The Independent Budget
CRITICAL ISSUES REPORT
ON FISCAL YEAR 2006

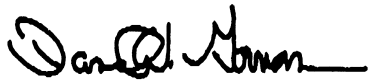
The Independent Budget for FY 2006 will be the 19th budget proposal for the Department of Veterans Affairs (VA) developed by the coalition of four congressionally charted veterans service organizations: AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars of the United States. *The Independent Budget*, developed by veterans for veterans, will be released alongside the president's budget in February 2005 to serve as a guide to Congress as it develops VA budget and appropriations policy for FY 2006. This Critical Issues Report is intended to transmit our identified critical issues relating to VA health care and benefits for that budget cycle. We are releasing this document now as a guide to policy makers in the current administration as they craft the president's FY 2006 budget submission.

The Independent Budget is built on a systematic methodology that takes into account changes in the size and age structure of the veteran population, federal employee wage increases, medical care inflation, cost-of-living adjustments, construction needs, trends in health-care utilization, benefit needs, efficient and effective means of benefits delivery, and estimates of the number of veterans to be laid to rest in our nation's cemeteries. *The Independent Budget* also takes into consideration changes in medical and information technologies and their effects on health care and benefits delivery.

The Independent Budget is the voice of responsible advocacy. Our budget recommendations will be rational, rigorous, and sound. We urge you to review these preliminary recommendations that we have identified as issues critical to the delivery of quality, timely, and efficient health care and benefits to our nation's veterans.

Sincerely,

James B. King
National Executive Director
AMVETS (American Veterans)



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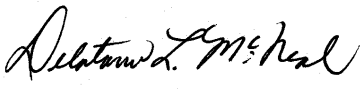

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of the United States

CRITICAL ISSUE #1: <u>Adequate Funding for VA Health-Care Needed</u>

VA must receive adequate funds to meet the ever-increasing demands of veterans seeking health care.

Once again this year, the Department of Veterans Affairs (VA) faces a critical situation in funding for health care. Ever-increasing demand on the system coupled with inadequate resources provided after the start of the new fiscal year has placed enormous stress on the system and has left VA struggling to provide the care that veterans have earned and deserve.

For FY 2005, the administration requested an increase of only $310 million in appropriated dollars, a mere 1.2 percent increase over the FY 2004 level. This was the lowest appropriation request for VA health care made by any administration in nearly a decade. The administration chose to use budget gimmicks, higher out-of-pocket costs for veterans (including a proposed $250 user fee for Category 7 and 8 veterans and increased copayments), and major cuts in long-term care programs as a substitute for requesting real dollars. VA has also chosen to continue to deny enrollment to new Category 8 veterans as a cost-saving measure.

In contrast, *The Independent Budget* recommended $29.8 billion for veterans health care for FY 2005, a $3.2 billion increase over FY 2004. This amount represents the cost to provide care not only for all veterans currently seeking care from the VA but also for veterans who were denied care by VA last year. The House and Senate Committees on Appropriations provided a $1.2 billion increase over the budget request, the same amount Secretary Principi requested from OMB. This increase would fall short of *The Independent Budget* recommendation as well as the 13-14 percent annual increase that VA has testified it needs to maintain the same level of services as the previous year.

The VA funding crisis is exacerbated by Congress not passing the VA, HUD, and Independent Agencies appropriations bill prior to the start of the new fiscal year on October 1, 2004. Unfortunately, failing to provide a VA budget on time is becoming an annual tradition. In the past five fiscal years, VA has not received its appropriation before the start of the new fiscal year. In the past two years, the appropriation was not enacted until after January 1 of the next year, more than one-third of the way through the new fiscal year.

Currently, VA is operating under the constraints of a short-term continuing resolution. This forces VA to operate at last year's budget level. Sadly, it looks increasingly likely that the VA appropriations bill will not be enacted and that VA funding levels for this fiscal year will be set in a continuing resolution or a massive omnibus spending bill. A continuing resolution for the remainder of this fiscal year established at last year's funding levels would have a direct and immediate adverse impact upon veterans, requiring cuts in health-care delivery and staffing levels. Any meager increase VA might receive in an omnibus spending bill would not be received in a timely manner, thus preventing VA from properly planning to meet the needs of veterans and from effectively competing to hire nurses, doctors, therapists, and other health-care professionals. An omnibus spending bill could also force VA to make difficult decisions about providing certain services to certain veterans, such as canceling or postponing

surgeries for non life-threatening conditions because resources are not available to perform the procedures.

Faced with growing federal budget deficits, there will be increased pressure to reduce discretionary spending in all federal programs, including VA health care. Earlier this year, Congress considered budget control legislation that would have placed spending caps on all discretionary programs. These caps would have meant real cuts in funding. Likewise, VA faces the possibility of a reduction in funding beginning next year. News reports earlier this year, indicated the Office of Management and Budget had requested that VA identify $900 million in cuts in discretionary spending, primarily from health-care funding. Such a cut would likely force the VA to further restrict enrollment of new veterans seeking access to the system and could mean staff cuts, which would result in longer waiting times for veterans. Yet, as these events are taking place, opinion polls show that a vast majority of Americans believe that veterans should be a high funding priority in the federal budget.

VA is also dealing with increased demand as it provides care to sick and disabled veterans returning from Iraq and Afghanistan. By law, VA is required to provide "hospital care, medical services, and nursing home care for any illness" determined to be service connected for these returning service members for a period of two years. *The Independent Budget* for FY 2006 will recommend sufficient funding to meet this statutory requirement.

The Independent Budget Veterans Service Organizations believe that without adequate resources veterans will continue to face health-care rationing, longer waiting times for basic health care services, and lower quality care. To that end, *The Independent Budget* has proposed that funding for veterans health care be removed from the discretionary budget process and made mandatory. This would not create a new entitlement; rather it would change the manner of health-care funding, removing VA from the vagaries of the appropriations process. Until this proposal becomes law, however, Congress and the administration must ensure VA is fully funded through the current process.

The Independent Budget request for VA health care for FY 2006 will address these concerns, and if accepted, will provide VA with the resources it needs to meet its responsibilities. *The Independent Budget* recommendation will enable VA to meet the demands of current veterans and those who are now being denied care by VA as a result of the secretary's decision to close enrollment for Category 8 veterans last year. As the number of new veterans seeking health care continues to grow, and VA continues to care for veterans of prior conflicts, we must ensure that VA provides the quality health care that our veterans have earned with their service and their sacrifices.

Recommendation:

Congress and the administration must provide adequate funding for veterans' health care to ensure that the VA can provide the necessary services to veterans seeking care.

CRITICAL ISSUE #2: <u>Mandatory vs. Discretionary Funding</u>

It is imperative that Congress immediately enact legislation that will guarantee a reliable, predictable funding stream for veterans' health care so all veterans enrolled in the Department of Veterans Affairs (VA) health-care system have access to high quality health care services in a timely manner.

Each year funding levels for VA health care are determined through an annual appropriations bill. The amount of discretionary funding provided to VA for veterans' health care is determined by political processes and is unfortunately, based more on political considerations than actual funding needs. Year after year, funding provided under the current discretionary funding mechanism falls short of what is needed to provide quality and timely health-care services to our nation's veterans. To make matters worse, for the past five years Congress has not enacted the VA budget at the start of the fiscal year. Clearly, the current funding mechanism for veterans health care is broken and in need of reform.

Each year *The Independent Budget Veterans Service Organizations* (IBVSOs) fight for sufficient funding for VA health care and a budget that is reflective of the rising cost of health care and increasing need for medical services. Despite our continued efforts, the cumulative effects of insufficient, inflation-eroded appropriations for health-care funding, coupled with a significantly increased demand for care, have now resulted in severe rationing of medical care. The lack of a consistent and reliable budget process has prevented VA from adequately planning for and meeting the growing needs of veterans seeking health care. We believe mandatory/direct health-care funding for VA is a comprehensive and reasonable solution to address these serious problems.

In May 2001, President George W. Bush signed Executive Order 13214 creating the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans (PTF).

The PTF was charged to identify ways to improve health-care delivery to VA and Department of Defense (DOD) beneficiaries. Of utmost importance to the IBVSOs is the PTF recognition of a "growing dilemma" concerning VA health care. The PTF noted in its *Final Report*, "it became clear that there is a significant mismatch in VA between demand and available funding—an imbalance that not only impedes collaboration efforts with DOD but, if unresolved, will delay veterans' access to care and could threaten the quality of VA health care." As a solution to this complex problem, the PTF recommended the government provide full funding for VA health care for Priority Groups 1–7 by using a mandatory funding mechanism, or by some other changes in the process that achieve the desired goal to ensure enrolled veterans are provided the current comprehensive benefits package, in accordance with VA's established access standards. The PTF also suggested the government address the present uncertain access status and funding of Priority Group 8 veterans.

The PTF's final report noted that the discretionary appropriations process has been a major contributor to the historic mismatch between available funding and demand for health-care services. We agree that to improve timely access to health care for our nation's sick and disabled veterans, the federal budget and appropriations process must be modified to ensure

full funding for the veterans health-care system. The long-term solution must factor in how much it will cost to care for each veteran enrolled in the system and a guarantee that the full amount determined will be available to VA to meet that need. Including Priority Group 8 veterans under a guaranteed funding mechanism is essential to ensuring viability of the system for its core users, preserving VA's specialized programs, and maintaining cost effectiveness.

Even though Congress has increased discretionary appropriations for veterans health care in the recent past, funding levels have simply not kept pace with medical care inflation or the significant increase in demand for services. VA has seen a 134 percent increase in the number of veterans seeking health care from 1996 to 2003. Unfortunately, VA health-care funding has increased only 44 percent over the same period. On average, VA has received only a 5 percent increase in appropriations over the past eight years. VA testified, that at a minimum, a 13-14 percent increase is needed annually for medical care just to maintain current services.

The IBVSOs firmly believe that our nation's veterans have earned the right to medical care through their extraordinary sacrifices and service to this nation. We believe VA has an obligation to provide veterans timely top quality health care and that Congress has an obligation to ensure that VA is provided sufficient funding to carry out that mission. We agree that the real problem, as the PTF aptly states in its report, is "the Federal Government has been more ambitious in authorizing veteran access to health care than it has been in providing the funding necessary to match declared intentions."

In response to the VA health-care funding crisis and the PTF's report, nine veterans service organizations formed the Partnership for Veterans Health Care Budget Reform in support of direct/mandatory funding for VA health care. The Partnership includes The American Legion, AMVETS (American Veterans), Blinded Veterans Association, Disabled American Veterans, Jewish War Veterans of the USA, Military Order of the Purple Heart of the U.S.A., Paralyzed Veterans of America, Veterans of Foreign Wars of the United States, and the Vietnam Veterans of America.

During the 108th Congress, mandatory funding bills were introduced in both chambers. The Assured Funding for Veterans Health Care Act of 2003 was introduced in the House of Representatives as H.R. 2318 and in the Senate as S. 50. H.R. 2318 would have made available to VA in FY 2005, 130 percent of the amount obligated during FY 2003. The amount would continue to be adjusted in the following fiscal years based on the number of enrolled veterans and the number of persons eligible but not enrolled who are provided care, multiplied by the per capita baseline amount for FY 2003, as increased by the percentage increase in the Hospital Consumer Price Index.

In the past session of the 108th Congress, an amendment was offered to resolve VA's health-care funding crisis. The amendment called for a combination of direct and discretionary funding. The discretionary funding level would have remained at the FY 04 level with the direct funding level based on the formula contained in H.R. 2318. Unfortunately, the amendment was defeated—notwithstanding the full support of The Partnership for Veterans

Health Care Budget Reform. The IBVSOs and the Partnership will propose that the 109th Congress enact legislation that includes similar elements of the Senate amendment.

We believe it is disingenuous for our government to promise health care to veterans and then make it unattainable by failing to fund it adequately. Rationed health care is no way to honor America's obligation to the brave men and women who have so honorably served our nation and continue to carry the physical and mental scars of that service. Providing a combination of discretionary and direct funding for veterans health-care would eliminate the year-to-year uncertainty about funding levels that has prevented VA from being able to adequately plan for and meet the constantly growing number of veterans seeking treatment.

We propose to simply shift funding for VA health care from solely discretionary appropriations to a combination of discretionary and direct funding so all eligible veterans enrolled in the VA health-care system have timely access to VA medical programs and services currently provided under title 38, United States Code. This combination will guarantee funding even when Congress cannot pass timely appropriations bills and will alleviate the need for continuous debate in Congress each year. We believe this will also stop the severe rationing of health care that is typical of today's veterans health-care system.

Direct health-care funding would not create an individual entitlement to health care nor change VA's current mission. We do not propose to change the existing eligibility criteria for Priority Groups 1–8 or the medical benefits package defined in current regulations—only the way the funds are provided for VA health care. Having a sufficient number of veterans in the health care system is critical to maintaining the viability of the system and sustaining it into the future. By including all veterans currently eligible and enrolled for care, we protect the system and the specialized programs VA has developed to improve the health and well-being of our nation's sick and disabled veterans.

Veterans expect the federal government to honor its commitment and obligation to those who previously served in the armed forces and to those who are currently serving in Iraq and Afghanistan and fighting the war on terror in other parts of the world. Our nation's sick and disabled veterans cannot wait any longer for the government to take action. Now is the perfect opportunity for Congress to move forward on the recommendations of the PTF, charged with improving health-care delivery for our nation's veterans, and to support a permanent solution to resolve this untenable situation.

Recommendation:

Congress should enact legislation to shift funding for VA health care from solely discretionary appropriations to a combination of discretionary and direct funding so all eligible veterans enrolled in the VA health-care system have timely access to VA medical programs and services.

CRITICAL ISSUE #3: <u>Capital Asset Realignment for Enhanced Services (CARES)</u>

The IBVSOs believe mental health services and long-term care are part of the full continuum of care for veterans and should not be excluded from the CARES process.

The secretary of Veterans Affairs, on May 7, 2004, made a comprehensive, multifaceted decision on a national process to reorganize the Veterans Health Administration through a data-driven assessment of its infrastructure and programs. Through the Capital Assets Realignment for Enhanced Services (CARES) project, in February 2002 and ongoing, the VA is evaluating the demands for health-care services and identifying changes that will help meet veterans' current and future health-care needs. By its very nature, CARES is a complex process that involves the development of sophisticated actuarial models to forecast tomorrow's demand for veterans health care and the calculation of the current supply and identification of current and future gaps in infrastructure capacity. This eventually resulted in a Draft National CARES Plan (DNCP) to rectify deficiencies through the realignment of VA's capital asset infrastructure. Subsequently, the secretary established a commission to review the entire CARES plan and to provide recommendation on the realignment of mission and facilities.

Since the publication of the *FY 2005 Independent Budget*, the commission has been actively evaluating the DNCP proposed by VA. The CARES Commission Report was published in March 2004. The secretary of Veterans Affairs formally accepted the CARES Commission Report with the publication of the secretary's CARES Decision Document in July 2004.

Initially, we note, the DNCP market plans did not include any projections for mental health services or long-term care. The commission, however, recognized the importance of mental health services and long-term care to the veteran population and stated, in part, that "in reviewing the early projections for CARES, VA realized that it needed to make modification to its projections for outpatient, acute inpatient, and long-term psychiatric mental health care programs." The commission acknowledged that VA is currently making adjustments to these models and recommended that once complete the forecast be rerun, that gaps in service be identified, and that VA plan to address those gaps. They also recommended that VA take action to ensure consistent availability of mental health services across the system, to provide mental health care at community based out-patient clinics, and to co-locate acute mental health services with other acute inpatient service wherever feasible.

The commission also provided several recommendations for VA to address long-term care while implementing the CARES program. The main recommendation was that VA "develop a strategic plan for long-term care that includes policies and strategies for the delivery of care in domiciliary, residential treatment facilities and nursing homes, and for seriously mentally ill veterans." Moreover, the commission recommended the plan should include strategies for maximizing the use of state veterans homes, locating domiciliary units as close to patient populations as feasible, and identifying freestanding nursing homes as an acceptable care model.

Needless to say, *The Independent Budget Veterans Service Organizations* (IBVSOs) concur with the CARES Commission's recommendations on mental health care services and long-term care. It is our contention that mental health services and long-term care are part of the full continuum of care for veterans and should not be excluded from the CARES process.

Last year, during the initial stages of the CARES process, we suggested that further data be obtained to support various CARES recommendations that would either close or change the mission of some VA facilities. We appreciate the secretary's efforts in establishing a CARES Implementation Board and the plan to begin further feasibility studies of the 22 VA facilities identified for possible mission adjustments in the secretary's CARES decision document. However, as stakeholders, it is imperative that we remain involved in all phases of this new study, which will be divided into three different segments: a health-delivery study; a comprehensive capital plan; and, an excess property plan identifying new land usage or disposal.

We remain supportive of the CARES process as long as the primary emphasis is on the "ES" portion of the acronym. We still understand that the locations and missions of some VA facilities may need to change to improve veterans' access, to allow more resources to be devoted to medical care rather than to the upkeep of inefficient buildings, and to accommodate modern methods of health-service delivery. Accordingly, we concur with VA's plans noted above to proceed with the feasibility study of the remaining 22 facilities contained in the Secretary's decision document.

The IBVSOs also remain concerned that Congress may not adequately fund all CARES proposed changes once CARES implementation costs are factored into the appropriations process. This will only further exacerbate the current obstacles impeding veterans' timely access to quality health care. It is our opinion that VA should not proceed with the final implementation of CARES until sufficient funding is appropriated for the construction of new facilities and renovation of existing hospitals, as deemed appropriate and pertinent.

Recommendations:

Congress and the administration should provide sufficient funding to allow for the construction of new facilities and renovation of existing hospitals outlined by the CARES plan. VA should not proceed with final implementation of CARES until this funding is provided.

VA, in implementing the CARES plan, must ensure that mental health services and long-term care are part of the full continuum of care for veterans.
VA should include the veterans service organizations in all phases of new studies conducted by the CARES Implementation Board.

CRITICAL ISSUE #4: <u>Claims Backlogs Remain High</u>

To overcome the persistent and longstanding problem of large claims backlogs and consequent protracted delays in the delivery of crucial disability benefits to veterans and their families, the administration must invest adequate resources in a long-term strategy to improve quality, proficiency, and efficiency within the Veterans Benefits Administration.

A core mission of the Department of Veterans Affairs (VA) is the provision of benefits to relieve the economic effects of disability upon veterans and their families. For those benefits to effectively fulfill their intended purpose, VA must promptly deliver them to veterans. The ability of disabled veterans to feed, clothe, and provide shelter for themselves and their families often depends on these benefits. The need for benefits among disabled veterans is generally urgent. While awaiting action by VA, they and their families suffer hardships; protracted delays can lead to deprivation and bankruptcies. Disability benefits are critical, and providing for disabled veterans should always be a top priority of the government.

VA can promptly deliver benefits to entitled veterans only if it can process and adjudicate claims in a timely and accurate fashion. Given the critical importance of disability benefits, VA has a paramount responsibility to maintain an effective delivery system, taking decisive and appropriate action to correct any deficiencies as soon as they become evident. However, VA has neither maintained the necessary capacity to match and meet its claims workload nor corrected systemic deficiencies that compound the problem of inadequate capacity.

Rather than making headway and overcoming the chronic claims backlog and consequent protracted delays in claims disposition, VA has lost ground to the problem, with the backlog of pending claims growing substantially larger. In last year's *Independent Budget*, we observed that VA had increased its monthly claims decisions by more than 70% despite a workforce with many inexperienced adjudicators and other factors that would be expected to slow production. With the emphasis on production targets and a corresponding compromise in quality, we warned that the reduction in pending caseload was likely to be temporary:

> With [VA's] continued net decline in accuracy over the past 3 years, the number of claims needing additional work to correct errors is likely to rise. Accordingly, while the unmanageable claims backlog would appear on the surface to have been largely overcome for the present, the true amount of claims work awaiting VA may be greater than indicated by the inventory of currently pending claims. The backlog of pending claims may very well again begin to quickly grow, repeating the familiar vicious cycle in which poor quality necessitates rework and results in increased workloads, increased backlogs, decline in timeliness, and greater pressure to increase production at the expense of quality. Gains on the claims backlog through increased production at the expense of quality are merely cosmetic and temporary.

Regrettably, that scenario has materialized. The claims backlog has swollen, and the appellate workload is growing at an alarming rate, suggesting further degradation of quality or at least continuation of quality problems.

Historically, many underlying causes acted in concert to bring on this now intractable problem. These include mismanagement, misdirected goals, the wrong focus on mere cosmetic fixes, poor planning and execution, and denial and excuses rather than real strategic remedial measures. These dynamics, acting in concert, have been thoroughly detailed in several studies into the problem. While the problem has been exacerbated by lack of appropriate and decisive action, most of the causes can be directly or indirectly associated with inadequate resources. The problem was primarily triggered and is now perpetuated by insufficient resources.

Insufficient resources are the result of misplaced priorities, in which the agenda is to reduce spending on veterans' programs despite a need for greater resources to meet a growing workload in a time of war and a need for added resources to overcome the deficiencies and failures of the past. Instead of requesting the additional resources needed, the President has sought and Congress has provided fewer resources. Recent budgets have sought reductions in fulltime employees for the Veterans Benefits Administration in fiscal years 2003, 2004, and 2005. Such reductions in staffing are clearly at odds with the realities of VA's workload and its failure to improve quality and make gains against the claims backlog. During congressional hearings, VA is forced to defend a budget that it knows is inadequate.

The priorities and goals of the immediate political strategy are at odds with the need for a long-term strategy by VA to fulfill its mission and the nation's moral obligation to disabled veterans in an effective manner. VA must have a long-term strategy focused principally on attaining quality and not merely achieving production numbers. It must have adequate resources, and it must invest them in that long-term strategy rather than reactively targeting them to short-term, temporary, and superficial gains. Only then can the claims backlog really be overcome. Only then will the system serve disabled veterans in a satisfactory fashion, in which their needs are addressed timely with the effects of disability alleviated by prompt delivery of benefits. Veterans who suffer disability from military service should not also have to needlessly suffer economic deprivation because of the inefficiency and indifference of their government.

To end this long series of repeated failures from inadequate resources and misplaced priorities, *The Independent Budget* will recommend funding levels for fiscal year 2006 adequate to meet the real staffing and other needs of the Veterans Benefits Administration.

Recommendations:

Congress and the administration must provide adequate funding to ensure that the Veterans Benefits Administration can process quality claims in a timely manner.

VA must develop a long-term strategy focused on improving quality, proficiency, and efficiency and not merely on achieving production numbers.

CRITICAL ISSUE #5: Seamless Transition from the DOD to VA

The DOD and VA must ensure that servicemen and women have a seamless transition from military to civilian life.

As servicemen and women return from the wars in Iraq and Afghanistan, the Department of Defense (DOD) and Department of Veterans Affairs (VA) must provide these men and women with a seamless transition of benefits and services as they leave military service and become veterans. Currently, transition from the DOD to VA is anything but seamless, and undue hardship is placed on new veterans trying to gain access to VA. *The Independent Budget Veterans Service Organizations* (IBVSOs) believe that veterans should not have to wait to receive the benefits and health care that they have earned and deserve.

The Independent Budget supported the recommendations of the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans (PTF) report, released in May 2003, regarding transition of soldiers to veteran status. The PTF stated that "providing these individuals [veterans] timely access to the full range of benefits earned by their service to the country is an obligation that deserves the attention of both VA and the DOD. To this end, increased collaboration between the Departments for the transfer of personnel and health information is needed."

An important recommendation of the PTF was recently addressed in a letter *The Independent Budget* sent to VA Secretary Anthony Principi and Defense Secretary Donald Rumsfield. Specifically, we believe the DOD and VA must develop electronic medical records that are interoperable and bidirectional, allowing for a two-way electronic exchange of health information and occupational and environment exposure data. These electronic medical records should also include an easily transferable electronic DD214 forwarded from the DOD to VA. This would allow VA to expedite the claims process and give the service member faster access to health care and benefits.

The departments have each taken positive steps to share data from their health information systems. The Federal Health Information Exchange initiative and the pharmacy data project are steps in the right direction. However, obstacles remain that will hinder the momentum of progress made toward the goal of a bidirectional health information exchange by next year.

The chairmen and ranking members of the House Veterans' Affairs and Armed Services Committees sent letters to Secretary Principi and Secretary Rumsfield, dated June 10, 2004, expressing concern with the current transition of servicemen and women. The letter stated that "despite earnest desire by both the DOD and VA to provide each service member with a seamless transition, their efforts remain largely uncoordinated in important respects and suffer from the failure to make planning for transition a high priority for the Executive Branch."

The Independent Budget concurred with the PTF recommendation that "DOD and VA must implement a mandatory single separation physical as a prerequisite of promptly completing

the military separation process." This would enhance collaboration by the DOD and VA to identify, collect, and maintain the specific data needed by both departments to recognize, treat, and prevent illnesses and injuries resulting from military service.

We also support the Disabled Soldier Support System (DS3) implemented by the DOD in the spring of 2004. This program's responsibility is to assist the most severely injured service members and their families transition from military to civilian life. Currently, the program only has 10 staff members with a limited budget to assist these soldiers. *The Independent Budget* supports legislation to authorize additional funding for the DS3 program and allow the DOD to expand it to address more soldiers' needs. With a high number of severely injured soldiers returning from Iraq and Afghanistan, it is essential that Congress and the administration support and enhance this successful program.

The IBVSOs believe servicemen and women exiting military service should be afforded easy access to the health care and benefits that they have earned. This can only be accomplished by ensuring that the DOD and VA improve their coordination and information sharing to provide a seamless transition.

Recommendations:

The DOD and VA must ensure that servicemen and women have a seamless transition from military to civilian life.

The DOD and VA must develop electronic medical records that are interoperable and bidirectional, allowing for two-way electronic exchange of health information and occupational and environmental exposure data. The records should also include an electronic DD214.

The DOD and VA must implement a mandatory single separation physical as a prerequisite of promptly completing the military separation process.

Congress and the administration must provide additional funding for the Disabled Soldier Support System program to allow the DOD to expand this program so that it can address the needs of more seriously disabled soldiers.

CRITICAL ISSUE #6: <u>Accountability</u>

Accountability is sadly lacking throughout much of the VHA with respect to clearly prescribed objectives and goals and well-defined, enforceable outcomes.

The Independent Budget Veterans Service Organizations continue to emphasize the importance of providing fully adequate funding for VA medical care on a timely basis. This is paramount toward ensuring VA's ability to deliver high-quality and accessible services to veterans. Even so, it is also evident that simply providing additional dollars, in and of itself, is not enough to achieve much needed enhancements to operational efficiency and effectiveness in the Veterans Health Administration (VHA).

Accountability—with respect to clearly prescribed objectives and goals and defined, enforceable outcomes—is sadly lacking throughout much of the VHA. It is in this crucial area that *The Independent Budget* insists upon much greater focus and, ultimately, meaningful improvement.

In this regard, it is evident that past and present VHA under secretaries have not been successful in establishing and institutionalizing common purposes and goals, creating measurements with common indices to monitor progress, demanding accountability, and promoting more efficient and effective provision of health care to veterans. It is now time for the establishment of a corporate culture of accountability throughout the Veterans Health Administration.

Concurrently, to make management structure and function more effective within the VHA, individual managers—from the office of the secretary to a CBOC office manager—must be held individually responsible for their areas of operation. Performance appraisals and senior employment contracts must accurately reflect execution in achieving specific outcomes. Success should be fittingly rewarded and failure appropriately penalized.

Essential here is that management be provided with all the requisite tools to enforce performance standards among the personnel under their direction. They must be able to create an environment that promotes superior service, discourages mediocrity, and precludes substandard performance.

Achieving accountability within the VHA will directly contribute toward providing greatly enhanced health-care services to veterans within the context of finite budgetary resources. Individual managers must be held individually responsible for their areas of operation so performance appraisals and Senior Employment Contracts accurately reflect execution in achieving specific outcomes. The VHA must develop and enforce meaningful performance standards and reward those individuals who exceed these standards and take appropriate measures with those whose performance is substandard or unacceptable. Management must be provided with all the requisite tools to enforce performance standards among the personnel under their direction.

Recommendations:

The VHA must develop and enforce meaningful performance standards. The VHA should then reward those individuals who exceed the standards and properly penalize those whose performance is substandard or unacceptable.

VHA management must be provided with the requisite tools to enforce performance standards among the personnel under their direction.

CRITICAL ISSUE #7: <u>The National Cemetery Administration</u>

The National Cemetery Administration must ensure that burial in a national or state veterans cemetery is an available option for all veterans and their family members and must provide a dignified setting with perpetual care to honor veterans and exhibit evidence of the nation's gratitude for their military service.

In fiscal year 2004, the Department of Veterans Affairs National Cemetery Administration (NCA) maintained more than 2.6 million gravesites in approximately 14,000 acres of cemetery land and provided interments to nearly 90,000 individuals. The NCA management responsibilities include 120 cemeteries: of these, 61 have available, unassigned gravesites for burial of both casketed and cremated remains; 25 allow only cremated remains; and 34 are closed to new interments.

In addition, the NCA burial program calls for activation of six new cemeteries in the areas of Detroit, Michigan; Sacramento, California; Ft. Sill, Oklahoma; Miami, Florida; Atlanta, Georgia; and Pittsburgh, Pennsylvania. "Fast track" burials, which allow interment in a designated section of a cemetery prior to final completion of all construction activities, are already available in Oklahoma, Pennsylvania, and Florida and planned for Michigan and Georgia in 2005. Construction funding is planned for California in the fiscal year 2005 budget.

Moreover, the fiscal year 2005 budget contains advanced planning funds for site selection and preliminary activities to serve veterans in six new national cemeteries: Philadelphia, Pennsylvania; Birmingham, Alabama; Jacksonville, Florida; Bakersfield, California; Greenville, South Carolina; Sarasota, Florida.

With the opening of these new national cemeteries and state veterans cemeteries, the percentage of veterans served by burial option within 75 miles of their residence will rise to 83 percent 2005 from a level of 73 percent in 2001. The completion of these new cemeteries will represent an 85 percent expansion of the number of gravesites available in the national cemetery system since 2001, almost doubling the number of gravesites during this period.

Expanding cemetery capacity is coincident with projections of expanding numbers of veteran deaths and interments performed by the NCA. With the aging of World War II and Korean War veterans, nearly 655,000 veteran deaths are estimated in 2005 with the death rate increasing annually and peaking at 690,000 in 2009. It is expected that one of every six of these veterans will request burial in a national cemetery.

The appearance of national cemeteries as shrines is one of NCA's top priorities. Many of the individual cemeteries within the system are steeped in history, and the monuments, markers, grounds, and related memorial tributes represent the very foundation of these United States. With this understanding, the grounds, including monuments and individual sites of interment, represent a national treasure that deserves to be protected and nurtured.

Unfortunately, despite NCA continued high standards of service and despite a true need to protect and nurture this national treasure, the system continues to face a serious challenge in

improving the appearance of cemetery assets. A 2001 study, mandated under the Veterans Millennium Health Care and Benefits Act (P.L. 106-117) and titled "The National Shrine Commitment," reported a need for 938 full-scale cemetery restoration and repair improvements needed at existing veterans cemeteries. While the study was unveiled with great fanfare, progress in the effort, which has an estimated cost of $279 million, has been doomed by congressional indifference and administration inertia.

If the National Cemetery Administration is to continue its commitment to ensure national cemeteries remain dignified and respectful settings that honor deceased veterans and give evidence of the nation's gratitude for their military service, there must be a comprehensive effort to greatly improve the condition, function, and appearance of the national cemeteries. To fulfill the NCA commitment to maintain national cemeteries as national shrines, *The Independent Budget* recommends a five-year, $300 million program to restore and improve the condition and character of NCA cemeteries.

We call on the administration and Congress to provide the resources required to meet the critical nature of the NCA mission and fulfill the nation's commitment to all veterans who have served their country honorably and faithfully.

Recommendations:

Congress and the administration must provide adequate resources to ensure that the NCA can construct new national cemeteries for the interment of veterans.

Congress should appropriate $300 million to conduct a five-year program to restore and improve the condition and character of existing NCA cemeteries.

The NCA must identify sites for the addition of national cemeteries in areas that remain unserved.

CRITICAL ISSUE #8: Homeland Security/Funding for the Fourth Mission

The Veterans Health Administration (VHA) is playing a major role in homeland security and bioterrorism prevention without additional funding to support this vital statutory fourth mission.

The Department of Veterans Affairs (VA) has four critical health-care missions. The primary mission is to provide health-care to veterans. VA's second mission is to educate and train health-care professionals. The third mission is to conduct medical research. VA's fourth mission is, as a GAO report stated in October 2001, to "serve as a backup to the Department of Defense (DOD) health system in war or other emergencies and as support to communities following domestic terrorist incidents and other major disasters[.]"

The VA has statutory authority, under 38 U.S.C. § 8111A, to serve as the principal medical care backup for military health care "[d]uring and immediately following a period of war, or a period of national emergency declared by the President or the Congress that involves the use of the Armed Forces in armed conflict[.]" On September 18, 2001, in response to the terrorist attacks on September 11, 2001, the president signed into law an "Authorization for Use of Military Force", which constitutes specific statutory authorization within the meaning of section 5(b) of the War Powers Resolution. This resolution, P.L. 107-40, satisfies the statutory requirement that triggers VA's responsibilities to serve as a backup to the DOD.

As part of its fourth mission, VA also has a critical role in homeland security and in responding to domestic emergencies. The National Disaster Medical System (NDMS), created by P.L. 107-188 (the "Public Health Security and Bioterrorism Preparedness Response Act of 2002") has the responsibility for managing and coordinating the federal medical response to major emergencies and federally declared disasters including natural disasters, technological disasters, major transportation accidents, and acts of terrorism, including weapons of mass destruction events, in accordance with the National Response Plan. The NDMS is a partnership between the Department of Homeland Security (DHS), VA, the DOD, and the Department of Health and Human Services (HHS). According to the VA Web site (www.va.gov), some VA medical centers have been designated as NDMS "federal coordinating centers." These Centers are responsible for the development, implementation, maintenance and evaluation of the local NDMS program. VA has also assigned "area emergency managers" (AEMs) to each VISN to support this effort and assist local VA management in fulfilling this responsibility.

In addition, P.L. 107-188 required the VA to coordinate with HHS to maintain a stockpile of drugs, vaccines, and other biological products, medical devices, and other emergency supplies. The secretary was also directed to enhance the readiness of medical centers and provide mental health counseling to those individuals affected by terrorist activities.

Also in 2002 P.L. 107-287, the "Department of Veterans Affairs Emergency Preparedness Act of 2002" was enacted. This law directed VA to establish four emergency preparedness centers. These centers would be responsible for research and develop of methods of detection, diagnosis, prevention, and treatment of injuries, diseases, and illnesses arising from

the use of chemical, biological, radiological, incendiary, or other explosive weapons or devices posing threats to the public health and safety; providing education, training, and advice to health-care professionals; and providing laboratory, epidemiological, medical, and other appropriate assistance to federal, state, and local health-care agencies and personnel involved in or responding to a disaster or emergency. These centers, although authorized by law, have not received any funding.

VA has been spending ever-increasing sums to attempt to meet its fourth mission requirements. During a hearing before the House Committee on Veterans' Affairs on August 26, 2004, VA testified that its funding for medical emergency preparedness has risen from $80.3 million in FY 2002 to $257.3 million in FY 2004. VA also stated that it requested $281 million for FY 2005. Unfortunately, there is no specific line item in the budget to address medical emergency preparedness or other homeland security initiatives. This funding is simply drawn from the medical care account, providing VA with fewer resources with which to meet the health-care needs of veterans.

The Independent Budget VSOs are concerned that VA lacks the resources to meet its fourth mission responsibilities. Without sufficient funding, VA has drawn resources away from other critical programs to accomplish this mission. The VA has many responsibilities to meet, and will strive to meet these responsibilities, but if sufficient funding is not provided, scarce resources will be diverted from direct health-care services.

VA's fourth mission is vital to our defense, homeland security, and emergency preparedness needs. These important roles once again point out the importance of maintaining the integrity of the VA system and its ability to provide a full range of health-care services. *The Independent Budget* VSOs do not believe that VA currently has the resources it will need to adequately care for veterans. If VA is to fulfill its responsibilities, it must be provided these resources.

Recommendations:

Congress should provide funds necessary in the VHA's FY 2006 appropriation to fund the VA's fourth mission.

Funding for the fourth mission should be included in a separate line item in the Medical Care Account.

Congress and the administration should provide the funds necessary to establish and operate the four emergency preparedness centers created by P.L. 107-287.