

VA Accounts for FY 2018 and FY 2019 Advance Appropriations

STATEMENT OF

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PARALYZED VETERANS OF AMERICA

ON BEHALF OF THE CO-AUTHORS OF THE INDEPENDENT BUDGET

BEFORE THE SENATE COMMITTEE ON VETERANS' AFFAIRS

CONCERNING

***THE INDEPENDENT BUDGET* AND THE DEPARTMENT OF VETERANS AFFAIRS**

BUDGET FOR FISCAL YEAR 2018 AND FISCAL YEAR 2019

JUNE 14, 2017

Chairman Isakson, Ranking Member Tester, and members of the Committee, as one of the co-authors of *The Independent Budget* (IB), along with DAV and Veterans of Foreign Wars, Paralyzed Veterans of America (PVA) is pleased to present our views regarding the funding requirements for the delivery of health care for the Department of Veterans Affairs (VA) for FY 2018 and advance appropriations for FY 2019. On the following page, we have included a side-by-side comparison of funding recommendations previously appropriated for FY 2017 recommended by the Administration by the IB for FY 2018, as well as the advance appropriations for FY 2019.

	FY 2017 Appropriation	FY 2018 Advance Approps	FY 2018 Admin Revised	FY 2018 IB	FY 2019 Advance Approps	FY 2019 IB Advance Approps
<u>Veterans Health Administration (VHA)</u>						
Medical Services	45,505,812	44,886,554	45,918,362	64,493,555	49,161,165	69,450,838
Medical Community Care	7,246,181	9,409,118	9,663,118		8,384,704	
Subtotal Medical Services	52,751,993	54,295,672	55,581,480	64,493,555	57,545,869	69,450,838
Medical Support and Compliance	6,524,000	6,654,480	6,938,877	6,657,955	7,239,156	6,793,408
Medical Facilities	5,321,668	5,434,880	6,514,675	5,796,343	5,914,288	6,562,579
Subtotal Medical Care, Discretionary	64,597,661	66,385,032	69,035,032	76,947,853	70,699,313	82,806,825
<i>Medical Care Collections</i>	<i>3,558,307</i>	<i>3,627,255</i>	<i>3,271,000</i>		<i>3,277,000</i>	
Choice Program**	2,900,000		3,500,000		3,500,000	
Total, Medical Care Budget Authority (including Collections)	68,155,968	70,012,287	75,806,032	76,947,853	77,476,313	82,806,825
Medical and Prosthetic Research <i>Millions Veterans Program</i>	675,366		640,000	713,200		65,000
Total, Veterans Health Administration	68,831,334	70,012,287	76,446,032	77,726,053		
<u>General Operating Expenses (GOE)</u>						
Veterans Benefits Administration	2,856,160		2,844,000	3,134,540		
General Administration	345,391		346,891	406,454		
Board of Veterans Appeals	156,096		155,596	158,196		
Total, GOE	3,357,647		3,346,487	3,699,190		
<u>Departmental Admin/ Misc. Programs</u>						
Information Technology	4,278,259		4,055,500	4,361,502		
National Cemetery Administration	286,193		306,193	291,085		
Office of Inspector General	160,106		159,606	162,545		
Total, Dept. Admin/ Misc. Programs	4,724,558		4,521,299	4,815,132		
<u>Construction Programs</u>						
Construction, Major	528,110		512,430	1,500,000		
Construction, Minor	372,069		342,570	700,000		
Grants for State Extended Care Facilities	90,000		90,000	300,000		
Grants for State Vets Cemeteries	45,000		45,000	46,000		
Total, Construction Programs	1,035,179		990,000	2,546,000		
Other Discretionary	201,000		180,214	203,000		
Total, Discretionary Budget Authority (Including Medical Collections)	78,149,718		85,484,032	88,989,375		

**Choice Program funding for FY 2018 includes the expected carryover of \$600 million from the previous fiscal year as well as \$2.9 billion in new funding for the program. All Choice program funding is currently scored as a mandatory cost for VA.

The IB's recommendations include funding for all discretionary programs for FY 2018 as well as advance appropriations recommendations for medical care accounts for FY 2019. The full budget report, released by *The Independent Budget* in March, addressing all aspects of discretionary funding for the VA can be downloaded at www.independentbudget.org. The FY 2018 projections are particularly important because previous VA Secretary Robert McDonald admitted last year that the VA's FY 2018 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 2018 estimates affirm this need.

We appreciate the fact that the Administration's recently released budget request for FY 2018 includes some increases in discretionary dollars for the Medical Care accounts above what had been previously provided through advance appropriations. Before addressing our specific budget recommendations, it is important for us to address the notion that VA does not need any additional resources, based on the expansive growth of overall VA expenses in the last 10 years. These ideas are not grounded in thorough analysis of demand and utilization of VA health care. Perhaps Congress can explain how the VA can take on significantly more demand for services both inside VA and in the community, and yet meet that demand and utilization with less resources—an assertion peddled by some organizations. While VA has seen substantial growth in its funding needs over the last decade, much of that is reflected in mandatory benefits to include the implementation of the Post-9/11 GI Bill. The fact is demand for health care services and actual utilization continue to rise at a significant rate. It may be possible to wring some efficiency savings out of VA to free up additional resources to address growing demand, but history has proven that process will not be sufficient to provide all of the resources VA needs to deliver on its promise to the men and women seeking health care and benefits.

We also believe it is necessary to consider the projected expenditures under the Choice program authority that the previous Administration planned in FY 2017 and how that impacts the baseline that will dictate the funding needs for FY 2018. The previous Administration assumed as much as \$5.7 billion in spending through the Choice program in FY 2017, on top of the Medical

Services discretionary funding and the newly created Medical Community Care account. That amount was 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 2017. These considerations inform the decisions of *The Independent Budget* to establish our baseline for our funding recommendations for both FY 2018 and FY 2019.

Earlier this year, the Administration also indicated that it intends to request as much as \$3.5 billion in additional funding for the Choice program to keep it operating at least through the end of FY 2018. That amount has since been revised to \$2.9 billion for FY 2018 (actually \$3.5 billion when considering the already available \$600 million left over from the original authorization), as well as \$3.5 billion for FY 2019 and beyond. However, this recommendation begs the question: does this recommendation suggest that the Choice program as currently designed should continue in perpetuity? Certainly no reasonable person supports that idea. We believe that Congress must reject continued funding of this program through a mandatory account and place it in line with all other community care funded through the discretionary Community Care account established previously. This will eliminate competing sources of funding for delivery of health care services in the community, while maintaining visibility on spending through the Choice program.

Moreover, we strongly oppose the decision to curtail Individual Unemployability (IU) benefits for veterans with significant service-connected disabilities simply as a means to fund the continuation of the Choice program. It is beyond comprehension that the Administration would propose such a benefit reduction in order to pay for a flawed funding mechanism for a program (Choice) that sometimes provides health care access to non-service connected disabled veterans. Does this Committee really believe that veterans with disabilities rated between 60 percent and 90 percent should be the source of funding for the Choice program? Eliminating IU benefits for veterans over the age of 62 provokes numerous questions for us. Will veterans who have statutorily protected evaluations (the 20-year rule) also be subject to reduction? Will those dependents using Chapter 35 education benefits based on their sponsor's IU rating be forced to drop out of school? Will those veterans on IU who are covered by Service-Disabled Life Insurance at no premium be forced to now pay premiums in order to keep coverage? What about

state benefits, such as property tax exemptions or state education benefits that are based on 100 percent VA disability ratings? How will this proposal affect efforts to combat veteran suicide and homelessness? We hope that you will reject this proposal in the strongest terms.

For FY 2018, the *IB* recommends approximately \$77.0 billion in total medical care funding. Congress previously approved only \$70.0 billion in total medical care funding for FY 2018 (which includes an assumption of approximately \$3.6 billion in medical care collections). The Administration’s budget request includes a not-insignificant overall medical care funding recommendation of approximately \$75.2 billion. However, we remain concerned that this level of funding will not keep pace with the continually increasing demand and utilization. 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. *The Independent Budget* recommends approximately \$82.8 billion in advance appropriations for total Medical Care for FY 2019.

Medical Services

For FY 2018, *The Independent Budget* recommends \$64.5 billion for Medical Services. This recommendation includes:

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 2018 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 2018. It was previously reported that the new Administration would like to consider a 1.9 percent federal pay raise.

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.

Additionally, *The Independent Budget* believes that there are medical program funding needs for VA that must be considered. Those costs total approximately \$2.0 billion.

Long-Term Services and Supports

The Independent Budget recommends \$535 million for FY 2018. 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 2017 and the expected continued growth in expenditures for FY 2018.

Women Veterans

The Medical Services appropriation should be supplemented with \$110 million designated for women's health care programs in FY 2018. These funds will be used to help the VA 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 2017 and FY 2018 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 2018. 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 2018. We are pleased to see that the Administration does retain the authority to provide reproductive services in its budget proposal.

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 2018 and about \$1.1 billion in FY 2019, which the *IB* has included in our recommendations. We are disappointed to see that the Administration's proposal continues to ignore its growing obligation to cover the cost of emergency care as dictated by the Staab decision.

FY 2019 Medical Services Advance Appropriations

The Independent Budget once again offers baseline projections for funding through advance appropriations for the Medical Care accounts for FY 2019. 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 2018 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 2019, *The Independent Budget* recommends approximately \$69.5 billion for Medical Services. Our Medical Services advance appropriations recommendation includes:

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 2019 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.

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. We believe that VA should invest a minimum of \$120 million as an advance appropriation in FY 2019 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 paying emergency care claims dictated by the Staab ruling will require at least \$1.1 billion in FY 2019 alone.

Medical Support and Compliance

For Medical Support and Compliance, *The Independent Budget* recommends \$6.7 billion for FY 2018. Our projected increase reflects growth in current services based on the impact of inflation on the FY 2017 appropriated level. Additionally, for FY 2019 *The Independent Budget*

recommends \$6.8 billion for Medical Support and Compliance. We have concerns about the significant growth in these administrative account functions recommended by the Administration (nearly \$300 million in FY 2018 and an additional \$300 million in FY 2019) as these areas have been shown to be bloated on numerous occasions in the past. These dollars could certainly be better spent providing direct care services to veterans.

Medical Facilities

For Medical Facilities, *The Independent Budget* recommends \$5.8 billion for FY 2018. Our Medical Facilities recommendation includes \$1.35 billion for Non-Recurring Maintenance (NRM). Likewise, *The Independent Budget* recommends approximately \$6.6 billion for Medical Facilities for FY 2019. Our FY 2019 advance appropriation recommendation also includes \$1.35 billion for NRM. We are pleased to see the Administration recommending real funding for this account in FY 2018 (approximately \$6.5 billion), but we are concerned that the Budget Request reflects the continued trend of reducing the recommendation in the advance appropriation year (\$5.9 billion in FY 2019) in order to seemingly hold down discretionary projections.

Medical and Prosthetic Research

We are very disappointed to see the major cut in funding for the Medical and Prosthetic Research program in the Administration's Budget Request—from \$675 million in FY 2017 to \$640 million in FY 2018. 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. We recommend that Congress appropriate \$713 million for Medical and Prosthetic Research for FY 2018. Additionally, under the President's Precision Medicine Initiative, the IBVSOs recommend \$65 million to enable VA to process one quarter of the MVP samples collected, for a total research appropriation of \$778 million.

Thank you for the opportunity to submit our views on the FY 2018 VA Budget Request. We would be happy to answer any questions the Committee may have.

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Carl Blake is the Associate Executive Director for Government Relations for Paralyzed Veterans of America (PVA) at PVA's National Office in Washington, D.C. He is responsible for the planning, coordination, and implementation of PVA's National Legislative and Advocacy Program agendas with the United States Congress and federal departments and agencies. He develops and executes PVA's Washington agenda in areas of budget, appropriations, health care, and veterans' benefits issues, as well as disability civil rights. He also represents PVA to federal agencies including the Department of Veterans Affairs, Department of Defense, Department of Labor, Small Business Administration, the Department of Transportation, Department of Justice, and the Office of Personnel Management. He coordinates all activities with PVA's Association of Chapter Government Relations Directors as well with PVA's Executive Committee, Board of Directors, and senior leadership.

Carl was raised in Woodford, Virginia. He attended the United States Military Academy at West Point, New York. He received a Bachelor of Science Degree from the Military Academy in May 1998.

Upon graduation from the Military Academy, he was commissioned as a Second Lieutenant in the Infantry in the United States Army. He was assigned to the 2nd Battalion, 504th Parachute Infantry Regiment (1st Brigade) of the 82nd Airborne Division at Fort Bragg, North Carolina. He graduated from Infantry Officer Basic Course, U.S. Army Ranger School, U.S. Army Airborne School, and Air Assault School. His awards include the Army Commendation Medal, Expert Infantryman's Badge, and German Parachutist Badge. Carl retired from the military in October 2000 due to injuries suffered during a parachute training exercise.

Carl is a member of the Virginia-Mid-Atlantic chapter of the Paralyzed Veterans of America.

Carl lives in Fredericksburg, Virginia with his wife Venus, son Jonathan and daughter Brooke.