

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 2010

MARCH 10, 2009

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 2010.

PVA, along with AMVETS, Disabled American Veterans, and the Veterans of Foreign Wars, is proud to come before you this year to present the 23rd edition of The Independent Budget, a comprehensive budget and policy document that represents the true funding needs of the Department of Veterans Affairs. The Independent Budget uses commonly accepted estimates of inflation, health care costs and health care demand to reach its recommended levels. This year, the document is endorsed by over 60 veterans' service organizations, and medical and health care advocacy groups.

The process leading up to FY 2009 was extremely challenging. For the second year in a row, VA received historic funding levels that matched, and in some cases exceeded, the recommendations of the IB. Moreover, for only the third time in the past 22 years, VA received its budget prior to the start of the new fiscal year on October 1. However, this funding was provided through a combination continuing resolution/omnibus appropriations act. The underlying Military Construction and Veterans Affairs appropriations bill for FY 2009 was not actually completed by Congress in the regular order. While the House passed the bill in the summer, the Senate never brought its bill up for a floor vote. This fact serves as a continuing reminder that, despite excellent funding levels provided over the last two years, the larger appropriations process is completely broken.

PVA is pleased to see that the initial information provided by the Administration suggests a very good budget for the VA in FY 2010. The discretionary funding levels provide for a truly significant increase. However, we will withhold final judgment on the budget submission until we have much more details about the FY 2010 budget. Moreover, we would like to highlight our concern that the out year projections for VA funding do not seem to reflect sufficient budgets to serve the needs of veterans. In fact, the projected increases in all cases are less than three

percent. We would be very interested in an explanation and justification for the small out year spending increases.

For FY 2010, The Independent Budget recommends approximately \$46.6 billion for total medical care, an increase of \$3.6 billion over the FY 2009 operating budget level established by P.L. 110-329, the "Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009." Our recommendation reinforces the long-held policy that medical care collections should be a supplement to, not a substitute for, real dollars. Until Congress and the Administration fairly address the inaccurate estimates for Medical Care Collections, the VA operating budget should not include these estimates as a component.

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 2010, The Independent Budget recommends approximately \$36.6 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$34,608,814,000
Increase in Patient Workload.....	\$1,173,607,000
Policy Initiatives.....	\$790,000,000
Total FY 2010 Medical Services.....	\$36,572,421,000

Our increase in patient workload is based on a projected increase of 93,000 new unique patients-Priority Group 1-8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$639 million. The increase in patient workload also includes a projected increase of 90,000 new Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF) veterans at a cost of approximately \$279 million. Finally, our increase in workload includes the projected increase of new Priority Group 8 veterans who will use the VA health care system as a result of the recent decision to expand Priority Group 8 enrollment by 10 percent. The VA estimated that this policy change would allow enrollment of approximately 265,000 new enrollees. Based on a historic Priority Group 8 utilization rate of 25 percent, we estimate that approximately 66,250 of these new enrollees will become users of the system. This translates to a cost of approximately \$255 million.

Our policy initiatives include a continued investment in mental health and related services, returning the VA to its mandated long-term care capacity, and meeting prosthetics needs for current and future generations of veterans. For mental health and related services, the IB recommends approximately \$250 million. In order to restore the VA's long-term care average daily census (ADC) to the level mandated by P.L. 106-117, the "Millennium Health Care Act," we recommend \$440 million. Finally, to meet the increase in demand for prosthetics, the IB recommends an additional \$100 million.

For Medical Support and Compliance, The Independent Budget recommends approximately \$4.6 billion. This new account was established by the FY 2009 appropriations bill, replacing the Medical Administration account. Finally, for Medical Facilities, The Independent Budget recommends approximately \$5.4 billion. This amount includes an additional \$150 million for

non-recurring maintenance for the VA to begin addressing the massive backlog of infrastructure needs beyond those addressed through the recently enacted Stimulus bill.

The IBVSOs contend that despite the recent increases in VA health-care funding VA does not have the resources necessary to completely remove the prohibition on enrollment of Priority Group 8 veterans, who have been blocked from enrolling in VA since January 17, 2003. In response to this continuing policy, the Congress included additional funding to begin opening the VA health care system to some Priority Group 8 veterans. In fact, the final approved FY 2009 appropriations bill included approximately \$375 million to increase enrollment of Priority Group 8 veterans by 10 percent. This will allow the lowest income and uninsured Priority Group 8 veterans to begin accessing VA health care.

The Independent Budget believes that providing a cost estimate for the total cost to reopen VA's health care system to all Priority Group 8 veterans is a monumental task. That being said, we have developed an estimate based on projected new users and based on second hand information we have received regarding numbers of Priority Group 8 veterans who have actually been denied enrollment into the health care system. We have received information that suggests that the VA has actually denied enrollment to approximately 565,000 veterans. We estimate that such a policy change would cost approximately \$545 million in the first year, assuming that about 25 percent (141,250) of these veterans would actually use the system. If, assuming a worst-case scenario, all of these veterans who have actually been denied enrollment were to become users of the VA health care system, the total cost would be approximately \$2.2 billion. These cost estimates reflect a total cost that does not include the impact of medical care collections. We believe that it is time for VA and Congress to develop a workable solution to allow all eligible Priority Group 8 veterans to begin enrolling in the system.

For Medical and Prosthetic Research, The Independent Budget recommends \$575 million. This represents a \$65 million increase over the FY 2009 appropriated level. 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. 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 2010, we recommend that the VA IT account be funded at approximately \$2.713 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.

Paralyzed Veterans of America is pleased that the "American Recovery and Reinvestment Act of 2009" (also the Stimulus bill) included a substantial amount of funding for veterans programs. The legislation identified areas of significant need within the VA system, particularly as it relates to infrastructure needs. While we were disappointed that additional funding was not provided for major and minor construction in the Stimulus bill, we recognize that the funding that was provided will be critically important to the VA going forward.

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 2010, The Independent Budget recommends approximately \$1.123 billion for Major Construction and \$827 million for Minor Construction. The Minor Construction recommendation includes \$142 million for research facility construction needs.

Mr. Chairman, we would like to express our sincere thanks for your introduction of S. 423, the "Veterans Health Care Budget Reform and Transparency Act." Moreover, we would like to extend our thanks to the members of the Committee who have agreed to co-sponsor this important legislation, including Ranking Member Burr. For more than a decade, the Partnership for Veterans Health Care Budget Reform (Partnership), made up of nine veterans service organizations including PVA, and our IB co-authors, has advocated for reform in the VA health-care budget process. The Partnership worked with the Senate and House Committees on Veterans' Affairs last year to develop this alternative proposal that would change the VA's medical care appropriation to an "advance appropriation," guaranteeing funding for the health-care system up to one year in advance of the operating year. This alternative proposal would ensure that the VA received its funding in a timely and predictable manner. Furthermore, it would provide an option the IBVSOs believe is politically more viable than mandatory funding, and is unquestionably better than the current process.

Moreover, to ensure sufficiency, our advance appropriations proposal would require that VA's internal budget actuarial model be shared publicly with Congress to reflect the accuracy of its estimates for VA health-care funding, as determined by the Government Accountability Office (GAO) audit, before political considerations take over the process. This feature would add transparency and integrity to the VA health-care budget process. We ask this Committee in your views and estimates for FY 2010 to recommend to the Budget Committee an advance appropriations approach to take the uncertainties out of health care for all of our Nation's wounded, sick and disabled veterans.

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. Finally, Mr. Chairman, I would like to express PVA's serious concern that we have regarding a policy proposal that we have been told may be included in the budget submission later this year, and that may be one of the factors that allowed for the increased budget request for FY 2010, released on February 26. We have been told that the Administration may be considering a proposal that would allow the VA health care system to bill a veteran's insurance for the care and treatment of a disability or injury that was determined to have been incurred in or the result of the veteran's honorable military service to our country. Such a consideration is wholly unacceptable. This proposal ignores the solemn obligation that this country has to care for those men and women who have served this country with distinction and were left with the wounds

and scars of that service. The blood spilled in service for this nation is the premium that service-connected veterans have paid for their earned care.

While we understand the fiscal difficulties this country faces right now, placing the burden of those fiscal problems on the men and women who have already sacrificed a great deal for this country is unconscionable. We strongly urge Congress to investigate whether such a proposal is being considered and to forcefully reject it if it is brought before you.

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