

CARL BLAKE, NATIONAL LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

STATEMENT OF  
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NATIONAL LEGISLATIVE DIRECTOR  
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BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS  
CONCERNING  
THE INDEPENDENT BUDGET  
AND THE DEPARTMENT OF VETERANS AFFAIRS BUDGET  
FOR FISCAL YEAR 2009

FEBRUARY 13, 2008

Mr. Chairman and members of the Committee, as one of the four co-authors of The Independent Budget, Paralyzed Veterans of America (PVA) is pleased to present our views regarding the funding requirements for the Department of Veterans Affairs (VA) health care system for FY 2009.

PVA, along with AMVETS, Disabled American Veterans, and the Veterans of Foreign Wars, is proud to come before you this year to present the 22nd 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 54 veterans' service organizations, and medical and health care advocacy groups.

Last year proved to be a difficult year for the appropriations process. The year started with an incomplete appropriation for FY 2007. Congress eventually completed the FY 2007 funding bills in February, placing the Department of Veterans Affairs (VA) in a very difficult position. While the funding levels provided for FY 2007 were very good, the fact that the bill was not completed for nearly five months after the start of that fiscal year is wholly unacceptable. Congress then followed that action up by providing more than \$1.8 billion in supplemental funding for the VA.

Unfortunately, the FY 2008 appropriations process did not go any smoother. Due to political wrangling over the federal budget, the VA did not receive its appropriation until December. We were very disappointed that the VA was forced to endure this situation for the 13th time in the last 14 years. This was particularly disappointing in light of the fact that the Administration guaranteed that the bill would be signed into law and because the bill was completed before the start of the fiscal year on October 1.

The appropriations bill was eventually enacted, but it included budgetary gimmicks that The Independent Budget has long opposed. While the maximum appropriation available to the VA would match or exceed our recommendations, the vast majority of this increase was contingent

upon the Administration making an emergency funding request for this additional money. Fortunately, the Administration recognized the importance of this critical funding and requested it from Congress. This emergency request provided the VA with \$3.7 billion more than the Administration requested for FY 2008.

For FY 2009, the Administration requests \$41.2 billion for veterans' health care. This included approximately \$2.5 billion from medical care collections. Although this represents another step forward in achieving adequate funding for the VA, it still falls short of the recommendations of The Independent Budget.

For FY 2009, The Independent Budget recommends approximately \$42.8 billion for total medical care budget authority, an increase of \$3.7 billion over the FY 2008 operating budget level established by P.L. 110-161, the Omnibus Appropriations bill, and approximately \$1.6 billion above the Administration's FY 2009 request. It is important to note that our budget recommendations reflect a distinct change from past years as it reinforces the long-held policy that medical care collections should be a supplement to, not a substitute for real dollars. The Administration, year-after-year, chooses to include medical care collections as part of its overall funding authority for Medical Services. However, we believe that the cost of medical care services should be provided for entirely through direct appropriations. In order to develop this recommendation, we used the maximum appropriation amount included in P.L. 110-161 for VA medical care and added the projected medical care collections to that amount to formulate our baseline.

The medical care appropriation in past years has included three separate accounts—Medical Services, Medical Administration, and Medical Facilities—that comprise the total VA health care funding level. However, for FY 2009, the Administration's Budget Request recommends consolidating Medical Services and Medical Administration into a single account. In order to properly reflect this change in our recommendations, the separate accounts for Medical Services and Medical Administration must be added together. For FY 2009, The Independent Budget recommends approximately \$38.2 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

|                                     |                  |
|-------------------------------------|------------------|
| Current Services Estimate.....      | \$32,574,528,000 |
| Increase in Patient Workload.....   | \$1,045,470,000  |
| Policy Initiatives.....             | \$1,000,000,000  |
| Medical Administration.....         | \$3,625,762,000  |
| Total FY 2007 Medical Services..... | \$38,245,760,000 |

In order to develop our current services estimate, we first added the estimated collections for FY 2008 to the Medical Services appropriation for FY 2008. This best reflects the total budget authority that the VA will use to provide health care services. This amount was then increased by relevant rates of inflation. We also use the Obligations by Object in the President's Budget submission in order to set the framework for our recommendation. We believe this method allows us to apply more accurate inflation rates to specific subaccounts within the overall account. Our inflation rates are based on five-year averages of different inflation categories from the Consumer Price Index-All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics every month.

Our increase in patient workload is based on a projected increase of 120,000 new unique patients-Category 1-8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$792 million. The increase in patient workload also includes a projected increase of 85,000 new Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF) veterans at a cost of approximately \$253 million.

The policy initiatives include \$325 million for improvement of mental health services and traumatic brain injury care. This amount represents the growing trend both within the Administration and the Congress to enhance the mental health services within the VA. Furthermore, it reinforces our belief that resources should be provided to the VA to allow them to be the lead for providing these specialized services, not outside health care organizations. We also recommend \$250 million for long-term care services. The policy portion of The Independent Budget further explains the shortfall that the VA has in meeting the Average Daily Census mandated by the Millennium Health Care Act. We also recommend that the VA be appropriated \$325 million for funding the fourth mission which encompasses homeland security and emergency preparedness initiatives. Currently, the VA already spends approximately this amount, but this funding is drawn directly out of the Medical Services account. Finally, we recommend \$100 million to support centralized prosthetics funding.

As mentioned previously, our Medical Administration recommendation must be added to our Medical Services recommendation to properly reflect the format of the FY 2009 budget submission. As such, The Independent Budget recommends approximately \$3.6 billion for Medical Administration for FY 2009.

Finally, for Medical Facilities The Independent Budget recommends approximately \$4.6 billion. This amount includes an additional \$250 million for non-recurring maintenance for the VA to begin addressing the massive backlog of infrastructure needs.

Although The Independent Budget health care recommendation does not include additional funding to provide for the health care needs of Category 8 veterans being denied enrollment into the system, we believe that adequate resources should be provided to overturn this policy decision. During FY 2008, the VA estimated that a total of over 1,500,000 Category 8 veterans would have been denied enrollment into the VA health care system. Despite the fact that we have not seen any solid empirical data to substantiate this continued growth rate in denied Category 8 veterans, the VA continues to project higher and higher numbers of Category 8 veterans denied enrollment into the health care system. Based on the projected increase in this population of veterans over the last five years, The Independent Budget estimates that more than 1,870,000 will have been denied enrollment by FY 2009. Assuming a utilization rate of 20 percent, in order to reopen the system to these deserving veterans, The Independent Budget estimates that the actual total cost to reopen the system will be approximately \$1.4 billion in order to meet this new demand. For the sake of discussion, if the projected collections for this group of veterans were to be considered in this estimation, the actual cost in appropriated dollars would be approximately \$456 million. We believe that the system should be reopened to these veterans and that adequate funding should be provided in addition to our Medical Care recommendation.

Although not proposed to have a direct impact on veterans' health care, we are deeply disappointed that the Administration chose to once again recommend an increase in prescription drug co-payments from \$8 to \$15 and an indexed enrollment fee based on veterans' incomes. These proposals will simply add additional financial strain to many veterans, including PVA members and other veterans with catastrophic disabilities. Although the VA does not overtly explain the impact of these proposals, similar proposals in the past have estimated that nearly 200,000 veterans will leave the system and more than 1,000,000 veterans will choose not to enroll. It is astounding that this Administration would continue to recommend policies that would push veterans away from the best health care system in the world. Congress has soundly rejected these proposals in the past and we call on you to do so once again.

For Medical and Prosthetic Research, The Independent Budget is recommending \$555 million. This represents a \$75 million increase over the FY 2008 appropriated level established in the Omnibus Appropriations Act and \$113 million over the Administration's request for FY 2009. We are particularly pleased that Congress has recognized the critical need for funding in the Medical and Prosthetic Research account, and we urge Congress to again overrule VA's request, one that will seriously erode VA's crucial biomedical research programs. 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 2009, we recommend that the VA IT account be funded at approximately \$2.165 billion. This amount includes approximately \$121 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.

We remain concerned that the Major and Minor Construction accounts are significantly underfunded in the FY 2009 Budget Request. The Administration's request slashes funding for Major Construction from the FY 2008 appropriations level of \$1.1 billion to \$582 million. The Minor Construction account is also significantly reduced from the appropriated level of \$631 million to only \$329 million. These funding levels do little to help the VA offset the rising tide of necessary infrastructure upgrades. Without the necessary funding to address minor construction needs, these projects will become major construction problems in short order. For FY 2009, The Independent Budget recommends approximately \$1.275 billion for Major Construction and \$621 million for Minor Construction. The Minor Construction recommendation includes \$45 million for research facility construction needs.

Finally, Mr. Chairman, as you know, the whole community of national veterans service organizations strongly supports an improved funding mechanism for VA health care. However, if the Congress cannot support mandatory funding, there are alternatives which could meet our goals of timely, sufficient, and predictable funding.

Congress could change VA's medical care appropriation to an advance appropriation which would provide approval one year in advance, thereby guaranteeing its timeliness. Furthermore, by adding transparency to VA's health care enrollee projection model, we can focus the debate on

the most actuarially-sound projection of veterans' health care costs to ensure sufficiency. Under this proposal, Congress would retain its discretion to approve appropriations; retain all of its oversight authority; and most importantly, there would be no PAYGO problems.

We ask this Committee in your views and estimates for FY 2009 to recommend to the Budget Committee either mandatory funding or this new 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.

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