

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)

FY 2025 Budget for the Department of Veterans Affairs

Senate Committee on Veterans' Affairs
May 1, 2024

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

On behalf of The Independent Budget veterans service organizations (IBVSOs)—DAV (Disabled American Veterans), Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars (VFW)—thank you for the opportunity to present our recommendations to properly fund the Department of Veterans Affairs (VA) for fiscal year (FY) 2025 and FY 2026 advance appropriations, and to comment on VA's recent budget request for those years.

For more than 30 years, the IBVSOs have developed and presented recommendations to ensure that VA remains fully funded and capable of carrying out all aspects of its mission to serve our nation's ill and injured veterans, their caregivers, surviving spouses and children—both now and in the future. Our detailed recommendations are contained in “The Independent Budget: Fiscal Years 2025 and 2026 for the Department of Veterans Affairs,” which we submit for the record. Our testimony below contains an overview of the most significant funding recommendations and a comparison with VA's recent budget request.

At the outset, we note that VA's full-year appropriation for the current fiscal year (FY 2024) was not enacted for over five months after the start of the fiscal year due to continuing political disagreements that seem to grow worse every year. Although advance appropriations ensure VA can provide uninterrupted medical services and benefits in the event of a government shutdown, the threat of lapses in funding causes uncertainty and anxiety for veterans and complicates VA's ability to focus on its core mission. Further, the routine use of continuing resolutions that limit spending to prior year levels undercuts VA's advance appropriations for health care and prevents VA from expanding programs and services to more veterans. Congress must ensure that VA receives timely, adequate funding to meet the needs of veterans, their families, and survivors. Although conflicts and wars may draw to a close, the responsibility to these men and women is part of the cost of waging them and must remain a sacred national obligation.

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VETERANS HEALTH ADMINISTRATION

Veterans Medical Care

VA recently reported that more than 400,000 veterans had enrolled in the Veterans Health Administration (VHA) over the preceding 365 days, 30% more than the prior year. We project this trend will continue through next year as more veterans are enrolling and receiving higher priority eligibility as a result of the Honoring Our PACT Act. To meet this rising demand for care, adjust for inflation and a pay raise, and invest in critical health services, the IBVSOs recommend that VHA be provided a total of \$152.8 billion for FY 2025, a 6.6% increase over FY 2024. Since VHA already received \$21.5 billion in mandatory appropriations from the Toxic Exposure Fund (TEF) as provided in the Fiscal Responsibility Act (P.L. 118-5), we recommend a discretionary appropriation of \$131.3 billion for VHA for FY 2025.

Long-Term Care

The fastest-growing segment of the veteran population are veterans over the age of 85, and the number of veterans eligible for nursing home care is projected to increase 535% over the next 20 years. To meet this coming silver tsunami, the IBVSOs recommend a \$1 billion plus-up for the full spectrum of VA's long-term care programs, from skilled nursing care to home and community-based services.

Dental Care

It's long past time for VA to recognize that dental care is health care. Poor dental health has been linked with a number of serious medical conditions, including heart disease, diabetes, cancer, dementia, and Alzheimer's disease, and can have serious negative consequences for veterans' overall health outcomes. In order to begin expanding dental care eligibility to all enrolled veterans, the IBVSOs recommend a plus-up of \$590 million in FY 2025 to grow VA's in-house capacity, as well as additional resources for community care coverage.

Mental Health and Suicide

Over recent years, we have supported a number of landmark laws passed by Congress to address suicide, yet VA's most recent 2023 National Veterans Suicide Prevention Report noted veteran suicide is not decreasing. To strengthen VA's efforts to address the crisis of veteran suicide, the IBVSOs recommend a plus-up of \$150 million for FY 2025 to add 1,000 additional mental health personnel. The funding will also help VA to continue recruiting and retaining mental health providers, care coordinators, and administrative support staff.

Women Veterans

With more than 650,000 women veterans now enrolled in VA health care, there have been significant improvements in gender-specific care over the past decade. To continue this progress, and address gaps that still exist, the IBVSOs recommend a plus-up of \$160 million for VA to recruit and train more providers in gender-specific care for women veterans; increase the number and quality of peer support specialists; expand maternity care coordinators; and strengthen the Office of Women's Health and the Center for Women Veterans.

Medical Research

VA's Medical and Prosthetic Research program generates discoveries that measurably contribute to improving the health of veterans and all Americans. The research program also supports VA's recruitment and retention of health care professionals and clinician scientists. For FY 2025, the IBVSOs recommend a total of \$1.05 billion for VA research. With \$59 million in mandatory TEF funding already approved, we recommend \$946 million in new discretionary appropriations.

Health Care Infrastructure

There are over \$130 billion in backlogged infrastructure projects, and the backlog is growing every day. Yet, appropriations for construction and maintenance of health care facilities in recent years has been woefully inadequate. Unless VA and Congress begin making serious investments in health care infrastructure, the VHA system will increasingly struggle to maintain high-quality, accessible care that our veterans have earned.

For FY 2025, the IBVSOs recommend \$5.2 billion for VA Major Construction, more than four times the current year's funding level. For Minor Construction, the IBVSOs recommend \$910 million, a 30% increase over FY 2024. We also call for a plus-up of \$900 million to address the serious backlog of nonrecurring maintenance projects throughout VA's medical facilities. In addition, the IBVSOs recommend an increase of 350 full-time employees (FTE) so that each of VA's major medical centers or other appropriate regional locations have personnel to plan and oversee construction projects.

VETERANS BENEFITS ADMINISTRATION

Due in large part to the passage of the PACT Act, veterans submitted over 2.4 million claims in FY 2023 for benefits, primarily disability compensation, which is 39% higher than the prior year. The Veterans Benefits Administration (VBA) processed 1.9 million benefits claims in FY 2023, surpassing the previous all-time record by 16%. To address the rising workload that is expected to continue through next year, the IBVSOs recommend a total of \$6.2 billion for VBA in FY 2025, a 9.1% increase. This total includes plus-ups of \$130 million for additional overtime to process claims and \$75 million to improve VA's mail processing with new technologies. Since \$1.4 billion in mandatory TEF funding is already approved, Congress would need to provide \$4.8 billion in new discretionary appropriations for FY 2025.

BOARD OF VETERANS' APPEALS

The Board of Veterans' Appeals (BVA) continues to resolve more appeals in recent years, yet at the start of FY 2024, there were still over 200,000 appeals pending; 72,000 of those were awaiting hearings. For FY 2025, the IBVSOs recommend \$333 million for BVA, a 14% increase over the FY 2024 appropriation from all sources. With \$62 million in mandatory TEF funding already approved, the IB recommends \$271 million in new discretionary appropriations, which includes a plus-up of 220 new FTE to address rising workload.

NATIONAL CEMETERY ADMINISTRATION

With the demand for burial space increasing as the nation's veteran population is aging, the IBVSOs recommend \$626 million for the National Cemetery Administration (NCA) in FY 2025, a 30% increase over the FY 2024 level. This funding includes plus-ups of \$60 million for accelerated expansion and maintenance of national cemeteries; \$50 million for the National Shrine and Legacy Memorial programs; \$10 million to expand outreach for awareness and utilization; and \$5 million for an innovative pilot program to train and employ homeless veterans. Although NCA does not get the same level of attention as VHA and VBA, it provides a final benefit and tribute to the men and women who served and should receive the appropriate level of resources to match its commitment.

ANALYSIS OF VA'S FY 2025 BUDGET REQUEST

Overall, the Administration's FY 2025 VA budget request takes another positive step forward to help fulfill our nation's obligations to America's veterans. Compared to the IBVSOs' recommendations, the VA request meets or comes close to meeting our recommendations for a number of VA programs. However, the level of funding requested for infrastructure continues to be a major concern for the future of VA health care. There are also some trends that raise concerns, particularly VA's use of alternate means of funding, the reduction of health care personnel, and the continued over-reliance on community care rather than investing in VA's internal capacity.

Alternate Sources of Funding Health Care

The Independent Budget is developed based on projecting the total need for resources to be provided through the annual appropriations process. The IB did not take a position on the creation of the TEF and its mandatory funding mechanism, but those resources are taken into consideration in our budget recommendations. However, we do have significant concerns with VA's increasing reliance on alternate streams of funding in lieu of new discretionary appropriations. In addition to the mandatory TEF funding (\$24.4 billion) in VA's budget submission, there is the Medical Care Collections Fund (MCCF) (\$4.4 billion) and a planned carryover of \$12.7 billion that would come from unspent FY 2024 appropriations.

In the past, VA has often over-estimated the impact of alternate streams of funding, such as the MCCF, which can result in a shortfall of funding, usually manifesting late in a fiscal year. Unless the VA requests, and Congress approves, a supplemental appropriation, the gap in funding will have to be made up by cutting back on VA programs and services for veterans.

In its current budget submission, VA has proposed to carryover virtually the entire unobligated balance projected to be available at the end of FY 2024 in lieu of seeking new FY 2025 discretionary appropriations. This appears to be part of an effort to keep the Administration's overall discretionary appropriations request under the negotiated caps imposed by the Fiscal Responsibility Act. We are concerned about whether this could result in VA constraining its spending this year to meet that target, irrespective of veterans' actual need for medical care and other services. If the substitution of \$12.7 billion in carryover funding for new appropriations is approved by Congress, but the available unobligated balance ends up being less, we are concerned that in the current political fiscal and political environment, it will be difficult to enact a supplemental appropriation to fill that funding gap.

VA-Provided Care vs. Community Care

Over the past decade, VA's reliance on and spending for purchased medical care services from community providers has risen dramatically, significantly faster than spending on VHA's in-house medical care programs. While the FY 2025 VA budget submission does request an overall 6.6% increase in medical care resources, it does not allocate that funding to expand VA's capacity to provide care, and thus, reduce its reliance on community care providers. Instead, VA's budget submission would grow annual spending for community care at a faster rate than VA-provided care through at least FY 2026. Specifically, according to VA's budget submission, obligations for Medical Community Care would rise 12.9% this year, 10.7% in FY 2025, and 10.7% in FY 2026, compared to VA care increases of 8.4%, 5.1%, and 4.0%, respectively. This trend must be stopped and reversed.

While the IBVSOs agree that veterans must have options whenever and wherever VA is unable to provide timely, accessible, and high-quality care, research continues to show that the quality of care provided by VA is better than the private sector on average. There is also abundant evidence that the majority of veterans who enroll in the VA health care system prefer to be treated by VA, not the private sector. The best way to ensure optimum health care outcomes for veterans is to maintain VA as the primary provider and coordinator of veterans' health care, a position supported by current and past VA Secretaries and Under Secretaries of Health serving in administrations of both political parties. However, there is growing concern that out-of-control spending on community care could threaten the long-term viability of VHA's direct care system for veterans who need and rely on it—particularly service-disabled and catastrophically injured and ill veterans.

In fact, earlier this year, Under Secretary Elnahal convened a panel of nationally recognized health care experts to independently analyze and assess VA's community care program. This "Red Team" review resulted a report entitled, "The Urgent Need to Address VHA Community Care Spending and Access Strategies," which the IBVSOs were able to review. The report included a number of concerning findings, including the following:

"Roundtable members were in unanimous agreement that VA urgently needs to take action to control community care utilization and spending if the direct care system is to continue to be available to serve the diverse, specialized, and often highly complicated health care needs of enrolled Veterans."

"Absent additional new funding to pay for rising VCCP costs, VHA will likely be forced to consider eliminating VHA direct care services or closing VA facilities. Since so many health system expenditures are fixed costs, the ability to incrementally reduce spending is limited."

"Increasing numbers of Veterans referred to community providers and rising costs of the VCCP threaten to materially erode the VA's direct care system and create a potential unintended consequence of eliminating choice for the millions of Veterans who prefer to use the VHA direct care system for all or part of their medical care needs."

The "Red Team" report also includes a number of recommendations to reduce unnecessary spending on private sector care, ensure veterans receive the highest quality of care, and better educate veterans to make informed decisions about their care, while continuing to ensure there is a robust community care program, particularly for veterans who live in rural and remote areas of the country. The IBVSOs look forward to hearing VA's reaction to this report and plans to implement its recommendations.

Investing in Personnel and Infrastructure to Build VA Capacity

In order to expand VA's health care capacity in the future, the IBVSOs' recommendations include a \$2.8 billion Medical Care plus-up to fill approximately 25% of VA's health care vacancies. By contrast, VA's FY 2025 request would result in a reduction of 10,000 health care FTE. Among the positions eliminated would be about 600 physicians, 2,400 nurses, 500 non-physician providers, and over 2,000 health care technicians. According to VA's most recent Section 505 Vacancies Report for the first quarter of FY 2024, there are a total of 66,000 vacancies in VHA, which include 3,200 physicians and 16,000 nurses, practical nurses, and nursing assistants.

The IBVSOs are also concerned about growing anecdotal evidence that many VA facilities have stopped hiring and are removing vacancy announcements due to a shortage of funding to fill those positions. Although VA has significantly increased its staffing in recent years, the number of veterans who enroll, use, and rely on VA for their medical care continues to grow thanks to important new legislation like the PACT Act. Congress must provide sufficient resources to fully fund VA's staffing needs, without offsetting those increases by cutting other veterans programs, services, or benefits.

The IBVSOs' recommendations also include a \$4.4 billion (266%) increase in Major and Minor Construction to repair, modernize, and replace VA health care facilities. Regrettably, VA has requested a total of only \$2.8 billion for Major and Minor Construction, even though VA's own Strategic Capital Investment Plan indicates there needs to be an average of \$8.5 billion invested for each of the next 10 years to maintain VA's health care infrastructure. In fact, VA's FY 2025 request for Major and Minor Construction from all sources (including TEF and the Transformation Fund) is actually 33% lower than what VA requested last year.

We also note that VA's request for the State Home Construction Grant Program is just \$141 million, \$30 million less than VA received this year, despite a backlog of approved projects that have a federal matching share of approximately \$1.3 billion. The IBVSO recommendation for FY 2025 is \$600 million, which would fund about half of these already-approved Priority 1 construction projects. Since State Veterans Homes provide more than half of all VA-supported nursing home beds for aging and disabled veterans, there would be fewer options in the future if Congress does not adequately support this important program.

Budget Caps and PAYGO

Finally, given the fiscal and political challenges that seem to be increasing, the IBVSOs believe it is time for Congress to make additional reforms to the budget and appropriations process for veterans programs, benefits, and health care. Although VA funding has fared well in recent years, the long-term impact of budget caps on discretionary spending levels has increasingly put pressure on VA and Congress to limit funding for veterans programs. While one of the reasons asserted for creating the mandatory Toxic Exposure Fund was to relieve pressure on VA's discretionary appropriations, the budget caps enacted by the Fiscal Responsibility Act last year have clearly constrained VA's most recent budget submission, which underfunds some critical priorities, including infrastructure, medical research, VA health care, and VBA claims processing.

In addition, Congressional PAYGO ("pay-as-you-go") budget rules continue to limit expansion and improvement of many critical VA benefits and services for veterans, particularly disabled veterans.

Most recently, the Congressional Budget Office has determined that PAYGO offsets will be increased for any programs that are in part funded by the TEF, creating even more fiscal obstacles that must be overcome to provide veterans the care they deserve.

The IBVSOs call on Congress to exempt veterans programs, services, and benefits from both statutory and congressional PAYGO (and “Cut-Go”) rules, sequestration, rescissions, and budget cap deals. Keeping our promises to the men and women who served is a sacred obligation that should never be leveraged against other veterans or other national responsibilities. America’s veterans have already “paid” enough through their service and sacrifice to the nation, which includes the service and sacrifice of their families, caregivers, and survivors.

Mr. Chairman, that concludes our testimony, but the complete details of the IB Budget Recommendations for FY 2025 and FY 2026 can be found at www.IndependentBudget.org. We would be pleased to answer any questions that you or members of the Committee may have about VA’s budget for FY 2025.
