

THE INDEPENDENT BUDGET

Veterans Agenda for the 115th Congress

Budget Recommendations for FY 18 and FY 19



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Paralyzed Veterans
of America



INTRODUCTION

For more than 30 years, the co-authors of *The Independent Budget (IB)*—Disabled American Veterans (DAV), Paralyzed Veterans of America (Paralyzed Veterans), and Veterans of Foreign Wars (VFW)—have presented our budget and policy recommendations to Congress and the Administration. Our recommendations are meant to inform Congress and the Administration of the needs of our members and all veterans and to offer substantive solutions to address the many health care and benefits challenges they face. This budget report serves as our benchmark for properly funding the Department of Veterans Affairs (VA) to ensure the delivery of timely, quality health care and accurate and appropriate benefits.

The IB veterans' service organizations (IBVSOs) recognize that Congress and the Administration continue to face immense pressure to reduce federal spending. However, we believe that the ever-growing demand for health care and benefits services, particularly with more health care being provided in the community, provided by the VA certainly validates the continued need for sufficient funding. We understand that VA has fared better than most federal agencies in budget proposals and appropriations, but the real measure should be how well the funding matches the demand for veterans' benefits and services.

We appreciate that Congress remains committed to doing the right thing and has continued to provide increases in appropriations dollars. However, the serious access problems in the health care system identified in 2014 and the continued pressure being placed on the claims processing system raise serious questions about the adequacy of resources being provided and how VA chooses to spend these resources.

The IBVSOs are jointly releasing this stand-alone report that focuses solely on the budget for VA and our projections for VA's funding needs across all programs. This report is not meant to suggest that these are the absolute correct answers for funding these services. However, in submitting our recommendations the IBVSOs are attempting to produce an honest assessment of need that is not subject to the politics of federal budget development and negotiations that inevitably have led to continuous funding deficits.

Our recommendations include funding for all discretionary programs for FY 18 as well as advance appropriations recommendations for medical care accounts for FY 19. The FY 18 projections are particularly important because previous VA Secretary Robert McDonald admitted last year that the VA's FY 18 advance appropriation request was not truly sufficient and would need significant additional resources provided this year. We hope that Congress will take this defined shortfall very seriously and appropriately address this need. Our own FY 18 estimates affirm this need.

We hope that the House and Senate Committees on Veterans' Affairs as well as the Military Construction and Veterans' Affairs Appropriations Subcommittees will be guided by these estimates in making their decisions to ensure sufficient, timely, and predictable funding for VA.

VA ACCOUNTS FOR FY 18 & FY 19 ADVANCE APPROPRIATIONS

| | FY 17 Appropriation | FY 18 Admin | FY 18 Independent Budget | FY 19 Appropriation | FY 19 IB Ady Appropriation |
|--|------------------------|-------------------|--------------------------------|------------------------|-------------------------------|
| VETERANS HEALTH ADMINISTRATION (VHA) | | | | | |
| Medical Services | 45,505,812 | 44,886,554 | 64,493,555 | | 69,450,838 |
| Medical Community Care | 7,246,181 | 9,409,118 | | | |
| Choice Program* | 2,900,000 | | | | |
| Subtotal Medical Services | 55,651,993 | 54,295,672 | 64,493,555 | | 69,450,838 |
| Medical Support & Compliance | 6,524,000 | 6,654,480 | 6,657,955 | | 6,793,408 |
| Medical Facilities | 5,321,668 | 5,434,880 | 5,796,343 | | 6,562,579 |
| Subtotal Medical Care, Discretionary | 67,497,661 | 66,385,032 | 76,947,853 | | 82,806,825 |
| <i>Medical Care Collections</i> | 3,558,307 | 3,627,255 | | | |
| Total, Medical Care Budget Authority (including Collections) | 71,055,968 | 70,012,287 | 76,947,853 | | 82,806,825 |
| Medical & Prosthetic Research | 675,366 | | 713,200 | | |
| <i>Million Veteran Program</i> | | | 65,000 | | |
| Total, VHA | 71,731,334 | 70,012,287 | 77,726,053 | | |
| GENERAL OPERATING EXPENSES (GOE) | | | | | |
| Veterans Benefits Administration | 2,856,160 | | 3,134,540 | | |
| General Administration | 345,391 | | 406,454 | | |
| Board of Veterans Appeals | 156,096 | | 158,196 | | |
| Total, GOE | 3,357,647 | | 3,699,190 | | |
| DEPARTMENTAL ADMIN & MISC. PROGRAMS | | | | | |
| Information Technology | 4,278,259 | | 4,361,502 | | |
| National Cemetery Administration | 286,193 | | 291,085 | | |
| Office of Inspector General | 160,106 | | 162,545 | | |
| Total, Department of Admin & Misc. Programs | 4,724,558 | | 4,815,132 | | |
| CONSTRUCTION PROGRAMS | | | | | |
| Construction, Major | 528,110 | | 1,500,000 | | |
| Construction, Minor | 372,069 | | 700,000 | | |
| Grants for State Extended Care Facilities | 90,000 | | 300,000 | | |
| Grants for State Veteran Cemeteries | 45,000 | | 46,000 | | |
| Total, Construction Programs | 1,035,179 | | 2,546,000 | | |
| OTHER DISCRETIONARY | 201,000 | | 203,000 | | |
| Total, Discretionary Budget Authority (including Medical Collections) | 81,049,718 | | 88,989,375 | | |

*The Administration's FY 17 revised budget request initially assumed approximately \$5.7 billion in resource expenditures from the Choice program. More recent estimates from VA indicate about \$2.9 billion in resource expenditures from the Choice program in FY 17 increasing the total Medical Services expenditure for FY 17, including Medical Care Collections, to nearly \$59.2 billion.

VETERANS HEALTH ADMINISTRATION

Total Medical Care

| | |
|---|-----------------------|
| FY 18 <i>IB</i> Recommendations | \$77.0 billion |
| FY 18 Revised Administration Request | |
| FY 18 Enacted Advance Appropriations | \$66.4 billion |
| <i>Medical Care Collections</i> | \$3.6 billion |
| Total | \$70.0 billion |
| | |
| FY 19 <i>IB</i> Advance Appropriations Recommendation | \$82.8 billion |
| FY 19 Administration Advance Appropriations Request | |
| <i>Medical Care Collections</i> | |
| Total | |

The IBVSOs have serious concerns about the FY 18 advance appropriations requested by the previous Administration and subsequently approved by Congress. Last year, the former Secretary of Veterans Affairs openly admitted that the FY 18 advance appropriations request was significantly short. He also indicated that the new Administration and Congress would have to correct this shortfall. We are concerned that this new Administration has not yet indicated its desire to correct this problem before it has catastrophic consequences for the VA. If the new Administration's budget request fails to properly address this issue, it is imperative that Congress takes necessary action to properly resource the VA health care system.

We also believe it is necessary to consider the projected expenditures under the Choice program authority that the previous Administration planned in FY 17 and how that impacts the baseline that will dictate the funding needs for FY 18. The previous Administration assumed as much as \$5.7 billion in spending through the Choice program in FY 17, on top of the Medical Services discretionary funding and the newly created Medical Community Care account. That amount has now been revised to approximately \$2.9 billion. This means that the VA projected to spend more than \$59.0 billion in Medical Services and more than \$71.0 billion in overall Medical Care funding in FY 17. These considerations inform the decisions of The Independent Budget to establish our baseline for our funding recommendations for both FY 18 and the advance appropriations for FY 19.

For FY 18, the *IB* recommends approximately \$77.0 billion in total medical care funding. Congress previously approved only \$70.0 billion for this account for FY 18 (which includes an assumption of approximately \$3.6 billion in medical care collections). The *IB*'s recommendation also considers the approximately \$1 billion VA is expected to have remaining in the Veterans Choice Fund and expected demand for care, including community care, that will not diminish or go away if the Choice Program expires.

Medical Services

| Appropriations for FY 18 | |
|--------------------------------------|-----------------------|
| FY 18 <i>IB</i> Recommendations | \$64.5 billion |
| FY 18 Revised Administration Request | |
| <i>Medical Care Collections</i> | \$3.6 billion |
| Subtotal | |
| FY 18 Enacted Advance Appropriations | \$54.3 billion |
| <i>Medical Care Collections</i> | \$3.6 billion |
| Subtotal | |
| | \$57.9 billion |

For FY 18, The Independent Budget recommends \$64.5 billion for Medical Services. This recommendation is a reflection of multiple components. These components include the following recommendations:

| | |
|--------------------------------------|-------------------------|
| Current Services Estimate | \$60,897,313,000 |
| Increase in Patient Workload | \$1,595,242,000 |
| Additional Medical Care Program Cost | \$2,001,000,000 |
| Total FY 18 Medical Services | \$64,493,555,000 |

The current services estimate reflects the impact of projected uncontrollable inflation on the cost to provide services to veterans currently using the system. This estimate also assumes a 1.5 percent increase for pay and benefits across the board for all VA employees in FY 18.

Our estimate of growth in patient workload is based on a projected increase of approximately 90,000 new unique patients. These patients include priority group 1–8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$1.4 billion. The increase in patient workload also includes a projected increase of 58,000 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) enrollees, as well as Operation New Dawn (OND) veterans at a cost of approximately \$242 million. The increase in utilization among OEF/OIF/OND veterans is supported by the average annual increase in new users through the third quarter of FY 2016.

The Independent Budget believes that there are additional projected medical program funding needs for VA. Those costs total approximately \$2.0 billion. Specifically, we believe there is real funding needed to address the array of long-term-care issues facing VA, including the shortfall in institutional capacity; 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; funding to support the recently approved authority for reproductive services, to include in vitro fertilization (IVF); and funding to allow VA to MEET the building costs for emergency care as dictated by the Staab court ruling.

LONG-TERM SERVICES AND SUPPORTS

The Independent Budget recommends \$535 million for FY 18. This recommendation reflects the fact that there was a significant increase in the number of veterans receiving Long Term Services and Supports (LTSS) in 2016. Unfortunately, due to loss of authorities—specifically fee-care no longer being authorized, provider agreement authority not yet enacted, and the inability to use Choice funds for all but skilled nursing care—to purchase appropriate LTSS care 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.

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 2016 to FY 17 and the expected continued growth in expenditures for FY 18.

WOMEN VETERANS

The Medical Services appropriation should be supplemented with \$110 million designated for women's health care programs, in addition to those amounts already included in the FY 18 baseline. These funds would be used to help the Veterans Health Administration deal with the continuing growth in women veterans coming to VA for care, including coverage for gynecological, prenatal, and obstetric care, other gender-specific services, and for expansion and repair of facilities hosting women's care to improve privacy and safety of these facilities. The new funds would also aid VHA in making its cultural transformation to ensure women veterans are made to feel welcome at VA, and provide means for VA to improve specialized services for preventing suicide and homelessness and improvements for mental health and readjustment services for women veterans.

REPRODUCTIVE SERVICES (TO INCLUDE IVF)

Last year, Congress authorized appropriations for the remainder of FY 17 and FY 18 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 18. 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 18.

EMERGENCY CARE

Recently, the VA has received serious scrutiny for its interpretation of legislation dating back to 2009, which required it to pay for veterans who sought emergency care outside of the VA health care system. The *Richard W. Staab v. Robert A. McDonald* ruling handed down by the US Court of Appeals for Veterans Claims last year, places the financial responsibility of these emergency care claims squarely on the VA. Although VA continues to appeal this decision, it is not expected to prevail in this case leaving itself with a more than \$10 billion dollar obligation over the next 10 years. The *Staab* ruling is estimated to cost VA approximately \$1.0 billion in FY 18 and about \$1.1 billion in FY 19, which the *IB* has included in our recommendations.

Advance Appropriations for FY 19

| | |
|--|----------------|
| FY 19 <i>IB</i> Advance Appropriations Recommendations | \$69.5 billion |
|--|----------------|

| | |
|---|--|
| FY 19 Administration Advance Appropriations Request | |
|---|--|

| | |
|---------------------------------|--|
| <i>Medical Care Collections</i> | |
|---------------------------------|--|

| | |
|------------------------|--|
| <i>Subtotal</i> | |
|------------------------|--|

The Independent Budget once again offers baseline projections for funding through advance appropriations for the Medical Care accounts for FY 19. While the enactment of advance appropriations for VA medical care in 2009 helped to improve the predictability of funding requested by the Administration and approved by Congress, we have become increasingly concerned that sufficient corrections have not been made in recent years to adjust for new, unexpected demand for care. As indicated previously, we have serious concerns that the previous Administration significantly underestimated its FY 18 advance appropriations request. This trend cannot be allowed to continue, particularly as Congress continues to look for ways to reduce discretionary spending, even when those reductions cannot be justified.

For FY 19, The Independent Budget recommends approximately \$69.5 billion for Medical Services. Our Medical Services level includes the following recommendations:

| | |
|--------------------------------------|-------------------------|
| Current Services Estimate | \$66,334,946,000 |
| Increase in Patient Workload | \$1,589,892,000 |
| Additional Medical Care Program Cost | \$1,526,000,000 |
| Total FY 17 Medical Services | \$69,450,838,000 |

Our estimate of growth in patient workload is based on a projected increase of approximately 78,000 new patients. These new unique patients include priority group 1–8 veterans and covered nonveterans. We estimate the cost of these new patients to be approximately \$1.3 billion. This recommendation also reflects an assumption that more veterans will be accessing the system as VA expands its capacity and services and we believe that reliance rates will increase as veterans examine their health care options as a part of the Choice program. The increase in patient workload also assumes a projected increase of 62,500 new OEF/OIF and OND veterans, at a cost of approximately \$272 million.

Last, as previously discussed, the IBVSOs believe that there are additional medical program funding needs for VA. In order to meet the increase in demand for prosthetics, the *IB* recommends an additional \$330 million, reflecting the ever-growing cost of more advanced prosthetics being prescribed for seriously disabled veterans. We believe that VA should invest a minimum of \$120 million as an advance appropriation in FY 19 to expand and improve access to women veterans’ health care programs. Our additional program cost recommendation includes continued investment of \$20 million to support extension of the authority to provide reproductive services to the most catastrophically disabled veterans. Finally, VA’s cost burden for finally paying emergency care claims dictated by the Staab ruling exceeds \$10.0 billion over 10 years and will require at least \$1.1 billion in FY 19 alone.

Medical Support and Compliance

| | |
|--|-----------------|
| FY 18 <i>IB</i> Recommendations | \$6.658 billion |
| FY 18 Revised Administration Request | |
| FY 18 Enacted Advance Appropriations | \$6.654 billion |
| FY 19 <i>IB</i> Advance Appropriations Recommendations | \$6.793 billion |
| FY 19 Administration Advance Appropriations Request | |

For Medical Support and Compliance, The Independent Budget recommends \$6.7 billion for FY 18. Our projected increase reflects growth in current services based on the impact of inflation on the FY 17 appropriated level. Additionally, for FY 19 The Independent Budget recommends \$6.8 billion for Medical Support and Compliance. This amount also reflects an increase in current services from the FY 18 advance appropriations level.

Medical Facilities

| | |
|--|-----------------|
| FY 18 <i>IB</i> Recommendations | \$5.796 billion |
| FY 18 Revised Administration Request | |
| FY 18 Enacted Advance Appropriations | \$5.435 billion |
| FY 19 <i>IB</i> Advance Appropriations Recommendations | \$6.563 billion |
| FY 19 Administration Advance Appropriations Request | |

For Medical Facilities, The Independent Budget recommends \$5.8 billion for FY 18, nearly \$400 million more than the enacted advance appropriation. Our Medical Facilities recommendation includes \$1.35 billion for Non-Recurring Maintenance (NRM). The Administration's request over the past two budget cycles represented a wholly inadequate level for NRM funding, particularly in light of the actual expenditures that were outlined in the budget justification. While VA has actually spent on average approximately \$1.3 billion yearly for NRM, the Administration has requested on average only \$460 million for NRM. This request level is clearly insufficient. This decision means that VA is forced to divert funds programmed for other purposes to meet this need. While the VA's projected NRM expenditure for FY 18 is higher than in years past, it still remains insufficient.

The Independent Budget recommends approximately \$6.6 billion for Medical Facilities for FY 19. Our FY 19 advance appropriation recommendation also includes \$1.35 billion for NRM. 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.

Medical and Prosthetic Research

| | |
|--|-----------------------------|
| FY 18 <i>IB</i> Recommendations | \$713 million |
| <i>Million Veteran Program</i> | \$65 million |
| <i>Total IB Medical and Prosthetic Research</i> | <i>\$778 million</i> |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriation | \$675 million |

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.

INVESTING TAXPAYERS' DOLLARS WISELY

Despite documented success of VA investigators across many fields, the amount of appropriated funding for VA research since FY 2010 has lagged far behind annual biomedical research inflation rates, resulting in a net loss over these years of nearly 10 percent of the program's overall purchasing power. As estimated by the Department of Commerce, Bureau of Economic Analysis, and the National Institutes of Health, for VA research to maintain current service levels, the Medical and Prosthetic Research appropriation should be

increased in FY 18 by 2.7 percent over the FY 17 baseline simply to keep pace with inflation. With this in mind, The Independent Budget recommends approximately \$17 million to meet current services demands for research.

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

In addition to covering uncontrollable inflation, the IBVSOs believe Congress should appropriate an additional \$17 million for FY 18, for expanding 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;
- The 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; and
- Innovative health services strategies, such as telehealth and self-directed care, that lead to accessible, high-quality, cost-effective care for all veterans.

MILLION VETERAN PROGRAM (MVP)

The VA Research program is uniquely positioned to advance genomic medicine through the MVP, an effort that seeks to collect genetic samples and general health information from 1 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 400,000 veterans have enrolled in MVP. The VA estimates it currently costs around \$75 to sequence each veteran's blood sample. Under the President's Precision Medicine Initiative, the IBVSOs recommend \$65 million to enable VA to process one quarter of the MVP samples collected.

GENERAL OPERATING EXPENSES

Veterans Benefits Administration

| | |
|------------------------------------|-----------------|
| FY 18 <i>IB</i> Recommendations | \$3.135 billion |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$2.856 billion |

The Veterans Benefits Administration (VBA) account is comprised of six primary divisions. These include Compensation; Pension; Education; Vocational Rehabilitation and Employment (VR&E); Housing; and Insurance. The increases recommended for these accounts primarily reflect current services estimates with the impact of inflation representing the grounds for the increase. However, two of the subaccounts—Compensation and VR&E—also reflect a substantial increase in requested staffing to meet the rising demand for those benefits.

The *IB* recommends approximately \$3.135 billion for the VBA for FY 18. This amount reflects an increase of approximately \$279 million over the enacted FY 17 appropriations level. Our recommendation includes approximately \$183 million in additional funds in the Compensation account above current services, and approximately \$32 million more in the VR&E account above current services to provide for new full-time equivalent employees (FTEE).

| | | |
|---------------------------------------|-----------------------|----------------------|
| Compensation Service Personnel | 1750 New FTEEs | \$183 million |
|---------------------------------------|-----------------------|----------------------|

VBA continues to produce record numbers of claims while maintaining an emphasis on quality; however, FY 2016 signals a troubling trend. Increases are taking place in total disability claims inventory, backlogged claims, the amount of time it takes to process a claim and appeals workload. These increases can be attributed to multiple factors such as an increase in the number of claims and appeals being filed, the lack of adequate resources to keep pace with demand and the curtailing of mandatory overtime.

Over the past few years, VBA has made significant progress in reducing the disability compensation backlog, which at its peak, stood at over 600,000 claims in March 2013. Today, the claims backlog stands at roughly 96,000 claims, a decrease of nearly 85 percent from its peak, but an increase of roughly 10,000 claims over the previous year. VA defines a backlogged disability claim as one pending over 125 days.

In 2009, VBA issued decisions on 2.74 million medical issues; that number more than doubled to 5.76 million in FY 2016, but was less than FY 2015 when it issued 6.35 million decisions on medical issues. In March of 2013, VBA required roughly 282 days to process a claim. At the close of FY 2016, VBA reported that on average, it took 123 days to process a claim; however, in FY 2015, VBA reported that it took, on average, 92 days to complete a claim.

VBA's total disability claims inventory is also continuing to rise. In FY 2015, their pending claims inventory stood at about 352,000 claims; today, VBA has a total inventory closer to 400,000 claims. This means that one quarter of VBA's total inventory is considered backlogged. Furthermore, VBA has an inventory of nearly 584,000 for non-disability rating claims.

It will take a blend of technology and people to enable VBA to provide veterans and their dependents with more timely and accurate decisions. Necessary personnel increases should not be tempered against hopes of future technological gains. IT systems such as the Veterans Benefits Management System (VBMS), e-Benefits, the Stakeholder Enterprise Portal (SEP) and now, the National Work Queue, though beneficial for enabling VBA keep pace with their overall workload, the full effect of these systems may not be realized for years.

Recognizing that rising workload, particularly claims for disability compensation, could not be addressed without additional personnel, Congress provided VBA with more than 1,300 FTEE between FY 2013 and FY 17, primarily in Compensation Service. In FY 2016 alone, Congress authorized VBA to hire an additional 770 FTEE. The new FTEE were to be purposed for non-rating activities. However, taking into consideration VBA's total workload, including appeals, these increases in personnel have not been sufficient to keep pace with incoming workload, or to reduce the backlogs in these non-rating areas.

VBA's previous concentrated efforts to reduce the claims backlog caused new backlogs in other activities including appeals. As of February 2017, there were close to 460,000 appeals pending, roughly 360,000 within the jurisdiction of the VBA and the remainder within the jurisdiction of the Board of Veterans' Appeals. This growing appeals backlog is a result of VBA's former shift in focus and resources to process disability claims, as evidenced by the fact that Decision Review Officers (DRO) and Quality Review Specialists (QRS) were performing development and rating duties during both regular and overtime working hours at many VA regional offices (VARO).

In order for VBA to produce timely and quality decisions, it will require sufficient resources and must modernize its appeals process. Appeals modernization and reform legislation that was introduced in 114th and 115th Congress will help to significantly streamline and simplify appeals processing.

For FY 18, the IBVSOs recommend an additional 1,750 FTEE. VBA will require this infusion of resources to manage their overall rising workload. Furthermore, as VBA no longer utilizes mandatory overtime for claims processing, true personnel needs must be addressed.

1,000 FTEE would be dedicated to processing appeals at VBA in an effort to eliminate the backlog of 360,000 appeals within the next three years. Depending on the progress made over the next year, further personnel increases may still be necessary to address this appeals backlog.

350 FTEE would be dedicated to address the growing backlog of non-rating related work such as dependency claims. 300 FTEE would be dedicated for claims processing to address the incremental rise in the claims inventory and backlog.

100 FTEE would be dedicated to the Fiduciary program to meet the growing needs of veterans participating in VA's Caregiver Support programs. This recommendation is also based on a July 2015 VA Inspector General report on the Fiduciary program that found, "...Field Examiner staffing did not keep pace with the growth in the beneficiary population, [and] VBA did not staff the hubs according to their staffing plan...."

Finally, as technology and work processes continue to evolve and change the landscape of claims and appeals processing, the IBVSOs believe that more accurate staffing and production models will be required to determine future VBA resource requirements.

VR&E Service Personnel

266 New FTEEs

\$32 million

The Vocational Rehabilitation and Employment Service (VR&E), also known as the VetSuccess program, provides critical counseling and other adjunct services necessary to enable service disabled veterans to overcome barriers as they prepare for, find, and maintain gainful employment. VetSuccess offers services on five tracks: re-employment, rapid access to employment, self-employment, employment through long-term services, and independent living.

An extension for the delivery of VR&E assistance at a key transition point for veterans is the VetSuccess on Campus (VSOC) program deployed at 94 college campuses. Additional VR&E services are provided at 71 select military installations for active duty service members undergoing medical separations through the Department of Defense and VA's joint Integrated Disability Evaluation System (IDES). These additional functions of VR&E personnel are undoubtedly beneficial to disabled veterans; however, staffing levels throughout VR&E services must be commensurate with current and future demands and their global responsibilities.

Over the past few years, program participation has increased by 15 percent overall, increasing by 7.3 percent in FY 2015, 3.8 percent in FY 2016, and in FY 17, a 4 percent increase is estimated. In FY 17, the Administration failed to request adequate staffing levels to keep pace with anticipated demand. In fact, for both FY 2016 and FY 17, the Administration flat-lined the VR&E request for direct personnel at 1,442.

A steady growth in program participation each year, without commensurate requests for personnel to keep pace with increased program participation will leave service-connected veterans waiting longer for critical services. As VBA continues to expand VR&E eligibility to more veterans, due to increased claims processing and the award of new service-connected disabilities due to new presumptive disabilities, it is not unreasonable to foresee a rise in program participation within VR&E. Based on historical participation rates, the IBVSOs project that total program participation for FY 18 will grow by at least 5 percent for total caseload of close to 155,000.

Last year, Congress recognized the need for a more balanced client-to-counselor ratio with the enactment of Public Law 114–223, Section. 254. This provision authorizes the Secretary to use appropriated funds to ensure the ratio of veterans to full-time employment equivalents does not exceed 125 veterans to one full-time employment equivalent.

In July 2015, VR&E reported that its average Vocational Rehabilitation Counselor (VRC)-to-client ratio had risen to 1:139. Unless significant new funding is provided, VA would be required to redirect appropriated resources from other vital programs to achieve this ratio within VR&E. Therefore, VR&E's full funding requirements must be included in its budget request and not syphoned away from other programs to reach the 125-to-1 ratio. Even this benchmark may even be too high when taking into consideration the overall responsibilities of VRCs, such as VSOC, IDES and other outreach initiatives.

In order to achieve and sustain a 1:125 counselor-to-client ratio in FY 18, we estimate that VR&E would need 266 new FTEE, for a total workforce of 1550 FTEE, to manage an active caseload and provide support services to 155,000 VR&E participants. At a minimum, three-quarters, of the new hires should be VRCs dedicated to providing direct services to veterans. This increase in personnel accounts for the expected growth in VR&E claim filings, program participation, collateral duties performed outside of general case management, the flat-lined personnel requests for the previous two fiscal years and our previous 158 FTEE request for last fiscal year.

While increased staffing levels are required to provide efficient and timely services to veterans utilizing VR&E services, it is also essential that these increases be properly distributed throughout all of VR&E to ensure that VRC caseloads are equitably balanced among VAROs, which typically experience variable caseloads. As an example, a January 2014 GAO Report found the Cleveland VARO's VRC ratio to be 1:206 and in the Fargo VARO, the ratio was 1:64.

General Administration

| | |
|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$406 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$345 million |

The General Administration account is comprised of ten primary divisions. These include the Office of the Secretary; the Office of the General Counsel; the Office of Management; the Office of Human Resources and Administration; the Office of Enterprise Integration; the Office of Operations, Security and Preparedness; the Office of Public Affairs; the Office of Congressional and Legislative Affairs; and the Office of Acquisition, Logistics, and Construction; and the Veterans Experience Office (VEO). This marks the first year that the VEO has been included in the divisions of General Administration. Additionally, a number of the divisions reflect changes to the structure and responsibilities of those divisions. For FY 18, the *IB* recommends approximately \$406 million, an increase of more than \$60 million over the FY 17 appropriated level. This increase primarily reflects an increase in current services based on the impact of uncontrollable inflation across all of the General Administration accounts. It also reflects the establishment of the VEO within the General Administration accounts.

Board of Veterans' Appeals

| | |
|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$158 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$156 million |

Faced with a growing number of claims and resultant appeals that could no longer be ignored, Congress authorized the Board of Veterans' Appeals (Board) to increase their FTEE by 242 over FY 2016 authorized levels, bringing their total authorized staffing to 922 FTEE for FY 17.

For FY 18, the IBVSOs recommend no additional increases in FTEE; however, the Board must be permitted to hire their full complement of 922 FTEE. Today, the Board's total FTEE strength is close to 855 FTEE. Over the past few years, the Board has averaged approximately 85 appeal dispositions per FTEE, producing 55,532 decisions in FY 2014, 55,713 decisions in FY 2015 and are expected to issue somewhere close to 56,000 decisions in FY 2016. If the Board were to reach their full complement of 922 FTEE, at 85 appeal dispositions per FTEE, they could be expected to issue close to 78,000 decisions.

As the number of claims processed annually continues to rise as a result of the increased capacity of VBA, the number of appeals is also expected to continue rising. Even with increased accuracy in rating board decisions, on average 10 to 12 percent of claims decisions are appealed. Thus, assuming VBA processes 1.5 million claims in 2018—a reasonable estimate considering VBA processed over 1.4 million claims in both FY 2014 and FY 2015—roughly 150,000 appeals would enter the system, with roughly half of them continuing on to the Board for appellate review. In order for the Board to keep pace with only this new incoming workload and not those appeals already in the system, their FTEE levels would have to be adjusted accordingly, unless comprehensive reforms are adopted.

In the 114th Congress, significant appeals-reform legislation was introduced. The legislative language reflected significant efforts of a working group formed in March 2016 that consisted of the IBVSOs, other VSO stakeholders, and leaders within VBA and the Board. This legislation would have fundamentally reformed and streamlined the overall appeals process.

Similar legislation has been introduced in the 115th Congress. Without these reforms, traditional staffing increases will be required to meet current and future workload requirements. As it stands today, to keep pace with their overall workload, the Board will need to continue adding new attorneys, veteran law judges, as well as sufficient support staff.

Additional staffing is just one component that is needed to effectively manage the appeals workload. Seamless and functional IT systems are also critical to ensure the Board is able to issue accurate and timely decisions. There must be integration with the Veterans Benefit Management System, but also the flexibility for their Board to perform work functions centric and independent to the appeal process.

Over the past few years, the Board has received resources and developed partnerships to modernize its IT systems, which is essential to improving quality and timeliness of appeal decisions. Part of this modernization involves replacement of the outdated legacy appeals tracking system, (VACOLS). In order to accomplish this modernization, the Board partnered with The United States Digital Service (USDS). The USDS is a White House tech initiative that works across the Federal government to enhance and improve IT services.

The USDS team has been working on multiple integration tools, one of which was Caseflow Certification that became operable in April 2016. Caseflow Certification is an IT enhancement that automatically detects if certain documents have been secured before moving forward in the appeal process. The partnership between the USDS team must be allowed to reach its full maturity, so the Board can reap the rewards of their innovations that are designed to improve the appeals process for waiting appellants.

Lastly, the USDS must be allowed to continue to operate in the non-traditional, agile way it has pioneered at VA so that it can continue to pursue the best-possible approach to modernization instead of being locked down into an inflexible multi-year development plan that that cannot possibly anticipate the lessons that will be learned during development.

DEPARTMENTAL ADMINISTRATION AND MISCELLANEOUS PROGRAMS

Information Technology (IT)

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|------------------------------------|-----------------|
| FY 18 <i>IB</i> Recommendations | \$4.362 billion |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$4.278 billion |

In contrast to significant department-level IT failures, the VHA over more than 30 years successfully developed, tested, and implemented a world-class comprehensive, integrated electronic health record (EHR) system. The current version of this EHR system, based on the VHA's self-developed VistA public domain software, sets the standard for EHR systems in the United States and was a trailblazer for years. However, parts of VistA require either modernization or replacement. For example, one of its component parts, the outdated scheduling module, contributed to VA's recent access to care crisis. According to VA, this module is being replaced on an expedited basis.

For FY 18, the IBVSOs recommend approximately \$4.4 billion for the administration of the VA's IT program. This recommendation includes no new funding above the planned current services level. Significant resources have already been invested in VA's IT programs in recent years, and we believe proper allocation of existing resources can allow VA to fulfill its missions while modernizing its systems. We continue to call for acceleration of the VBMS, and the implementation of an appropriate solution for the Board of Veterans Appeals IT system.

Additionally, it is critical to ensure that sufficient funds are directed at the incremental costs of implementation for the new Veterans Choice Program (VCP). The VA identified a series of one time incremental costs for IT systems in order to redesign, develop, and deliver systems and technology solutions for the new VCP. Those incremental costs range from \$421 million in Phase I of the project, to \$606 million in Phase II, and finally \$851 million in Phase III. Without having a clear plan for when each of these Phases might actually take place, The Independent Budget has chosen not to explicitly recommend these funds in our IT funding recommendation. However, we believe Congress must consider these costs in an effort to assist the VA in implementing the new VCP.

National Cemetery Administration (NCA)

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|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$291 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$286 million |

NCA, which receives funding from eight appropriations accounts, administers numerous activities to meet the burial needs of our nation's veterans.

In a strategic effort to meet the burial and access needs of our veterans and eligible family members, the NCA continues to expand and improve the national cemetery system, by adding new and/or expanded national cemeteries. Not surprising, due to the opening of additional national cemeteries, the NCA is expecting an increase in the number of annual veteran interments through 2017 to roughly 130,000, up from 125,180 in 2014; this number is expected to slowly decrease to 126,000 by 2020. This much need expansion of the national cemetery system will help to facilitate the projected increase in annual veteran interments and will simultaneously increase the overall number of graves being maintained by the NCA to 3.7 million in 2018 and 3.9 million by 2020.

Even as the NCA continues to add veteran burial space to its expanding system, many existing cemeteries are exhausting their capacity and will no longer be able to inter casketed or cremated remains. In fact, as of 2016, the NCA expects four national cemeteries—Baltimore, Maryland; Nashville, Tennessee; Danville, Virginia; and Alexandria, Virginia—to reach their maximum capacity and will be closed to first interments, though they will continue to accept second interments.

In order to minimize the dual negative impacts of increasing interments and limited veteran burial space, the NCA needs to:

- Continue developing new national cemeteries;
- Maximize burial options within existing national cemeteries;
- Strongly encourage the development of state veteran cemeteries; and
- Increase burial options for veterans in highly rural areas.

Additional areas of growth within the NCA system include:

- An increase in the issuance of Presidential Memorial Certificates, which is expected to increase from approximately 654,000 in 2013 to more than 870,000 in 2017;
- The expected increase in the burial of Native American, Alaska Native, and Pacific Islander veterans; and
- The possible increase, thanks to local historians and other interested stakeholders, in requests for headstones or markers for previously unidentified veterans.

BUDGETARY RESOURCES FOR NCA PROGRAMS

With the above considerations in mind, The Independent Budget recommends \$291 million for FY 18 for the Operations & Maintenance of the NCA. The IBVSOs believe that this should include a minimum of \$20 million for the National Shrine Initiative. Since FY 2013, national shrine funding has decreased each year. The NCA must continue to invest sufficient resources in the National Shrine Initiative to ensure that this important work is completed.

Office of the Inspector General

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|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$163 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$160 million |

The Office of Inspector General (OIG) received a significant infusion of new resources for FY 2016 due to the high volume of work that it has produced. And yet, the OIG has been under significant scrutiny over the past two years. We believe that the work requirements assigned to this office have placed it under great stress and potentially stretched it beyond its capacity. That being said, the IBVSOs believe that the office does not warrant a staffing increase at this time. We believe that the substantial increase that the OIG received in FY 2016 should allow it to expand its staffing sufficiently to meet the ever-growing demands on its work. With this in mind, the *IB* recommends funding based on current services for FY 18 of approximately \$163 million.

CONSTRUCTION PROGRAMS

Major Construction

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|------------------------------------|----------------|
| FY 18 <i>IB</i> Recommendations | \$1.50 billion |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$528 million |

Currently, VA has 24 major construction projects that are partially funded, some of which were originally funded in FY 2004, that need to be put on a clear path to completion. There are an additional 3 projects that are in the design phase. Outside of the partially funded major projects list are major construction projects at the top of the FY 17 priority list that are seismic in nature. These projects cannot take a strategic pause while Congress and VA decide how to manage capital infrastructure long-term.

Of those 24 partially funded projects, VA will need to invest more than \$3.5 billion to complete them all. Of the top five projects on the priority list, two of them are seismic deficiencies, two are the core mission of VA – a mental health clinic and a spinal cord injury center – and one that is an addition to an existing facility. The total cost of these projects is \$1.2 billion.

The IBVSOs recommend that Congress appropriate at least \$1.5 billion for major construction in FY 18. This amount will 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.

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 impact of funding shortages was vividly demonstrated in a Congressionally-mandated report that found major, system wide deficits in VA research infrastructure. Nearly 40 percent of the deficiencies found were designated “Priority 1: Immediate needs, including corrective action to return components to normal service or operation; stop accelerated deterioration; replace items that are at or beyond their useful life; and/or correct life safety hazards.”

The report cited above estimated that approximately \$774 million would be needed to correct all deficiencies found, but only a fraction of that funding has been appropriated since this report was made public in 2012. The VA Office of Research and Development is conducting a follow-up study of over a dozen key research sites. This update should be available in mid-2016, the results of which can be used to guide VA and Congress in further investment in VA research infrastructure. Nevertheless, Congress needs to begin now to correct the most urgent of these known infrastructure deficiencies, especially those that concern life-safety hazards for VA scientists and staff, and for veterans who volunteer as research subjects.

The IBVSOs believe that Congress should break this chronic stalemate and designate funds to improve specific VA research facilities in FY 17 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.

The full report discussed above is available at www.aamc.org/varpt. The House reports associated with this issue are House Report 109-95, and House Report 111-559.

Minor Construction

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|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$700 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$372 million |

In FY 17, Congress appropriated \$372.1million for minor construction projects. Currently, there are still approximately 600 minor construction projects that need funding to close all current and future year gaps within 10 years. To complete all of these current and projected projects, VA will need to invest between \$6.7 and \$8.2 billion in minor construction over the next decade.

In August 2014, the President signed the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), Public Law 133-146. In this law, Congress provided \$5 billion to increase healthcare access by increasing medical staffing levels and investing in infrastructure. VA has developed a spending plan that that obligated \$511 million for 64 minor construction projects over a two-year period.

While this infusion of funds has helped, there are still hundreds of minor construction projects that need funding for completion. It is important to remember that these funds are a supplement to, not a replacement of, annual appropriations for minor construction projects. The IBVSOs recommend that Congress fund VA's minor construction account at \$700 million in an effort to close all identified gaps within 10 years.

Leasing: Historically VA has submitted capital leasing requests that meet the growing and changing needs of veterans. VA has again requested an adequate amount, \$283.7 million for its FY 17 leasing needs. While VA has requested adequate resources, Congress must find a way to authorize and appropriate leasing projects in a way that precludes the full cost of the lease being accounted for in the first year. There are currently 18 major medical leases from FY 2016 and six from FY2017 that Congress must still authorize. Delays in authorization of these leases has a direct impact on VA's ability to provide time care to veterans in their communities. Congress must authorize these leases.

Grants for State Extended-Care Facilities (State Home Construction Grants)

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|------------------------------------|---------------|
| FY 18 <i>IB</i> Recommendations | \$300 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$90 million |
| FY 17 <i>IB</i> Recommendation | \$200 million |

Grants for state extend-care facilities, commonly known as state home construction grants, are a critical element of federal support for the state veterans' homes. The state 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 over 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 15 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. On average, the daily cost of care for a veteran at a State Home is less than 50 percent of the cost of care at a VA long-term-care facility.

States 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 8.

In FY 17, the estimated federal share for the 99 state home construction grants requests that have been submitted by states was almost \$1.1 billion. Of that amount, the states had already secured their share of matching funds required to put them in the Priority Group List 1 for 57 projects that will require \$639 million in federal matching funds, an increase of \$89 million over FY 2016. Last year, VA requested only \$85 million and the IBVSOs had recommended \$200 million; Congress ultimately appropriated \$90 million funding for FY 2016, which will barely keeps up with the increase in Priority Group 1 projects. With almost \$1 billion in state home projects still in the pipeline, the IBVSOs recommend \$300 million for the state home construction grant program for FY 17 in order to begin seriously addressing the remaining \$550 million backlog of Priority 1 projects, as well as the \$433 million of Priority 2-8 projects soon to receive matching funding from the States.

Grants for State Veterans Cemeteries

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|------------------------------------|--------------|
| FY 18 <i>IB</i> Recommendations | \$46 million |
| FY 18 Administration Request | |
| FY 17 Enacted Final Appropriations | \$46 million |

The State Cemetery Grant Program allows states to expand veteran burial options by raising half the funds needed to build and begin operation of veterans’ cemeteries. The NCA provides the remaining funding for construction and operational funds, as well as cemetery design assistance. As of September 2014, there were 49 projects with state matching funds.

Funding eight projects in FY 18 will provide burial options for an additional 148,000 veterans. To fund these projects, Congress must appropriate \$46 million.



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