great unanimity with our committees. Ranking members and Chairmen all said they understood the plan. We've been briefing their staffs for months as we've been working on it. The reason there are so many different ways of getting care in the community is that, over the years, Congress had passed so many laws that layered on top of each other. Each one had a different reimbursement rate. Each one had a different selection criteria. And as a result of that, you had these seven programs that were very difficult for veterans to understand and very difficult for our employees to understand.

Similarly, you had dysfunctional or skewed incentives. I went to Montana with Senator John Tester, a great guy, and he brought in a room of providers, medical professionals, and they all told me how much they loved one of these seven plans. Well I leaned over to John and whispered to him, the reason they loved that plan is the reimbursement rates in Montana are the highest for that plan.

So what we've got to do is get to one level of rates. We've got to get to one plan. We've got to get to make it easy for veterans to understand it. I mean we're in the customer service business, but these laws have been laid on over the years. We're going to get this done, and we're going to get it done quickly.

JOHN HUGHES: The mental health of veterans suffering from post-traumatic stress and traumatic brain injury is one of the most challenging issues the VA faces. With the shortfall in mental health professionals, what alternative methods are being used to help veterans? Are music, art, and medication useful alternatives?

ROBERT McDONALD: This is a great question. I'm going to expand the question a little bit. When I was going through my confirmation process, there were just a very small number of Senators, maybe one or two, who said to me, "Why don't we just blow up the VA and give out vouchers?" So I thought it was important for me to study that, particularly as a business guy. So I came in and looked at it. And what I discovered was, the VA is not only essential for veterans, the VA is essential for American medicine because we're on the cutting edge of so many treatments. And therefore, essential for the American public.

We spend \$1.8 billion dollars a year on research. We were the ones who did the first liver transplant, invented and did the first implantable cardiac pacemaker. It was a VA nurse that came with the idea of using a barcode to connect patients with records. First electronic medical record, VA doctors invented the shingles vaccine last year. VA was the one that came up with the idea of taking an aspirin a day to do away with heart.

When you have the largest integrated medical system, you can be on the cutting edge. Right now we're leading the government's effort in precision medicine. We have 1,000—we have a project called the Million Vet Project. We have 415,000 or so blood samples of veterans connected with 40 years of medical records. And we're doing the genome mapping of all of those blood samples.

So imagine the research that can be done by medical professionals to be able to go back to the genome, to understand the causality of that genome and a form of cancer. We're running seven pieces of research to figure that out. And more work will be coming. So without the VA, who is going to do that?

Training, the VA trains 70 percent of the doctors in the country. Without the VA, who is going to train those doctors? It's the primary source of residencies for medical schools. So when I ask the medical school deans, "We need more doctors." We need more doctors in Montana. We need more doctors in Wyoming. We need more medical schools. We're working to create a medical school in the University of Nevada-Las Vegas. They say to me, "That's part of the problem." But the bigger part of the problem is we need the residencies.

Congress has given us more residencies with the Choice Act and with the Clay-Hunt Act. But we need even more. The VA is the largest employer of nurses, the largest trainer of nurses. And then, of course, the third leg of that stool is clinical care. So to deal with mental health, because we are who we are, and because we're on the cutting edge of mental health, traumatic brain injury, post-traumatic stress, we will try any technique, any treatment that may work.

We found that acupuncture is effective with some people. We are the largest user of acupuncture in the country. We found equine therapy is effective with some users. So we have equine centers around the country to be able to use them with veterans. I could go on and on. There are many different techniques that are effective that a for-profit system will never figure out.

And so it's up to us to figure it out, write the reports, write the research, do the literature, and create new standards of care. One of the things we're going to do, it's coming up this spring, is we're going to hold a mental health summit here in D.C. We're inviting everybody who's an expert. We've already done one of these. This will be our second. We're going to invite the NHL, the NFL, people suffering similar brain injuries, so that we can spread knowledge and make sure we're all working synergistically to figure these things out rather than at cross purposes or in redundant way.

JOHN HUGHES: This questioner says, women veterans are often invisible to the VA. They are also the fastest growing population of the homeless. What is your plan to outreach to women vets nationwide, informing them of VA benefits?

ROBERT McDONALD: The question is correct. Women veterans often don't identify themselves as veterans. All veterans feel inadequate because they feel like there's someone who's done more than they have. We find some veterans think that the word "veteran" means only if you've served in combat. We find that some veterans think that the word means only male. So we are outreaching to female veterans all over the country. We're hiring more providers for female veterans, more obstetricians, gynecologists. We're also setting up women's clinics in most of our major facilities. If whoever asked that question is here in Washington, D.C., if you could go to our Washington, D.C. Medical Center, ask for Brian Hawkins, he's the medical center director, and take a look at our new women's clinic there, I'm quite proud of it. And I think some really good work is going on there for women.

Same thing in Atlanta, Georgia. We got some space for the Department of Defense at Fort McPherson. We set up a women's clinic there. We have women's clinics going in all over the country. The questioner was right. Women are about 11 percent of veterans today, not too distant future, 20 percent.

JOHN HUGHES: We are almost out of time. But before I get to the last question or two, I have some housekeeping. The National Press Club is the world's leading professional organization for journalists. And we fight for a free press worldwide. To learn more about the Club, go to our website, press.org. To donate to our nonprofit Journalism Institute, visit Press.org/institute. I'd like to remind you about upcoming speakers. American humorist P.J. O'Rourke will discuss his book *Thrown Under the Omnibus* this coming Tuesday at 6:30 p.m. The Club will hold its 38th Annual Book Fair and Authors' Night in partnership with Politics and Prose on November 17th at 5:30 p.m. We have more than 100 authors who will be here in the Club. And there are so many of them that are noteworthy, I won't even begin mentioning a few of them. And Deborah Lee James, the 23rd Secretary of the US Air Force will speak at a Club Luncheon on December 2nd.

I would now like to present our guest with the traditional National Press Club mug, the greatest keepsake of the National Press Club. [applause]

ROBERT McDONALD: Thank you John.

JOHN HUGHES: You were here a year ago, so you've now got your collection started. And we hope you come back in one year for your third, because you really have to get the larger set to get the full experience of the Press Club mug. So Mr. Secretary, you have been at the VA for more than a year now. Compare the challenges of running such a large government agency with those of running such a major corporation as Procter and Gamble, as you did. How are they alike? How are they different? How do the challenges differ?

ROBERT McDONALD: Well I think the thing that's alike is what you could call the burden of big numbers. You know, we have nine million veterans in our healthcare system regularly. If you make a mistake half a percent of the time, that's still a very big number. Just like I talk about the seven million more completed appointments, but I also talked about the tail. If you're living in a place like Phoenix or Hampton, Virginia, where the veteran population is growing very rapidly, you don't care what's happening elsewhere. You don't care about the five days for specialty care average, the four days for primary healthcare. So big numbers is—is really a big deal.

How do you be perfect across that system? That's why Lean Six Sigma and Design Thinking are so critical to train the organization in. Secondly, I would say one of the differences is at Procter and Gamble, while we had healthcare business, it was things like Vicks and over-the-counter remedies. Whereas here, we're in the healthcare business where people have catastrophic injuries. And that—that also makes for, you know, a difficult situation where there's no room for—for errors. So those are differences.

A big difference for me was I had spent 33 years with the company, and I had lived and worked all over the world, 16 of those 33 years outside the United States. Lived in Japan, Brussels, Canada, Toronto, Canada, Manila in the Philippines. Here I've just been on the job for a little bit over a year. So how do you compress all of that 33 years of knowledge, experience, knowledge of the people in such a short period of time? And that's why, when I got the question about why does it take you so long to fill a leadership vacancy, it was easy when I knew somebody for 33 years. It's a little bit more difficult today. So those are some of the differences.

JOHN HUGHES: So more and more veterans are running for elected office. Has this been helpful to you in the VA? And also, it's the campaign season. We're hearing a lot from candidates on the campaign trail. What do you think, in terms of the veterans' issues? Are you hearing enough discussion of veterans' issues out there or not?

ROBERT McDONALD: I am always glad when veterans' issues are raised. I just wish that there would be more fact-checking on some of the numbers that are used, because there are a lot of myths out there. And what I have tried to do today was to give you both the good and the bad, both the things we have accomplished, but the challenges that we have. Maybe I'll leave it at that. [laughter]

JOHN HUGHES: As far as the more candidates getting elected who are veterans, is that also helpful?

ROBERT McDONALD: Well, I think—I think it is helpful when you have more people with—you know, with veteran experiences that are writing laws. But there's no question that we're going to keep moving in a direction where very few of our elected leaders, or at least not as many as in the past, were veterans. So that's why I think it's critically important that, rather than having veterans at the center of a political issue, and using veterans as a political pawn for one party or the other to play "Gotcha" with the President, their administration, or the Department of Veterans' Affairs, it's better that we work together, we have hearings on what we want to do to change the future, rather than what happened two years ago or three years ago, where everybody writes their questions in such a way to play "Gotcha."

I mean that was—I guess if you asked me about differences, coming from the business world, I'm just not used to this, where somebody behaves one way privately to you and then a different way on camera, and they work hard to write a question that you might answer incorrectly. I mean let's work together, all work together, all of us, including everyone in this room, strategic partners, members of Congress, and let's all work together to do what's right for veterans, and forget this gamesmanship. It just doesn't make sense.

[applause]

And just to be clear, I think we do have tremendous unanimity today. But also, I will tell you that I am not running for political office. I am in this for only one reason. I came out of retirement for one reason, and that was to do this job. So the Lord has put me here to do it. I'm going to do it to the very best of my ability. And you know, we're going to make the changes we need to make and let our veterans decide whether or not we've made the changes to do the right thing.

[applause]

JOHN HUGHES: Thank you, Mr. Secretary. I'd also like to thank the National Press Club staff including its Journalism Institute and Broadcast Center for helping to organize today's event. If you would like a copy of today's program, you can find one at the website, press.org where you can also learn more about the National Press Club. Thank you so much. If you could stay in your seats until the Secretary leaves the room, I would appreciate that. Thank you so much. We are adjourned. (gavel)

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