

BG Leslie E. Beavers, USA (Ret.) President National Association of State Directors of Veterans Affairs

Statement  
of the  
NATIONAL ASSOCIATION OF STATE DIRECTORS  
OF VETERANS AFFAIRS  
on the  
FY 2006 US Department of Veterans Affairs  
Budget Request  
before the  
Joint Hearing of the House and Senate  
Veterans' Affairs Committees  
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Presented by  
BG Leslie E. Beavers, U.S. Army Retired  
President, NASDVA  
Commissioner, Kentucky Department of Veterans Affairs

## INTRODUCTION

Mr. Chairman and distinguished members of the committee, on behalf of the National Association of State Directors of Veterans Affairs (NASDVA) I am honored to have this opportunity to testify this morning and present the views of the State Directors of all fifty states, commonwealths and territories.

State government is the second largest provider of services to veterans and our role continues to grow. We feel it is our responsibility to help Congress understand the role of the State Departments of Veterans Affairs (SDVAs) in complementing the efforts of the federal government toward "serving veterans." When government at all levels works together to accomplish the nation's goals, then we have served not only veterans, but also all citizens who deserve the best return on their tax dollars. We are partners with the federal government in delivering services to veterans; we are neither stakeholders nor Veteran Service Organizations (VSOs).

We applaud the leadership of Chairmen Craig and Buyer and Ranking Members Akaka and Evans, and the other distinguished members of both the Senate and House VA Committees, in building upon the administration's budget. NASDVA supports the increases in funding, as reflected in the Committee amendments for the FY 2006 budget. We are beginning to serve a new generation of veterans who will need help as they transition back to civilian life after service in Afghanistan and/or Iraq. Because of the uniqueness of these operations, the demand for mental health services and prosthetics is increasing significantly. The overall level of health care funding recommended by the administration does not cover current VA health care operational needs, much less the increased need due to the War on Terror.

## VETERANS HEALTH BENEFITS AND SERVICES

NASDVA supports the Capital Asset Realignment for Enhanced Services (CARES) report and recommendations.

Capital Asset Realignment for Enhanced Services (CARES). We were generally pleased with

the report and recommendations of the CARES Commission and the final plan. We support this important process and the direction it will move VA as a national system.

NASDVA supports the opening of additional

Community-Based Outpatient Clinics (CBOCs). We would like to see the new priority CBOCs deployed rapidly with

appropriate VA Medical Center (VAMC) funding.

Community-Based Outpatient Clinics (CBOCs). We were pleased to see the continued development of CBOCs that have greatly improved veterans' access to VA health care and the recommendation of additional CBOCs, especially since this process has been on hold since CARES began. We encourage rapid deployment of the recommended new priority clinics over the next few years with the corresponding budget support to VAMCs to allow this to begin in FY 2006. VA needs to quickly develop these additional clinics, all with mental health services. We encourage the investment of capital funding to support the many projects recommended by CARES, since like CBOC development, this spending for infrastructure projects has been suspended during the CARES process.

We support VA contracting-out some specialty care to private-sector facilities where access is difficult. Likewise we would like to see this process begin in FY 2006, with sufficient funding in the budget.

NASDVA recommends an in-depth examination of long-term care and mental health services.

Long-Term Care and Mental Health Services in CARES Initiatives. The CARES Commission review did not include long-term care or mental health services, but did recommend further study of both areas. Thus, we ask that a similar study be done to thoroughly examine veterans' long-term care and mental health care needs, to include gap analysis clearly identifying where services are lacking. Any study should include consultation with SDVAs. The CARES report recognizes State Veterans Homes (SVHs) as a critical component of veterans' long-term health care and a model of cost-efficient partnership between federal and state governments. These state nursing care facilities and domiciliaries bear over half of the national long-term health care workload for our infirm and aging veteran population. Forty-eight (48) states provide care for more than 27,500 veterans in 120 SVHs. We urge you to continue to oppose proposals that jeopardize the viability of our SVHs. Taxpayers have supported the SVHs through the state's 35% share of construction costs with an understanding that the federal government would continue to make its contribution through per diem. The federal government should continue to fulfill its important commitment to the states and ultimately to the individual veterans in need of care.

NASDVA rejects the proposed revision of per diem eligibility for veterans in State Veterans Homes (SVHs) and urges Congress not to act on this proposal, with special comments to that effect in appropriations language.

Veteran Eligibility for Per Diem in State Veterans Homes (SVHs). The proposed revision of eligibility for per diem for residents of SVHs would limit it to only service-connected and catastrophically disabled veterans with special needs. This draconian cut in eligibility would leave 85% of current residents ineligible for federal per diem benefits. Furthermore, this change in eligibility would cut federal financial support from 31% to -5% of the daily cost of care, as reflected in 10TR FY05 data. We commend the Sense of the Senate, as reflected in Senate Concurrent Resolution 18, rejecting the proposed elimination of per diem reimbursements to

SVHs in the President's budget. We also commend the House Committee on Veterans Affairs for reporting that they too do not expect to act on the SVH legislative proposal to revise eligibility

criteria. Specific language to this effect should be included in the Appropriations Bill.

NASDVA continues to strongly support the State Home Construction Grant Program. Clearly, a one-year moratorium will only exacerbate the backlog of construction projects. The annual appropriation for this program should be continued and increased. Re-ranking of projects should be eliminated once a project is established as Priority group 1 (state matching funds are available).

Full Funding of the State Homes Construction Grant Program. Since 1977, state construction grant requests have consistently exceeded Congressional appropriations for the program.

According to the FY05 Priority List of Pending State Home Construction Grant Applications, there are 81 projects in Priority group 1 with state matching funds of \$235M for a federal match of \$436M. The proposed grant moratorium exacerbates an already under-funded program, where previous appropriation was only \$100M. This deficit in federal program support causes

long delays in the establishment of long-term care beds in areas where these services are badly needed by an aging veteran population. We recommend rejection of the moratorium and an increase in funding. If the legislative proposal for a one-year moratorium on construction is accepted, it should only apply to new construction and not renovations of existing SVHs.

Regardless of the moratorium, VA simply requires funding authority in the FY06 budget to finalize those renovation projects that were approved by the VA Secretary on 9/23/04 for FY05 and have funds committed. The remaining FY05 renovations without commitment (Priority group 1, sub-priority 4) require \$27M in funding and should be included in the FY06 budget. Additionally, the budget should allow for contingency funding authority for any unprogrammed renovation submissions that are for "life and safety" issues (sub-priority group 1). The success of VA's efforts to meet the current and future long-term care needs of veterans is contingent upon resolving the current mismatch between demand and available funding.

Ranking of State Home Construction Projects. Priority groups for construction or acquisition of SVHs are established in 38 CFR, Chapter 59.50. States that have applied and made matching funds available for projects are ranked Priority group 1. Due to insufficient funding each budget year, some Priority group 1 projects do not receive federal funding and are then subject to reprioritization the following budget year. Since these projects have state funds committed, they should maintain their ranking in Priority group 1 except for new projects that are for "life and safety" issues (Priority group 1, sub-priority group 1).

NASDVA supports full reimbursement for care in SVHs for veterans who have a 70% or more service-connected disability or who require nursing home care because of a service-connected disability.

Full Reimbursement for Cost of Care for Qualifying Veterans in SVHs. The November 1999 Millennium Act requires VA to provide nursing home care to those veterans who have a 70% or more service-connected disability or who require nursing home care because of a service-connected

disability. VA provides nursing home services through three national programs: VA operated nursing homes, SVHs owned and operated by the state, and contract community nursing homes. VA General Counsel interpretation of the law allows only contract community facilities to be reimbursed for full cost of care. SVHs merely receive per diem towards the cost

of care, requiring the veteran to make a co-payment. This is unfair to those veterans who are eligible for full cost of care but prefer to reside in a SVH.

NASDV A supports increasing per diem to provide one-half of the national average annualized cost of care in a SVH.

Increase in Per Diem Payments to SVHs. Current law allows VA to pay per diem up to one-half of the cost of care each day a veteran is in a SVH. However, in 1QTR FY05, VA per diem amounted to only 31% of the average daily cost of nursing home care (\$185.56) and only 25% of the average daily cost of domiciliary care (\$119.94) in a SVH. We ask that per diem for both programs be increased to one-half of the national average annualized cost of providing care, as the SVH program is the most cost effective nursing care alternative used by VA.

NASDV A supports implementation of the VA Advantage Program. We recommend a veterans' medication purchase option be implemented for Priority group 7 and 8 enrollees who only seek medications. We request continued protection of the Federal Supply Schedule for VA/DOD pharmaceuticals.

VA Advantage Program. We recommend that VA implement the "VA Advantage" Program. Working with the Department of Health and Human Services, this program will allow Priority group 8 veterans aged 65 and older to use their Medicare benefits to obtain VA health care. VA would receive Medicare payments to cover their costs. This is an HMO concept we have supported, however, we are concerned about the delay in implementation of a pilot. It was our understanding a year ago that this program would be available to veterans within a few months. Another year has passed and the program has languished.

Optional Purchase of VA Medications. NASDVA requests Secretary Nicholson consider a veterans' medication purchase option. Large numbers of Priority group 7 and 8 enrollees are seeking prescription drugs; they do not necessarily seek access to the VA health care system. A medication only purchase program could separate this population from the enrollee lists and reduce backlogs, assisting VA in delivering services to the core constituency of serviceconnected veterans. Such a plan could also incorporate future Medicare funding for pharmaceuticals while maintaining veterans' benefits at a lower cost to VA.

Protection of VA pharmaceutical costs. NASDVA requests continued protection of the Federal Supply Schedule (FSS) for VA/DOD pharmaceuticals. While we support the goal of reduced drug prices for all Americans, we are concerned that if the FSS prices were extended to Medicare recipients or other entities, it would result in increased prices for VA/DOD, diverting millions of dollars from health care funding for veterans.

NASDVA supports continued efforts to reach out to veterans. This should be a partnership between VA and the State Departments of Veterans Affairs (SDVAs).

Outreach to Veterans. While growth has occurred in VA health care, due to improved access with CBOCs, many areas of the country are still short-changed due to geography and/or due to veterans' lack of information and awareness of their benefits. VA and SDVAs must reduce this inequity by reaching out to veterans regarding their rights and entitlements. NASDVA supports implementation of a grant program that would allow VA to partner with the SDVAs to perform outreach at the local level.

#### COMPENSATION AND PENSION BENEFITS

NASDVA supports consideration of a greater role for SDVAs in the overall effort to manage and administer claims processing, regardless of whether the state uses state employees, Veterans Service Organizations (VSOs), and/or County Veterans

Service Officers (CVSOs).

Restructured Claims Management. Recent studies regarding claims processing have all noted that VA needs to make better use of the assets of state government and VSOs to assist in claim processing. The most recent example was the October 2001 Claim Processing Task Force Report to the Secretary, which stated:

"The full partnership and cooperation of VBA and Veterans Service Organizations (VSOs) are vital elements in assuring timely service to the veteran. A well-developed network of VSOs and State Departments of Veteran's Affairs (SDVAs) should be encouraged to cooperatively enhance the delivery of services to veterans. Service organizations can help improve service to beneficiaries and increase veteran satisfaction by providing assistance in gathering evidence for

the development of a well documented and "ready-to-rate" claim, helping deter frivolous claims, and by providing timely information on claim status."

For all the reports and testimony to the contrary, VBA has not been very successful in making effective use of the state NSO/county system of service officers and counselors. Veteran access to competent claim assistance is still very much an accident of geography. Effective advocacy for veterans from initiation of a claim to a VA decision can improve sufficiency and timeliness of claims. Numerous studies indicate "well-developed" claims produce better outcomes for veterans in a shorter time and at a lower cost to VA.

Under the current system of claims processing, the interface between VBA and those who represent veterans is clumsy and poorly integrated. Most VBA data systems are closed to outside entities. We recommend service officers not only have access to MAP-D (Modern Award Processing Development) and CAPRI (Compensation and Pension Record Interchange), but also that VBA explore methods of integrating existing applications and processes with those of the SDVAs, VSOs, and county service officers supporting veteran claim processing.

The SDVAs, nationally chartered VSOs, and county veteran service officers have the capacity and capability to assist VA. NASDVA can be an effective partner with VA to achieve higher performance standards in claims preparation. SDVAs could assume a role in more effective and comprehensive training programs and certification of service officers to ensure competence and technical proficiency in claims preparation. We can support VA in their "duty to assist" without diminishing our role as the veterans' advocate.

We recognize that the VBA budget supports an increase of 113 FTEs. Since the average time to process an initial claim is increasing, additional investment in training, FTEs, and technology will be needed to reach sustainable quality and timeliness goals.

NASDVA strongly supports passage of legislation to eliminate the time-phased concurrent receipt of military retirement pay and service-connected disability compensation.

Full Concurrent Receipt. We appreciate the FY05 Defense Authorization Act authorizing full concurrent receipt of retired pay and veterans' disability compensation for the 14,000 retirees with 100% VA disability ratings. But we are disheartened by the 000 decision to exclude the 30,000 retirees currently rated as "unemployable" and receiving disability compensation at the 100% rate. This decision should be made on the basis of fair play, not 000 budget impact.

NASDVA strongly supports passage of legislation to eliminate the time-phased concurrent receipt of military retirement pay and service-connected disability compensation for military retirees. These are both earned entitlements and should be received simultaneously and we applaud legislation that corrected this inequity for those who are 100% VA rated. This now

needs to be corrected for all military retirees regardless of their level of VA service-connected disability.

#### **BURIAL AND MEMORIAL BENEFITS**

NASDVA recommends an increase in the plot allowance for all veterans to \$1,000 per interment. We strongly support an increase in funding for the State Cemetery

Grant Program. A new federal/state National Cemetery Administration (NCA) grant program could be established to support state costs.

Increase in Burial Plot Allowance. The average operational cost of interment in a state veterans cemetery is -\$2,000. This adds to the fiscal burden of many SDVAs. The current burial plot allowance of \$300 per qualified interment provides -15% of the average cost of interment.

NASDVA recommends the Plot Allowance be increased to \$1,000 in order to offset operational costs. The increase should also apply to the plot allowance for veterans' interment in private cemeteries.

Increased Funding for State Veterans Cemetery Grant Program (SCGP). The State Veterans Cemetery Grant Program (SCGP) has greatly expanded the SDVAs' ability to provide gravesites for veterans and their eligible family members in those areas where national cemeteries cannot fully satisfy burial needs, particularly in rural and remote areas of the country. Interments in state veterans cemeteries have grown 36% and the number of state veterans cemeteries has increased by 38% between 1999 and 2004. These increases were made possible by the SCGP. However, the FY06 \$32M proposed appropriation is insufficient to address the 40 pre-applications for establishment of new cemeteries and expansion and/or improvement of existing cemeteries, with outstanding projects totaling \$160M. Obviously, this has created a backlog for grant funding, denying veterans and eligible family members a final resting place and lasting memorial to commemorate their service to our nation. SCGP funding should be increased to at least \$50M.

Establishment of a State Veterans Cemetery Operations Grant Program. SDVAs are provided construction grants for veterans' cemeteries and a limited burial plot allowance as discussed above to partially offset the cost of interment. Operational costs for both state and national veterans cemeteries continue to rise. Funding for the operation of the National Cemetery Administration has increased steadily. However, once a state establishes a state veterans cemetery there is no further source of federal funding to defer operational costs. NASDVA recommends the establishment of a federal grant program to assist state veterans cemeteries with operational costs.

#### **HOMELESSNESS AMONG VETERANS**

NASDVA supports efforts to diminish the national disgrace of homelessness among veterans. SDVAs would prefer per diem funds for homeless veterans pass through the state to non-profit organizations, ensuring greater coordination, fiscal accountability and local oversight of the services provided.

Homeless Providers Grant and Per Diem Program. We applaud the proposed request for permanent authority for the Homeless Providers Grant and Per Diem Program and the proposed authorization to increase annual spending to \$130M. VA grants greatly assist states in reducing homelessness among veterans and we urge an increase in per diem (currently \$27.44) to ensure appropriate support services at transition facilities. Additionally, NASDVA recommends VA per diem funding pass through the SDVAs' accounting system prior to disbursement to the not-for-profit agency. This would create an appropriate level of accountability

and collaboration between non-profit agencies and SDVAs, ensuring funding is used to provide care to veterans in the program.

#### CONCLUSION

Mr. Chairman and distinguished members of the VA committees, we respect the important work that you are doing to improve support to veterans who answered the call to serve our country. NASDVA remains dedicated to doing our part, but we urge you to be mindful of the increasing financial challenge that states face, just as you address the fiscal challenge at the federal/eve/. I would like to emphasize again, that we are partners with VA in the delivery of services and care to our Nation's patriots. This concludes my statement and I am happy to respond to your questions.