

CARL BLAKE, NATIONAL LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

STATEMENT OF
CARL BLAKE
NATIONAL LEGISLATIVE DIRECTOR
PARALYZED VETERANS OF AMERICA
BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS
CONCERNING
THE INDEPENDENT BUDGET
AND THE DEPARTMENT OF VETERANS AFFAIRS BUDGET
FOR FISCAL YEAR 2011

FEBRUARY 26, 2010

Chairman Akaka, Ranking Member Burr, and members of the Committee, as one of the four co-authors of The Independent Budget (IB), Paralyzed Veterans of America (PVA) is pleased to present the views of The Independent Budget regarding the funding requirements for the Department of Veterans Affairs (VA) health care system for FY 2011.

When looking back on 2009, it is fair to say that the 111th Congress took an historic step toward providing sufficient, timely, and predictable funding, and yet it still failed to complete its appropriations work prior to the start of the new fiscal year on October 1. The actions of Congress last year generally reflected a commitment to maintain a viable VA health care system. More important, Congress showed real interest in reforming the budget process to ensure that the VA knows exactly how much funding it will receive in advance of the start of the new fiscal year.

As you know, for more than a decade, the Partnership for Veterans Health Care Budget Reform (hereinafter "Partnership"), made up of nine veterans service organizations, including the four co-authors of The Independent Budget, advocated for reform in the VA health care budget formulation process. By working with the leadership of the House and Senate Committees on Veterans' Affairs, the Military Construction and Veterans Affairs Appropriations Subcommittees, and key members of both parties, we were able to move advance appropriations legislation forward. Congress ultimately approved and the President signed into law P.L. 111-81, the "Veterans Health Care Budget Reform and Transparency Act." A review of recent budget cycles made it evident that even when there was strong support for providing sufficient funding for veterans medical care programs, the systemic flaws in the budget and appropriations process continued to hamper access to and threaten the quality of the VA health care system. Now, with enactment of advance appropriations the VA can properly plan to meet the health care needs of the men and women who have served this nation in uniform.

In February 2009, the President released a preliminary budget submission for the Department of Veterans Affairs for FY 2010. This submission only projected funding levels for the overall VA budget. The Administration recommended an overall funding authority of \$55.9 billion for the

VA, approximately \$5.8 billion above the FY 2009 appropriated level and nearly \$1.3 billion more than The Independent Budget had recommended.

In May, the Administration released its detailed budget blueprint that included approximately \$47.4 billion for medical care programs, an increase of \$4.4 billion over the FY 2009 appropriated level and approximately \$800 million more than the recommendations of The Independent Budget. The budget also included \$580 million in funding for Medical and Prosthetic Research, an increase of \$70 million over the FY 2009 appropriated level. By the end of the year, Congress enacted P.L. 111-117, the “Consolidated Appropriations Act for FY 2010,” that provided funding for the VA to virtually match the recommendations of the Administration. While the importance of these historic funding levels coupled with the enactment of advance appropriations legislation cannot be overstated, it is important for Congress and the Administration to continue this commitment to the men and women who have served and sacrificed for this country.

Funding for FY 2011

Despite the fact that Congress has already provided advance appropriations for FY 2011, The Independent Budget has chosen to still present budget recommendations for the medical care accounts specifically for FY 2011. Included in P.L. 111-117 was advance appropriations for FY 2011. Congress provided approximately \$48.2 billion in discretionary funding for VA medical care. When combined with the \$3.3 billion Administration projection for medical care collections in 2010, the total available operating budget provided by the appropriations bill is approximately \$51.5 billion. Accordingly for FY 2011, The Independent Budget recommends approximately \$52.0 billion for total medical care, an increase of \$4.5 billion over the FY 2010 operating budget level established by P.L. 111-117, the “Consolidated Appropriations Act for FY 2010.” We believe that this estimation validates the advance projections that the Administration developed last year and has carried forward into this year. Furthermore, we remain confident that the Administration is headed in a positive direction that will ultimately benefit the veterans who rely on the VA health care system to receive their care.

The medical care appropriation includes three separate accounts—Medical Services, Medical Support and Compliance, and Medical Facilities—that comprise the total VA health care funding level. For FY 2011, The Independent Budget recommends approximately \$40.9 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$38,988,080,000
Increase in Patient Workload.....	\$1,302,874,000
Policy Initiatives.....	\$650,000,000
Total FY 2011 Medical Services.....	\$40,940,954,000

Our growth in patient workload is based on a projected increase of approximately 117,000 new unique patients—Priority Group 1-8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$926 million. The increase in patient workload also includes a projected increase of 75,000 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans at a cost of approximately \$252 million.

Finally, our increase in workload includes the projected enrollment of new Priority Group 8 veterans who will use the VA health care system as a result of the Administration's plan to incrementally increase the enrollment of Priority Group 8 veterans by 500,000 enrollments by FY 2013. We estimate that as a result of this policy decision, the number of new Priority Group 8 veterans who will enroll in the VA will increase by 125,000 in each of the next four years. Based on the Priority Group 8 empirical utilization rate of 25 percent, we estimate that approximately 31,250 of these new enrollees will become users of the system. This translates to a cost of approximately \$125 million.

As we have emphasized in the past, the VA must have a clear plan for incrementally increasing this enrollment. Otherwise, the VA risks being overwhelmed by significant new workload. The Independent Budget is committed to working with the VA and Congress to implement a workable solution to allow all eligible Priority Group 8 veterans who desire to do so to begin enrolling in the system.

Our policy initiatives have been streamlined to include immediately actionable items with direct funding needs. Specifically, we have limited our policy initiatives recommendations to restoring long-term care capacity (for which a reasonable cost estimate can be determined based on the actual capacity shortfall of the VA) and centralized prosthetics funding (based on actual expenditures and projections from the VA's prosthetics service). In order to restore the VA's long-term care average daily census (ADC) to the level mandated by P.L. 106-117, the "Veterans Millennium Health Care Act," we recommend \$375 million. Finally, to meet the increase in demand for prosthetics, the IB recommends an additional \$275 million. This increase in prosthetics funding reflects the significant increase in expenditures from FY 2009 to FY 2010 (explained in the section on Centralized Prosthetics Funding) and the expected continued growth in expenditures for FY 2011. The funding for prosthetics is particularly important because it reflects current services and represents a demonstrated need now; whereas, our funding recommendations for long-term care reflect our desire to see this capacity expanded beyond the current services level.

For Medical Support and Compliance, The Independent Budget recommends approximately \$5.3 billion. Finally, for Medical Facilities, The Independent Budget recommends approximately \$5.7 billion. Our recommendation once again includes an additional \$250 million for non-recurring maintenance (NRM) provided under the Medical Facilities account. This would bring our overall NRM recommendation to approximately \$1.26 billion for FY 2011. While we appreciate the significant increases in the NRM baseline over the last couple of years, total NRM funding still lags behind the recommended two to four percent of plant replacement value. Based on that logic, the VA should actually be receiving at least \$1.7 billion annually for NRM (Refer to Construction section article "Increase Spending on Nonrecurring Maintenance).

For Medical and Prosthetic Research, The Independent Budget recommends \$700 million. This represents a \$119 million increase over the FY 2010 appropriated level, and approximately \$110 million above the Administration's request. We are particularly pleased that Congress has recognized the critical need for funding in the Medical and Prosthetic Research account in the last couple of years. Research is a vital part of veterans' health care, and an essential mission for our national health care system. We are extremely disappointed in the Administration's decision

to virtually flat line the research budget. VA research has been grossly underfunded in contrast to the growth rate of other federal research initiatives. At a time of war, the government should be investing more, not less, in veterans' biomedical research programs.

The Independent Budget recommendation also includes a significant increase in funding for Information Technology (IT). For FY 2011, we recommend that the VA IT account be funded at approximately \$3.553 billion. This amount includes approximately \$130 million for an Information Systems Initiative to be carried out by the Veterans Benefits Administration. This initiative is explained in greater detail in the policy portion of The Independent Budget. This represents an increase of \$246 million over the FY 2010 appropriated level as well as the Administrations request. We are greatly concerned that the Administration is shortchanging this account in a budget in which the VA and the Department of Defense are called on to jointly implement the Virtual Lifetime Electronic Record, and in which the Administration proposes to automate claims processing to improve the accuracy and timeliness of veterans' benefits, particularly disability compensation and the new Post-9/11 GI Bill.

As explained in The Independent Budget, there is a significant backlog of major and minor construction projects awaiting action by the VA and funding from Congress. We have been disappointed that there has been inadequate follow-through on issues identified by the Capital Asset Realignment for Enhanced Services (CARES) process. In fact, we believe it may be time to revisit the CARES process all together. For FY 2011, The Independent Budget recommends approximately \$1.295 billion for Major Construction and \$785 million for Minor Construction. The Major Construction recommendation includes approximately \$100 million for research infrastructure and the Minor Construction recommendation includes approximately \$200 million for research facility construction needs.

We note that the Budget Request reduces funding for Major Construction and slashes funding for Minor Construction. Despite additional funding that has been provided in recent years to address the construction backlog and maintenance needs facing VA, a great deal remains to be done. We cannot comprehend what policy decisions could justify such a steep decrease in funding for Minor Construction.

Advance Appropriations for FY 2012

Public Law 111-81 required the President's budget submission to include estimates of appropriations for the medical care accounts for FY 2012 and the VA Secretary to provide detailed estimates of the funds necessary for these medical care accounts in his budget documents submitted to Congress. Consistent with advocacy by The Independent Budget, the law also requires a thorough analysis and public report of the Administration's advance appropriations projections by the Government Accountability Office (GAO) to determine if that information is sound and accurately reflects expected demand and costs to be incurred in FY 2012 and subsequent years.

We are pleased to see that the Administration has followed through on its responsibility to provide an estimate for the Medical Care accounts of the VA for FY 2012. It is important to note that this is the first year the budget documents have included advance appropriations estimates. This will also be the first time that the GAO examines the budget submission to analyze its

consistency with VA's Enrollee Health Care Projection Model, and what recommendations or other information the GAO report will include. The Independent Budget looks forward to examining all of this new information and incorporating it into future budget estimates.

In the end, it is easy to forget, that the people who are ultimately affected by wrangling over the budget are the men and women who have served and sacrificed so much for this nation. We hope that you will consider these men and women when you develop your budget views and estimates, and we ask that you join us in adopting the recommendations of The Independent Budget.

This concludes my testimony. I will be happy to answer any questions you may have.