

**STATEMENT OF**  
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**PARALYZED VETERANS OF AMERICA**  
**BEFORE THE**  
**HOUSE COMMITTEE ON VETERANS' AFFAIRS**  
**CONCERNING**  
***THE INDEPENDENT BUDGET***  
**AND THE DEPARTMENT OF VETERANS AFFAIRS BUDGET**  
**FOR FISCAL YEAR 2003**

**FEBRUARY 13, 2002**

Mr. Chairman, Ranking Democratic Member Evans, members of the Committee, the Paralyzed Veterans of America (PVA) is honored, on behalf of our members and the *Independent Budget*, to present our views on the Department of Veterans Affairs' (VA)

budget for fiscal year (FY) 2003. We are proud to be one of the four co-authors, along with AMVETS, the Disabled American Veterans, and the Veterans of Foreign Wars, of the 16<sup>th</sup> *Independent Budget*, a comprehensive policy document created by veterans for veterans.

The *Independent Budget* is an annual budget and policy review for veterans programs and represents an unprecedented joint effort by the veterans' community to identify the major issues facing the veterans' community today while serving as an independent assessment of the true resource and policy needs facing veterans. As we have for the past 16 years, it is our distinct pleasure, once again, to be responsible for the health care recommendations and analysis, and I shall address these in my testimony today.

For FY 2003, the *Independent Budget* recommends a medical care appropriation of \$24.468 billion, an increase of \$3.1 billion over FY 2002. This proposed increase does not assume any new initiatives or workload increases. Unfortunately, we are seeing the effects of an inadequate budget for FY 2002, a budget that we estimate to be \$1.5 billion less than the amount required. To address this shortfall, and to provide for the current services requirements of the VA, the *Independent Budget* has requested this \$3.1 billion increase.

This amount is a realistic assessment of what the VA must have in order to meet its obligations, both statutorily and morally. This recommended increase addresses the

“current services” requirements of VA health care for FY 2003, while recognizing the cumulative funding shortfalls faced by the system over the last two years.

Over the last five years, the VA has served a constantly growing number of veterans with appropriations that have steadily declined in purchasing power. The FY 2001 health care appropriation was \$564 million short of the amount recommended by the *Independent Budget*, and the FY 2002 budget falls \$1.5 billion short. Already, a few months into FY 2002, the Administration has reported a shortfall of close to \$500 million, and is seeking supplementary funding, a step we fully support.

Nationally, we are witnessing an explosion in health care costs, especially in pharmaceutical costs. The VA has not been immune to this national trend. According to a report from the Department of Health and Human Services, national health care spending increased 6.9 percent in 2000. The fastest growing segment of health care spending is prescription drugs, which increased 17.3 percent in 2000. This represents the sixth consecutive year of double-digit increases. Spending on prescription drugs has doubled between 1995 to 2000, and has tripled between 1990 and 2000. VA health care budgets have not kept pace with this explosive spending growth.

The real effect of inadequate health care appropriations is felt by sick and disabled veterans every day. Inadequate appropriations force the VA to ration care by lengthening waiting times and delaying services.

The Administration has proposed a medical care appropriation of \$22.744 billion<sup>1</sup>, an increase of \$1.4 billion over FY 2002. Although veterans appreciate any increase, we are also cognizant of the fact that this does not meet the needs of the VA in the coming fiscal year, and does not provide the resources necessary to ameliorate the effects of recent inadequate appropriations. Unless additional resources are provided, the current situation, as intolerable as it is, will continue into the foreseeable future, and sick and disabled veterans will once again be shortchanged by the very government they have served, and rely upon to care for them.

Again, we note that the Administration's budget relies upon "management efficiencies" to address real budgetary needs. It seems that every year "management efficiencies" are a handy way of making the budgets seemingly balance. As the *Independent Budget* states, "there are no more 'efficiencies' to be wrung out of the system. For the last five years, VHA [Veterans Health Administration] has served a constantly growing number of veterans with appropriations that have been steadily declining in purchasing power."

Again this year we have not included collections as part of our recommendations concerning appropriated dollars. As we state in the *Independent Budget*, we recognize "that nonappropriated funding may be available to expand VHA operations and ultimately improve care for veterans, we are strongly committed to the principle that the cost of VA health care is a federal responsibility that must be met in full by Congress and

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<sup>1</sup> We have subtracted, from all Administration requests, amounts attributable to the legislative proposal put forth by the Administration that would include accrual costs for pension and post-retirement benefits for federal retirees. For medical care, this figure is estimated to be \$793 million for FY 2003.

the Administration through adequate appropriations. VA must not be forced to rely on subsidies from veterans or their insurers to cover the costs of caring for veterans.”

Veterans must not be held hostage through collection estimates that very well may be far-fetched or issued solely to cover budgetary holes left by inadequate appropriations.

The *Independent Budget* is opposed to the Administration’s proposal to begin charging a \$1500 deductible for health care for category 7 veterans. The primary reason we can see for the imposition of a deductible requirement is to discourage currently eligible veterans from seeking VA health care. Recently, the Administration announced that it would continue enrolling category 7 veterans. It said that it would find the resources to cover the costs of these health care services. Instead of providing the additional resources, it has proposed to have veterans pay for this care out of their own pockets. The VA itself estimates that a deductible will deter 121,000 veterans from seeking health care.

Requiring a \$1500 deductible could adversely affect lower-income veterans, veterans whose insurance will not pay the deductible, and who want and need to go to the VA particularly to provide services they cannot find elsewhere in the private sector or on Medicare, for instance long-term care, prescription drugs, or specialized services.

Finally, we are concerned about the perverse disincentive that this deductible scheme could have on veterans who represent the core mission of the VA. *The Independent Budget* proposal fully covers the cost of providing care for these category 7 veterans.

We are very concerned that the Administration has failed to provide funding for the VA to meet its critical fourth mission – to serve as a backup to the Department of Defense in

times of war or national emergency. The VA is also a critical component of the federal government's emergency response capabilities, and an integral part of our national homeland defense efforts. Headlines read "Bush's Budget Doubles Homeland Funds," and "Bush to Request Big Spending Push on Bioterrorism," but there are no resources made available to the VA. As the *Washington Post* reports, "while police and firefighters, border security agents, bioterrorism experts and intelligence agencies understandably were among the biggest winners in the new budget – which contains nearly \$38 billion for domestic security activities – agencies that once had only the most remote links to homeland security would be showered with funds for that purpose." Pianin and Miller, "Security Permeates Budget," *Washington Post*, February 5, 2002, A7. But the VA has been forgotten

This national emergency entails not only a crisis abroad, but a crisis here at home. As the VA serves as a backup to our Armed forces, it also serves as a backup to, and an integral part of, our Nation's health care system. When terrorists struck New York City, the VA was there, caring for victims. In fact, the Government Accounting Office, in its January 2001 report entitled "Major Management Challenges and Program Risks" (GAO-01-255) characterizes the VA's role as the "primary backup to other federal agencies during national emergencies." The VA must be prepared, and provided with the resources it needs, to accomplish this comprehensive and vital mission.

Taking its lead from requirements detailed in Congressional testimony by Secretary Principi, the *Independent Budget* has requested \$250 million to meet its duties in this area.

The stresses on the VA system will only become more severe. The VA plays an indispensable role as part of the federal commitment to states and local communities in times of national emergency and disaster. The VA does not have the resources to meet its responsibilities to sick and disabled veterans, and the *Independent Budget* fears that the VA will not be able to fulfill its important responsibilities under this critical fourth mission.

The *Independent Budget* has recommended an increase for Medical Administration and Miscellaneous Operating Expenses (MAMOE) of \$9 million, bringing this account up to \$76 million. The Administration has requested \$70 million, an increase of only \$3 million. Funding shortfalls in the MAMOE account have left the VA unable to adequately implement quality assurance efforts or to provide adequate policy guidance within the 22 Veterans Integrated Service Networks (VISN). Veterans Health Administration headquarters staff play the essential role of providing leadership, policy guidance, and quality assurance monitoring under the decentralized VA health care system. It is important that these important roles be strengthened.

Although VA Medical and Prosthetic Research has not suffered the same budget pressures that have beset health care, it is still suffering from the uncertainty it faces each

budget cycle. Research, which is essential to VA's continuing partnerships with medical schools and universities, requires a long-term commitment and stable, reliable funding. This needed stability is undermined by the annual budget game, where the Administration submits an unreasonably low budget for this vital program and relies upon Congress to partially redress the shortfall. This has a direct impact upon the research community, hampering its planning and funding decisions as it tries to adjust to this yearly funding whiplash. This game must stop. VA research must receive consistent and adequate budget increases in order to keep pace with our national research effort. For FY 2003, the *Independent Budget* recommends an appropriation of \$460 million, an increase of \$89 million over FY 2002.

The Administration has proposed \$394 million for VA research, an increase of \$23 million over the amount provided in FY 2002, but a full \$66 million below the \$460 million recommended by the *Independent Budget*.

We recognize that this Committee does not appropriate dollars, but you do authorize them. You serve as a resource, and as advocates, to the appropriators as they fashion budgetary policy. The authorization process must recognize the real resource requirements of the VA. We look to you, and your expertise in veterans' issues, to help us carry this message forward, to your colleagues and to the public.

The VA is facing a crucial hour in a critical time. As a Nation we must not forget the sacrifices, and the service, of the men and women who served on the ramparts of

freedom. If we provide inadequate budgets we are sending a clear message concerning what we value as a society. Let us make sure that the message we send is consistent with what we believe ourselves to be.

We need your help, and we offer our assistance, to ensure that the VA receives the funding it needs to ensure that veterans receive the health care they have earned, and the health care they have been promised. Let us move forward from our accomplishments of the last couple of years and build a strong, and continuing base, for the national asset that is the VA.

On behalf of the co-authors of the *Independent Budget*, I thank you for this opportunity to testify concerning the resource requirements of VA health care for FY 2003. I will be happy to answer any questions you might have.