

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

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February 20, 2015

The Honorable Tom Price
Chairman

The Honorable Chris Van Hollen
Ranking Democratic Member

Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Price and Ranking Member Van Hollen:

Pursuant to section 301(d) of the “Congressional Budget Act of 1974” and House Rule X, clause 4(f), and with the approval of the undersigned Members of the Committee on Veterans’ Affairs (Committee), we hereby provide our Views and Estimates on the fiscal year (FY) 2016 budget for veterans’ programs within the Committee’s jurisdiction. Our comments will focus on select programs and services administered by the U.S. Department of Veterans Affairs (VA) and the Administration’s FY 2016 budget request for VA.

General Comments

As in past years, in preparing the Committee’s Views and Estimates, we are mindful of the enormous challenges threatening our nation’s security, including continuing budget deficits and debt which require difficult choices to be made across government. We are equally mindful of our obligation to those who continue to defend America against her enemies, an obligation that is primary, but that nonetheless must be met within the nation’s resources.

2014 was a watershed year for VA. Long-suspected problems with veterans’ timely access to healthcare, poorly managed facilities, and a bureaucracy which saw little consequence for serious wrongdoing all came to the forefront of the nation’s conscience. The Committee held multiple oversight hearings during the Spring and Summer of 2014 to first reveal, then explore, solutions to these problems. The culmination of the Committee’s efforts last year was enactment of the Veterans’ Access, Choice and Accountability Act of 2014 (VACAA).¹

VACAA provided an immediate infusion of \$15 billion in emergency resources to accelerate VA’s ability to get veterans timely medical appointments. \$5 billion of VACAA funds were devoted to meeting internal personnel and maintenance shortfalls; \$10 billion was devoted to establishing the Veterans Choice Program, a first-of-its-kind effort to empower veterans with

¹ P.L. 113-146, 128 Stat. 1754.

unreasonably long wait times at (or distance from) VA medical facilities the ability to choose a non-VA provider for their healthcare. Under VACAA, VA was given the authority to obligate the \$5 billion for internal needs without fiscal year limitation; the authority to provide care under the Veterans Choice Program remains until either the \$10 billion is expended or August 7, 2017, whichever occurs first.

According to VA, through January 2015, only \$56.4 million of the \$5 billion allocated for internal VA needs has been obligated. Through January 28, 2015, only \$438.3 million of the \$10 billion set aside for the Veterans Choice Program has been obligated. It is in the context of this large and unprecedented infusion of resources and the uncertainty surrounding how those resources will affect VA's base budget requirements that we provide this year's Views and Estimates letter.

Further, unresolved questions independent of VACAA, but having a direct bearing on VA's resource requirements, remain. These questions include meaningful cost comparisons between VA-provided care and private sector care; the appropriate panel size and daily workload of VA physicians broken down by specialty; and the difficult question of how VA's aging infrastructure, built primarily when most medical care was delivered on an inpatient basis, affects efficient delivery of quality medical care. VACAA included requirements for both a short-term independent assessment of these (and other) issues, and a longer-term Veterans Care Commission to help Congress address these many questions. Needless to say, arriving at a recommended level of funding for FY 2016 in light of these unresolved but probative matters is exceedingly difficult.

Historically, Congress provides an overall discretionary appropriation for VA that meets or exceeds the President's request. For FY 2016, the President requests an additional \$5.2 billion (including medical collections) above the FY 2015 enacted level. We will, at this time, support the top line appropriation request with some minor recommended changes to individual appropriation accounts. As mentioned, this general support comes within the context of many open questions which could not be answered by Administration officials in the time we had to draft and submit this letter. We believe that the VA itself, as most federal agencies, is groping toward how better to align the realities of its mission today with budgeting tools that may not fully reflect these realities. Our understanding of VA's budget submission and resource needs is, therefore, incomplete. Notwithstanding our current support for the top line appropriation level out of deference to, and respect for, the critical mission VA possesses, we reserve the right to modify these views as more information becomes available.

Overall Spending Projections

In total, the President requests \$168.8 billion in FY 2016 for VA -- \$73.5 billion in discretionary funds (including medical collections) and \$95.3 billion in mandatory funds for veterans benefits programs.

Discretionary Spending

Inclusive of medical care funding for FY 2016 already provided in advance, the Administration's fiscal year 2016 VA budget request for discretionary programs is \$73.5 billion, a 7.5 percent increase relative to the FY 2015 enacted level. Included in that total is a request of \$1.3 billion for VA medical care to augment the \$58.6 billion in medical care that was previously appropriated in advance for FY 2016.² Also included is an estimated \$3.2 billion in expected medical collections. Consistent with Public Law 111-81, the Administration requests \$63.3 billion in advance appropriations for VA medical care in FY 2017.

As we will outline below, within the top line request we recommend a slight reallocation among certain VA appropriation accounts which vary from the Administration's recommendations.

Mandatory Spending

The Administration requests \$95.3 billion in FY 2016 for VA mandatory spending programs. Further, the Administration requests \$104 billion in advance mandatory funding for FY 2017. The Committee looks forward to the timely appropriation of these mandatory dollars so that they will be available at the beginning of not only the upcoming fiscal year, but also secured in advance for FY 2017.

Veterans have earned their benefits by virtue of honorable military service. Any cost-saving efforts must be sobered by that essential fact. Similar to messages to you in past Views and Estimates letters in the 112th and 113th Congresses, should the Budget Committee choose to look to VA mandatory spending programs for budgetary savings in a reconciliation instruction, we ask that you limit the instruction to amounts that can be saved via the modest savings proposals that have advanced out of the Committee on a bipartisan basis in past times of severe fiscal restraint.

Veterans' Medical Care

The Administration requests \$59.96 billion (excluding estimated medical care collections) to support VA's three medical care appropriation accounts: Medical Services (\$48.73 billion); Medical Support and Compliance (\$6.21 billion); and, Medical Facilities (\$5.02 billion). Including the availability of approximately \$3.22 billion in estimated medical care collections, this request represents a 7.4 percent increase over the FY 2015 enacted appropriations for medical care and is \$1.3 billion higher than what the Administration requested one year ago through the FY 2016 advance appropriation request. The Administration also requests a FY 2017 advance appropriation of \$63.3 billion (excluding estimated medical care collections), which represents a 5.5 percent increase over the Administration's FY 2016 medical care request.

In addition, the Administration assumes the availability of \$3.24 billion in medical care collections in FY 2016. Medical care collections include receipts from pharmacy and other first-party copayments including inpatient, outpatient and nursing home care and third-party insurance payment collections associated with care provided for non-service-connected conditions. This estimate represents only a 0.7 percent increase over the FY 2015 estimate for medical care collections in spite of 7.4 percent increase in medical care.

² The Consolidated and Further Appropriations Act, 2015, P.L. 113-235.

To support the Veterans Choice Program required by section 101 of the Veterans Access, Choice and Accountability Act (VACAA), the Administration estimates it will obligate between \$3.8 and \$12.9 billion— depending on the number of eligible veterans who elect to utilize the program. The Administration also assumes a “cost-shift” of \$452 million in FY 2016 and \$733 million in FY 2017 as a result of veterans seeking care through the Choice Program who would otherwise receive care through VA. At the Committee’s February 11, 2014, budget hearing Administration officials could not explain how the cost-shift estimates were arrived at, estimates which bear directly on the sufficiency of the overall budget request.

Recommendation

We generally support the goals outlined in the Administration’s FY 2016 medical care request. However, we continue to have serious concerns about the VA health care system and its ongoing ability to provide timely, accessible, high-quality care to veteran patients. The Government Accountability Office (GAO) recently added managing risks and improving VA health care to its biennial high risk list. According to GAO, ambiguous and inconsistent policies and procedures; inadequate oversight and accountability; substantial information technology risks and challenges; inadequate staff training; and, unclear resource needs and allocation priorities all contributed to GAO’s decision to add VA health care to the high risk list. As evidence of VA’s troubling lack of direction regarding its health care system, GAO noted that VA has implemented just 20 percent of the approximately 170 recommendations GAO has made in the last five years regarding VA healthcare.

Unfortunately, the Administration’s FY 2016 medical care request lacks sufficient detail and supporting data to clearly justify the request for a 7.4 percent increase. When compared with FY 2014, VA’s inpatient population is expected to decrease by about 1 percent while the average daily census of VA facilities is projected to remain statistically unchanged through FY 2017. Given this – coupled with a relatively modest (2.8 percent) re-estimate of expected outpatient visits in FY 2016 - it remains to be seen whether an additional \$1.3 billion increase is appropriate or what specific outcomes the requested increase will help achieve.

Furthermore, the Administration’s FY 2016 request also fails to address ongoing concerns regarding the efficiency and productivity of VA’s clinical workforce compared to their private sector peers. We are concerned by the significant uncertainties included in the Administration’s estimates regarding the Veterans Choice Program. It is unclear why VA’s estimated cost shift for the Veterans Choice Program is so much lower than the estimated outlays from the program despite only nominal expected increases in VA’s total patient population and outpatient visits. In short, there is a large but unknown interactive effect involving large sums of previously appropriated funds and what is requested in this budget.

Further, the Administration’s indication of a forthcoming legislative proposal to reallocate a portion of Veterans Choice Program funding to support investments in other VA priorities seems premature. Despite repeated requests, the Administration has yet to provide any details about this reallocation proposal including when it may be submitted, what amount of Veterans Choice Program funding it will propose be reallocated, or what other VA priorities will be identified for

additional support. As part of its responsibility to ensure that VA is sufficiently utilizing these tools, the Committee plans on exploring options to strengthen the Choice Program in the coming months as well as looking at ways to ensure that VA has the personnel and infrastructure to meet the demand it faces from veterans seeking VA care.

Veterans' Medical and Prosthetic Research

The Administration requests \$622 million for medical and prosthetic research in FY 2016. This request represents an increase of \$33 million, or six percent, over the FY 2015 request. The Administration expects \$1.2 billion in additional program resources from other sources – including, private and federal grants, the Department of Defense, the National Institute of Health, and the Centers for Disease, Control and Prevention – for a total anticipated funding of more than \$1.8 billion.

Recommendation

We support the Administration's resource request for medical and prosthetic research. VA's research program serves a vital public interest by both improving the care provided to veteran patients and contributing to the advancement of health care in general. As such, we recognize and respect the value of VA's investment in medical and prosthetic research and the importance a robust research program can have on the recruitment and retention of top-quality medical professionals. We also support the Administration's stated research priorities, which include planned advancements in genomic medicine, gender-specific healthcare, and Gulf War-related issues and conditions. Oversight of VA's ongoing research projects and the research conducted through VA's numerous research Centers of Excellence will be a priority for the Committee this Congress and we look forward to learning more about VA's multifaceted research efforts and the broader role those efforts play in the VA health care system.

An integral part of the research program is the ability to garner non-VA funds to support the program. As in years past, the Committee plans on ensuring that these funding estimates are indeed realized.

Construction Programs

The Administration requests \$1.7 billion for VA's construction accounts: Major Construction (\$1.14 billion); Minor Construction (\$406.2 million); Grants for State Extended Care Facilities (\$80 million); and, Grants for State Veterans Cemeteries (\$45 million). Through the Strategic Capital Investment Planning (SCIP) process – which identifies and prioritizes system-wide capital needs and address gaps in safety, security, utilization, access, seismic protection, facility condition, space, parking and energy – VA has identified over 4,000 capital projects, which would require between \$49 billion and \$60 billion for capital infrastructure and activation costs.

Recommendation

We believe the Administration's FY 2016 request for construction represents an improvement from past requests. What's more, we support the Secretary's focus in recent testimony on

closing aging, substandard, and underutilized medical facilities. However, in attempting to right-size VA's capital portfolio, we also stress the need for the Administration to work hand-in-hand with local veterans, veteran service organizations, and other stakeholders to ensure community involvement, endorsement in major capital investment changes, and a clear understanding of the resulting healthcare options that will be available to veterans. Understanding that shifting veteran demographics are also represented in an aging veteran population, we are concerned by the 11.1 percent budget decrease in construction grant funding for State Extended Care Facilities. Considering the growing need for veteran long-term care options and the extensive list of existing State Home project priorities with readily available state matching funds, funding levels should remain, at a minimum, unchanged from the FY 2015 appropriation level.

The Committee will continue to closely monitor the status of VA's medical lease process. The flexibility that is afforded by the ability to quickly lease needed medical space is critical to meeting the ever-changing health care needs and demographics of veteran patients in an efficient and effective manner. Due to issues regarding the Congressional Budget Office's scoring of VA leases, VA's leasing authority has been reinterpreted and all VA lease actions – regardless of size or cost – require General Services Administration (GSA) delegation on a case-by-case basis. This has added considerable uncertainty and delays to VA's leasing program and may require legislative redirection.

Information Technology

The Administration requests \$4.1 billion in FY 2016 for the Office of Information and Technology (OI&T), an increase of 5.9 percent over the FY 2015 enacted level. Of note, VA Office of Information & Technology is seeking an approximate 7.4 percent increase (\$76.8 million) from 2014 for "Staffing and Administration;" an 8.5 percent increase (\$196.9 million) for "Operations and Maintenance;" and a 15 percent increase (\$23.5 million) for Information Security.

Although the Committee supports the Administration's request, there are numerous concerns associated with VA's management of its IT programs. The Committee is mindful of IT security failures documented in response to Federal Information Security Management Act reporting requirements, GAO reports, and the Committee's own oversight efforts. The Committee plans additional significant oversight of VA's IT program and encourages the Appropriations Committee to continue making appropriations for major IT programs contingent on VA having a coherent plan in place for successful program completion.

Veterans Benefits Administration

Compensation and Pension Service

Although pleased with the improvement in the disability claims backlog from its peak in March 2013, we are concerned by the Administration's request for an additional \$85 million in FY 2016 to fund 770 new FTE within the Veterans Benefits Administration (VBA). Congress has previously provided funding for several investments to support VA's stated goal of favoring

increased efficiency over a staffing-based solution in order to meet an increased demand by our Nation's veterans to accurately and timely adjudicate claims. It would appear that the request for additional and substantial FTE deviates from that goal.

VBA has been provided roughly \$500 million, to date, for technology improvements to increase efficiency in claims processing, particularly in relation to the development and sustainment of the Veterans Benefits Management System (VBMS) information technology project. VBMS's performance continues to be plagued by system outages with only marginal gains in productivity. Additionally, Congress has provided expanded legislative tools to encourage use of the Fully Developed Claims initiative, which was designed so that claimants present VBA with a completed claim requiring minimal development by VA prior to initial adjudication. And finally, staffing for the Compensation and Pension Service has roughly doubled over the past 10 years. In light of these investments, which were all intended to improve individual worker productivity, the Committee is concerned by VBA's continued reliance on a manpower-based solution to the claims adjudication backlog. Given the expectations regarding the elimination of the claims backlog more FTE may indeed be required. The Committee has expressed concerns over the years that merely providing FTE will not address the many factors that led to the current backlog. The Committee would like to be assured that there is a strategic plan to integrate the claims workforce into the overall claims process of tomorrow and the technological expectations underlying this improved process.

These concerns are further augmented by VA's past practices in addressing the claims backlog. In January, 2013, VA released a plan, the Department of Veterans Affairs Strategic Plan to Eliminate the Compensation Claims Backlog, which outlined the Department's initiatives that would eliminate the claims backlog and improve claims-based decision accuracy to 98 percent in 2015. VBA represents that this is the largest claim processing transformation in its history, and is intended to employ a people, process, and technology revolution within VBA.

Two years ago, in March 2013, GAO noted that VBA's transformation planning documents did not meet established criteria for sound planning, such as articulating performance measures for each initiative, including their intended impact on the claims backlog. Furthermore, the National Academy of Public Administration cautioned VBA that its Strategic Plan left no room for error; NAPA advised that VBA would have to develop new capabilities to remain extremely agile in dealing with emerging issues.

The past two years has shown the prophetic wisdom of GAO and NAPA's statements, as VBA has been forced to make ongoing adjustments to its Strategic Plan. As a result of many of VBA's short-term, non-forecasted initiatives, we are concerned that the Department has created reverse incentives that in practice, prioritizes the quantity of completed products over the quality and accuracy of individual outcomes. For example, VBA has instituted several years of nearly ceaseless, mandatory overtime for its claims processors; has suspended its Quality Review Teams; and, has repurposed nearly 900 employees to the task of processing disability claims, in order to meet its monthly numeric goals. Again, we are troubled by what appears to be a lack of strategic direction.

Furthermore, while VBA's evolving initiatives target initial and supplemental compensation claims goals for 2015, there continues to be great concern that many other claims, as well as appeals, are not receiving necessary attention. Over 250,000 dependency claims remain pending in the system, seventy-six percent of which are currently backlogged in excess of 125 days. Moreover, there are more than 286,000 appeals pending within VBA, with tens of thousands certified appeals sitting at the Board of Veterans' Appeals (BVA). These appeals have languished for three years or more, on average. The growing backlogs for these work products has been a known workflow problem that has been neglected in favor of focusing almost exclusively on initial ratings decisions and eliminating the related claims backlog by the end of 2015.

We continue to believe that VBA must make a concerted effort to place increased priority on the quality of work, rather than simply the quantity of work completed. VBA must put a concentrated focus on its workload management strategy, and both the employee training and work-credit systems must be improved, to ensure that veterans receive both timely, accurate, and consistent decisions. Paramount to this endeavor, we believe that employees, supervisors, and those in VA Central Office must be accountable for their respective performance. As we approach the date VA leadership established for backlog elimination, the Committee will continue its vigorous oversight over VA's management of the disability claims process.

Education and Vocational Rehabilitation and Employment

As mentioned, major FTE increases and other investments have been provided to address the disability claims backlog problem. As we have written in past Views and Estimates letters, the Committee remains concerned that efforts to address the timely processing of claims for veterans' education and vocational rehabilitation and employment benefits (VR&E) are being given secondary importance as a result. The Administration's proposed budget estimates that the workload for education claims is expected to increase in FY 2016 by more than 5 percent compared to FY 2014. Despite the expected increase in claims processing workload, the Administration's budget proposes to continue a flat-line FTE level for education claims processing. Although the Committee understands and expects that there have been some improvements in productivity in education claims processing due to IT investments, there are still concerns that VA's processing times have remained stagnant or, worse, are expected to increase. The Committee expects VA to reach the appropriate balance in allocating resources within the VBA account.

Regarding the VR&E program, the number of participants is expected to increase in FY 2016 by 11.4 percent over the FY 2014 participant workload. New claims for VR&E benefits are expected to increase by 14 percent over the same time period. Despite this expected increase in VR&E program participants and new claims, the Administration's budget proposes to flat-line FTE, i.e., those who counsel veterans through the VR&E program, thereby increasing the veteran-to-counselor ratio for the second straight year. The Committee is concerned that with the increase in workload and with no corresponding increase in staffing for VR&E counselors, or improved IT support, many veterans could see delays in accessing their earned benefits. The Committee believes that a reallocation away from accounts not involving direct services to

veterans, e.g., the General Administration account, is necessary to ensure services to veterans do not deteriorate in this key area, both in terms of FTE resources and IT support.

Board of Veterans' Appeals

The Board of Veterans' Appeals (BVA) is requesting \$19.1 million for a new "Appeals Modernization" IT system to contain and ultimately reduce the VA appeals inventory, which currently stands at approximately 400,000 appeals, and efficiently process future appeals workload.³ The Committee has received anecdotal information that the BVA requires a separate line-item for IT funding as historically it has not received adequate funding support from VBA to develop adequate appeals-related technology. The Committee questions why the requirement to support the BVA appeals process was not included as part of the initial or subsequent VBMS requirements process and would like additional information regarding whether or not VBMS can, in the future, support the needs of the BVA or whether the requested modernization IT system is necessary.

National Cemetery Administration

The National Cemetery Administration (NCA) anticipates that by 2016, approximately 92 percent of veterans will have access to a burial option in a national, state, or tribal veterans' cemetery within 75 miles of their home. We note that NCA remains cognizant that significant numbers of veterans prefer burial in a private cemetery and, thus, NCA provides government headstone and markers. It also provides Presidential Memorial Certificates to hundreds of thousands of families each year.

While targeting access goals, both urban and rural, NCA has sustained a record of excellent service to veterans and their families. The FY 2016 budget supports a continued commitment to ensure that national cemeteries meet or exceed the highest standards of appearance required by their status as national shrines. Accordingly, the Committee supports the FY 2016 request for NCA.

VA Inspector General

The Administration requests \$126.7 million in FY 2016 for the Office of Inspector General (OIG), an increase of only 0.3 percent over the FY 2015 enacted level as well as a reduction of 10 FTE. The Committee believes that an increase at less than the rate of inflation is antithetical to the mission of the Office of the Inspector General, especially in light of the issues brought to light by the Committee over the past year.

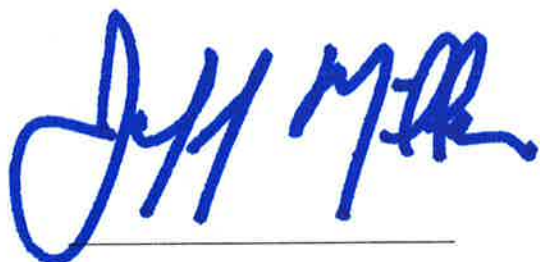
The Phoenix scandal and the concomitant workload increase highlight the need for additional OIG investigators and funding. If VA is to achieve a level of accountability, then the OIG must have a sufficient level of staffing and a budget that can support this heightened level of

³ BVA's request is separate from the additional \$253 million requested by VBA in relation to Veterans Benefits Management System (VBMS) (\$76 million in development and \$177 million in sustainment funds), for various technology improvements and processes. As noted above, VA has already been provided with approximately \$500 million for VBMS

accountability. The Committee believes that this heightened level of accountability must apply to all areas within the VA, to include the investigatory functions and activities of the Department.

Concluding Comments

These views reflect the best judgment of the undersigned Members of the Committee as of this date. We have submitted additional questions regarding the Administration's budget proposal and will conduct a series of oversight hearings in the coming months on other facets of the request. If we, or the Committee staff, can provide assistance regarding the views contained in this letter, please do not hesitate to contact us.

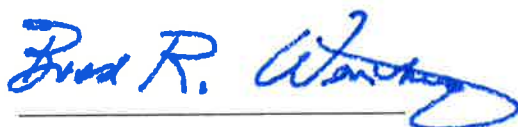
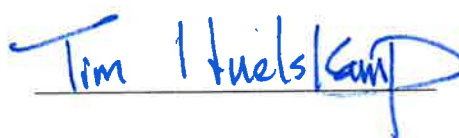


JEFF MILLER
Chairman
House Committee on Veteran's Affairs

Sincerely,



CORRINE BROWN
Ranking Minority Member
House Committee on Veterans' Affairs



Jackie Walorski

Bebo O'Rourke

Mark Zahra

Anna Teta

Katulaupia

Aim M'Fane Guste

Jim Sumner

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Ryan Hill
