

**STATEMENT FOR THE RECORD**  
**OF**  
**PARALYZED VETERANS OF AMERICA**  
**FOR THE**  
**SENATE COMMITTEE ON VETERANS' AFFAIRS**  
**CONCERNING**  
***THE INDEPENDENT BUDGET***  
**AND THE DEPARTMENT OF VETERANS AFFAIRS BUDGET**  
**FOR FISCAL YEAR 2015**  
**AND FISCAL YEAR 2016 ADVANCE APPROPRIATIONS**

**MARCH 12, 2014**

Chairman Sanders, 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) for FY 2015.

As Congress and the Administration continue to face immense pressure to reduce federal spending, we cannot emphasize enough the importance of ensuring that sufficient, timely and predictable funding is provided to the Department of Veterans Affairs (VA). The co-authors of *The Independent Budget*—AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars—recognize the pressure that the Administration and Congress face; however, we believe that the ever-growing demand for health care services certainly validates the continued need for sufficient funding. We also understand that the VA has fared better than most federal agencies with regards to budget proposals and appropriations. However, we are concerned that discretionary funding for the VA is no longer keeping pace with medical care inflation or health care demand.

That being said, we certainly appreciate the increases offered by the Administration's budget for FY 2015 and the FY 2016 advance appropriations, particularly with regards to health care and benefits services. Unfortunately, we have real concerns that the serious lack of commitment to infrastructure funding to support the system will undermine the VA's ability to deliver those services. Similarly, we remain concerned that the funding levels provided by the House and Senate Committees on Appropriations in the recently passed omnibus appropriations bill will be insufficient to address the continuously growing demand for VA health care services.

Moreover, *The Independent Budget* co-authors oppose the steps VA has taken in recent years in order to generate resources to meet ever-growing demand on the VA health-care system. The Administration continues to rely upon "management improvements," a popular gimmick that was used by previous Administrations to generate savings and offset the growing costs to deliver care. Unfortunately, these savings are often never realized leaving VA short of necessary funding to address ever-growing demand on the health-care system.

Of even greater concern is the fact that the VA continues to overproject and underperform with its medical care collections estimates. Overestimating collections estimates affords Congress the opportunity to appropriate fewer discretionary dollars for the health care system. However, when the VA fails to achieve those collections estimates, it is left with insufficient funding to meet the projected demand. As long as this scenario continues, the VA will find itself falling

farther and farther behind in its ability to care for those men and women who have served and sacrificed for this nation. In fact, we believe that is exactly what is happening now. For example, the VA originally projected collections of approximately \$3.3 billion in FY 2013 and FY 2014 and approximately \$3.2 billion in FY 2015. Congress based its appropriations for the VA for those fiscal years on those projected collections. However, the VA subsequently revised its estimates anticipating collections of \$2.8 billion in both FY 2013, \$2.9 billion in FY 2014, and less than \$3.1 billion for FY 2015. The flawed projections estimates and the dollars appropriated by Congress in each of those fiscal years suggest that the VA may have received \$1.0 billion too little in resources during that period. And yet, this shortfall has never been addressed through supplemental appropriations.

Too often in meetings with congressional offices, staff members have proclaimed the belief that VA has received too much money. We would ask the Committee how that logic passes when we have clearly identified a shortfall simply based on faulty collections estimates. Similarly, we would ask that the Committee proceed with caution in FY 2016 as the VA has once again projected a collections estimate of \$3.3 billion despite the fact that its recent performance suggests that it will not achieve that level. The fact that the VA continues to experience problems with its medical care collections reflects an even greater need for Congress to properly analyze, and if necessary, revise the advance appropriations from previous years to ensure that the VA health care system is getting the resources it actually needs.

### **Funding for FY 2015**

For FY 2015, *The Independent Budget* recommends approximately \$61.1 billion for total medical care, an increase of approximately \$3.4 billion over the FY 2014 operating budget. Meanwhile, the Administration recommended in its FY 2015 Budget Request a revised advance appropriation estimate for FY 2015 of approximately \$56.0 billion in discretionary funding for VA medical care. This revised estimate reflected a projected increase in discretionary funding of approximately \$368 million over the recently approved advance appropriations level. When combined with the approximately \$3.1 billion revised projection for medical care collections (decreased from \$3.2 billion in last year's estimate), the total available operating budget

recommended for FY 2015 is approximately \$59.1 billion. This reflects an increase of \$1.7 billion over the previously approved FY 2014 operating budget, an amount that we believe is inadequate to fully meet health care demand.

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 2015, *The Independent Budget* recommends approximately \$49.3 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$47,616,189,000
Increase in Patient Workload.....	\$1,171,260,000
Additional Medical Care Program Costs.....	\$500,000,000
Total FY 2014 Medical Services.....	\$49,287,449,000

Our growth in patient workload is based on a projected increase of approximately 87,000 new unique patients—priority groups 1–8 veterans and covered nonveterans. We estimate the cost of these new unique patients to be approximately \$853 million. The increase in patient workload also includes a projected increase of 83,350 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), as well as Operation New Dawn (OND) veterans at a cost of approximately \$318 million. The increase in utilization among OEF/OIF/OND veterans is supported by the average annual increase in new users from FY 2002 through the 3<sup>rd</sup> quarter of FY 2013.

*The Independent Budget* also believes that there are additional projected funding needs for VA. Specifically, we believe there is real funding needed to address the array of long-term care issues facing the VA, including the shortfall in institutional capacity, and to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA’s prosthetics service). *The Independent Budget* recommends \$375 million directed towards VA long-term care programs. In order to support the rebalancing of VA long-term care in FY 2015, \$125 million should be provided. Additionally, \$95 million should be targeted at the VA’s

Veteran Directed-Home and Community Based Services (VD-HCBS) program. The remainder of the \$375 million (\$155 million) should be dedicated to increasing the VA's long-term care average daily census (ADC) to the level mandated by Public Law 106-117, the "Veterans Millennium Health Care and Benefits Act." In order to meet the increase in demand for prosthetics, the *IB* recommends an additional \$125 million. This increase in prosthetics funding reflects an increase in expenditures from FY 2013 to FY 2014 and the expected continued growth in expenditures for FY 2015.

For Medical Support and Compliance, *The Independent Budget* recommends approximately \$6.1 billion. Finally, for Medical Facilities, *The Independent Budget* recommends approximately \$5.7 billion. Our Medical Facilities recommendation includes the addition of \$650 million to the baseline for Non-Recurring Maintenance (NRM). The Administration's request over the last two cycles represents a wholly inadequate request for NRM funding, particularly in light of the actual expenditures that are outlined in the budget justification. In fact, the VA's FY 2015 and FY 2016 advance appropriations request for infrastructure is wholly insufficient (a topic that will be addressed by the VFW in its statement to the Committee), particularly with regards to Major and Minor Construction and Non-Recurring Maintenance (NRM). The VA continues to slash funding for NRM as evidenced by the rapidly decreasing estimates for Medical Facilities. And yet, the VA admits in its own documents that it spends between \$1.3 billion and \$1.4 billion per year on NRM. Similarly, we are extremely disappointed that the VA has requested such a laughable funding level for Major and Minor Construction, particularly considering the rapidly advancing age and condition of its infrastructure. It is time for Congress to take the necessary steps to reverse this course before the VA system collapses on itself.

*The Independent Budget* co-authors have ongoing concerns about the lack of investment in Medical and Prosthetic Research. While we recognize that the Administration requested an increase in the research account for FY 2015, the \$3 million increase does not even keep pace with inflation. If the VA is to remain a world leader in research, it is imperative that the Administration get serious about requesting real dollars and that Congress provide adequate resources to continue those efforts. With this point in mind, *The Independent Budget* recommends \$611 million for Medical and Prosthetic Research funding for FY 2015. Similarly,

we recommend at least \$50 million in Major Construction and \$175 million in Minor Construction and NRM to address the deteriorating state of VA research infrastructure. Failure to make these investments will undermine the VA’s ability to continue to attract the best medical professionals into the research field and promote cutting edge advancements to benefit the men and women who have made great physical and mental sacrifices in defense of this Nation.

**Advance Appropriations for FY 2016**

Just as we did for the first time last year, *The Independent Budget* once again offers baseline projections for funding through advance appropriations for the medical care accounts for FY 2016. While we have previously deferred to the Administration and Congress to provide sufficient funding through the advance appropriations process, we have growing concerns that this responsibility is not being taken seriously.

For FY 2016, *The Independent Budget* recommends approximately \$62.5 billion for total medical care. The Administration’s Budget Request includes approximately \$62.0 billion for total medical care—\$58.7 billion in discretionary spending and approximately \$3.3 billion in medical care collections. We appreciate the fact that the Administration has offered a substantial increase in health care funding from FY 2015 to FY 2016 (as a part of its advance appropriations request).

For FY 2016, *The Independent Budget* recommends approximately \$50.8 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$49,193,067,000
Increase in Patient Workload.....	\$1,074,225,000
Additional Medical Care Program Costs.....	\$510,000,000
Total FY 2015 Medical Services.....	\$50,777,292,000

Our growth in patient workload is based on a projected increase of approximately 67,000 new unique patients—priority groups 1–8 veterans and covered nonveterans. We estimate the cost of

these new unique patients to be approximately \$746 million. The increase in patient workload also includes a projected increase of 83,350 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), as well as Operation New Dawn (OND) veterans at a cost of approximately \$328 million.

Lastly, *The Independent Budget* believes that there are additional projected funding needs for VA. For FY 2016, we believe that an additional \$375 million should be invested to address the spectrum of long-term care issues within the VA. Additionally, we believe that a continued increase in centralized prosthetics funding will be essential. In order to meet the continued increase in demand for prosthetics, the *IB* recommends an additional \$135 million.

For Medical Support and Compliance, *The Independent Budget* recommends approximately \$6.0 billion. Finally, for Medical Facilities, *The Independent Budget* recommends approximately \$5.7 billion. Our Medical Facilities recommendation includes the addition of \$900 million to the baseline for Non-Recurring Maintenance (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.

### **Advance Appropriations for All VA Accounts**

*The Independent Budget* co-authors are concerned that the broken appropriations process continues to have a negative impact on the operations of the VA. Once again this year Congress failed to fully complete the appropriations process in the regular order. In fact, many federal operations were shuttered as part of a partial government shutdown in October 2013. This had a significant negative impact on many of the services provided by the VA. While VA health care was shielded from this political disaster, benefits services, research activities, and general operations for the rest of the VA were impacted. Additionally, many of the operations that support the health care system, particularly through the Information Technology system, were negatively impacted complicating the VA's ability to delivery timely, quality health care.

We also have real concerns about the advance appropriations process as it currently functions. Our intent for this process was for the Administration to request an advance appropriation for a given fiscal year (two years ahead of the start of that fiscal year), and then revise that recommendation in its next budget request immediately prior to the start of the fiscal year in question. We appreciate the fact that the Administration's FY 2015 Budget Request does include a significant revision for Medical Services reflecting an increased need for funding of approximately \$368 million. However, during past budget cycles, the Administration has offered very little revision in its advance appropriations requests essentially asking for the same funding level. Moreover, we believe that Congress has not done its due diligence to adequately analyze the advance appropriations recommendations and make any necessary changes through supplemental appropriations. In fact, once Congress has approved an advance appropriations level for VA, it has not revised its previous years' decision in any appreciable way. This undermines the principle benefit of advance appropriations—having additional time to ensure that sufficient funds are provided.

With this in mind, we call on Congress to immediately approve legislation that would extend advance appropriations to all VA discretionary and mandatory appropriations accounts. Advance appropriations have shielded VA health care from most of the harmful effects of the partisan bickering and political gridlock that has paralyzed Washington in recent years. Now Congress must provide the same protections to all remaining discretionary programs, including Medical and Prosthetic Research, General Operating Expenditures, Information Technology, the National Cemetery Administration, Inspector General, Major Construction, Minor Construction, State Home Construction Grants, State Cemetery Grants and other discretionary accounts, and all mandatory funded programs, including disability compensation, pension, education benefits, and dependency and indemnity compensation.

Chairman Sanders, the co-authors of *The Independent Budget* sincerely appreciate your commitment to this effort. Similarly, we applaud Senator Boozman and Senator Begich for leading this effort in the Senate by introducing S. 932, the "Putting Veterans Funding First Act." We commit to you our steadfast support to see this legislation through to final passage and

enactment. Enactment of S. 932 will generally free all VA services from the political gridlock that has crippled the appropriations process in Congress.

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 our statement. We would be happy to answer any questions you may have.