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# U.S. House of Representatives

## COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED THIRTEENTH CONGRESS

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WASHINGTON, DC 20515

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March 25, 2014

The Honorable Paul Ryan  
Chairman

The Honorable Chris Van Hollen  
Ranking Democratic Member

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

Dear Chairman Ryan 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 write to provide our Views and Estimates on the fiscal year (FY) 2015 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 fiscal year 2015 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.

We have been a nation at war for over half a generation. A young Private in 2003 is now a Senior Non-Commissioned Officer; a Second Lieutenant is now a Major. Those shouldering the load in defense of our nation have come from less than one percent of our nation's families. We have required enormous sacrifices from that one percent, and they have never balked at completing what their country has asked of them. All they expect in return is that we take care of them when they return home. They are the reason this Committee exists; it is now our privilege and duty to serve them and all who have gone before them.

## Overall Spending Projections

### *Discretionary Spending*

Inclusive of medical care funding for FY 2015 already provided in advance, the Administration's fiscal year 2015 VA budget request for discretionary programs is \$68.4 billion, a 3 percent increase relative to the FY 2014 enacted level. Included in that total is an additional request of \$368 million for VA medical care to augment the \$55.6 billion in medical care that was previously appropriated for FY 2015 by Public Law 113-76, the Consolidated Appropriations Act of 2014. Also included is an estimated \$3.1 billion in expected medical collections. Consistent with Public Law 111-81, the Administration also requests \$58.7 billion (including an estimated \$3.3 billion in medical collections) in advance appropriations for FY 2016.

VA's discretionary budget from FY 2006 through the FY 2015 has increased approximately 84 percent. Thus, the current request can certainly be characterized as more measured than those of prior years. During the Committee's hearing on March 13, 2014, on VA's FY 2015 budget request, VA Secretary Shinseki assured the Committee that the budget request was sufficient to meet VA's obligations. In the context of a tight fiscal environment which has seen other agencies' budgets flat-lined or cut, the Committee endorses the Administration's overall request for VA discretionary resources of \$65.477 billion in net budget authority for FY 2015, as well as the FY 2016 advance appropriation request. As we will outline below, within that 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 \$95.6 billion for VA mandatory spending programs, an increase of 9.2 percent over FY 2014 levels. The Committee recommends baseline spending for VA mandatory accounts in FY 2015. The Committee looks forward to the timely appropriation of these mandatory dollars so that they will be available at the beginning of the fiscal year.

## Veterans' Medical Care

For FY 2015, the Administration's budget requests \$56 billion (excluding estimated medical collections) for the three VA medical care appropriation accounts – Medical Services (\$45.4 billion), Medical Support and Compliance (\$5.9 billion), and Medical Facilities (\$4.7 billion). Including medical care collections, this request represents a 3.1 percent increase over the FY 2014 enacted appropriations for medical care and is \$368 million higher than what the Administration requested one year ago through the FY 2015 advance appropriations request. The Administration also requests an FY 2016 advance appropriation of \$58.7 billion (excluding estimated medical collections), a 4.7 percent increase above the Administration's FY 2015 medical care request.

In addition, the Administration assumes the availability of \$3.1 billion in medical care collections in FY 2015. 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 a 4.4 percent increase over the FY 2014 collections estimate. In FY 2016, the Administration assumes the availability of \$3.3 billion in medical care collections, a 6.7 percent increase over the FY 2015 estimate.

Finally, the Administration assumes the availability of \$450 million in unobligated balances at the beginning of FY 2015.

*Recommendation*

In general terms, we support the broad goals outlined in the Administration's medical care request. In particular, we commend initiatives to eliminate veteran homelessness; expand access to primary, specialty, and mental health care; and, improve the overall quality and safety of the healthcare provided to our veterans.

However, we are concerned that the Administration has significantly overestimated resources required for long-term care and subsequently re-allocated \$758 million to partially offset more than \$1 billion increases in special activities, which include ending veteran homelessness (a \$641 million increase) and activating medical facilities (a \$404.4 million increase). Despite the inherent value of these objectives, we believe the Administration's considerable overestimation of resources allocated to long-term care warrants further discussion and analysis before reallocation occurs.

The Committee is also concerned about the request for what appears to be activities that potentially contradict the stated workloads elsewhere in the budget. For example, VA has overestimated the number of incoming disability claims in each of the past three years. In FY 2012, disability claims receipts were expected to be an estimated 1.325 million; the actual number of claims received was 1.080 million. In FY 2013, disability claims receipts were expected to be 1.250 million; the actual number received was 1.044 million. And in FY 2014, disability claims receipts were estimated to be 1.329 million; the current estimate has been revised down to 1.117 million. Notwithstanding the downward revisions in each of these areas Congress fully funded the discretionary resource requests for the Veterans Benefits Administration (VBA) in each of the above years, and supported any required costs associated with medical examinations which were necessary to support those claims that are performed at the Veterans Health Administration's (VHA) expense. As part of the FY 2015 submission VA requests an additional \$50 million for "VOW Act Exams" which, the Administration argues, is necessary in light of an expected increase in the number of veterans filing disability claims following mandatory Transition Assistance Program participation. Absent transparency regarding the accounting of examination costs by VHA in light of inaccurate disability claim workload projections over the past several years, the Committee believes this request warrants further discussion.

## **Veterans' Medical and Prosthetic Research**

For FY 2015, the Administration requests \$589 million for medical and prosthetic research. The Administration also requests \$589 million from the medical care program to support medical and prosthetic research. In addition, the Administration estimates other federal and non-federal resources of \$685 million in support of medical and prosthetic research, for total anticipated funding of \$1.9 billion in FY 2015.

The medical and prosthetic research program serves a dual purpose. By funding research into the unique injuries, illnesses, and conditions related to military service, the medical and prosthetic research program improves the daily lives of servicemembers and veterans and contributes to the advancement of medicine. The program also serves as valuable tool to more effectively recruit and retain clinician-researchers.

### *Recommendation*

We recognize the value and importance of the Administration's medical and prosthetic research program and commend the Administration's stated research priorities, which include increased research regarding homeless veterans and women veterans. However, in addition to these priorities, we recommend additional funds to further research regarding mental health care and traumatic brain injury (TBI).

Sufficiently meeting the mental health care needs of our nation's veterans is perhaps the most pressing concern facing VA. From 2007 to 2013, VA's mental health care budget, programs, and staff have increased significantly. However, there has not been a corresponding increase in mental health care outcomes for veterans. This is illustrated most alarmingly in the Administration's 2012 Suicide Data Report, which found that the suicide rate among veterans has remained stable for fourteen years, with between 18 and 22 veteran suicide deaths per day since 1999. We believe that the Administration must further ongoing research initiatives into mental health treatment and outcomes, with a particular focus on decreasing the rate of suicide among the veteran population.

We also believe that there is an identified need for increased research regarding the short and long-term effects of, and treatment for, TBI. Though not unique to the veteran population, traumatic brain injury is undoubtedly a major issue facing our nation's veterans, particularly those who served in Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn. Though the Administration has taken steps - most notably through the creation of the Polytrauma System of Care - to adequately care for veterans who have experienced TBI, we believe that further research is required, particularly regarding the long-term rehabilitative needs of veterans who have experienced TBI.

## **Construction Programs**

For FY 2015, the Administration requests a total of \$1.2 billion for VA's four construction accounts: Major Construction (\$561.8 million); Minor Construction (\$495.2 million); State Extended Care Facility Construction Grants (\$80 million); and State Cemetery Construction Grants (\$45 million).

The Administration utilizes the Strategic Capital Investment Planning (SCIP) process to identify and prioritize system-wide capital needs and address gaps in safety, security, utilization, access, seismic protection, facility condition, space, parking and energy. For FY 2015, SCIP identified 62,708 capital projects, which would require between \$56 and \$69 billion for capital infrastructure and activation costs.

### *Recommendation*

To support the Administration's considerable capital infrastructure needs, we recommend resources above the Administration's request to support critical infrastructure projects. Of particular concern to us is the need to more adequately ensure that the Administration is meeting the significant life-safety concerns at aging State Veterans Home facilities. For FY 2014, the Administration identified nearly \$500 million in Priority 1 projects, those projects where State matching funding was in place. State Veterans Homes provide cost-effective long-term care options for veterans, and we believe that the Administration's recommended amount of \$80 million is far from adequate to meet the need. Again, the Committee notes overestimates in the FY 2015 medical care accounts and recommends additional funding from a portion of those resources be applied to reduce the backlog of SCIP-identified construction projects and address the backlog of projects funded via the State Veterans Home grant account.

Notwithstanding VA's vast construction needs, the effective management of existing major medical facility projects remains a concern. The Committee will continue its oversight into significant cost overruns and inordinate delays at new hospital construction sites around the country. The Committee will examine legislative proposals to improve management of these and other projects, to include a proposal to turn over management of VA major construction projects to the Army Corps of Engineers and/or Navy Facilities Command.

## **Information Technology**

The Administration requests \$3.9 billion in FY 2015 for the Office of Information and Technology (OI&T), an increase of 5.4 percent over the FY 2014 enacted level. Of note, VA Office of Information & Technology is seeking an approximate 7.3 percent increase (\$36 million) from 2014 for "new development;" a 7 percent increase (\$151 million) for "Operations and Maintenance;" and a 27 percent increase (\$33 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 numerous IT security failures documented in response to Federal Information Security Management Act reporting requirements, GAO reports, and the Committee's own oversight call into question VA's ability

to develop and maintain major IT systems. Therefore, additional significant Committee oversight is planned for VA's IT program.

### **Veterans Benefits Administration**

The Administration proposes \$2.494 billion in discretionary funding for Veterans Benefits Administration (VBA) activities, an increase of \$30 million over the FY 2014 enacted level. The increase is largely attributable to an expected increase in disability and education claims. As mentioned above in the discussion of VA medical care, there has been in each of the past three years an approximate overestimation of disability compensation and pension workload of 20 percent, even though the budget requests for manpower and technology in each of those years were fully funded. The Committee will be conducting oversight in this area but, at this time, will support the FY 2015 request. Further, the Committee remains concerned about VA's stalled efforts to modernize the Long Term System (LTS) information technology tool for education claims processing.

#### *Compensation and Pension Service*

The Committee is concerned with VA's ability to meaningfully reach its 2015 goals for the processing of veterans' disability benefits claims. In January 2013, VA released its 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. The VBA represented that this was the largest claim processing transformation in its history, which involved a people, process, and technology revolution within the Department.

One year ago, in March 2013, the Government Accountability Office (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 (NAPA) cautioned VBA that its Strategic Plan allowed no room for error; NAPA advised that VBA would have to develop capabilities to remain extremely agile in dealing with exigencies.

This past year has shown the wisdom of GAO and NAPA's predictions, as VBA has been forced to make ongoing adjustments to its Strategic Plan, most notably with the use of mandatory overtime for claims processors. As a result of this type of short-term, non-forecasted initiatives, the Department has created reverse incentives that may prioritize quantity of completed claims work over the quality and accuracy of those claims. For example, to meet its monthly numeric goals, in addition to mandatory overtime, VBA has suspended its Quality Review Teams and has reassigned nearly 900 employees from other benefit programs to processing disability claims.

Additionally, while VBA's evolving initiatives target initial and supplemental compensation claims' goals for 2015, there is great concern that many other claims, as well as appeals, are not receiving necessary attention. Nearly 250,000 dependency claims submitted by surviving spouses and children remain pending in the system, 75 percent of which are backlogged. Moreover, there are more than 273,000 appeals pending within VBA, with tens of thousands

certified appeals sitting at the Board of Veterans Appeals. On average, these appeals await decision for nearly three additional years.

We remain concerned that we have not seen the marked results that were assured by VA with past budget requests. We believe that VBA must engage in advanced, sound, and realistic planning; it must not continue down its reactive path, coursing from one backlog emergency to the next. VBA must also make a concerted effort to place increased priority on the quality of work, rather than simply the quantity of work completed. The noted expert on improving production through increasing quality, W. Edward Demming, said it right: “when we improve quality we also improve productivity.” The Committee notes that he also wrote that “defects are not free. Somebody makes them, and gets paid for making them.”

VBA must focus on a quality improvement program that features hiring and training the right employees, a workload management strategy that rewards success, and a work-credit system that is quality-focused as the primary means to ensure that veterans receive both timely, accurate, and consistent decisions across the system. Paramount to this endeavor, we believe that employees, supervisors, and those individuals in VA Central Office must be held accountable for their respective performance.

Finally, VBA’s technological initiative, the Veterans Benefit Management System (VBMS), has been installed within all VBA Regional Offices; we are aware that the development of this electronic system is not static, nor complete. It will continue to evolve as new or reworked capabilities are determined, and paper conversion efforts remain ongoing. The institution of this paperless, rules-based adjudication system was necessary, and we believe that VBA has taken belated but positive steps to move into an electronic environment. The Committee also believes the Board of Veterans Appeals must have full access to and the appropriate functionality in VBMS to process appeals. The current time needed to process an appeal is about three years, a time that reflects the lack of quality processing at the regional offices. However, as noted, we believe that VBMS is not a stand-alone solution to the backlog and must be accompanied by management’s focus on performance-based accountability at the Regional Office level.

In pushing towards 2015, VBA plans to transition to a fully electronic disability claims process system through full deployment of electronic Regional Offices in 2014, as well as institution of a National Work Queue and a centralized mail system. As VBA increases digital operations and moves to full operational capability, the Committee will be conducting vigorous oversight to ensure that VA employs a responsible method for meeting its goals for 2015. We remain concerned that despite being provided with everything requested by the Administration, VBA will again fail to amend its operations sufficiently to achieve the qualitative results that are promised.

#### *Education and Vocational Rehabilitation and Employment*

The Committee remains concerned that processing claims for veterans’ education and vocational rehabilitation and employment benefits (VR&E) could be delayed if the Administration’s request for VBA-GOE is allocated as requested. VA estimates that the workload for education claims is expected to increase in FY 2015 by 4 percent over the FY 2014 workload and that claims for VR&E benefits are expected to increase by 10 percent over the same time period. The Administration’s request assumes the same level as last year of Full Time Employees (FTE) who

adjudicate education claims as well as those who counsel veterans through the VR&E program. The Committee is concerned that with the increase in workload and no corresponding increase in staffing or improved IT support, many veterans could see increased delays in accessing their earned benefits.

The Committee is also concerned that VA has not increased in priority important enhancements to IT systems for both the Education and VR&E service. The Committee has held several oversight hearings that have highlighted the need to make these enhancements, which would improve processing times for claim adjudication and provide increased tracking and oversight of program results with only a small shift in resources away from other IT projects.

### **National Cemetery Administration**

The National Cemetery Administration (NCA) anticipates that by 2015, approximately 91 percent of veterans will have access to a burial option in a national, state, or tribal veterans' cemetery within 75 miles of their home. Additionally, NCA remains cognizant that significant numbers of veterans prefer burial in a private cemetery; thus, NCA provides government headstone and markers, as well as 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. Moreover, the 2015 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 2015 request for NCA.

### **VA Inspector General**

The Administration proposes flat funding for the Office of the Inspector General (OIG) in FY 2015. The OIG provides critical oversight of VA's programs and services to eliminate waste, fraud and abuse. It also conducts periodic reviews of VA health care services to ensure applicable processes governing patient safety are being followed. In light of the OIG's important role, we recommend a modest increase in this account relative to the President's request.

### **Concluding Comments**

In last year's Views and Estimates letter, the Committee recommended that the Budget Committee give due consideration to advance funding the remaining 14 percent of VA's discretionary budget. The Committee has since favorably reported legislation – H.R. 813, the "Putting Veterans Funding First Act" – which would accomplish the full advance appropriation of VA's discretionary accounts. H.R. 813 not only provides for certain and stable funding for VA, it also provides Congress with additional insight and oversight mechanisms. It requires a Quadrennial Veterans Review (QVR) that ensures VA understands and documents the changing future needs of veterans. It also mandates a Future Years Veterans Program (FYVP) reflecting estimated expenditures and proposed appropriations over time, and justifying those included in the budget for that fiscal year. Consistent with this action, we recommend that the Budget



Committee include language in the FY 2015 resolution to protect the full advance funding of all VA discretionary spending from any budgetary point of order. Further, we believe consideration should be given to the advance funding of all of VA's mandatory accounts to ensure uninterrupted payment of disability, GI Bill, and other payments in the event of another government shutdown. Although disagreements between political parties over budgetary matters may persist, we are united in the belief that funding for veterans should never be compromised or held hostage as part of that ongoing debate.

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.

Sincerely,



JEFF MILLER  
Chairman



MICHAEL H. MICHAUD  
Ranking Democratic Member



Doug Lamborn

D. J. Ly

Mike Coffey

JK [unclear]

Donna Nepple Mbeal

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