

THE INDEPENDENT BUDGET

A Budget for Veterans by Veterans

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**Paralyzed Veterans
of America**



VETERANS OF FOREIGN WARS.

JOINT STATEMENT OF

**THE CO-AUTHORS OF *THE INDEPENDENT BUDGET*:
DISABLED AMERICAN VETERANS
PARALYZED VETERANS OF AMERICA
VETERANS OF FOREIGN WARS**

BEFORE

**SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS AND
RELATED AGENCIES
APPROPRIATIONS COMMITTEE
UNITED STATES SENATE**

“Review of the FY2020 Budget Request for the U.S. Department of Veterans Affairs”

APRIL 30, 2019

Chairman Boozman, Ranking Member Schatz, and members of the Subcommittee, 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 views regarding the President’s funding request for the Department of Veterans Affairs (VA) for Fiscal Year (FY) 2020, including advance appropriations for FY 2021.

Last year, this Subcommittee passed a bill providing \$86.45 billion in discretionary funding—\$4.97 billion above FY 2018 enacted and \$1.1 billion over the President’s budget request. These higher funding levels were a direct result of the Bipartisan Budget Agreement for FY 2018 and 2019, which included additional room under the budget caps to increase investments into VA’s medical care system, capital infrastructure, claims processing, and medical research.

The day this bill was passed by this Subcommittee, the President signed the VA MISSION Act of 2018 into law, which provided \$5.2 billion in direct spending in part, to continue the Choice Program until June 6, 2019, and replaced with the new consolidated and streamline Veterans Community Care Program (VCCP). Notably, the VA MISSION Act did not provide resources to fully and faithfully execute all the provisions contained therein. The VCCP alone could cost up to \$1.5 billion for the remainder of FY 2019, \$8.7 billion in FY 2020. However, the Bipartisan Budget Agreement, upon which the funding level of this bill was based, did not assume taking on these mandatory costs.

The *IB* agrees with the Subcommittee that this issue must be addressed or risk VA shortfalls in the next few months. Furthermore, as noted during the hearing before the Senate Veterans’

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Affairs Committee on April 10, 2019, the new access standards proposed by VA are expected to incur additional new costs estimated at \$2.6 billion in FY 2020 and \$4.7 billion in FY 2021.¹

In February, prior to the Administration's budget request, the *IB* released our comprehensive VA budget recommendations for all discretionary programs for FY 2020, as well as advance appropriations for FY 2021.² Our recommendations include funding to implement, P.L. 115-182, the VA MISSION Act of 2018 and other reform efforts. After reviewing the Administration's budget request for VA and comparing it to the *IB* recommendations and in light of the VA MISSION Act, we believe that the request falls short of meeting the needs of veterans seeking care through VA. Although the budget request provides a seven percent increase in the level of discretionary funding, when factoring in VA's own estimates of the cost of implementing the VA MISSION Act, the \$5.5 billion shift from mandatory to discretionary of Choice program funding, and the increased cost from medical care inflation and other factors, VA will not have sufficient resources to meet the health care needs of America's veterans.

The Administration's request of \$84 billion for Medical Care is \$4 billion less than the *IB* estimates is necessary to fully meet the demand by veterans for health care during the fiscal year. For FY 2020, the *IB* recommends approximately \$88.1 billion in total medical care funding and approximately \$90.8 billion for FY 2021. This recommendation reflects the necessary adjustments to the baseline for all Medical Care program funding in the preceding fiscal year, and assumes the Choice program is fully replaced at the beginning of FY 2020 by VCCP.

Medical Services: For FY 2020, the *IB* recommends \$56.1 billion reflecting multiple components, including the current services estimate, the 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 assumes a 2.1 percent increase for pay and benefits across the board for all VA employees in FY 2020 and 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 \$1.3 billion.

The *IB* recommends an additional \$1.2 billion for VA to: address an array of issues in VA's Long-Term Services and Supports program; provide additional centralized prosthetics funding; expand and improve services for women veterans; support the recently approved authority for reproductive services, including in vitro fertilization; and extend comprehensive caregiver support to severely injured veterans of all eras.

Medical Services: The Administration's request of \$51.4 billion is approximately \$4.7 billion below the *IB* recommendation. To better understand the shortfall, it should be noted that the *IB* does not include anticipated receipts from VA's Medical Care Collections Fund in its recommendation. Although the Administration's request reflects an apparent increase of three percent, the *IB* believes that when taking into account the increased cost to maintain current services, anticipated increases in workload, and the increased costs inside VA due to the VA MISSION Act that apparent increase will ultimately result in a shortfall.

¹ Statement of Merideth Randles, FSA, MAAA, Principal and Consulting Actuary, Milliman Inc. before the Senate Committee on Veterans' Affairs, April 10, 2019, Page 10.

² The full *IB* budget report on discretionary funding for VA can be downloaded at www.independentbudget.org.

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Medical Community Care: The *IB* recommends \$18.1 billion for FY 2020, which includes the growth in current services, estimated spending under the Choice program, and additional obligations under the VA MISSION Act of \$3.7 billion. The Administration's FY 2020 request for \$15.3 billion in discretionary funding appears to be a \$5.9 billion increase in funding for Community Care. However, VA has indicated that \$5.5 billion of that increase merely represents shifting \$5.5 billion that would otherwise be necessary to pay for the Choice program, from mandatory funding. Considering VA's FY 2020 estimate for the VA MISSION Act will require \$2.6 billion in new funding for expanded access based on new access standards, expanded transplant care, and \$271 million for urgent care, there appears to be a significant shortfall for VA community care programs.

Medical and Prosthetic Research: The Administration's request represents a 2 percent cut at a time when medical research inflation is estimated to be 2.8 percent. The \$762 million request is nearly \$80 million below the *IB* recommendation of \$840 million. The VA Medical and Prosthetic Research program is widely acknowledged as a success, with direct and significant contributions to improved care for veterans and an elevated standard of care for all Americans. It is also an important tool in VA's recruitment and retention of health care professionals and clinician-scientists to serve our nation's veterans.

VA Construction Programs: The Administration's FY 2020 request for VA's construction programs of \$1.8 billion dollars is a 44 percent reduction from FY 2019 funding levels, and a deeply disappointing retreat in funding to maintain VA's aging infrastructure. At the Senate Veterans' Affairs Committee hearing on March 26, 2019, Secretary Wilkie stated that he estimates VA will need, "...\$60 billion over the next five years to come up to speed." This backlog is confirmed by VA's FY 2020 budget submission, which states that VA's, "...Long-Range SCIP plan includes 4,059 capital projects that would be necessary to close all currently-identified gaps with an estimated magnitude cost of between \$62-\$76 billion including activation costs..."³ However, VA's FY 2020 budget request is just over \$1.6 billion, well below the true need stated by the Secretary and identified by SCIP. At a time when VA is seeking to expand its capacity by hiring additional doctors, nurses, clinicians and supporting staff, it is absolutely critical that VA continue to invest in the infrastructure necessary for them to care for veterans.

Major Construction: In FY 2019, VA requested and Congress appropriated a significant increase in funding for major construction projects— an approximate \$700 million increase. While these funds will allow VA to begin construction on key projects, many other previously funded sites still lack the funding for completion. Some of these projects have been on hold or in the design and development phase for years. Additionally, there are outstanding seismic corrections that must be addressed. Thus, the *IB* recommended \$2.78 billion in major construction, nearly \$1 billion more than VA's total construction request.

Minor Construction: The *IB* recommends \$761 million for minor construction projects, which can be completed faster and have a more immediate impact on services for veterans. Previously, these projects fell under facilities similar to Non-Recurring Maintenance, but the *IB* recommends these specific modifications be under a different authority to ensure their priority.

³ Department of Veterans Affairs, Volume IV, Construction And Long Range Plan, Congressional Submission, FY 2020 Funding and FY 2021 Advance Appropriations, Page 8.2- 47.

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Non-Recurring Maintenance (NRM): The Administration's FY 2020 Medical Facilities request of \$6.1 billion, which includes critical NRM, is a \$660 million cut compared to current levels. The *IB* recommends \$6.6 billion for FY 2020, which includes nearly \$400 million for NRM and leases, and to address VA research NRM needs.

VA Proposed Legislation: The *IB* supports VA's legislative proposal included in the budget regarding Medical Foster Homes (MFH), which would require VA to pay for service-connected veterans to reside in VA-approved MFHs and result in cost savings to VA. It would promote veteran-centered care for those service-connected veterans who would choose to reside in a MFH but for financial disincentives reside in more costly nursing home setting at VA expense.

The *IB* strongly opposes four legislative proposals that would reduce benefits to disabled veterans that were earned through their service. 1) Round-Down of the Computation of the Cost of Living Adjustment (COLA) for Service-Connected Compensation and Dependency and Indemnity Compensation for Five Years: Veterans and their survivors rely on their compensation for essential purchases such as food, transportation, rent, and utilities. Any COLA round-down will negatively impact the quality of life for our nation's disabled veterans and their families, and we oppose this and any similar effort. 2) Clarify Evidentiary Threshold for Ordering VA Examinations: This proposal would raise the bar of the VA's Duty to Assist, resulting in fewer examinations with more claim denials. This would lead to more Higher Level Review requests, supplemental claims, and appeals directly to the Board of Veterans' Appeals. 3) VA Schedule for Rating Disability (VASRD) Effective Dates: This proposal would apply to new or pending claims any changes made to the VASRD and may include action to decrease an existing evaluation. It is inconsistent with 38 U.S.C. § 1155, contrasts with 38 C.F.R. § 3.103, and would eliminate any potential increased evaluations prior to the change of the rating criteria. 4) Elimination of Payment of Benefits to the Estates of Deceased Nehmer Class Members and to the Survivors of Certain Class Members: This proposal would deny veterans' survivors and families' benefits that would have otherwise been due to their deceased veteran family member as a result of exposure to these toxic chemicals while in service.

Thank you for the opportunity to submit our views on the Administration's budget request for VA. We firmly believe that unless Congress acts to substantially increase VA's funding for FY 2020, veterans will be forced to wait longer for care, whether they seek care at VA or in the community, leaving unfulfilled the promises made to veterans in the VA MISSION Act.