

The Independent Budget and the Department of Veterans Affairs Budget

Mar 15, 2018



Joint Statement of The Co-Authors of The Independent Budget

Disabled American Veterans
Paralyzed Veterans of America
Veterans of Foreign Wars

For the

House Committee on Veterans' Affairs
Subcommittee on Health

Concerning

The Independent Budget
and the Department of Veterans Affairs Budget
for Fiscal Year 2018

NATIONAL HEADQUARTERS

406 W. 34th Street Office 816.756.3390
Kansas City, MO 64111 Fax 816.968.1157

WASHINGTON OFFICE

200 Maryland Ave., N.E. Office 202.543.2239
Washington, D.C. 20002 Fax 202.543.6719

info@vfw.org
www.vfw.org

and Fiscal Year 2019

Chairman Wenstrup, Ranking Member Brownley, and members of the Subcommittee:

On behalf of the co-authors of *The Independent Budget* (IB)—DAV (Disabled American Veterans), Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars (VFW)—we are pleased to present the views of the IB organizations regarding the funding requirements for the Department of Veterans Affairs (VA) for fiscal year (FY) 2019, including health care advance appropriations for FY 2020.

The IB's recommendations include funding for all discretionary programs for FY 2019 as well as advance appropriations recommendations for medical care accounts for FY 2020. The full budget report recently released by the IB addressing all aspects of discretionary funding for the VA can be downloaded at www.independentbudget.org. However, the current FY 2018 funding for VA medical care programs is particularly concerning because previous VA Secretary Robert McDonald admitted last year that the VA's FY 2018 advance appropriation request was not sufficient and would need significant additional resources provided this year.

This insufficient level is reflected in the "Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017" as approved and amended by Congress. VA's medical care programs are currently funded at \$71.7 billion and in light of the Administration's revised request of \$74.7 billion for FY 2018, submitted last year, VA has been forced to operate under a \$3 billion shortfall for nearly half this fiscal year despite increased demands on the system.

The IB veterans service organizations (IBVSO) believe that the FY 2019 VA revised budget request for VA medical programs and construction is similarly insufficient to meet the health care needs of ill and injured veterans, their families and survivors.

The Administration's revised budget request for medical programs includes \$74.1 billion in total discretionary spending and \$1.9 billion in mandatory spending for FY 2019. Considering the additional \$1.9 billion that the Administration requests to replenish the Choice Act funds in addition to the \$14.2 billion Congress has already appropriated under emergency designation since 2014¹, the total projected expenditure from VA for medical programs in FY 2019 is approximately \$76 billion. The IBVSOs recommend \$82.6 billion in total medical care funding for the VA. For FY 2020, the Administration is requesting \$79.1 billion for medical care programs and the IB recommends \$84.5 billion.

The IBVSOs share growing concerns about the massive growth in expenditures in community care spending in FY 2019, which includes \$8.4 billion in community care, \$1.9 billion and any remaining Choice Act funds. We understand the need for leveraging community care to expand access to health care for many veterans, as discussed in the IB

framework, but we are troubled by the virtually uncontrolled growth in this area of VA health care spending.

Congress and the Administration must be sure to devote critical resources to expand capacity and increase staffing of the VA health care system, particularly for specialized services such as spinal cord injury or disease, blind rehabilitation, polytrauma care, mental health care, and to address the added health care reliance of veterans on the VA attributed by the Department from the Choice Act. The integrated and holistic nature of VA health care cannot simply be punted into the private sector. Simply outsourcing more care to the community without the same accountability of health outcomes, quality of care, and treatment efficacy could yield higher costs to the tax payer and will ultimately undermine the larger health care system on which so many veterans with the most catastrophic disabilities must rely.

The Bipartisan Budget Act of 2018 (BBA) significantly raised the defense and non-defense discretionary spending caps in FY 2018 and FY 2019, and the President has signed these new caps into law. In light of the BBA, the Administration modified its FY 2019 budget request to account for these new cap levels.

Medical Services

For FY 2019, the IB recommends \$53.7 billion for Medical Services. This recommendation includes:

- Current Services Estimate \$50,794,232,000
- Increase in Patient Workload \$1,636,092,000
- Additional Medical Care Program Costs \$1,230,951,000
- Total FY 2019 Medical Community Care \$53,661,275,000

The IBVSOs believe that significant attention must be placed on ensuring adequate resources are provided through the Medical Services account to ensure timely delivery of high quality health care. The budget shortfall this fiscal year is emblematic of the insufficient funding that has plagued, and may continue to plague, the VA health care system going forward. In FY 2018 (and subsequent fiscal years), the problem will be compounded as the VA will be shedding funds from its traditional Medical Services account to push more care into the community. With these thoughts in mind, for FY 2019, the IB recommends \$53.7 billion for Medical Services.

Additionally, we believe the Administration's advance appropriation request for Medical

Services in FY 2020—\$48.5 billion—is woefully inadequate to meet even today’s demand for VA health care services. The Administration appears to ignore its responsibility to request a budget that meets its requirements particularly for VA medical care. In light of recent history of Congress advance appropriating based on VA’s initial advance appropriation request, the request for FY 2020 is an unacceptable proposition. For FY 2020, the IBVSOs recommend Congress appropriate \$54.7 billion as an advance appropriation for Medical Services.

Our recommendations for Medical Services reflect the estimated impact of uncontrollable inflation on the cost to provide services to veterans currently using the system. We also assume a 1.1 percent increase for pay and benefits across the board for all VA employees in FY 2019, as well as 1.2 percent in the advance appropriation recommendation for FY 2020.

Our medical programs funding recommendation for FY 2019 is adjusted in the baseline for funding within the Medical Services account based on VA’s revised request for FY 2018. *The Independent Budget* believes this adjustment is necessary in light of the nearly \$3 billion shortfall that the VA health care system is currently experiencing. If the baseline from FY 2018 is not adjusted to better reflect the true demand for services, we believe VA will once again face a shortfall this fiscal year and the next, while forcing veterans who choose VA for care to unnecessarily wait to receive such care.

Additional Medical Care Program Costs:

The Independent Budget report on funding for FY 2017 and FY 2018, delivered to Congress on February 9, 2016, also includes a number of key recommendations targeted at specific medical program funding needs for VA. We believe additional funding is needed to address the array of long-term-care issues facing VA, including the shortfall in institutional capacity; critical resources to address the continually increasing demand for life-saving Hepatitis C treatments; to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA’s Prosthetics and Sensory Aids Service); funding to expand and improve services for women veterans; and new funding necessary to improve the growing Comprehensive Family Caregiver program.

Long-Term Services & Supports

The Independent Budget recommends a modest increase of \$82 million for FY 2019. This recommendation reflects a significant demand for veterans in need of Long-Term Services and Supports (LTSS) in 2017 particularly for home- and community-based care, we estimate

an increase in the number of veterans using the more costly long-stay and short-stay nursing home care. This increase in funding also reflects a rebalancing of available resources towards home- and community-based care, which will likely yield a commensurate decrease in institutional spending as is being achieved by state with their balancing of spending initiatives.

Prosthetics and Sensory Aids

In order to meet the increase in demand for prosthetics, the IB recommends an additional \$320 million. This increase in prosthetics funding reflects a similar increase in expenditures from FY 2017 to FY 2018 and the expected continued growth in expenditures for FY 2019.

Women Veterans

The Medical Services appropriation should be supplemented with \$500 million designated for women's health care programs, in addition to those amounts already included in the FY 2018 baseline. These funds would allow the Veterans Health Administration (VHA) to hire and train an additional 1,000 women's health providers to meet increasing demand for health services based on the significant growth in the number of women veterans coming to VA for care.

Additional funds are needed to expand and repair VA facilities to meet environment of care standards and address identified privacy and safety issues for women patients. The new funds would also aid VHA in continuing its initiative for agency-wide cultural transformation to ensure women veterans are recognized for their military service and made to feel welcome at VA. Finally, additional resources are needed to evaluate and improve mental health and readjustment services for catastrophically injured or ill women veterans and wartime service-disabled women veterans, as well as targeted efforts to address higher suicide rates and homelessness among this population.

Reproductive Services (to Include IVF)

Congress authorized appropriations for the remainder of FY 2018 and FY 2019 to provide reproductive services, to include in vitro fertilization (IVF), to service-connected catastrophically disabled veterans whose injuries preclude their ability to conceive children. The VA projects that this service will impact less than 500 veterans and their spouses in FY 2019. The VA also anticipates an expenditure of no more than \$20 million during that period. However, these services are not directly funded; therefore, the *IB* recommends approximately \$20 million to cover the cost of reproductive services in FY 2019.

Emergency Care

VA has issued regulations to begin paying for veterans who sought emergency care outside of the VA health care system based on the Richard W. Staab v. Robert A. McDonald ruling by the U.S. Court of Appeals for Veterans Claims.

The requested \$298 million increase in funding reflects the amounts VA has estimated it will need to dispose of pending and future claims. VA has indicated it will not retroactively pay benefits for such claims that were finally denied before April 8, 2016, the date of the *Staab* decision, and will only apply the new interpretation to claims pending on or after April 8, 2016.

Extending Eligibility for Comprehensive Caregiver Supports

Included in this year's IB budget recommendation is funding necessary to implement eligibility expansion of VA's comprehensive caregiver support program to severely injured veterans of all eras. Funding level is based on the Congressional Budget Office estimate for preparing the program, including increased staffing and IT needs, and the beginning of the first phase as reflected in our \$11 million FY 2019 recommendation.

Medical Community Care

For Medical Community Care, the IB recommends \$14.8 billion for FY 2019 and \$15 billion for FY 2020.

- Current Services Estimate \$14,534,613,000
- Increase in Patient Workload \$235,009,000
- Total FY 2019 Medical Community Care \$14,752,153,000

Our recommended increase includes the growth in current services to include current obligations under the Choice program. The Choice program is a temporary mandatory program funded under emergency designation and is outside the annual budget process that governs discretionary spending. VA received an infusion of \$2.1 billion in August 2017 and another \$2.1 billion in December 2017 after it notified Congress program resources could be depleted. While increasing access to community care, the Choice program has in turn increased veterans' reliance on VA medical care.

We also believe funding VA programs for community care with a discretionary and mandatory account creates unnecessary waste and inefficiency. *The Independent Budget*

has advocated for moving all funding authorities for the Choice program (and other community care programs) into the discretionary accounts of the VA managed under the Medical and Community Care account.

Medical Support and Compliance

For Medical Support and Compliance, *The Independent Budget* recommends \$6.8 billion in FY 2019. Our projected increase reflects growth in current services based on the impact of inflation on the FY 2018 appropriated level. Additionally, for FY 2020 *The Independent Budget* recommends \$7.4 billion for Medical Support and Compliance. This amount also reflects an increase in current services from the FY 2019 advance appropriation level.

Medical Facilities

For Medical Facilities, *The Independent Budget* recommends \$7.3 billion for FY 2019, which includes \$1.2 billion for Non-Recurring Maintenance (NRM). The NRM program is VA's primary means of addressing its most pressing infrastructure needs as identified by Facility Condition Assessments (FCA). These assessments are performed at each facility every three years, and highlight a building's most pressing and mission critical repair and maintenance needs. VA's request for FY 2019 includes \$1.4 billion for NRM funding assumes an investment of \$1.9 billion in FY 2018. While the Department has actually spent on average approximately \$1 billion yearly for NRM, we are concerned its FY 2019 request includes diverting funds programmed for other purposes—\$210.7 million from Medical Support and Compliance and \$39.3 million from the Medical Services/Medical Community Care accounts.

For FY 2020, the IB recommends approximately \$7.5 billion for Medical Facilities. Last year the Administration's recommendation for NRM reflected a projection that would place the long-term viability of the health care system in serious jeopardy. This deficit must be addressed in light of its \$627 million request for FY 2020.

Medical and Prosthetic Research

The VA Medical and Prosthetic Research program is widely acknowledged as a success on many levels, and contributes directly to improved care for veterans and an elevated standard of care for all Americans. The research program is an important tool in VA's

recruitment and retention of health care professionals and clinician-scientists to serve our nation's veterans. By fostering a spirit of research and innovation within the VA medical care system, the VA research program ensures that our veterans are provided state-of-the-art medical care.

For VA research to maintain current service levels, the Medical and Prosthetic Research appropriation should be increased in FY 2019 to go beyond simply keeping pace with inflation. It must also make up for how long the continuing resolution funding level for FY 2018 has been in effect. Numerous meritorious proposals for new VA research cannot be funded without an infusion of additional funding for this vital program. Research awards decline as a function of budgetary stagnation, so VA may resort to terminating ongoing research projects or not funding new ones, and thereby lose the value of these scientists' work, as well as their clinical presence in VA health care. When denied research funding, many of them simply choose to leave the VA.

Emerging Research Needs

IBVSOs believe Congress should expand research on emerging conditions prevalent among newer veterans, as well as continuing VA's inquiries in chronic conditions of aging veterans from previous wartime periods. For example, additional funding will help VA support areas that remain critically underfunded, including:

- post-deployment mental health concerns such as PTSD, depression, anxiety, and suicide in the veteran population;
- gender-specific health care needs of the VA's growing population of women veterans;
- new engineering and technological methods to improve the lives of veterans with prosthetic systems that replace lost limbs or activate paralyzed nerves, muscles, and limbs;
- studies dedicated to understanding chronic multi-symptom illnesses among Gulf War veterans and the long-term health effects of potentially hazardous substances to which they may have been exposed;
- innovative health services strategies, such as telehealth and self-directed care, that lead to accessible, high-quality, cost-effective care for all veterans; and
- leverage the only known integrated and comprehensive caregiver support program in the U.S. to help inform policy makers and other health systems looking to support informal caregivers.

Million Veteran Program

The VA Research program is uniquely positioned to advance genomic medicine through the

“Million Veteran Program” (MVP), an effort that seeks to collect genetic samples and general health information from one million veterans over the next five years. When completed, the MVP will constitute one of the largest genetic repositories in existence, offering tremendous potential to study the health of veterans. To date, more than 620,000 veterans have enrolled in MVP, far exceeding the enrollment numbers of any single VA study or research program in the past, and it is in fact one of the largest research cohorts of its kind in the world. The VA estimates it currently costs around \$75 to sequence each veteran’s blood sample.

Accordingly, the IBVSOs recommend \$65 million to enable VA to process begin processing the MVP samples collected. Congress must begin a targeted investment to go beyond basic, surface-level genetic information and perform deeper sequencing to begin reaping the benefits of this program.

Construction Programs

Major Construction

Each year VA outlines its current and future major construction needs in its annual Strategic Capital Investment Planning (SCIP) process. In its FY 2018 budget submission, VA projected it would take between \$55 billion and \$67 billion to close all current and projected gaps in access, utilization, and safety including activation costs. Currently, VA has 21 active major construction projects, which have been partially funded or funded through completion.

In its FY 2018 Budget Request, VA requested and Congress intends to appropriate a significant reduction in funding for major construction projects—between \$410 million and \$512 million. While these funds would allow VA to begin construction on key projects, many other previously funded sites still lack the funding for completion. One of these projects was originally funded in FY 2007, while others were funded more than five years ago but no funds have been spent on the projects to date. Of the 21 projects on VA’s partially funded VHA construction list, eight are seismic in nature. Seismic projects are critical to ensuring VA’s facilities do not risk the lives of veterans during an earthquake or other seismic events.

It is time for the projects that have been in limbo for years or that present a safety risk to veterans and employees to be put on a course to completion within the next five years. To accomplish this goal, the IBVSOs recommend that Congress appropriate \$1.73 billion for FY 2017 to fund either the next phase or fund through completion all existing projects, and

begin advance planning and design development on six major construction projects that are the highest ranked on VA's priority list.

The IBVSOs also recommend, as outlined in its Framework for Veterans Health Care Reform, that VA realign its SCIP process to include public-private partnerships and sharing agreements for all major construction projects to ensure future major construction needs are met in the most financially sound manner.

Research Infrastructure

State-of-the-art research requires state-of-the-art technology, equipment, and facilities. For decades, VA construction and maintenance appropriations have not provided the resources VA needed to maintain, upgrade, or replace its aging research laboratories and associated facilities. The average age of VA's research facilities is more than 50 years old, and those conditions are substandard for state of the art research.

The IBVSOs believe that Congress must ensure VA has the resource it needs to continue world class research that improves the lives of veterans and helps recruit high-quality health care professionals to work at VA. To do so, Congress must designate funds to improve specific VA research facilities in FY 2019 and in subsequent years. In order to begin to address these known deficits, the IBVSOs recommend Congress approve at least \$50 million for up to five major construction projects in VA research facilities.

Minor Construction

In FY 2018, VA requested \$372 million for minor construction projects. Currently, approximately 900 minor construction projects need funding to close all current and future year gaps within the next 10 years. To complete all of these current and projected projects, VA will need to invest between \$6.7 and \$8.2 billion over the next decade.

To ensure that VA funding keeps pace with all current and future minor construction needs, the IBVSOs recommend that Congress appropriate an additional \$761 million for minor construction projects. It is important to invest heavily in minor construction because these are the types of projects that can be completed faster than other capital infrastructure projects and have a more immediate impact on services for veterans.

State Veterans Home Construction Grants

Grants for state extended-care facilities, commonly known as state home construction

grants, are a critical element of federal support for the state veterans' homes. The state veterans' home program is a very successful federal-state partnership in which VA and states share the cost of constructing and operating nursing homes and domiciliaries for America's veterans.

State homes provide more than 30,000 nursing home and domiciliary beds for veterans, their spouses, and gold-star parents of deceased veterans. Overall, state homes provide more than half of VA's long-term-care workload, but receive less than 22 percent of VA's long-term care budget. VA's basic per diem payment for skilled nursing care in state homes is significantly less than comparable costs for operating VA's own long-term-care facilities. This basic per diem paid to state homes covers approximately 30 percent of the cost of care, with states responsible for the balance, utilizing both state funding and other sources.

State construction grants help build, renovate, repair, and expand both nursing homes and domiciliaries, with states required to provide 35 percent of the cost for these projects in matching funding. VA maintains a prioritized list of construction projects proposed by state homes based on specific criteria, with life and safety threats in the highest priority group. Only those projects that already have state matching funds are included in VA's Priority List Group 1 projects, which are eligible for funding. Those that have not yet received assurances of state matching funding are put on the list among Priority Groups 2 through 7.

With almost \$1 billion in state home projects still in the pipeline, *The Independent Budget* recommends \$200 million for the state home construction grant program to address a portion of the projects expected to be on the FY 2019 VA Priority Group 1 List when it is released this year.

Grants for State Veterans Cemeteries

The State Cemetery Grant Program allows states to expand veteran burial options by raising half the funds needed to build and begin operation of state veterans cemeteries. NCA provides the remaining funding for construction and operational funds, as well as cemetery design assistance. Funding additional projects in FY 2019 in tribal, rural and urban areas will provide burial options for more veterans and complement VA's system of national cemeteries. To fund these projects, Congress must appropriate \$51 million.

Office of Information Technology

Electronic Health Records

We are pleased to hear Secretary of Veterans Affairs David Shulkin's decision to have the Department adopt the same electronic health care record (EHR) system as the Department of Defense (DOD), putting an end to the saga of not being able to efficiently integrate military treatment records into a veteran's treatment plan. This plan will greatly improve the delivery of care to ill and injured veterans, and ensure truly integrated care as service members transition from DOD to VA care.

While improvements to information technology (IT) systems are an important part of VA's mission, the cost of doing so cannot come at the expense of health care veterans have earned. We call on Congress to balance the needs of an improved VA with the need to ensure high quality health care is provided to all eligible veterans. In VA's fiscal year (FY) 2019 budget request, VA states it will transfer \$782 million from its FY 2018 medical care and Office of IT appropriations to its EHR modernization program. We support an integrated VA-DOD EHR, but we do not endorse taking critical funds away from health care to pay for it.

We call on Congress to allocate the nearly \$800 million VA needs in FY 2018 for EHR modernization from the additional fiscal year 2018 discretionary non-defense appropriations included in the recent bipartisan budget deal. Doing so would ensure VA can begin its work to provide a truly seamless transition for our service members and our veterans.

Administration Legislative Proposals

VA's FY 2019 budget request includes legislative proposals that would have budget implications. *The Independent Budget* supports the proposal to include in VA's medical benefits package the authority to pay for care only in VA-approved Medical Foster Homes and specifically for veterans for whom VA is currently required to provide more costly nursing home care. VA estimates cost reductions that will increase annually from \$12 million up to nearly \$90 million over five-years if Congress enacts this proposal.

The Independent Budget opposes the proposal to end the current practice of offsetting a veteran's copayment debt with reimbursements it receives from that veteran's health plan. This will shift over the cost of over \$50 million of care annually from the federal government on to the backs of ill and injured veterans.

The IB also opposes the proposal to impose punitive enforcement to make veterans pay over \$8 million annually of the care they receive from VA if the veteran fails to provide third-party health plan coverage information and any other information necessary to VA for billing and collecting from the third party payer.

Mr. Chairman, thank you for the opportunity to submit testimony and to present our views regarding FY 2019 and FY 2020 advance funding requirements for medical care and construction programs to support VA's ability to deliver benefits and services to veterans, their families and survivors. We would be happy to respond to any questions that you or members of the Subcommittee may have regarding this statement or our recommendations.

¹\$10 billion under P.L. 113–146 enacted August 7, 2014, \$2.1 billion added August 12, 2017 under P.L. 115-46, and December 22, 2017 under P.L. 115-96.