

Mr. Carl Blake, Senior Associate Legislator Director, Paralyzed Veterans of America

STATEMENT OF  
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BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS,  
CONCERNING  
THE INDEPENDENT BUDGET  
AND THE DEPARTMENT OF VETERANS' AFFAIRS  
HEALTH CARE BUDGET  
FOR FISCAL YEAR 2007

FEBRUARY 14, 2006

Chairman Craig, Ranking Member Akaka, and members of the Committee, 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 2007.

We are proud that this will mark the 20th year that PVA, along with AMVETS, Disabled American Veterans and Veterans of Foreign Wars, have presented The Independent Budget, a comprehensive budget and policy document that represents the true funding needs of the Department of Veterans Affairs (VA). The Independent Budget uses commonly accepted estimates of inflation, health care costs and health care demand to reach its recommended levels. This year, the document is endorsed by 60 veterans' service organizations, and medical and health care advocacy groups.

Last year proved to be perhaps the most unique year ever in the debate over the VA budget. The VA was forced to admit that it did not have the resources necessary to meet the demands being placed on its health care system. Congress was forced to react quickly and decisively to address this situation. These events served to validate the recommendations made every year, by The Independent Budget.

For the first time, a reasonable starting point was offered by the President to fund the VA health care system. For FY 2007, the Administration has requested \$31.5 billion for veterans' health care, a \$2.8 billion increase over the FY 2006 appropriation. Although this is a significant step forward, we still have some concerns about proposals contained within the request. The Independent Budget for FY 2007 recommends approximately \$32.4 billion for veterans' health care, an increase of \$3.7 billion over the FY 2006 appropriation and about \$900 million over the Administration's request. The medical care recommendation is comprised of three accounts?Medical Services, Medical Administration, and Medical Facilities?with the bulk of the funding going to Medical Services.

For FY 2007, The Independent Budget recommends approximately \$26.0 billion for Medical Services, an increase of \$3.5 billion over the FY 2006 appropriation and nearly \$1.3 billion more than the request of the Administration. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate	\$23,350,760,000
Increase in Patient Workload	\$1,470,817,000
Increase in FTE	\$118,886,000
Policy Initiatives	\$1,050,000,000
Total FY 2007 Medical Services	\$25,990,463,000

In order to develop our current services estimate, we used the Obligations by Object in the President's Budget to set the framework for our recommendation. We believe this method allows us to apply more accurate inflation rates to specific accounts within the overall account. Our inflation rates are based on five-year averages of different inflation categories from the Consumer Price Index-All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics every month.

Our increase in patient workload is based on a 6.3 percent increase in workload. The policy initiatives include \$500 million for improvement of mental health and long term care services, \$250 million for funding the fourth mission, and \$300 million to support centralized prosthetics funding. In previous testimony, the VA testified that it is already spending more than \$250 million per year on homeland security, emergency preparedness, and fourth mission requirements.

For Medical Administration, the IB recommends approximately \$2.9 billion. The Administration requested approximately \$3.2 billion for this account. The difference in our recommendations centers around the fact that we assumed that for FY 2006, the entire \$1.2 billion for Information Technology was removed from the Medical Administration account as set for in the FY 2006 appropriations bill. However, the Administration assumed only a portion of this amount being removed from this account, thereby giving them a higher figure to start with. Finally, for Medical Facilities the IB recommends approximately \$3.5 billion, approximately \$100 million less than what the Administration recommends.

We believe that the recommendations of The Independent Budget have been validated once again this year as the Administration indicated that it will actually take \$25.5 billion to fund Medical Services, an amount very close to what we recommend. However, they only request \$24.7 billion in appropriated dollars. The Administration hopes to raise an additional \$800 million by instituting a new enrollment fee and an increase in prescription drug co-payments to achieve the necessary funding level.

We are deeply concerned that once again the President's recommendation proposes the \$250 enrollment fee for Priority 7 and 8 veterans and an increase in prescription drug co-payments from \$8 to \$15. These proposals will put a serious financial strain on many veterans, including certain PVA members with non-service connected spinal cord injuries. These veterans, because of their catastrophic disabilities, are enrolled in VA health care as Priority 4 veterans. However, due to a glitch in the drafting of eligibility reform legislation in 1996, because of their income,

they are still required to pay all co-payments and fees as though they are Priority 7 or 8 veterans. We urge the Committee to correct this unfair situation.

The VA estimates that these proposals will force nearly 200,000 veterans to leave the system and more than 1,000,000 veterans will choose not to enroll. Congress has soundly rejected these proposals for the past three years and we urge you to do so once again.

Our health care recommendation does not include additional money to provide for the health care needs of Category 8 veterans being denied enrollment into the system. However, it is included in our bottom line for total discretionary dollars needed by the VA to provide health care to all eligible veterans. Despite our clear desire to have the VA health care system open to these veterans, Congress and the Administration have shown little desire to overturn this policy decision. The VA estimates that a total of over 1,000,000 Category 8 veterans will have been denied enrollment into the VA health care system by FY 2007. Assuming a utilization rate of 20 percent, we believe that it would take approximately \$684 million to meet the health care needs of these veterans, if the system were reopened. We believe that the system should be reopened to these veterans and this money appropriated on top of our medical care recommendation for this purpose.

For Medical and Prosthetic Research, the Administration has recommended \$399 million, a cut of approximately \$13 million below the FY 2006 appropriation. The Independent Budget recommends \$460 million. Research is a vital part of veterans' health care, and an essential mission for our national health care system. VA research has been grossly underfunded in comparison to the growth rate of other federal research initiatives. We call on Congress to finally correct this oversight.

In order to address the problem of adequate resources provided in a timely manner, The Independent Budget has proposed that funding for veterans' health care be removed from the discretionary budget process and made mandatory. The budget and appropriations process over the last number of years demonstrates conclusively how the VA labors under the uncertainty of not only how much money it is going to get, but, equally important, when it is going to get it. No Secretary of Veterans Affairs, no VA hospital director, and no doctor running an outpatient clinic knows how to plan and even provide care on a daily basis without the knowledge that the dollars needed to operate those programs are going to be available when they need them.

Making veterans health care funding mandatory would not create a new entitlement, rather, it would change the manner of health care funding, removing the VA from the vagaries of the appropriations process. Until this proposal becomes law, however, Congress and the Administration must ensure that VA is fully funded through the current process. We look forward to working with this Committee in order to begin the process of moving a bill through the House, and the Senate, as soon as possible.

Health care delayed is health care denied. If the health care system cannot get the funds it needs when it needs those funds the resulting situation only fuels efforts to deny more veterans health care and charge veterans even more for the health care they receive. 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.