

THE INDEPENDENT BUDGET

A Budget for Veterans by Veterans

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Joint Testimony of
The Independent Budget Veterans Service Organizations

DAV (Disabled American Veterans)
Paralyzed Veterans of America (PVA)
Veterans of Foreign Wars (VFW)

on

VA Budget Request for Fiscal Year 2022 and 2023 Advance Appropriations

Senate Committee on Veterans' Affairs
June 16, 2021

Chairman Tester, Ranking Member Moran and Members of the Committee:

The co-authors of The Independent Budget (IB)—DAV (Disabled American Veterans), Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars (VFW) — are pleased to present our recommendations for funding the Department of Veterans Affairs (VA) for fiscal year (FY) 2022, including advance appropriations for FY 2023, as well as present our views on the President's budget request. For more than 30 years, The Independent Budget veterans service organizations (IBVSOs) have presented comprehensive budget and policy recommendations to ensure that VA remains adequately funded and capable of carrying out its mission to serve veterans and their families, both now and in the future.

As is typical in the transition year following a presidential election, the new Administration did not present its federal budget request in February, instead releasing a high-level summary in April, before submitting its full budget request on May 27. Overall, the Administration's budget request for FY 2022—combined with appropriated funding from the American Rescue Plan (ARP), available funding from the Recurring Expenses Transformational Fund (Transformational Fund), and proposed funding from the American Jobs Plan (AJP)—would fully fund veterans' programs, benefits and services for the first time in a generation.

We commend the Administration for this historic VA budget request and call on Congress to ensure that VA receives all of the funding needed to ensure that every enrolled veteran receives timely, high quality health care; that every veteran receives all of the benefits they have earned without delays; and that every transitioning service member has the support to live a high-quality and meaningful life.

Earlier this year, in February, the IBVSOs released our "Budget Recommendations for Fiscal Years 2022 and 2023 for the Department of Veterans Affairs." The IB recommendations reflected a cautious approach based on historical trends, but recognizing that the past year has been one of the most challenging ever for VA and veterans as the COVID-19 pandemic disrupted VA's operations across the country and significantly impacted veterans' ability to access health care, benefits and transition services. As a result of this unprecedented national



public health emergency, there still remains great uncertainty about many of the typical assumptions underlying VA's budget projections, including enrollment, utilization, reliance, inflation, and unemployment.

Furthermore, VA continues to implement three major transformations that are critical to the future of the veterans' health care system and care for our nation's ill and injured veterans: 1) increasing VA staffing levels and building internal capacity as required by the VA MISSION Act of 2018; 2) the upcoming Asset and Infrastructure Review (AIR); and 3) the Electronic Health Record Modernization (EHRM). Each of these systemic changes has significant budgetary consequences for the Veterans Health Administration (VHA) in both the near and long term, and each has been and will continue to be affected by the COVID-19 pandemic and its economic consequences, adding further uncertainty.

The IB budget recommendations also reflect several critical new policy initiatives that cannot be deferred or ignored and are presented as recommended plus-ups to VA's FY 2022 budget. Given the amount of uncertainty in the years ahead, the new Administration and VA leadership must continue to work closely with Congress, the IBVSOs, and other veterans service organization (VSO) stakeholders to ensure that there is full transparency about VA expenditures throughout FY 2021, and VA and Congress must be ready to adjust FY 2022 budget requests and appropriations if warranted. Below are highlights of the IB Budget Recommendations made in February, with relevant comparisons to the Administration's recently released budget request.

VETERANS HEALTH ADMINISTRATION

Total Medical Care—For FY 2022, the IBVSOs recommended \$81.4 billion for VA Medical Care. By comparison, the Administration has requested a total of \$78.1 billion in new appropriations; however, VA will also have an additional \$12.5 billion for Medical Care from the American Rescue Plan that was enacted in March.

The IB recommendation reflects multiple components including the current services estimate, an increase in patient workload, and additional medical care program costs:

- 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 2.2% increase for pay and benefits across the board for all VA employees in FY 2022.
- Our estimate of growth in patient workload is based on a projected increase of approximately 80,000 new unique patients, partially driven by pandemic-related job and economic losses. These patients include priority group 1–8 veterans and covered non-veterans. We estimate the cost of these new unique users to be approximately \$1.9 billion.

The IBVSOs also recommended a number of additional initiatives to improve the delivery of health care to enrolled veterans. Specifically, an additional \$1.4 billion would be needed to fill

at least 25% of pending vacancies, which would be 10,750 full-time employees. The IBVSOs recommended VA's long-term services and supports (LTSS) programs be increased by an additional \$335 million to expand capacity to meet the unmet demand of aging veterans. For VA's Caregiver Program, the IBVSOs recommended \$73 million to hire approximately 700 Full Time Equivalents (FTE) and \$361 million to cover the costs of stipends and other benefits to accelerate phase two of the expansion by a year to October 1, 2021.

The IBVSOs anticipated there will be a significant carryover of prosthetic and sensory funds from FY 2021, so we did not call for additional funding in FY 2022. However, we urge VA and Congress to carefully monitor this account to determine if supplemental appropriations may be required to meet demand.

Following up on last year's recommendation to increase funding for women veterans' health care, the IBVSOs again recommended investing an additional \$200 million, of which \$120 million would go to Medical Services. The IBVSOs support provisions in the Administration's budget proposal that would provide \$105 million for the Women's Health program office; \$706 million for gender-specific care; and \$1.5 million for the Center for Women Veterans.

Medical Community Care— VA Medical Community Care was significantly impacted by the pandemic and we anticipate the deferral of care by veterans in FY 2020 and FY 2021 could lead to an increase in community care in FY 2022, due to pent-up demand and additional medical need from complications of untreated conditions or COVID-related care. Therefore, the IBVSOs recommended \$20.7 billion for FY 2022, which reflects the growth in current services as impacted by uncontrollable medical inflation and utilization increases. VA's budget request was for \$23.4 billion for FY 2022 based on updated estimates of the usage of community care not previously available.

Medical and Prosthetic Research— The Administration proposed \$882 million in FY 2022, an 8% increase, for medical and prosthetic research to advance VA's understanding of traumatic brain injury, the effects of toxic exposure on long-term health outcomes, and the needs of disabled veterans. The IBVSOs recommended a slightly higher amount of \$902 million for VA research to cover inflation and provide new investments to address COVID-19, veterans' health disparities, clinical trials access, and data storage while renewing support for groundbreaking programs like the Million Veteran Program (MVP) and research on chronic and emerging needs of our nation's veterans.

GENERAL OPERATING EXPENSES

Veterans Benefits Administration (VBA)—For FY 2022, the IBVSOs recommended approximately \$3.6 billion for VBA operations, an increase of approximately \$380 million over the estimated FY 2021 appropriations level, which primarily reflects increases for inflation and federal pay raises, as well as increases in workload. The Administration's proposed budget is recommending \$3.4 billion in new appropriations, in addition to \$272 million previously appropriated in the ARP to assist in reducing the claims and appeals backlogs.

Claims Backlog—The IBVSOs recommended an additional 1,000 FTE for VBA to primarily address the rising VA claims backlog and prepare for the influx of claims from the recent addition of three new diseases to the Agent Orange presumptive list. In February 2020, there were 70,000 claims pending over 125 days and as of May 29, 2021, there are 187,000 pending over 125 days.

The Administration’s proposed budget recommends an additional 429 FTE for VBA, whereas the IBVSOs recommended 1,000 new FTE. In addition to backlog reduction, our recommendation would also allow VA to expand the capabilities of VA Call Centers as well as address the backlog of pending Freedom of Information Act (FOIA) requests. We recommended that each VA Regional Office add at least two FTE to address pending FOIA requests; that each Call Center receive additional FTE; and that the remainder be apportioned among VA Regional Offices based on the need to address claims processing and adjudication workload.

Assist Veterans Return to Work Post-COVID-19 and Beyond—As VA initiate efforts to help veterans get back to work, it must focus valuable resources and time on getting them into jobs that are in demand. Thus, the IBVSOs strongly support programs like the Veterans Employment Through Technology Education Courses (VET TEC) and the Veteran Rapid Retraining Assistance Program (VRRAP) to strengthen existing retraining job opportunities and establish new resources to get veterans back on their feet. We call on Congress to enact legislation expeditiously to support these types of initiatives.

No one entity can meet the needs of all disabled veterans. However, together, we can think beyond what we traditionally do for veterans seeking employment and adopt innovative ways forward to better help veterans with disabilities. This means offering robust training and upskilling programs, including paid training and internships, to bridge the financial gap as well as providing more guided employment programs to assist veterans with disabilities in exploring new career fields.

The early successes of programs like VET TEC and VRRAP show that an investment in veteran economic outcomes is incredibly beneficial. The IBVSOs call for full funding of veteran employment programs to help get as many veterans gainfully employed as quickly as possible.

VA’s Veteran Readiness and Employment (VR&E) program has successfully helped many service-connected veterans pursue employment and educational opportunities. However, the IBVSOs remain concerned about the high caseloads VR&E counselors maintain as it limits the amount of time they can spend with veteran clients assessing their current status, needs, goals, and what determines meaningful employment for that veteran. Congress should study changing the current program eligibility standards to determine if doing so would streamline the process by expanding eligibility to all veterans who have been awarded service-connected disability ratings, regardless of the degree of disability. Many veterans also continue to experience high turnover rates of

their VR&E counselors, which can affect their long-term success in the program.

As a result, the IBVSOs recommended the VA Office of Inspector General conduct an assessment of the VR&E program staff. This assessment will determine the average amount of time each counselor spends working with a veteran, the rate of staff turnover, the length of time between counselor engagement, and the length of employment for veterans placed into positions through VR&E. This will ensure that there are sufficient staffing levels and a low rate of attrition, which is vital to the success of this critical program. By pursuing education, training, or civic engagement, veterans will be better equipped to re-enter the workforce when the pandemic subsides or when they have work-from-home employment opportunities.

Digital GI Bill Implementation—The Digital GI Bill upgrade will accommodate many requests Congress and VSOs have been making for years. After the IT overhaul, VA Education Services (VA ES) would have a cleaner platform to replace VA-ONCE for School Certifying Officials, SAAs, and VA officials, so they can all have the ability to view one screen when interacting with each other instead of different individual platforms. The GI Bill Comparison Tool would be able to be upgraded regularly instead of housing years old information that is difficult to corroborate or edit once in place. It could provide a digital Certificate of Eligibility for GI Bill using similar automated technology as the VA Home Loan. It would also allow for platforms to be introduced that can accommodate the data-sharing agreements between VA and other agencies. Finally, it would be able to track GI Bill users so easier notifications can be made to all benefits users to deliver timely information regarding updates or changes.

The Digital GI Bill upgrade is a long-overdue upgrade to a critical program office within VA. Far too many times stakeholders, such as Congress and VSOs, have collectively overlooked IT resources for new programs and needed changes within VA Education Services. For example, a change to VA Work-Study was recently passed into law adjusting the payment schedule for work-study recipients. Unfortunately, VA did not have a platform to calculate and deliver those new payments, and no additional IT funding was provided to support the program's changes. Unfunded mandates such as the work-study change will lead to VA ES trying to create yet another workaround, and to use already overworked and outdated systems to perform a new task for which they were not intended.

The IBVSOs believe that every new proposal going forward must include IT resources to accomplish program goals. Minor delays can be avoided by ensuring proper IT funding is added to all new proposals. Hopefully, we can avoid a repeat of what took place during the Forever GI Bill's final implementation.

A project like the Digital GI Bill upgrade will set VA ES up for success for future years to come. It will also head off any delays by ensuring veterans receive their benefits to utilize some truly life-changing programs offered by VA. Congress must

provide robust oversight of this upgrade in order to ensure this latest IT improvement is correctly implemented, and mistakes of the past are not repeated.

Board of Veterans' Appeals (BVA)—For FY 2022, the IBVSOs recommended approximately \$216 million for the Board of Veterans' Appeals (BVA), an increase of approximately \$26 million over the estimated FY 2021 appropriations level. We are pleased the Administration's budget request is for \$228 million for BVA, although we are not certain it would provide enough new FTE to address the current hearing backlog.

Hearing Backlog—Since the Appeals Modernization Act (AMA) took effect in February 2019, there have been significant changes in how veterans can appeal claims decisions at the Board. As of June 1, 2021, there are 49,154 pending AMA hearings with the Board and 42,299 pending legacy hearings, for a total of over 91,000 pending hearings. This is an increase of 15,000 pending hearings from the previous year. Roughly 50% of all legacy appeals request a hearing versus 60% of AMA appeals.

The Administration's proposed budget will provide an additional 129 FTE, which includes 35 Veterans Law Judges. Coupled with the American Rescue Plan providing for an additional 33 FTE, BVA will add 162 FTE for 2022. For many years, the IBVSOs have been recommending an increase of 100 FTE for BVA; however, based on the increased hearing backlog compared to just a year ago and the increased rate of hearing requests, we recommended an increase of 200 FTE for the Board to address the now 91,000 pending hearings.

To properly implement the AMA as well as address other critical Board improvements, the IBVSOs recommended additional IT funding for both the BVA and the VBA, which is included in the FY 2022 IT budget recommendation below.

DEPARTMENTAL ADMINISTRATION & MISCELLANEOUS PROGRAMS

Information Technology (IT). — The VA Office of Information Technology (IT) provides day-to-day support and development for all of VA's IT needs, including those of the VHA, the VBA, and the National Cemetery Administration (NCA). For FY 2022, the IBVSOs recommended approximately \$5.2 billion for the administration of the VA's IT program to meet the need to sustain VistA as well as other critical IT programs for the VHA, the VBA, and the NCA.

The Administration is proposing \$4.8 billion in new appropriations for VA IT programs, in addition to \$670 million available from the Transformation. Fund, for a total of almost \$5.5 billion. We applaud the VA's commitment to modernizing IT systems, and highlight the following IB recommendations for specific IT upgrades:

Medical Research IT Needs—To more effectively support VA research programs, the IBVSOs recommended \$42 million be earmarked to accomplish nine specific projects for the Office of Research and Development.

VBA IT Needs—Updated and modern IT is critical to the smooth operation and success of VA’s claims and appeals processing systems, and particularly to complete implementation of the AMA. In FY 2020, VBA had over \$700 million in shortfalls for funding necessary IT projects, including many that would address the needs of accredited VSOs working in VA Regional Offices. For FY 2022, the IBVSOs recommended \$175 million be provided to fund critical pending VBA IT projects, including top VSO priorities.

BVA IT Needs—The Board of Veterans’ Appeals uses several IT platforms such as VBMS, Veterans Appeals Control and Locator System (VACOLS), and Case Flow. However, VACOLS is the legacy program for tracking and maintaining appeals within the Board. Case Flow is currently used to manage all Board requested hearings, as well as the pilot program for virtual hearings, and thus is an integral part of their daily functioning. Case Flow was created to replace VACOLS; however, as Case Flow has many functionalities yet to be implemented, both systems must be used by the Board, which greatly reduces their efficiency. VACOLS allows the Board to store data, specifically their decisions on each case. Case Flow was not designed for data storage; however, if it retains the functionality of VACOLS, it will be a better IT platform to phase out VACOLS. The IBVSOs recommended \$15 million in IT funding to accelerate and complete BVA’s Case Flow system.

Currently, the Board must manually enter and upload all mail received from appellants from either faxes or USPS mail. While the VBA has artificial intelligence AI to scan, read, and upload mail, the Board does not. The IBVSOs recommend \$10 million additional IT funding for the Board to develop a modern AI system to address its ever-increasing paper mail volume.

Electronic Health Record Modernization (EHRM)—The EHRM account is comprised of three major sub-accounts: Cerner Contract, Infrastructure Readiness, and Project Management Office (PMO). For FY 2021, Congress appropriated approximately \$2.6 billion for EHRM, which included \$1.2 billion for the Cerner contract, \$1.2 billion for infrastructure readiness, and \$255 million for the PMO.

On June 5, 2017, VA awarded a 10-year contract to develop the Department’s next-generation Electronic Health Record (EHR) system to Cerner. The EHRM project has its own line within VA appropriations to cover the costs of the \$10 billion software contract with Cerner over the course of the 10-year period of performance, as well as \$4.3 billion for IT infrastructure and \$1.7 billion for program management, totaling just over \$16 billion.

In addition to the almost \$10 billion contract, VA estimates another \$6.1 billion will be needed for program management and infrastructure-related costs. Of this amount, approximately \$4.3 billion is for program infrastructure and the remaining \$1.8 billion is estimated for program management. The infrastructure cost estimates do not cover, however, some of the physical upgrades to the individual health care facilities, which are to be funded by VHA. VHA and Office of Electronic Health Record Modernization (OEHRM) officials

have indicated that these costs are generally anticipated to be funded from VHA's nonrecurring maintenance budget.

On April 16, 2021, VA paused its EHRM rollout until the agency completes a strategic review of the project and reports the results to Congress. Recently, a VA Office of the Inspector General (VAOIG) audit (#20-03178-116) determined a pair of VHA's formal cost estimates for physical infrastructure upgrades necessary for implementation of the new electronic health record system were not reliable. Statistical projections made by the VAOIG audit team suggest that VHA's two formal estimates for physical infrastructure costs, dated June 2019 and November 2019, may be underestimated by as much as \$1 billion and \$2.6 billion, respectively. The impact of the strategic pause and the VAOIG findings on the EHRM project going forward is unclear, but VA has a long way to go to reach its goal of full deployment at the Department's 170 other medical centers and more than 1,260 outpatient sites nationwide by 2028.

Our recommendations are based on VA's original plans to deploy its electronic health record across 23 sites of care over the next two years, which will require increased funding and oversight. For FY 2022, the IBVSOs recommended a total of approximately \$3 billion, of which approximately \$1.5 billion would go to the Cerner contract, an increase of \$300 million due to the expanded scope of work; \$1.2 billion for VHA infrastructure upgrades, network equipment, and other IT infrastructure upgrades at locations making the conversion to Cerner's EHR; and \$260 million for the PMO. In addition, the IBVSOs recommended an additional \$60 million to accelerate the deployment of VA's Centralized Scheduling System in FY 2022 to improve access for veterans and streamline medical appointment scheduling operations across VHA.

National Cemetery Administration (NCA)—The NCA, which receives funding from eight appropriations accounts, administers numerous activities to meet the burial needs of our nation's veterans. For FY 2022, the IBVSOs recommend approximately \$365 million for NCA, an increase of approximately \$13 million over the estimated FY 2021 appropriations level, which primarily reflects current services with increases for inflation and federal pay raises.

The Administration's proposed budget is \$394 million, which is \$42 million over the previous FY and \$29 million over the IBVSOs recommendation. We applaud this significant proposed increase for the NCA as it will allow for maintenance of over 4 million gravesites, provide 136,000 internments and add 97 FTE due to increased workload and new cemeteries.

CONSTRUCTION PROGRAMS

Major Construction—The IBVSOs recommended a total of \$2.8 billion for Major Construction for FY 2022, which included \$1 billion for VA to address critical seismic deficiencies. The Administration requested \$1.6 billion for Major Construction, an increase of 22% over the FY 2021 enacted level, but short of the IB recommendation. However, we must also note that the Administration has proposed that VA receive \$18 billion as part of its

infrastructure proposal (AJP), which would provide an historic infusion of funding for VA's health care facilities.

Increasing VA's Capacity to Manage Infrastructure—The IBVSOs recommended an increase of 175 FTE to better plan and oversee construction projects, with new personnel assigned to each of VA's major medical centers or other appropriate regional locations. Neither VA's Office of Construction and Facilities Management nor the individual VA facilities have the manpower to oversee the amount of work necessary to decrease the backlog. VA needs to hire additional FTE to oversee infrastructure projects, should add personnel to an office of strategic planning, and increase the personnel at individual major facilities to oversee local projects.

Asset and Infrastructure Review (AIR)—The VA MISSION Act established the Asset and Infrastructure Review (AIR) process to undertake a systematic review of VA's medical facilities, develop an integrated strategy to deliver health care to enrolled veterans, and present a comprehensive plan to realign and modernize VA's health care infrastructure to achieve those goals. While the AIR process, if successful, will establish a long-term plan for VA's health care infrastructure, it remains vitally important that VA and Congress continue to commit sufficient resources to maintaining VA's existing facilities.

The IBVSOs are supportive of the AIR process and look forward to its results; however, we feel it is imperative that VA continue to receive adequate funding to address current infrastructure needs. VA and Congress must not wait for the results of the AIR process to fund and execute existing maintenance, life-safety corrections, and necessary construction. Waiting an additional two years will only add to the already existing infrastructure backlog, reduce veterans' access to care and threaten the health and safety of veterans and VA health care staff.

Minor Construction—The IBVSOs recommended \$810 million for Minor Construction for FY 2022, to include \$40 million to support projects designed to improve access for women veterans. The Administration requested \$553 million for Minor Construction, together with \$150 million from the Transformation Fund, for a total of \$703 million in FY 2022, almost double the FY 2021 enacted level.

State Veterans Homes Construction Grants—The IBVSOs recommended \$275 million for State Veterans Homes Construction Grants for FY 2022 to fund approximately half of the expected Priority Group 1 projects that had state matching funds. Since the ARP already provided \$500 million in additional funding for State Home Construction Grants, the Administration's budget request did not request any new appropriations for FY 2022.

This concludes the IB testimony on VA's budget. My colleagues and I look forward to any questions you and the Committee may have.