

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 2012

MARCH 2, 2011

Chairman Murray, 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 2012.

With the newly elected 112th Congress just beginning to conduct business, it is important to once again review and assess the efforts of the 111th Congress to provide sufficient, timely, and predictable funding for the Department of Veterans Affairs (VA), particularly the VA health-care system. The first session of the 111th Congress laid the groundwork for a historic year in 2010. In 2009 the President signed Public Law 111-81, the "Veterans Health Care Budget Reform and Transparency Act," which required the President's budget submission to include estimates of appropriations for the Medical Care accounts for fiscal year (FY) 2012 and thereafter (advance appropriations) and the VA Secretary to provide detailed estimates of the funds necessary for these accounts in budget documents submitted to Congress. Consistent with advocacy by The Independent Budget, the law also required a thorough analysis and public report by the Government Accountability Office (GAO) of the Administration's advance appropriations projections to determine whether that information is sound and accurately reflects expected demand and costs to be incurred in FY 2012 and subsequent years.

The Independent Budget veterans service organizations (IBVSOs) were pleased to see that in February 2010 the Administration released a detailed estimation of its FY 2011 funding needs as well as a blueprint for the advance funding needed for the Medical Care accounts of VA for FY 2012. It is important to note that last year was the first year that the budget documents included advance appropriations estimates. Unfortunately, due to differences in interpretation of the language of Public Law 111-81, the GAO did not provide an examination of the budget submission to analyze its consistency with VA's Enrollee Health Care Projection Model. The Independent Budget was informed that the GAO was not obligated to report on the advance appropriations projections of VA until at least 2011. The IBVSOs look forward to working with Congress to ensure that the GAO fulfills its responsibility this year.

For FY 2011, Congress provided historic funding levels for VA in the House and Senate versions of the Military Construction and Veterans Affairs appropriations bill that matched, and in some cases exceeded, the recommendations of The Independent Budget. Unfortunately, as has become the disappointing and recurring process, the Military Construction and Veterans Affairs appropriations bill was not completed even as the new fiscal year began October 1, 2010. Although the House passed the bill in the summer, the Senate failed to enact the bill in a timely manner. This fact serves as a continuing reminder that, despite excellent funding levels provided over the past few years, the larger appropriations process continues to break down over matters unrelated to VA's budget due to partisan political gridlock.

Fortunately, this year, the enactment of advance appropriations has temporarily shielded the VA health-care system from this political wrangling and legislative deadlock. However, the larger VA system is still negatively affected by the incomplete appropriations work. VA still faces the daunting task of meeting ever-increasing health-care demand as well as demand for benefits and other services.

In February 2010, the President released a preliminary budget submission for VA for FY 2011. The Administration recommended an overall funding authority of \$60.3 billion for VA, approximately \$4.3 billion above the FY 2010 appropriated level but approximately \$1.2 billion less than The Independent Budget recommended. The Administration's recommendation included approximately \$51.5 billion in total medical care funding for FY 2011. This amount included \$48.1 billion in appropriated funding and nearly \$3.4 billion in medical care collections. The budget also included \$590 million in funding for Medical and Prosthetic Research, an increase of \$9 million over the FY 2010 appropriated level.

For FY 2011, The Independent Budget recommended that the Administration and Congress provide \$61.5 billion to VA, an increase of \$5.5 billion above the FY 2010 operating budget level, to adequately meet veterans' health-care and benefits needs. Our recommendations included \$52 billion for health care and \$700 million for medical and prosthetic research.

The Administration also included an initial estimate for the VA health-care accounts for FY 2012. Specifically, the budget request calls for \$54.3 billion in total budget authority, with \$50.6 billion in discretionary funding and approximately \$3.7 billion for medical care collections. Unfortunately, because work on the FY 2011 appropriations bill was not completed, advance appropriations funding for FY 2012 remains in limbo.

Moreover, recent actions by VA suggest that the FY 2011 advance appropriations funding levels (which were affirmed in the President's budget request) may not be sufficient to support the health-care programs managed by VA. In a letter sent to Congress on July 30, 2010, VA Secretary Eric Shinseki explained that he believes the advance appropriations levels provided for FY 2011—that virtually match the Administration's request for FY 2011—will be insufficient to meet the health-care demand that VA will face this year. He also emphasized that the passage of Public Law 111-163, the "Caregivers and Veterans Omnibus Health Services Act," and Public Law 111-148, the "Patient Protection and Affordable Care Act," will increase workloads for VA. Unfortunately, the House version of the FY 2011 Military Construction and Veterans Affairs appropriations bill did not fully address this projected current year demand. Likewise, the Senate

version of the appropriations bill is apparently insufficient to meet the new demand the Secretary projects.

While we appreciate the funding levels that are provided by the appropriations bills, we believe that the Secretary’s letter sends a clear message that, absent some unclear “management action” by VA, more funding will be needed for FY 2011 for VA Medical Care accounts. We hope that as the House and Senate finally complete work on the FY 2011 Military Construction and Veterans’ Affairs appropriations bill, proper consideration must be given to this concern.

Funding for FY 2012

Last year the Administration recommended an advance appropriation for FY 2012 of approximately \$50.6 billion in discretionary funding for VA medical care. The House Committee on Appropriations supported this recommendation in H.R. 1 as well. When combined with the \$3.7 billion Administration projection for medical care collections, the total available operating budget recommended for FY 2012 is approximately \$54.3 billion. However, included in the President’s Budget Request for FY 2012, the Administration revised the estimates for Medical Care down by \$713 million due to the proposed federal pay freeze (a factor not included in H.R.1).

The Independent Budget appreciates the increases that the Administration has recommended for FY 2012 in its Medical Care budget request. However, we have some real concerns with the methods that the Administration uses to get to those projected increases. Of particular concern to The Independent Budget is an ill-defined contingency fund that would provide \$953 million more for Medical Services for FY 2012. Moreover, we are especially concerned that the VA presumes “management improvements” of approximately \$1.1 billion to be directed towards FY 2012 and FY 2013. The use of management improvements or efficiencies was a gimmick commonly used in the past to reduce the requested level of discretionary funding; and yet, rarely did the VA realize any actual savings from those gimmicks. Additionally, we are concerned that the VA does not clearly define the relationship between the contingency fund and the “management improvements” that it proposes. Finally, we are concerned about the revised estimate in Medical Care Collections from the originally projected \$3.7 billion (included in last year’s advance appropriations recommendation and supported by Congress) to now only \$3.1 billion. Given this revision in estimates, the VA budget request may arguably be short at least \$600 million in budget authority for next year simply based on the revised collection estimate.

For FY 2012, the Administration recommends \$53.9 billion for total Medical Care spending. The Independent Budget recommends approximately \$55.0 billion for total medical care, an increase of \$3.4 billion over the FY 2011 operating budget level currently proposed in H.R. 1, the “Continuing Resolution for FY 2011.” 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 2012, The Independent Budget recommends approximately \$43.8 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$41,274,505,000
Increase in Patient Workload.....	\$1,495,631,000

Additional Medical Care Program Costs.....\$1,010,000,000
Total FY 2012 Medical Services.....\$43,780,136,000

Our growth in patient workload is based on a projected increase of approximately 126,000 new unique patients—Priority Group 1-8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately \$1.0 billion. The increase in patient workload also includes a projected increase of 87,500 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans at a cost of approximately \$306 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 continued efforts 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 should increase by 125,000 between FY 2010 and FY 2013. 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 \$148 million.

Lastly, The Independent Budget believes that there are additional projected funding needs for the VA. Specifically, we believe there is real funding needed to restore the VA’s long-term care capacity (for which a reasonable cost estimate can be determined based on the actual capacity shortfall of the VA), to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA’s prosthetics service), and to meet the new projected demand associated with the provisions of P.L. 111-163, the “Caregivers and Veterans Omnibus Health Services Act.” 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. In order to meet the increase in demand for prosthetics, the IB recommends an additional \$250 million. This increase in prosthetics funding reflects the significant increase in expenditures from FY 2010 to FY 2011 (explained in the section on Centralized Prosthetics Funding) and the expected continued growth in expenditures for FY 2012.

Finally, we believe that there will be a significant funding need in order for the VA to address the provisions of P.L. 111-163, specifically as it relates to the caregiver provisions of the law. During consideration of the legislation, the costs were estimated to be approximately \$1.6 billion between FY 2010 and FY 2015. This included approximately \$60 million identified for FY 2010 and approximately \$1.54 billion between FY 2011 and FY 2015. However, no funding was provided in FY 2011 to address this need. As a result, the VA will have an even greater need for funding to support P.L. 111-163 between FY 2012 and FY 2015 in order to fully implement these provisions. While the Administration claims to have provided an additional \$208 million for implementation of P.L. 111-163, we remain concerned about the lack of action by the VA thus far to actually implement the law. Moreover, it is not clear where that additional funding is included in the FY 2012 Medical Care budget request. With this in mind, The Independent Budget recommends approximately \$385 million to fund the provisions of P.L. 111-163 in FY 2012.

For Medical Support and Compliance, The Independent Budget recommends approximately \$5.4 billion, approximately \$50 million above the FY 2011 appropriated level. Finally, for Medical Facilities, The Independent Budget recommends approximately \$5.9 billion, approximately \$160

million above the FY 2011 appropriated level. While our recommendation does not include an additional increase for non-recurring maintenance (NRM), it does reflect a FY 2012 baseline of approximately \$1.1 billion. 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. In fact, 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 \$620 million. This represents a \$39 million increase over the FY 2011 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.

Advance Appropriations for FY 2013

As explained previously, P.L. 111-81 required the President's budget submission to include estimates of appropriations for the medical care accounts for FY 2012 and subsequent fiscal years. With this in mind, the VA Secretary is required to update the advance appropriations projections for the upcoming fiscal year (FY 2012) and provide detailed estimates of the funds necessary for the medical care accounts for FY 2013. Moreover, 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.

The Independent Budget is pleased to see that the Administration has proposed an increase in the Medical Care accounts for FY 2013. We simply urge Congress to remain vigilant to ensure that the proposed funding levels for FY 2013 are in fact sufficient to meet the continued growth in demand on the health care system. Moreover, it is important to note that this is the first year that the GAO will examine the budget submission to analyze its consistency with VA's Enrollee Health Care Projection Model. 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.