The Independent Budget
CRITICAL ISSUES REPORT
ON FISCAL YEAR 2007

A primary and paramount responsibility of any national government is to provide for the common defense. Thus, it follows that one of the most essential and fundamental obligations of government is to provide for and guarantee the care of those who defend and preserve it against its enemies. The men and women who are willing to risk life and limb for their country and fellow citizens must be assured that their government will fulfill its reciprocal duty to care for them. All citizens who enjoy the benefits of our nation's democracy and national security individually bear a responsibility for the common defense. Mindful of those principles and genuinely grateful for the contributions and sacrifices of those who serve in the armed forces, our citizens, through our government, have provided for our country's military veterans since our nation was born.

Each new generation is the inheritor of the great republic that thousands of men and women of our armed forces have fought and died for, and we have a continuing solemn obligation to preserve this republic with a strong national defense. Proper treatment of our veterans is an integral and indispensable element of this obligation. The future strength of our nation depends on the willingness of men and women to serve in our military, and their willingness depends in part on our government's ability to meet its obligation to them as veterans. The social contract must be honored; the promise must be kept.

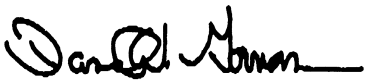
Despite these undeniable truths, the ever-increasing competition for funding of federal programs has made the role of a strong and united voice of advocacy on behalf of veterans all the more critical to ensure that our government's promise to our veterans is kept. Faced with recurring administration budgets that have requested inadequate resources for veterans' programs and recognizing that responding reactively to these budget recommendations was not effective, four major veterans service organizations (VSOs) perceived a heightened need for a more proactive approach to the annual budget process.

The VSOs joined forces to develop and present a more realistic assessment of the resource requirements for veterans' programs. They committed themselves to follow an objective and responsible approach producing a budget for veterans' programs that was "independent" of the political motivation and influences that too often shortchanged veterans. Over the years since that first independent budget, many public interest groups involved in veterans' issues have joined to endorse the recommendations. This year the four organizations—AMVETS, the Disabled American Veterans, the Paralyzed Veterans of America, and the Veterans of Foreign Wars of the United States for the 20th consecutive year present the comprehensive independent budget and policy document for veterans' programs, known as *The Independent Budget*.

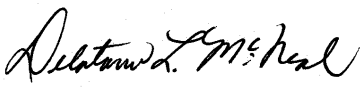
As part of our proactive approach, we also present in advance of finalization of the administration's budget an abbreviated document setting forth the most "critical issues" to be addressed in the forthcoming budget deliberations. This "Critical Issues Report" covers the most pressing resource needs and policy issues confronting veterans' programs today.

Sincerely,

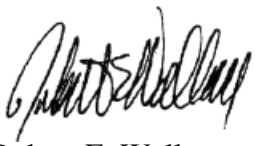
James B. King
National Executive Director
AMVETS (American Veterans)



David W. Gorman
Executive Director
Disabled American Veterans



Delatorro L. McNeal
Executive Director
Paralyzed Veterans of America



Robert E. Wallace
Executive Director
Veterans of Foreign Wars
of the United States

CRITICAL ISSUE 1: Adequate Funding for VA Health-Care Needed

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

This year proved to be perhaps the most unique year ever in the debate over the Department of Veterans' Affairs (VA) budget. The VA was forced to admit that it did not have the resources necessary to meet the demands being placed on its health care system. Congress was forced to react quickly and decisively to address this situation. These events served to validate the recommendations made every year, and particularly this year, by *The Independent Budget* (*IB*), co-authored by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars.

Unfortunately, despite these actions, the VA still faces the real possibility that it will receive inadequate resources in future budgets and the resources they receive will be provided after the start of the new fiscal year. These factors continue to place enormous stress on the system and will leave the VA struggling to provide the care that veterans have earned and deserve.

For FY 2006 the Administration requested $27.8 billion for veterans' health care for FY 2006, a mere $110 million more than funding for FY 2005. This request represented an increase of only 0.4 percent despite the fact that in the past the VA has testified that it requires 13 percent to 14 percent just to meet the demands of inflation and mandatory salary increases.

Again this year, the president's recommendation attempted to use budget gimmicks, major cuts in long-term care programs, and higher out-of-pocket costs for veterans to cover for its lack of appropriated dollars. The budget request sought to require veterans in Category 7 and 8 to pay a $250 enrollment fee in order to access the health care system each year. The request also included a recommendation to increase prescription drug co-payments by more than double, from $7 to $15, for a 30 day supply. The VA originally estimated that these fees could result in more than 213,000 veterans disenrolling. Overall, more than a million veterans in Categories 7 and 8 would have been affected by these proposals.

Faced with growing federal budget deficits, these proposals were part of a concerted effort to save money and reduce discretionary spending in all federal programs, including VA health care. Earlier this year, budget control legislation was considered by Congress that would have placed spending caps on all discretionary programs. These caps would have meant real cuts in funding. Such cuts 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.

However, in June 2005, VA acknowledged that it was facing a shortfall of approximately $1.0 billion for veterans' health care funding for FY 2005. During a hearing conducted by the House Committee on Veterans' Affairs in June to examine models used to forecast funding needed to provide health care, the VA under secretary for health, Jonathan Perlin, MD, stated that because of flaws with its health care model VA would be transferring approximately $1 billion from other health care accounts in order to continue to meet demand. During subsequent hearings, the secretary of Veterans Affairs, James Nicholson explained that the VA was forced to transfer approximately $600 million from operations and non-recurring maintenance and approximately $400 million in funds that were originally made available for transfer for FY 2006 funding.

During a hearing conducted by the Senate Committee on Veterans Affairs, a great deal of emphasis was placed on the fact that this problem could have been avoided earlier in the year. During debate on the Senate floor on H.R. 1268, the "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief for 2005," an amendment was offered that would have provided an additional $1.9 billion to the VA for health care for FY 2005. However, that amendment was defeated because Secretary Nicholson informed Senate leaders in writing that the VA had enough money to continue to meet the demand placed on the system.

Part of the reason for the shortfall was the result of the VA underestimating the growth rate of demand on the system. The VA had assumed a growth rate of approximately 2.3 percent when actually the growth rate was closer to 5.2 percent. *The Independent Budget* for FY 2006 projected a growth rate of approximately 5 percent. Furthermore, VA assumed that only about 23,500 veterans of the global war on terrorism would access the VA for health care services when in fact the total number is now estimated to be closer to 103,000 veterans.

In order to address this shortfall, the Senate approved an amendment to the FY 2006 Interior Appropriations bill that provided an additional $1.5 billion for veterans' health care. The House Committee on Veterans' Affairs refused to approve an equal amount, and instead unanimously passed H.R. 3130, the "Veterans Health Care Supplemental Appropriations Act," which provided $975 million, the amount VA had testified that it needed to overcome the shortfall. After much debate, the House and Senate both agreed to include the $1.5 billion emergency supplemental for the VA in the Interior Department spending bill—PL 109-54.

One of the most important points to come out of this process was validation of the recommendations made by *The Independent Budget*. During a press conference held by Representative Steve Buyer (R-IN), Chairman of the House Committee on Veterans' Affairs, Representative James Walsh (R-NY), Chairman of the House Appropriations Subcommittee on Military Quality of Life and Veterans Affairs, and Secretary Nicholson, Chairman Buyer stated that balanced against other health care models, the *IB's* "best guess was as accurate as I've seen."

Earlier this year, *The Independent Budget* recommended $31.2 billion for VA health care for FY 2006, an increase of $3.5 billion over the FY 2005 appropriation. On November 18, 2005, the House of Representatives and Senate approved the conference report on the Department of Veterans Affairs' (VA) appropriations bill. The appropriations bill provides a total of approximately $29.8 billion for VA medical care. This amount represents an increase of about $2.1 billion over the FY 2005 funding level. However, it is also almost $1.4 billion less than the amount that *The Independent Budget* recommended earlier this year.

The medical care appropriation includes three separate accounts—Medical Services, Medical Administration, and Medical Facilities—that comprise the total VA health care funding level. The conference report includes $22.5 billion for Medical Services, an increase of $2.5 billion in that account over FY 2005. This matches the amount recommended by *The Independent Budget*. However, only $21.3 billion of this amount is real dollars. The additional $1.2 billion is designated as emergency spending. In order for this money to actually be made available, the President must submit an emergency supplemental request asking for that money; otherwise, these funds will not actually be available for use by the VA. Congress tried this gimmick a couple of years ago with VA funding and it served only to compound the problems the VA is facing because the President chose not to make the emergency request. The President could take this same action again next year, forcing the VA to face the prospect of another budget shortfall.

The Medical Administration Account and the Medical Facilities Account have been significantly cut in the conference agreement. The conference report includes $2.9 billion for Medical Administration, a reduction of $1.8 billion from the FY 2005 level. The Medical Facilities account will receive $3.3 billion, a reduction of $400 million from the FY 2005 level. These actions represent nothing more than shifting funds within the same overall Medical Care account to inflate increases.

One unfortunate part of this process is that the new fiscal year has already begun, and yet, the VA is just receiving its appropriation. When the VA does not receive its funding in a timely manner, it is forced to ration health care. Furthermore, the VA is unable to plan for the needs of veterans who will be seeking care by hiring much needed medical staff. Waiting times will also continue to increase and the quality of care will decrease as the VA will actually be forced to cut staff.

Furthermore, the VA is facing the possibility that funding will be cut to address the financial needs for hurricane recovery in the wake of Hurricane's Katrina and Rita in the Gulf Coast region. Congress has discussed an across-the-board cut in domestic discretionary spending of up to 2 percent. The VA estimates that this would lead to a $600 million reduction in funds and could negatively affect as many as 100,000 veterans. These actions would be deplorable in light of the fact that Congress has already gone on the record once this year recognizing the need for additional resources for the VA. The VA also still faces a significant recovery cost as well due to serious damage to its infrastructure in that region.

In order to address the problem of adequate resources provided in a timely manner, *The Independent Budget* has proposed that funding for veterans' health care be removed from the discretionary budget process and made mandatory. This would not create a new entitlement, rather, it would change the manner of health care funding, removing the VA from the vagaries of the appropriations process. Until this proposal becomes law, however, Congress and the Administration must ensure that VA is fully funded through the current process.

The Independent Budget request for VA health care for FY 2007 will address these concerns, and if accepted, will provide the VA with the resources it needs to meet its responsibilities. *The Independent Budget* recommendation will enable the VA to meet the demands of current veterans and those who are now being denied care by the VA. It will also ensure that the VA is not faced with the possibility of a shortfall due to faulty modeling or any other reason. As the number of new veterans seeking health care continues to grow, and the VA continues to care for veterans of prior conflicts, we must ensure that the VA provides the quality health care that they have earned with their service and their sacrifices.

RECOMMENDATION:

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

CRITICAL ISSUE 2: Guaranteed Funding

Current methods of budget formulation for VA health care, and the manner in which Congress addresses these needs in the discretionary budget and appropriations acts, are deeply flawed and cry out for basic reforms.

The formulation of an adequate budget for veterans' health care continues to confound Congress and the Administration. While leaders in both government branches continue to boast about "record-setting" increases they have accomplished compared to their predecessors, Department of Veterans Affairs (VA) sources and our veterans seeking health care tell a different story of circumstances in the daily operating environment of the VA health care system.

Early in 2005, VA facilities began to restrict services provided to veterans and institute local and regional freelance policies to restrict eligibility that were extralegal, and imposed a variety of questionable—and potentially dangerous—cost-cutting measures just to make ends meet. VA medical facility directors reported they had to resort to delaying critical building maintenance and repairs, purchasing needed medical equipment, and filling clinical staff positions to stay financially afloat. When the degree of crisis became overwhelmingly obvious even to staunch defenders of the budget status quo, and only weeks before the end of the fiscal year, Congress provided an emergency supplement to VA's 2005 appropriation in the amount of $1.5 billion, while admitting even more funding would be needed to restore the system to its proper level of functioning in 2006. In July, the Administration proposed a budget amendment for VA health care in 2006 of $1.977 billion, but VA witnesses have testified that even more funding may be necessary to keep VA financially sound. Following the budget battles, it is clear that VA remains in a state of operational and planning chaos and structural financial crisis as a result of the discretionary budget process.

While welcomed by all, temporary funding supplements provided by Congress unfortunately do not solve the underlying problem. For this reason, *The Independent Budget* veterans service organizations (IBVSOs) propose a long-term solution in the form of mandatory or guaranteed funding or a combination of mandatory and discretionary funding for veterans' health care. Making veterans' health care funding more dependable and stable with a guaranteed system would eliminate the year-to-year uncertainty that has skewed management of VA health care for more than a decade. Funding uncertainty has prevented VA from being able to adequately plan for and meet the needs of a rising enrolled veteran population, the great majority of whom are either service-disabled or poor. A guaranteed system of funding also would resolve the serious challenges created by late-arriving resources and stop the meddling on policy and politically motivated budget proposals by the Office of Management and Budget.

Budget reform is more important today than ever before. The current conflicts in which our nation is engaged is adding to the number of veterans' suffering from traumatic amputations, head wounds, blindness, burns, spinal cord injuries and post-traumatic stress disorder (PTSD). These severely disabled veterans will need a lifetime of specialized health care. Veterans injured in Iraq and Afghanistan, as well as veterans wounded in previous conflicts, need assurance that VA is a stable and dependable provider with sufficient funding to assure them the specialized services they need and have earned through sacrifice.

The administration must also consider other costs VA has incurred as it struggles to fulfill its core mission and mandates. Even with the stress of a chronic budget shortage, VA

was an integral part of the national and regional response providing disaster relief to veterans and all residents affected by the recent storms in Louisiana, Mississippi, Alabama, Texas and Florida. During these disasters, VA played an indispensable role, not only in continuing to serve sick and disabled veterans but also in this instance in serving the Gulf Coast community in general with rescue, security and police, health care, transport and other lifesaving services. VA is not funded adequately to carry out this type of mission without compromising or disrupting its ability to care for veterans in routine operations.

Despite the fact that the FY 2006 VA Appropriations bill was recently enacted, it appears that the VA may still face across-the-board budget cuts to "offset" relief spending for the recent storm damages. If new cuts are imposed on VA health care to offset restoration efforts, some veterans undoubtedly will be forced to fall back on Medicaid, Medicare and other providers, and VA will return to financial chaos. *The IBVSOs firmly believe VA should not be punished for doing its job well*. VA's capacity to care for veterans should be enhanced with adequate and guaranteed funding because VA health care by many measures is not only the most cost-effective and secure system in the United States to care for America's sick and disabled veterans, but its existence reduces the financial burden on other federal and state health care systems as well.

During the 109th Congress, mandatory funding bills were introduced in both chambers. Unfortunately, the Administration and congressional leadership remain opposed to this proposed change. To date, none of the measures introduced has been enacted. The Partnership for Veterans Health Care Budget Reform, made up of nine veterans service organizations, has urged the Administration and Congress to reform the method for funding veterans' health care to ensure more predictable and reliable funding. However, repeated requests for public hearings and open debate on this important issue have been denied or ignored by the House and Senate authorizing and appropriations committees.

Additionally, during the 109th Congress an alternative funding plan (combining mandatory and discretionary funding) was proposed to resolve VA's health care funding crisis. Unfortunately, this proposal was defeated—even with full support of the Partnership for Veterans Health Care Budget Reform. It appears that in spite of an obvious need to reform the way VA health care is funded, the Administration and Congress have embraced other initiatives such as permanent tax cuts and massive pork barrel spending that take priority over ensuring guaranteed health care funding for millions of older veterans dependent on VA care and tens of thousands of men and women returning sick and disabled as a result of military service to our country. Providing health care to our nation's sick and disabled veterans is a continuing cost of war and national security and should be a top priority of our government.

Without reform, all the advantages of VA health care, originating from a decade of internal improvements, are at risk. The manner in which the Administration and Congress provide funding for VA health care poses well-documented annual uncertainty that prevents VA managers from planning effectively to continue these vital services. When funding is eventually secured, it has proven time and again to be insufficient, causing VA practitioners to ration and delay care necessary to sick and disabled veterans who depend on VA, and even forcing a former VA secretary to restrict access to new enrollments.

Our government needs to take the politics, guesswork and political gamesmanship out of VA health care and fully fund this transparent need. The administration has a fundamental obligation to provide Congress an honest, accurate statement of the VA's financial needs. And Congress is obligated to fully fund VA health care in a timely manner. The best way to meet these obligations is to overhaul the budget and

appropriations process to guarantee an adequate, predictable, reliable and available funding stream to meet the health care needs of America's sick and disabled veterans.

Recommendation:

The administration and Congress must address the acknowledged shortfalls of the current approach and support legislation to reform funding for VA health care. This reform should move VA from its current status in domestic discretionary appropriations to full mandatory funding, or some combination of discretionary and direct funding, in order to assure all eligible and enrolled veterans may gain and retain access to VA health care programs and services.

CRITICAL ISSUE 3: Homeland Security/Funding for the Fourth Mission

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. Its second mission is to educate and train health care professionals. The third mission is to conduct medical research. The VA's fourth mission as stated in a General Accounting Office Report of October 2001, is 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 devastation created by Hurricanes Katrina and Rita in the Gulf Coast region this year, more than meets the criteria for the fourth mission. The VA proved to be fully prepared to care for veterans affected by the hurricanes, and it did an outstanding job removing veterans from the threatened areas. Yet the resources of the VA were not tapped to support every other federal, state, and local agency that struggled to react to these events.

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 of 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, the VA has a critical role in homeland security and in responding to domestic emergencies. The National Disaster Medical System (NDMS), created by PL 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 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. The 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, PL 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.

In 2002, Congress also enacted P.L. 107-287, the "Department of Veterans Affairs Emergency Preparedness Act of 2002." This law directed the VA to establish four emergency preparedness centers. These centers would be responsible for research and would develop 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.

The IBVSOs are concerned that the VA lacks the resources to meet its fourth mission responsibilities. The actions of the VA in Louisiana, Mississippi, and Alabama prove that VA has done everything it can to prepare itself under the requirements of the fourth mission. It has also invested considerable resources to ensure that it can support other government agencies when a disaster occurs. However, the VA has not specifically received any funding to support the fourth mission. Although the VA has testified in the past that it has requested funds for this mission, 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 the VA with fewer resources with which to meet the health care needs of veterans. The VA will make every effort to perform the duties assigned it as part of the fourth mission, but if sufficient funding is not provided, scarce resources will continue to be diverted from direct health-care services.

The VA's fourth mission is vital to our defense, homeland security, and emergency preparedness needs. In light of the natural disasters that have wreaked havoc on this country this year, this fact has never been more apparent. These important roles once again reiterate the importance of maintaining the integrity of the VA system and its ability to provide a full range of health-care services. The IBVSOs do not believe that the 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 Veterans Health Administration's FY 2007 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 PL 107-287.

CRITICAL ISSUE 4: Capital Asset Realignment for Enhanced Services (CARES), Mental Health, and Long Term Care

The IBVSOs believe mental health and long-term care services are part of the full continuum of care for veterans. These vital programs should not be excluded from CARES or VA's strategic planning processes.

Last year the Independent Budget veterans service organizations (IBVSOs) made a number of observations about the status of CARES, which at that time was concluding its major analytical and approval processes. To refresh our review of that situation, it should be recalled that the secretary of Veterans Affairs had made an executive decision on reorganizing the Veterans Health Administration through a data-driven assessment of its infrastructure and programs. This was CARES. Throughout the CARES project, VA evaluated the existing infrastructure and demands for health-care services, and identified changes intended to meet veterans' current and future health-care needs. CARES involved the development of sophisticated actuarial models to forecast future demand for veterans' health care, compare the current supply to meet it, and identify future gaps in infrastructure capacity. This analysis eventually resulted in a national CARES plan to rectify deficiencies through the realignment of VA's capital infrastructure.

The secretary established a commission to review the CARES results and to provide recommendations on the realignment of missions and facilities. The Commission's report was submitted in March 2004. The House Committee on Veterans Affairs held an oversight hearing June 24, 2004, on the findings of the commission and the Secretary's further plans for VA infrastructure. Subsequently the secretary formally accepted the CARES Commission report with the publication of the secretary's CARES decision document in July 2004.

The IBVSOs expressed concern last year in the "Critical Issues" report as well as *The Independent Budget* that VA's plan ignored mental health and long-term care needs. The CARES Commission agreed with the IBVSOs and stated, in part, "...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 was making adjustments to these models and recommended that once completed the forecast be re-conducted, that gaps in services be identified, and that VA make plans to address those gaps. The commission also recommended that VA take action to ensure consistent availability of mental health services across the system, to provide more mental health care available at community based clinics, and to co-locate acute mental health services with other acute inpatient services when feasible to do so.

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 that the plan 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.

The IBVSOs concurred with the CARES Commission's recommendations on mental health care services and long-term care, and we stand with that decision despite some distressing developments this year. Mental health services and long-term care are important components of the full continuum of care for veterans and should not be excluded from VA's planning processes.

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 missions of VA facilities. We appreciate the secretary's agreement in establishing a CARES Implementation Board and subordinate federal advisory committees to conduct further feasibility studies of 18 VA facilities identified for possible mission adjustments in the secretary's CARES decision document. As important stakeholders, the IBVSOs and all national veterans service organizations want to remain involved in these new studies, which are intended to 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.

VA, in November 2004, completed its work on a national strategic plan for mental health services. Earlier this year in testimony before both the House and Senate Committees on Veterans' Affairs, the secretary stated his intention to reserve $100 million per year as ready means to implement the national VA mental health plan. The IBVSOs are encouraged by this development and intend to remain vigilant in our oversight of VA programs to ensure these funds are used for the purposes reserved, and that the purposes identified are optimal to meeting these veterans' needs.

Vigilance is essential. The IBVSOs were quite disturbed and shocked at VA's fiscal year 2006 policy proposals, submitted with the budget for that year, that would have gutted VA's institutional long-term care programs. We were neither consulted on the wisdom of the approaches proposed, nor were we even informed about them before they were made public. In a complete repudiation of the CARES Commission's recommendations and the Secretary's response to them, VA proposed to abandon over 4,000 sick and disabled veteran patients by closing the beds they would occupy and relegate their care to Medicaid or other poverty-inducing programs. Also, to uphold so-called "equity," VA proposed to simultaneously eliminate per diem subsidy payments to state veterans homes nationwide, breaking a 100-year federal-state partnership in caring for aging veterans in facilities operated by the states. Third, VA proposed a "one-year" moratorium in its longstanding state home construction grant program, cutting off most of the funds needed by the states to maintain and upgrade existing homes and to build new ones. The moratorium proposal was made while VA faced a more than $300 million backlog of valid projects emanating from the states to support these homes. These proposals were flatly rejected by Congress; thus, we urge VA to refrain from such submissions in the future and to return its attention and focus to the critical need to establish and implement a national long-term care plan as recommended by the CARES Commission and supported by the demography of a growing and aging veteran population.

We retain support for the CARES process as long as VA returns to its primary emphasis and intent, especially in mental health and long-term care programs (the "ES" portion of CARES). We accept 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 maintenance of worn-out buildings, and to accommodate more modern methods of health-service delivery, including mental health and long term care. Accordingly, we concur with VA's plans noted above to proceed with the feasibility studies of the remaining 18 facilities contained in the secretary's decision document, and we note that those processes are moving forward on the local level with establishment of local advisory committees and public hearings, aided by an expert outside consultant. We support this transparent approach to public policy and intend to be active in it.

The recent disastrous storms in the Gulf Coast region resulted in the total destruction of the Gulfport VA Medical Center, near-destruction of the New Orleans, Louisiana VA Medical Center and major damage to other facilities in the region. Despite our deep

sympathies for the veterans and VA staffs in the Gulf Coast region, we urge Congress not to allow a diversion to the Gulf Coast region of funds VA needs to revamp infrastructure nationwide. The Gulf emergency should be managed with a special allocation outside the VA's major medical facility construction and medical care appropriations. It would be patently unfair to delay other projects for lack of funds necessitated by reallocation of available funds to the Gulf Coast region.

The IBVSOs also remain concerned that Congress may not adequately fund all CARES needs once CARES implementation costs are factored into the appropriations process. We note that $532 million will be made available in fiscal year 2006 for CARES-related major medical facility construction. A similar appropriation for fiscal year 2007 would not nearly meet known and expected needs. Lack of funding for these capital expenditures will only exacerbate the current obstacles impeding veterans' timely access to quality health care.

It remains our view that VA should not proceed with the final implementation of CARES until sufficient funding is reserved through appropriations for the construction of new facilities and renovation of existing hospitals, based on the valid CARES data at hand, rather than political or other processes that often seem to drive decision making in some of these major projects.

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 should not be forced to absorb the cost of the reconstruction of the Gulf Coast facilities caused by storms in 2005. New funds should be provided by special appropriation to meet these needs, and CARES-based construction should be allowed to proceed as planned.

In implementing the CARES plan, VA must ensure that mental health services and long-term care be made part of the full continuum of care for veterans. VA should proceed as announced to implement the national strategic plan for mental health services, and progress on this plan should be incorporated into VA's reporting to Congress on its capacities to care for veterans.

VA should include the veterans service organizations as partners in all phases of ongoing studies conducted by the CARES Implementation Board and subordinate local advisory committees conducting this new collaborative phase of CARES.

VA should refrain from repeating the unwise long-term care policy proposals of the fiscal year 2006 budget in the coming budget submission for fiscal year 2007, but if VA chooses to do so again, Congress should reject such a proposal and pass legislation to guarantee long term care benefits as a part of the VA's health benefits package for eligible, enrolled veterans, including the benefits of the state veterans home programs.

CRITICAL ISSUE 5: Claims Backlogs Remain High

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 on the problem, with the backlog of pending claims growing substantially larger.

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, with an agenda to reduce spending on veterans' programs despite the need for greater resources to meet a growing workload in a time of war and 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. 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 should not have to needlessly suffer, in addition, economic deprivation because of the inefficiency and indifference of their government.

RECOMMENDATION:

To end this long series of repeated failures from inadequate resources and misplaced priorities, *The Independent Budget* will recommend funding levels for fiscal year 2007 adequate to meet the real staffing and other needs of the Veterans Benefits Administration.

CRITICAL ISSUE 6: Seamless Transition from the DOD to VA

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

As servicemen and women return from the conflicts in Iraq and Afghanistan, the Department of Defense (DOD) and the 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, the transition from the DOD to VA is anything but seamless, and undue hardship is placed on new veterans trying to gain access to the 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 report 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 DOD. To this end, increased collaboration between the Departments for the transfer of personnel and health information is needed." This need has not yet been met.

The IBVSOs believe that the DOD and VA must develop electronic medical records that are interoperable and bi-directional allowing for a two-way electronic exchange of health information and occupational and environment exposure data. We applaud the DOD for beginning to collect medical and environmental exposure data electronically while personnel are still in theater and this must continue. But it is equally important that this information be provided to VA. These electronic medical records should also include an easily transferable electronic DD214 forwarded from the DOD to VA. This would allow the 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 through the Federal Health Information Exchange initiative and the pharmacy data project; however, obstacles remain. The IBVSOs are not encouraged by reports that, in some instances, medical data gathered in theater and stored on electronic smart cards provided to the service member are not even readable by other military medical facilities upon the service member's return. This does not bode well for an electronic system meant to exchange information between federal agencies.

The Independent Budget is not the only party concerned about this exchange. In June 2004, the chairman and ranking member of House Committee on Veterans' Affairs and the House Armed Services Committee sent letters to Secretary Principi and Secretary Rumsfeld expressing concern with the current transition of servicemen and women and indicating 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's recommendation that "DOD and VA must implement a mandatory single separation physical as a prerequisite of promptly completing the military separation process." The problem with separation physicals identified for active duty members is compounded when mobilized reserve and National Guard forces enter the mix. A mandatory separation physical is not required for demobilizing reservists. Though the physical examinations of demobilizing service

members have improved in recent years, there are still a number of service members who "opt out" of the physicals, even when encouraged by medical personnel to have the physical. Though the expense, manpower and delays needed to facilitate these physicals might be significant, the separation physical is critical to the future care of demobilizing soldiers. We can not allow a recurrence of the lack of information that led to so many issues and unknowns with Gulf War Syndrome, particularly among our National Guard and Reserve forces. This would also 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 spring 2005. This has proven to be a very successful program. Its responsibility is to assist the most severely injured service members and their families during the transition from military to civilian life. However, the program maintains only minimal staff with a limited budget to assist these service members. With a high number of severely injured service members returning from Iraq and Afghanistan, it is essential that Congress and the Administration support and enhance this successful program.

In the last several years, the DOD and VA have made good strides in transitioning our nation's military to civilian lives and jobs. The Department of Labor's (DOL) Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP) handled by the Veterans Employment and Training Service (VETS) is generally the first service that a separating service member will receive. In particular, local military commanders, through the insistence of the DOD, began to allow their soldiers, sailors, airman and marines to attend enough in advance so as to take greatest advantage of the program. The programs were provided early enough to educate these future veterans on the importance of proper discharge physicals and the need for complete and proper documentation. It made them aware of how to seek services from VA and gave them sufficient time to think about their situations and then seek answers prior to discharge.

The TAP and DTAP programs continue to improve. But challenges continue at overseas locations and with services and information for those with injuries. In many ways, there still seems to be disorganization and inconsistency in providing this information. Though individuals are receiving the information, the haphazard nature may allow some individuals to fall through the cracks. This is of particular risk in the DTAP program for those with severe disabilities who may already be getting health care and rehabilitation from a VA spinal cord injury center despite still being on active duty. Because these individuals are no longer located on or near a military installation, they are often forgotten in the transition assistance process. DTAP has not had the same level of success as TAP and it is critical that coordination be closer between the DOD, VA and VETS to improve this.

Though the achievements of the DOD and VA have been good with departing active duty service members, there is a much greater concern with the large numbers of Reserve and National Guard service members moving through the discharge system. Due to the number of troops that are on "Stop-Loss"—a DOD action that prevents troops from leaving the military at the end of their enlistments during deployments—large numbers of troops rapidly transition to civilian life upon their return. Both DOD and VA seem ill-prepared to handle the large numbers and prolonged activation of reserve forces for the global war on terrorism. The greatest challenge with these service members is their rapid transition from active duty to civilian life. Unless these service members are injured, they may clear the demobilization station in a few days. Little of this time is dedicated to informing them about veterans programs. Additionally, DOD personnel at these sites are most focused on processing service members through the site. Lack of space and

facilities often allow for limited contact with the demobilizing service members by VA representatives.

The IBVSOs believe that the Department of Defense and Department of Veterans Affairs have made progress in the transition process. Unfortunately, limited funding and a focus on current military operations interfere with providing for service members who have chosen to leave military service. If we are to ensure that the mistakes of the first Gulf War are not repeated during this extended global war on terrorism, it is imperative that a truly seamless transition be created. With this, it is imperative that proper funding levels be provided to VA and the other agencies providing services for the vast increase in new veterans from the National Guard and Reserves. 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 7: Accountability

Department of Veterans Affairs (VA) managers must be held individually responsible for their areas of operation to achieve needed enhancements to operational efficiency and effectiveness.

Although *The Independent Budget Veterans Service Organizations* (IBVSOs) continue to emphasize the need for adequate funding provided in a timely manner, we firmly believe that sufficient funding in and of itself is not enough to achieve greater efficiency of processes and people within the Department, and increased effectiveness of results in order to further its mission. Enforcing accountability within the VA will directly contribute toward providing greatly enhanced benefits and services to veterans within the context of finite budgetary resources.

We believe it is time to establish a corporate structure of accountability throughout the entire VA. To make management structure and function more effective, individual managers—from the Office of the Secretary and Under Secretaries to medical facility and regional office directors to service center and service line managers and VA employees at all levels—must be held individually responsible for their areas of operation.

The Independent Budget insists upon much greater focus and, ultimately, meaningful improvement through enforceable accountability in the areas listed below.

Waiting times for medical appointments:
- Reporting accuracy
- Tracking of referrals

Supervision of part-time physicians:
- Proper documentation of scheduled and actual hours worked by part-time physicians
- Attendance monitoring procedures

Contract care, particularly specialty care provided by academic affiliates:
- Compliance of pre-award reviews
- Contract requirements that are not in best interest of the government.

Fee-basis care:
- Contract care coordination for continuity
- Standardization of eligibility determination

Formulation of program reporting and workload data:
- Validity of workload data
- Reliability of program reporting

Claims processing accuracy:
- Timeliness of claims processing
- Quality in claims adjudication.

Appellate claims processing:
- Timeliness of appellate decisions
- Accuracy of appellate decisions

It is essential that management be provided all the requisite guidance and 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. Correspondingly, performance appraisals and senior executive contracts must accurately reflect execution in achieving specific outcomes. Success should be fittingly rewarded and failure appropriately sanctioned to enforce accountability and to promote a more efficient and effective provision of benefits and services to veterans.

The VA faces many challenges to use its limited resources efficiently, to ensure reasonable access to high quality health care, and manage its disability programs effectively. VA executives must be effective leaders, not just competent managers, particularly when making difficult decisions and taking decisive actions in a resource-constrained environment.

Recommendations:

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

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

CRITICAL ISSUE 8: The National Cemetery Administration

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.

The Department of Veterans Affairs National Cemetery Administration (NCA) currently maintains more than 2.6 million gravesites at 121 national cemeteries in 39 states and Puerto Rico. There are approximately 14,500 acres of cemetery land within established installations in the NCA. More than half are undeveloped and have the potential to provide more than 3.6 million gravesites. Of the 121 national cemeteries, 61 are open to all interments; 22 can accommodate cremated remains and family members of those already interred; and 38 are closed to new interments.

VA estimates that about 26.6 million veterans are alive today. They include veterans from World War I, World War II, the Korean War, the Vietnam War, the Gulf War, and the global war on terrorism, as well as peacetime veterans. Nearly 676,000 veteran deaths are estimated to occur in 2008, with the death rate increasing annually and peaking at 690,000 by 2009. It is expected that one in every six of these veterans will request burial in a national cemetery.

The most important element of the NCA national cemeteries is to honor the memory of America's brave men and women who served in the armed forces. Therefore, the purpose of these cemeteries as national 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.

The NCA is faced with a number of serious challenges. One of the most serious of these is the provision of adequate funding to meet increasing demands of interments, gravesite maintenance, repairs, upkeep, and related labor-intensive requirements of cemetery operations. The current and future needs of the NCA require continuous resources to ensure that the NCA remains a world-class, quality operation to honor veterans and recognize their contribution and service to the nation. In addition, the State Cemeteries Grant Program faces the challenge of meeting a growing interest from states to provide burial services in areas that are not currently served.

For veterans who desire burial in state facilities, members of the IBVSOs support increasing the plot allowance to $745, from the current level of $300. The plot allowance now covers less than six percent of funeral costs. Increasing the burial benefit to $745 would make the amount nearly proportional to the benefit paid in 1973. In addition, we firmly believe the plot allowance should be extended to all veterans who are eligible for burial in a national cemetery, not solely those who served in wartime.

Expanding cemetery capacity is coincident with projections of expanding numbers of veteran deaths and interments performed by the NCA. In the "National Cemetery Expansion Act of 2003" (PL 108-109), Congress authorized the establishment of six new national cemeteries in the areas of Bakersfield, California; Birmingham, Alabama; Greenville/Columbia, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeast Pennsylvania.

Yet another serious challenge for the NCA is ground upkeep and maintenance. The NCA is struggling to remove decades of blemishes and scars from military burial grounds

across the country. Visitors to many U.S. cemeteries are likely to encounter sunken graves, misaligned and dirty grave markers, deteriorating roads, spotty turf and other patches of decay that have been accumulating for decades. It is estimated that there is a need for 938 full-scale cemetery restoration and repair improvements at existing veterans cemeteries.

If the NCA 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. Congress needs to address the condition of the NCA cemeteries and ensure they remain respectful settings for deceased veterans and visitors. We recommend that Congress and VA work together to establish a timeline for funding renovation projects based on the severity of the problems.

The IBVOSs would like to acknowledge the dedication of the NCA staff who continue to provide the highest quality of service to veterans and their families despite funding shortfalls, aging equipment, and the increasing workload of new cemetery activations. We again 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 must provide adequate resources to ensure that the NCA remains a world-class, quality operation to honor veterans and recognize their contribution and service to the nation.

Congress should increase the plot allowance from $300 to $745, and expand the eligibility for the plot allowance to all veterans who would be eligible for burial in a national cemetery, not just those who served during wartime.

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

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