

CRITICAL ISSUE 1

Trends in VA Funding

While the demands on the VA health-care and benefits systems continue to grow, funding for these programs is not keeping pace with those demands.

The United States Government confronts a difficult and uncertain fiscal future, and, accordingly, the Department of Veterans Affairs is not immune to the challenges faced by all federal agencies. The co-authors of *The Independent Budget*—AMVETS, DAV (Disabled American Veterans), Paralyzed Veterans of America, and Veterans of Foreign Wars—recognize that Congress and the Administration continue to work under immense pressure to reduce federal spending. However, the ever-growing demand for VA health-care services and benefits certainly validates the continued need for sufficient funding. Meanwhile, we know that VA, like every other federal agency, is under pressure to hold down spending in the coming years as a result of the federal debt and deficit. However, this philosophy ignores the fact that VA still must meet growing demand for health-care services and benefits for veterans of past conflicts as well as those who have served over the past decade in Iraq and Afghanistan.

With these thoughts in mind, we are concerned about trends regarding VA and the funding it receives. *The Independent Budget* veterans service organizations (IBVSOs) understand that VA has fared better than most federal agencies with regard to budget proposals and appropriations. However, discretionary funding for VA is no longer keeping pace with medical care inflation or health-care demand. Additionally, VA continues to rely on medical care collections forecasts that have rarely been achieved and on operational and management improvements that allegedly reduce costs. Meanwhile, the broken appropriations process continues to have a negative impact on the operations of VA, particularly with regard to the claims-processing transformation and the activities that support this effort. Similarly, funding for VA's capital infrastructure has been woefully inadequate (see Critical Issue 3).

In recent years most federal agencies have been directed to reduce spending, but the Administration has continued to request increases for discretionary VA funding. Annually, Congress has provided increases in VA appropriations. From FY 2010 to FY 2014, VA received an average increase in funding of more than 4 percent. However, in the most recent budget (released in April 2013), the Administration requested an increase in funding of only approximately 2 percent. Congress is expected to agree.

The Administration and Congress must provide sufficient, timely, and predictable funding to VA. Unfortunately, the Administration's FY 2014 budget request, including advance appropriations for medical care for FY 2015 does not meet that standard. In fact, comparing the projected increase in funding for all medical care in the Administration's budget from FY 2014 to the advance appropriations recommendation for FY 2015, the IBVSOs conclude that the VA budget will not begin to meet the projected needs of veterans already in the system and those likely coming to VA for the first time. The \$1.1 billion increase that the Administration projects from FY 2014 to FY 2015 neither meets current services needs nor accounts for inflation

(conservatively estimated to be around 3 percent for general medical care). The Administration's budget would certainly not be sufficient to address the needs of newly enrolled veterans.

VA continues to over-project its estimates of medical care collections and underperform in those collections. Inflating projected collections affords Congress the opportunity to appropriate fewer discretionary dollars for the health-care system. However, when VA fails to achieve those collections estimates, the health-care system is left with insufficient funding to meet the actual patient care demand. The longer this scenario continues, the more VA will find itself falling behind in its ability to care for veterans who have served. VA originally projected collections of approximately \$3.7 billion in FY 2012 and \$3.3 billion in FY 2013. Congress based its appropriations for the VA for those fiscal years on those projected collections. However, VA subsequently revised its estimates anticipating collections of \$2.8 billion in both FY 2012 and FY 2013. As a consequence, VA received \$1.4 billion less in total resources needed for those two fiscal years combined. This shortfall was not addressed through supplemental appropriations. Downstream, the impact falls on veterans who must live with the consequences of diminished quality of care. Because VA continues to experience problems with its medical care collections, Congress needs to properly analyze, and if necessary, revise the advance appropriations from previous years to ensure that the VA health-care system is getting the resources it actually needs.

The IBVSOs remain concerned about steps VA has taken in recent years to generate resources to meet ever-growing demand on the VA health-care system. Once again this year the Administration continues to rely upon "management and operational improvements," a popular gimmick that was used by previous Administrations to generate savings and offset the growing costs to deliver care. The FY 2014 budget request includes estimates for savings as a result of presumed "management improvements." The Administration concluded that it could reduce appropriations requirements for FY 2014 and FY 2015 based on these alleged improvements. The budget outlines \$482 million in proposed savings for both FY 2014 and FY 2015. Additionally, the budget projects \$1.3 billion in operational improvements for both FY 2014 and FY 2015. This is a wholly unacceptable way to fund the operations of the VA health-care system.

We remain concerned that the broken appropriations process continues to have a negative impact on the operations of VA. Again this year Congress failed to fully complete the appropriations process in the regular order, instead choosing to fund the federal government through an extended continuing resolution. As a result of the enactment of advance appropriations, the health-care system is generally shielded from the difficulties associated with late appropriations (an occurrence that has become the rule, not the exception). However, many of the operations that support the health-care system, particularly through its information technology system, are negatively impacted, complicating VA's ability to delivery timely, quality health care.

We also have concerns about the advance appropriations process as it currently functions. Our intent for this process was for the Administration to request an advance appropriation for a given fiscal year (two years ahead of the start of that fiscal year), and then revise that recommendation in its next budget request immediately prior to the start of the fiscal year in question. However, during the two most recent budget cycles, the Administration has offered very little revision in its

advance appropriations requests, essentially asking for the same funding level it identified in the previous budget despite obvious increases in demand due to factors such as military downsizing, which is likely to continue. Moreover, the IBVSOs believe that Congress has not conducted due diligence in adequately analyzing the advance appropriations recommendations and making necessary changes through supplemental appropriations. In fact, once Congress has approved an advance appropriations level for VA, it has not revised its previous year's decision in any appreciable way. This undermines the principle benefit of advance appropriations—having additional time to ensure that sufficient funds are provided.

Similarly, many other functions of VA, particularly the benefits delivery system, the VA research program, and VA grants for state veterans cemeteries and state veterans homes, are adversely impacted because of late budgets. In the Veterans Benefits Administration (VBA), failure to provide a sufficient and timely operations budget (governed through appropriations) severely strains the ability of the VA personnel tasked with overcoming perhaps the greatest challenge facing VA today—the ever-growing claims backlog and all new claims. VBA reforms are being undermined because of budget uncertainty. Congress should fulfill its responsibility to fund all of the operations of VA in a timely and predictable manner. The VA appropriations bills routinely carry strong bipartisan support. It is time for Congressional action to reflect this fact.

One important step would be for Congress to expand advance appropriations authority to all remaining VA discretionary accounts, particularly those for the VBA, medical and prosthetic research, and information technology (IT) programs. While advance appropriations is not a perfect remedy, as previously discussed, it has greatly aided VA's ability to plan and manage health care, particularly in this seemingly endless budgetary crisis mode. Since Congress already provides about 84 percent of VA's total discretionary funding through the advance appropriations process, this expansion would allow VA to plan and operate all its programs in the same budgetary environment.

Recommendations:

The Administration and Congress must work together to ensure that the advance appropriations amounts already provided for FY 2014 will in fact be sufficient to meet the projected demand for veterans health care and ensure that sufficient resources will be provided in the advance appropriation for FY 2015.

Congress should approve legislation to extend budgetary authority for advance appropriations to all VA discretionary accounts, most important, for the VBA, medical and prosthetic research, and IT programs.