

NATIONAL PRESS CLUB LUNCHEON WITH ROBERT A. MCDONALD

SUBJECT: U.S. VETERANS AFFAIRS SECRETARY ROBERT A. MCDONALD WILL DISCUSS HIS EFFORTS TO IMPROVE SERVICES TO AMERICA'S MILLIONS OF VETERANS

MODERATOR: MYRON BELKIND, PRESIDENT OF THE NATIONAL PRESS CLUB

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MYRON BELKIND: (Sounds gavel.) Good afternoon, and welcome. My name is Myron Belkind. I'm an adjunct professor at the George Washington University School of Media and Public Affairs, a former international bureau chief with the Associated Press, and the 107th President of the National Press Club. The National Press Club is the world's leading professional organization for journalists committed to our profession's future through our programming with events such as this while fostering a free press worldwide. For more information about the National Press Club, please visit our website at press.org.

On behalf of our members worldwide, I'd like to welcome our speaker and those of you attending today's event. Our head table includes guests of our speaker as well as working journalists who are Club members. And so if you hear applause in our audience, I'd note that members of the general public are attending, so it's not necessarily evidence of a lack of journalistic objectivity. I'd also like to welcome our C-SPAN and Public Radio audiences. You can follow the action on Twitter using the hashtag NPCLunch. After our guest's speech concludes, we'll have a question and answer period. I will ask as many questions as time permits.

Now it's time to introduce our head table guests. I'd like each of you to stand briefly as your name is announced. From your right, Pat Host, reporter, Defense Daily. Lucas Wisoki, media producer for Bankrate.com. Ken Delecky, freelance editor and Commander of the National Press Club's American Legion Post 20. Latrice Prince Wheeler, healthcare systems specialist in the Veterans Health Administration and guest

of our speaker. Josh Taylor, Deputy Assistant Secretary for Public Affairs and guest of our speaker. Jerry Zremski, Washington Bureau Chief of the Buffalo News, Chair of the Speakers Committee and a former National Press Club President.

Skipping over our speaker for a moment, Kevin Wensing, U.S. Navy retired, and a Speakers Committee member who organized today's event. Thank you, Kevin. Bob Snyder, Principal Deputy Assistant, Secretary for Policy and Planning, and guest of our speaker. John Fales, also known as SergeantShaftofMilitary.com. Anthony Schott, cofounder of Social Driver and National Press Club Board of Governors member. And Virgil Dixon, reporter with Modern Healthcare.

[applause]

As 2014 unfolded, the U.S. Department of Veterans Affairs came to look like an agency very much in need of management. Reports surfaced of delayed care at VA hospitals and a cover-up of records, as well as long waits for the processing of benefit claims. Those troubles led to the resignation of the previous Veterans Secretary, Eric Shinseki, and the appointment of a successor with strong management credentials. He is our guest today, former Procter and Gamble Chairman and CEO, Robert McDonald.

[applause]

McDonald has said he has a 90-day plan for rebuilding the trust of veterans in the American public. And he wants the new vision in place by Veterans Day, four days from now. We hope to hear a preview of that plan today. McDonald has some new tools to work with in trying to improve the agency. New VA Secretary enters public service with a strong private sector résumé. A 1975 graduate of West Point, he served in the Army for five years, and then went to work at Procter and Gamble.

McDonald started out as a brand manager for Tide and went on to head various international divisions before taking the helm of P & G. Under his leadership, the company increased its customer base by one billion, and increased its stock price by 50 percent. The VA is even bigger than P & G. [laughter] I guess you knew that. It serves more than nine million veterans and their families each day with a staff of 312,000 and a budget of \$164 billion dollars.

The VA provides healthcare, disability compensation, and rehabilitation, education assistance, home loans, burial in a National Cemetery, and other benefits and services. Here to tell us about his plans for the VA is Secretary Robert McDonald. Please join me in giving him a warm National Press Club welcome.

[applause]

ROBERT McDONALD: Thank you so much. And thanks to Myron for having me. And also many thanks to Kevin for initially inviting me when we were together in Cincinnati, Ohio at a USO event. And thanks also to Shaft, who I think it was the first or

second day of my nomination process, where Shaft contacted me via email and said I have to come to the Press Club. So I appreciate the warm welcome that I've had. And it's great to see so many familiar faces in the audience.

It is true that the VA is larger than Procter and Gamble in many ways. We have about 340,000 employees. Our budget is over \$155 billion dollars. But, in many ways, Procter and Gamble is also bigger in a very important way. Procter and Gamble, on any given day, five billion people on the planet use at least one Procter and Gamble product. That's five out of seven. And, as we-- As Myron so nicely pointed out, during my tenure as CEO, we increased by a billion. And many of those people were in developing markets. They were people that we hadn't reached. But we're not going to rest at the Procter and Gamble Company. Or the Procter and Gamble Company won't rest until we get to everybody on the planet, because our products improve people's lives.

Now the reason I tell you that is I think this is a good reason for why President Obama decided to nominate me, and why the Senate confirmed me so quickly, is the expectation is, at the VA, we have lots of customers. Myron talked about that. We have nine million veterans in our healthcare system. But there are 22 million veterans in the United States. What we need to be about at the VA is improving our customer service. And that is at the center of everything we're doing in the road to Veterans Day and beyond.

So I'm going to talk about what we're doing. But I think it's really wonderful to be here on this day that is, I'm assuming, your last meeting before Veterans Day. It's wonderful to be here. In fact, we were talking-- Kevin and I were talking that maybe we should do this every year, and every year I could come back and give you a state of the VA discussion over lunch.

[applause]

I know my friends from the VA up here are probably cringing that I just made that commitment. [laughter] But I thought the lunch was pretty good, Bob. What did you think? Anyway, every year on the 11th day of the 11th month all Americans reflect on life. And we pay tribute to the men and women who made our way of life possible. This is always a solemn day. We celebrate the service, the sacrifice, the enduring achievements of almost 22 million living Americans who have served our nation in uniform, both at home and abroad, during times of war, and during times of peace.

Individually and collectively, veterans are the life blood of democracy. As President Obama recently reminded us, when the world is threatened, it calls on America. And we call on our troops. In the coming days, countless ceremonies will be held across the country. Americans will pause to honor those who earned the title of "veteran," men and women who gave themselves no matter what day. But, on that day, we will pay tribute, that single day, we will pay tribute to them and honor them. And no words of appreciation can fully capture what we all owe them.

Employees of the department, thank you. I agree with you. [laughter] Employees of the Department of Veterans Affairs are privileged to serve the American veteran. There's no higher calling. And that's why I took this job, because for me, every single day is Veterans Day, every single day is Veterans Day. And that's why I love this job. Since getting to VA at the end of July, I embarked on a road to Veterans Day. Myron talked about it, to get immediate reform going at the VA. I've been to 21 different cities. I've visited 42 different VA operations. I've spoken with the Deans and spoken to the students at 11 medical schools. In case you're not aware, I'm hiring nurses, doctors, any of you with a medical degree, please come see me.

And we've been meeting with veteran service organizations. I see Bob here, and I'm thrilled to see Bob. Non-government organizations, members of Congress, members of state governments, members of county governments, city governments. And I've met with union officials. And what I've told them all is, this is a big task to try to care for our veterans in the right way. We can't do it alone. And one of our key strategies is strategic partnerships. We embrace everything you want to do to help veterans. And come partner with us, and we will work together.

This 90-day plan which we call "The Road to Veterans Day" focused first on rebuilding trust. Rebuilding trust is our first strategy. We know that trust has been compromised with the VA. And we know we have to earn it back one veteran at a time. In that regard, I think we have the right mission. That is to care for the nation's veterans. They are our customers. And everything we do is focused on them. Without them, we have no reason to exist.

I think we have the right values. Those values are signified by this acronym I CARE, a button you'll see many of us in the VA wear. Those values are integrity, commitment, advocacy, respect and excellence. These values define our culture. And they define the behaviors that we'd all like to see by every employee in the VA.

So not surprisingly, on my very first day as Secretary, I asked for every leader in the VA, and every employee in the VA, to recommit themselves to our mission and to our values. This was not a trite exercise. My expectation was that every leader in VA would get together with their organization, would sit down, talk about our mission, what that mission means, what the implications are for their area of our business, and then talk about our values and where those values may have been compromised in our organization.

I made it clear, very clear that anyone in our organization who violated those values will be held accountable. And I'm convinced that we have, with this mission, with these values, the framework in place to create the change that we need to make.

Let me talk a little bit more about accountability, because there's been a lot of discussion about accountability in the media. Every leader, as I've said, has talked about our values with their teams. And I talk about their meaning and purpose everywhere I go. Of those 41 different sites that I visited, in every single one I have a town hall meeting

with employees. I have a meeting with the leadership of the organization. I have a meeting with the whistleblowers in that organization. I have a meeting with the union Presidents. And I have a meeting with all stakeholders. And, in every single case, I talk about our mission and our values.

We have, right now, proposed more than 40 disciplinary actions so far. And we have over 100 investigations currently underway within the department. Some are led by the IG. Some are led by the Department of Justice. Some involve the FBI. Some involve the Office of Special Counsel. And others involve, obviously, an accountability team that we stood up. We call it the Office of Accountability Review. It's a small organization that reports directly to me.

Right now, we are tracking about 5,600 disciplinary actions over the past year. Some of those 5,600 are already completed. Yesterday I reported that we have about 2,000 going on right now. But we are very serious about making sure that we hold people accountable for their actions.

When all of these investigations are done, and there's a hierarchy to the hierarchical order of these investigations, when the FBI obviously has the highest position, because they're talking about criminal investigations, all of the evidence is passed down to us. And we then can use that evidence to take the appropriate action. And we do so in accordance with the law and in accordance with the Constitution of the United States.

Currently, we have been certified by the Office of Special Counsel under the Whistleblower Protection Certification Program. This was very important to me because we had evidences of whistleblowers being maltreated by their superiors. I wanted to make sure we went through the certification process. And every time the Office of Special Counsel has identified retaliation taken against whistleblowers, we have taken the steps to put them in appropriately new jobs, better jobs, so that they can continue their careers. And we have thanked them for their input. Why? Reminds me of a story.

I was once with Chancellor Angela Merkel. And we were talking about the Procter and Gamble Company in Germany. And she was complaining about the fact that she had to get reelected every so often. And I said, "Excuse me. Excuse me, Madame Chancellor. But your election is periodic, just like we finished a two-year election cycle for the House, a six-year election cycle for the-- six-year election cycle for the Senate. Well, at the Procter and Gamble Company, you have five billion people voting every single day. Every day you shave your face with a Gillette razor, every day you use Tide detergent, you are voting on the Procter and Gamble Company."

At the VA, we have people voting every day. We have nine million people voting every day on the quality of our healthcare. We have 22 million veterans voting every single day on whether to connect with us for benefits, for GI bill, for loans, student loans, for mortgages. That's the way we look at it. And, in order to do that well, we've got to

have the criticism from employees. And we've got to have employees involved in our change efforts.

Bob Snyder, who is sitting up here with me, is one of the reasons I brought him here was to recognize the great work he's doing. He's helping me lead the change effort. And one of the things that Bob and I have talked a lot about is that we need to set up teams of employees all over the country that can participate in our change efforts. Who better to change the way we do our work than the people who actually do the work? I mean this isn't brain surgery or rocket science. This is the way great companies change themselves.

Bob has been around to 22, I think it is, different sites. He's held meetings. And we have now deployed individuals on these teams that are going to be helping us lead the change effort. I want every single employee to help us understand how to improve our service to veterans. And that doesn't just mean protecting whistleblowers. It also means changing the culture. And that's what we're in the process of doing.

Our Road to Veterans Day initially focused on accelerating the access to care. That's our second strategy in addition to rebuilding trust. We need to deliver better care. I have to thank my West Point classmate and my dear friend of over 40 years, Sloan Gibson, who served as Interim Secretary and is now Deputy Secretary, for the way he helped pave the Road to Veterans Day before I was confirmed.

Under his leadership, we began to surge resources to sites where we needed more doctors, more nurses. I heard in the facilities across the country how we have been providing longer clinical hours. We've been moving mobile vans to various locations. We've been asking our employees to work overtime. And we've been trying to do everything we can-- We've been using TeleHealth in a better way. This is a way to use broadband to get your work done, particularly for veterans who may be in rural areas.

We have been reaching out to veterans who are on wait lists. And we have asked them, you know, "When would you like your appointment?" And we're getting them appointments in the clinics. Wait times are decreasing. VA has scheduled more than 1.2 million more appointments in the past four months than in the same period last year, 1.2 million. In total, VA medical centers have scheduled over 19 million veteran appointments from June to October. There's no medical system in the country that can do that.

We're authorizing 1.1 million non-VA healthcare appointments. That's a 47 percent increase over the same period last year. We've reduced the national new patient primary care wait time by 18 percent, meaning if you're a veteran, and you want to see a primary care physician, the wait time is down to 18 percent. In many of our geographies now, because we've hired the physicians we need, the wait time is basically walk in, or less than 30 days. We'd like it to be less than 30 days everywhere.

Right now, we've completed 98 percent of appointments within 30 days of the day that the veteran preferred to have the appointment. Notably, in Phoenix, which was the first medical center that had a problem, and was the first place I visited, we now have patient care primary wait times down 37 percent since June.

In my discussions with employees, with veterans, and stakeholders, I've seen that long-term care, long-term reform is necessary in the VA. That's our third strategy. So our first strategy is rebuild trust. Second strategy is improve care and service. Third strategy is plan and reform for the long term.

We think about this strategy in the context of a reform effort we've undertaken called My VA. The reason we call it My VA, it's what I would like all of the veterans to think of when they think of VA. The VA is not this monolithic black box, hard to understand, hard to reach. It's human beings. It's all of us sitting here on the dais. It's people wanting to take care of our veterans. And we want every veteran to think of us as a warm hug. We want veterans to want to come, be with us, and to think of this VA as their own VA.

My VA will provide veterans with seamless integrated and responsive VA, whether they come to us digitally, by phone, or in person. One of the things we know about customers, customers want to come to you a certain way. And, as a business, you've got to be willing to help them get to you in the way they want to, at the time they want to, and for the service that they want.

As many of you know, I gave out my cell phone number publicly at my first national press conference. [laughter] It has been republished twice by the *Washington Post*. And I had the great joy last night of having some other people publish it from a breakfast I had with them yesterday morning. It didn't take long for veterans to realize what my number was or what my email address was.

But, you know what? I did this on purpose. I did it on purpose for one single reason. I was trying to communicate to veterans how we care for them. I care for them so much, I want them calling me. I want them texting me. I will try to solve their problems. So far I've had about 850-900 calls or texts. So far we've been able to work through about 30 of them. [laughter] And let me restate that, 30 to a positive conclusion, not 30, that's all we've dealt with. We deal with them within weeks of when we get them.

But the 30 that have had the positive conclusion, I can't tell you how rewarding it is to get the call back, which often comes, saying, "You know, I've been struggling with this for months. Thank you for helping me." Or a homeless person saying, "I now qualify for the disability benefits. I got my first check. I'm no longer homeless." This is what makes all of our jobs at the VA tremendously rewarding.

We're reviewing all of our operations to figure out how to reorganize the department for success. And obviously, the implementation of the new act, the Veterans

Access Choice and Accountability Act, is underway and is an important part of our service to our veterans.

Yesterday we began sending out cards to veterans who are most in need, those beyond the 40-mile limit in the legislation from our facilities. The Veterans Health Administration is working to make VA healthcare more veteran-centric under something we call the Blueprint For Excellence. The Blueprint For Excellence is a strategic plan for our healthcare system going forward. We asked Jonathan Perlin, Dr. Jonathan Perlin, who is the Chief Medical Officer at HCA, one of the largest healthcare networks in the country, and a former Undersecretary of Health, who worked with our interim Undersecretary for Health, Carolyn Clancy, Dr. Caroline Clancy, to put together this list of strategies that we're now going to deploy people against in order to change our healthcare system, and return it-- In large measure, we are a best in class in many areas, but to return it to preeminent class in every area.

As you also know, we need doctors and nurses. And that's why I went on a recruiting binge. I've been trying to set the example. I've been to 11 medical schools I started at the Duke Medical School. You may not know this, but we have relationships between the VA and most of the great medical schools in the country, where the doctors who teach in the medical school do their clinical work at the VA and do their research at the VA. And that three-legged stool is what makes the VA so essential for American medicine.

I spoke at the Institute of Medicine not too long ago here in Washington, D.C. at their annual convention. I received a standing ovation. It wasn't about me. What it was about is the role, the important role that the VA plays in our country in American medicine. It's a place where we do research that nobody else will pay for, because our veterans need it. It's a place where we do clinical work with our veterans every single day. I would argue the very best patients in the world. And it's a place where doctors can take that clinical work and that research and go into the very best medical schools in the country, Duke, Harvard, Penn, Stanford, and teach.

So we're very proud to have these associations, because what it means for our veterans, the nine million veterans who use our healthcare system, is they get the very best doctors in the country. I'm a big fan of Stephen Covey. Stephen Covey wrote a book called *Habits of Highly Effective People*. And one of those habits is, if you want to learn something, teach. So I love it when our VA doctors teach in the best medical schools in the country, because that tells me they're providing the best clinical care to our veterans every single day that they work in our clinics.

So we're going to continue to do that. One of the things we had to do to improve retention of our doctors is to take a look at the salary scales. Our salary scales hadn't moved for a number of years. So before I went out recruiting, I raised the salary bands for our doctors. It was done by location, by specialty. So doctors that perform have more headroom in the salary bands. It's helping us recruit new doctors. We're taking a look at nurses right now for the same reason.

Now, as you think of our Veterans Benefits Administration, we have reduced the claims backlog by 60 percent, which is really significant progress. I think it's, frankly, one of the most profound transformations of government business that I've seen in my career. How did we do it? Well a lot of it is due to using IT as leverage. We created a system called the VBMS, or the Veteran Benefits Management System. Now the majority of claims are done in digital format, rather than paper. And, as a result of that, the claims can be handled much more expeditiously. And, as a result, we've been able to drive that down by 60 percent.

In case of-- Everybody knows about our healthcare system. Generally, you know about our Benefits Administration. Another administration that really doesn't get much credit, but really deserves a lot of credit, is our National Cemetery Administration. It actually was the genesis of the forerunner of the VA. It was Abraham Lincoln who said in his Second Inaugural Address, that "We have to care for he who bore in the battle for his widow and his orphans." We don't say that any longer. We paraphrase it, because 11 percent of our veterans are women. And 20 percent of DoD today is women. So we know that percentage will increase. So we say, "For those who bore in the battle." But during the Civil War, soldiers died on the battlefield and were buried on the battlefield. There were no dog tags.

When I was in the 82nd Airborne Division, I would wear a dog tag around my neck. I'd put one in my boot in case my body got separated. There were no dog tags in the Civil War. And there was no way to identify people. And there was no military procedure of writing home about the death of a loved one.

So it was President Lincoln who initially worked with Congress to pass the law to put aside federal land to put-- to bury Civil War soldiers. It was the early Sanitation Commission, the forerunner of the VA, that actually dug up the soldiers. We dug up and identified about 67 percent, two-thirds of the soldiers who fought in the Civil War who were unidentified. And those were the people who began populating our National Cemeteries today.

So, if you want to do a course in Civil War history, come see me. We've got great cemeteries. We've got great people knowledgeable about history, who can teach you about what we learned.

I didn't want to leave out another one of our strategic objectives, which is to decrease homelessness. President Obama and Mrs. Obama, the First Lady, have been very big on the reduction of homelessness. We have an interagency committee made up of HUD, Housing and Urban Development, VA, and Labor, where we work on homelessness. We just had a meeting just a few weeks ago, which Tom Perez chaired. Veteran homelessness is down 33 percent. And Secretary Shinseki deserves enormous, enormous credit for what's been done with veteran homelessness. But I got to tell you, if there's one homeless veteran, it's one too many. So we're not giving up. We're continuing to work very, very hard to do that.

[applause]

Let me close by saying that I am personally convinced that this job can be done, that these reforms can be executed, that we can care for the veterans the way we should be caring for them. And I've seen it. I've seen it in best practices around the country. I saw it in Palo Alto, where our Palo Alto facility, which is populated by doctors who teach at Stanford Medical School, is one of our foremost facilities in the use of lean management techniques to grade operations.

I've seen it in places like the Bronx, where we have Ann Spungen and Bill Bauman, who developed something called the ReWalk and the Exoskeleton to help paralyzed veterans walk. This isn't a circus trick. This is done because if a paralyzed veteran walks, their muscles get exercise. Their bones don't have osteoporosis. Their gastrointestinal system works for the first time.

I've been to other places, where I've seen tremendous success. Our National Cemetery Administration recently was rated number one in customer satisfaction according to the American Customer Satisfaction Index. This is an outside party. They rated it higher, they rated NCA higher than Google, higher than Lexus, higher than some of your favorite brands. So we know we can do this.

I've seen work at our benefits offices, where we've driven down the backlog of claims. I know we can do this. What encourages me is the employees, the employees of VA. They're committed to veterans. They're inspired by the high calling that we all have. And what we simply need to do is work together to reform what we do, improve veteran outcomes, and make sure we take care of the 22 million veterans in this country.

Thank you very much for your attention. I look forward to your questions.

[applause]

MYRON BELKIND: Thank you, Secretary. Thank you, Bob. What have you learned about how the problems at the Phoenix VA Hospital, the delayed care, and the falsified records happened? And what have you done to make sure that those problems don't occur elsewhere in the future?

ROBERT McDONALD: The big issue here is making sure that, when an organization has a metric, that the metric doesn't get confused for an outcome. And when I look at what we need to do in VA, I see an increasing need for more doctors, more nurses, and frankly, more money. Let me give you an example. I came in, I did an analysis of when does the effect of a war peak on the VA? Now you would think, okay, well soldiers are coming home from Afghanistan and Iraq. Many of them, if not most of them, will be home by the end of this year or next. Forty years. Forty years is when the peak demand occurs for a veteran serving in a war, 40 years from the end of the war.

Why is that? Because people age. I was in the A Second Airborne Division. I have parachuted about 60 times. I had a kidney stone. The doctor did what's called a KUB x-ray. He said, "I have good news and bad news. Good news is, I found your kidney stone. It's still high in your kidney. We can zap it, break it into pieces. You'll pass it. Bad news is, you have no discs in the lower back. The L1 and L2 are missing. Have you ever parachuted?" [laughter] Yes. And, as I age it's harder and harder for me to sleep through the night. It's harder for me to stand for long periods of time. But that doesn't occur when you're 25, 30 or 40. It starts occurring when you're 60, 61 like I am.

So what we need to do is work with the President, work with members of congress, to help them understand what we need, what the capability needed is, what the demand is. And make sure we get budgets and programs to fit that capacity. So, if you asked me what was the issue in Phoenix, the issue was two things. One, demand was way beyond what capacity was. And that's why we've hired-- When I went to Phoenix, we needed 1,000 new doctors, nurses, medical professionals. We've hired many of them already.

We also needed new facilities. Good healthcare systems have three rooms per primary care physician. At Phoenix we had one. So you simply can't get the people through the system fast enough. So the new law gives us 27 new facilities. One of those is in Phoenix. So we can increase the space.

The second part of it, which I initially started talking about, is the culture. You just can't have a culture where a process metric becomes an outcome metric. And in Phoenix, the 14-day metric became what drove the culture, rather than good outcomes for veterans. That's why I started my talk with the mission and the values. You always got to start there. It's the mission and the values. Don't let any other metric get in your way.

MYRON BELKIND: The VA Inspector General's report this summer downplayed the links between the delayed care in Phoenix and the 40 deaths that a whistleblower said could have resulted from the delays. Recently, emails surfaced showing that acting VA Secretary Sloan Gibson, who you paid tribute to today in your remarks, corresponded with the acting Inspector General to encourage him to include that language downplaying those links in the report. Was it appropriate for Gibson to seek changes to an Inspector General's report? And was it appropriate for the IG to act on Gibson's suggestions?

ROBERT McDONALD: We take every veteran outcome incredibly seriously. And the fact that veterans in Phoenix weren't getting the appropriate care that they had earned, we all take very personally, very personally. Because these are the guys we all served with. And when I think back to the guys I served with, it becomes very, very personal. You should know that. It becomes very personal.

And to think that there's some shenanigans going on for political purposes by a man as honorable as Sloan Gibson, who has also served his country, went to West Point, served his country, and has agreed to serve again, ladies and gentlemen, I mean he was

very successful in business. And he's come back to serve again. I just-- I can't comment on how that upsets me.

The normal process in government, and those of you who are here in Washington, I'm sure you know this, is an Inspector General always has an arm's length relationship with the department they serve. I want that. In fact, one of the first things I did on day one was I went to the IG's office and I spoke to the assembled group, including the Inspector General himself. And I said, "I want you to be as tough as you can possibly be on our department, because we can't get better without you being tough on us."

Now, I've run companies. I've been on the boards of companies. I've been on audit committees. And this is what the role is, is that you've got to be tough if you're going to find a way to improve. So as part of that talk, I asked our Inspector General, "Please give me all of the issues you've identified that you believe have not been remediated yet." And they had to do some work, but they went back through all their historic files. They found all of those. And they have provided those to me. And we've now set up groups of people to remediate those issues. And I intend to try to remediate every single one.

But the process that's followed in government is, when the IG creates a report, is they send it to the affected department. This is what they normally do. They send a draft and they ask for comments. They ask for comments because the most effective IG, the most effective audit committee in the company is an audit committee that works with you to correct problems. It's not a "got you" exercise. I mean certainly, part of it is "got you." But they work with you to improve the department.

And I'm sure, when the IG sent the report over, his expectation was, you know, "Help me improve the report. Help me be clear on the issues." Now, during the Inspector General's testimony in the House Veterans Affairs Committee, he said that the report was not affected by anyone. The final report was not affected by anyone outside the IG's office.

MYRON BELKIND: Based on what you know, do you think any deaths happened in Phoenix because of the delayed care? And if so, will we ever know how many people died because of this?

ROBERT McDONALD: I think that questioner didn't hear my answer to the last question. But that's because it was submitted ahead of time. Again, any veteran outcome that's adverse in our facilities, I take personally. That's all you need to know.

MYRON BELKIND: Thank you. Sharon Hellman, the former director of Phoenix VA Medical Center has been on paid administrative leave for six months. The VA's own IG report demonstrated negligence on her part. When are you going to use the tools given to you by Congress and simply fire her?

ROBERT McDONALD: The new Act gave us basically one new tool. And that one new tool is to shorten the appeal time of a senior executive service government

employee. That's an SES employee. That's one class of employee. That one class of employee is less than one percent of the 340,000 people that we have. So the appeal time was halved. And we're grateful for that. We're grateful for that. But that's the only change.

As I said, there's a hierarchy to investigation. And the administrative disciplinary action that I take is, in a sense, lower in hierarchy than criminal prosecution. So while the FBI is investigating, the last thing they want is for me to be involved rooting around, because they're trained criminal investigators, and our people are not. They need to do the criminal investigation. And then, once that's done, if they-- if the Department of Justice chooses not to prosecute, then it comes back to the department, and we take our disciplinary action. We are poised and ready on every one of those 100 investigations I told you about. But we need to make sure the criminal prosecutions and investigations run their course before we do.

Now I'm sure I'm going to get the question, so let me preempt it. [laughter] I'm sure I'm going to get the question of, why do you let people retire rather than firing them and not allowing them to have their retirement money. And let me be very clear on this. If you look at the law, the law does not give a government agency the ability to claw back the retirement that somebody has earned over a career. That is theirs by the Constitution, by the law, that's theirs, unless-- unless they create-- unless they commit treason or some other salacious act.

So far, we've not, you know, the FBI has not found or the Department of Justice has not found treason. This is also true in the private sector. You will have a hard time convincing a court that you can take away somebody's retirement earned over their career because of an administrative action.

Did you have that question in your pile, Myron?

MYRON BELKIND: No, but I'm glad you had that. thank you. [laughter]

ROBERT McDONALD: Free. That's free. [laughter]

MYRON BELKIND: We ask these questions because we want to hear your answers. And I'm sure you're eager to give them. The problems in Phoenix were not isolated. A year earlier, it was revealed that nurses at the Buffalo VA Medical Center were reusing insulin pens and possibly exposing veterans to HIV and hepatitis. And this year it was revealed that staff at the Buffalo VA were using improper sterilization procedures on medical equipment. Have these sorts of problems recurred elsewhere? And what is the VA doing to prevent these problems from recurring?

ROBERT McDONALD: I think this is my 101st day in position. But I have watched all of the hearings. And I think it was Congresswoman Kaufman who, during one of the House hearings, held up an IG report, I think from the year 2003, and talked about access issues in 2003, 2003. So, you know, yes there have been a lot of issues.

I think the learning from that, for me, is we've got to get ahead of this. We've got to recognize that we need to build a capability that we don't have today. And that we just fought a war for over 12 years, 10-12 years, and we're not going to see the full impact on those veterans for 40 years. So let's stop thinking about the past. That's important to teach us what to do in the future. We've done that work. [applause] But let's talk about what we have to do to build that capability so 20 years from now, we're not looking at this again. Again, that report was in 2003. And some of the members on the committee were there in 2003.

[applause]

MYRON BELKIND: From your perspective of your first 100 days in office-- and thank you for being here on that important milestone-- how much do you feel the current problems in the VA is based on the organizational structure of the VHA?

ROBERT McDONALD: Well, as I said in my remarks, we're looking at-- Part of our My VA reform process is going to be looking at the organization structure. Generally, when I think of a high performance organization, I think of the purpose and the values of the organization being the foundation. You've got to attack that first. Second, technical competence. If you're a doctor, are they good doctors? If you're a nurse, are they good nurses?

Then you've got four pillars: leadership. Do you have the right leaders? We're working to get the right people on the bus. We're working to get them in the right seats on the bus. We've hired a number of people recently, but we've got some other hiring to do. Do you have the right strategies? That's Bob. He's the guy who owns the strategies with me. And we're working to look at the strategies, renew the strategies, and then deploy the strategies.

Systems. Do you have the right systems? Repeatable processes. Do they lead to good outcomes? Structure. Do you have the right structure? Culture. Do you have the right culture? And I've already talked about how we're working on culture. So there's nothing that's sacrosanct. The employees will help us change VA to be much more veteran-centered.

MYRON BELKIND: I know you might be reluctant to speak about your predecessor, but let me ask the question. Why do you feel General Eric Shinseki, a wounded combat veteran and former Army Chief of Staff, failed in his tenure as Secretary of Veteran Affairs? And what have you learned from his mistakes?

ROBERT McDONALD: I think for the last few minutes, I have talked about what I have learned. General Shinseki is an honorable man. He's a great American hero. I love him. I worked with his wife on our fundraising committee at West Point. Do you know that at West Point the government only provides about 85 percent of the money we need to train our future Army officers. And you can imagine the people who stay in the

service don't have money to donate. So it's up to people like me and Sloan and others who have had success in the private sector to donate that money.

So I honor General Shinseki. And I have been in touch with him. I have thanked him for what he's done. The work to reduce homelessness by 33 percent, I defy you to find another example in history where a country has been able to drive homelessness down by that much, that quickly.

[applause]

MYRON BELKIND: You have a distinguished record as a manager. But no background in healthcare, which is central to the VA's mission. How then do you expect to be able to manage the VA's massive hospital system?

ROBERT McDONALD: Just to correct the record a little bit, I do have experience in healthcare. Procter and Gamble company has a healthcare business. I hope you use Vicks products. Vicks is ours. [laughter] [applause] We had, during my time, we had a concierge medical service called MDVIP. Some of you may be enrolled in that. And we spent, at Procter and Gamble, during my time, we spent about 2.1 billion dollars a year on research, much of it in healthcare. We have a pharmaceutical business, Actinol, Prilosec. So no, I'm not entirely new to healthcare. I am new to a hospital system. And that's why you hire smart people.

[applause]

MYRON BELKIND: Building on that, what lessons learned from your tenure at Procter and Gamble do you hope to apply at VA? And what are your measures for success?

ROBERT McDONALD: I would refer everybody to the internet. And if you go on the internet, and you search Bob McDonald Values-Based Leadership, at that site you'll see my ten leadership beliefs. I've been keeping track of my beliefs for about 25-30 years. It's a process I've taught at most of the major universities in the world. It's something I believe in. The first belief, very simply, is that living a life by a purpose, with a purpose, leads to a more rewarding life than meandering through life without direction.

And so I work with young people. I've worked with them all over the world. My wife and I have endowed a leadership conference at West Point. We bring 80 students in from the United States and around the world to help them develop their purpose. And what I find is, people at the VA are totally committed to a purpose, an inspiring purpose. That's why they're there. Believe me, they're not there for the money. They're not there for the building we're in. They're there because of the purpose, which is to care for veterans.

Second belief, everybody wants to be successful, and success is contagious. How many of you got up this morning and said, "I want to go to the National Press Club today and prove to everybody I'm the world's biggest failure"? Nobody, right? So our job as leaders is to help people succeed. Everybody wants to succeed. I've not met-- I've lived all over the world. I speak multiple languages. I've not met anybody in the world who tries to fail. So why do failures happen? Failures happen because people feel prisoners of an organization and a culture. And what we as leaders need to do is to change the culture, change the organization, to unleash those people, so they can succeed. That's what we're going to do.

[applause]

MYRON BELKIND: All too often, directives from VA Central Office are ignored in the field. How do you intend to drive change at VA? And can you please be specific?

ROBERT McDONALD: Well I talked about our change efforts, and the fact that our change efforts are not going to be just top-down, they're going to be bottom-up. And we've got teams of people organized to help create those changes. So it's pretty hard to ignore a directive from Washington when it's written in Spokane, Washington, because you're the one who wrote it. So I think that that, you know, my experience with change is, it's got to start at the bottom and work, and be a collaborative process from the top and the bottom of the organization.

One of the things I've done as I've gone around to different organizations around the country, is I've talked about my organization model. And I apologize for those of you who've heard me say it before, but most people think of an organization as a pyramid, an upright pyramid. And generally, at the bottom of the organization, you've got the customers. And then normally, your largest organization in any organization is some kind of customer service organization or sales organization. The people that fan out throughout the country, throughout the world, selling your product or your service.

And then, you would expect that, on top of the organization would be the Secretary or the CEO or whoever the highest ranking person would be. Well, I take that organization model, and I turn it on its Apex. I put the Apex on the bottom. And what I say is, that the highest people in any organization should be your customers. That, you know, your customers should be the highest people in your organization.

Now for us, that's our veterans. But, at the same time, it's also the American public. In other words, you as an American public, despite a veteran's disagreement, wouldn't want me to give 100 percent disability payments to everybody who asked if they didn't earn it, right, because that wouldn't be good stewardship of taxpayer dollars. But across the top, we've got our 22 million veterans. On the bottom, that's the Secretary. My job is to try to make it easier for everyone else in that pyramid to serve the customer, the veteran.

MYRON BELKIND: Again, back to your 100 days in office, how were you able to so quickly reduce wait times for the processing of disability claims?

ROBERT McDONALD: Well, I have to tell you, Sloan Gibson's been working at this since he's been here. And it's been longer than me. And great credit to Allison Hickey, Undersecretary for Benefits Affairs. It's Allison's vision and Allison's leadership that has led to the creation of this computerized digital platform which really has been the key enabler in driving down claims.

I also want to call out veteran service organizations because I know many of them are represented in this room. Veteran services organizations have been tremendous partners, because we have all worked together to make sure that the claims are submitted are what's called fully developed claims, by making sure-- by having those veteran service organization partners and military service organization partners, and state governments have helped as well, make sure those claims are right before they get to us. Then it makes it much easier to process them.

So great credit to all of our partners. And, as I said before, we are open for business. And we want to continue partnering with everybody.

MYRON BELKIND: We are almost out of time. But before asking the last question, we have a couple of housekeeping matters to take care of. First, I would like to announce the upcoming events that we'll be having. On November 17th, Allison MacFarlane, Chair of the Nuclear Regulatory Commission will speak about assuring the continued safe operation of the nation's more than 100 nuclear power plants. On November 21st, Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases will focus on the Ebola outbreak. And on December 1st, Teresa Sullivan, President of the University of Virginia will discuss trends in higher education.

Next, I'd like to present our guest with the traditional National Press Club mug. And Bob, the more often you come back, the more cups you get. We don't put a-- There's no limit.

[applause]

ROBERT McDONALD: Thank you very much.

[applause]

MYRON BELKIND: And now for our last question.

ROBERT McDONALD: Another one?

MYRON BELKIND: Last question.

ROBERT McDONALD: You already gave me the mug.

MYRON BELKIND: That's okay. [laughter] But there's not an extra mug for the last question. [laughter] Bob, you've worked for a Board of Directors, and now Congressional Committees are overseeing your work. What's the difference between reporting to a Board of Directors and reporting to a Congressional Committee?

ROBERT McDONALD: Actually, it's pretty similar. You know, I have very good relationships with our congressional committees, and I want it that way. Just as I have invited you to partner with us, I've invited them to partner with us. And they've been great partners. Senator Bernie Sanders, who leads our Senate Committee, you know, we're great friends. And I mean friends-- Yeah, we're great friends. [laughter] And I don't want to give you the impression we're so chummy he can't do oversight, because he does do that. But we traveled together to Vermont, where we both did recruiting talks at the Medical School at the University of Vermont, and also at Dartmouth Medical School.

Same thing with Chairman Jeff Miller of the House Committee. We went to Florida together, which is Jeff's state. He's from the Pensacola area. But we went to Tampa, St. Petersburg. We spoke together at the University of Central Florida Medical School, University of South Florida Medical School. You know, we all-- The nice thing about my job is nobody can argue with the mission, right. I mean show me an American who will tell you that this is a bad mission, or that we shouldn't take care of veterans.

Unlike many other things, these veterans have already earned what we're trying to give them. It's not like they have to earn it every day. They've already earned it. So it's just our job to give it to them and to make sure we take care of them. So that's what we're about. And I'm pleased to work with the members of Congress who have been terrific to me. And we've got a big job ahead of us, because as I said, we're not going to see the cost of this war on the people who fought it until 40 years after it's over.

[applause]

MYRON BELKIND: Thank you, Bob. And thank you again for coming today. And may I please request that you remain seated until the Secretary has left, as I think he needs to get to another important engagement. But thank you again for everybody, to everybody for being here. Thank you again, Bob. We are adjourned.

(gavel)

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