

STATEMENT OF
DENNIS M. CULLINAN, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

H.R.4939 -- *Veterans Medicare Payment Act of 2002*

WASHINGTON, D.C.

JULY 16, 2002

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 2.7 million men and women of the Veterans of Foreign Wars of the U.S. and our Ladies Auxiliary, I would express our deep appreciation for being included in today's important legislative forum to discuss a bill to provide much needed additional funding for the Department of Veterans Affairs' Medical Care System.

Introduced by Chairman Christopher Smith of this committee and enjoying seventeen cosponsors at this writing, this legislation, the *Veterans Medicare Payment Act of 2002*, amends Part B of Title 18 of the Social Security Act to provide for a transfer of payment to the Department of Veterans Affairs for *outpatient* care furnished to Medicare-eligible veterans by the Department. In consonance with current VFW National Resolution 622 calling for the enactment of legislation authorizing VA to collect and retain Medicare dollars, the VFW is pleased and proud to lend its support to H.R. 4939.

While this bill does not, as called for in VFW Resolution 622, provide for the Department to be reimbursed by Medicare for *all* health care services provided to Medicare eligible veterans, it does provide for payments to VA for the largest segment of eligible VA health care users: those requiring outpatient care and services. The VFW emphasizes that this bill, in affording much needed additional non-appropriated dollars to the Veterans Health Administration, increases access to veterans throughout the nation, particularly in certain underserved and rural areas. The provision of timely, accessible and top-quality health care by VA to all veterans requiring such is a key priority of the Veterans of Foreign Wars.

In this vein, we believe VA must be provided with a viable and significant alternative-funding source to augment appropriated dollars. Full Medicare Reimbursement to VA for care provided eligible veterans is just such a funding stream. Also known as Medicare Subvention, implementing this concept would allow VA to collect and retain Medicare dollars thereby bolstering the system while at the same time providing Medicare-eligible veterans with the option of having VA provide for their

non-service connected health care needs. The enactment of H.R. 4939 would represent a major step toward realizing this vital objective.

It is our view that many veterans, particularly among our military retirees, would prefer to use their earned Medicare entitlement at VA as opposed to private sector providers. Unfortunately, current law prohibits Medicare from reimbursing VA for medical services it provides to eligible veterans even though the Medicare Trust Fund would potentially save money in the process because VA is known to provide more cost-effective care than the private sector. This situation deprives veterans of health care they need and desire while denying the VA health care system desperately needed additional funding.

Standing in strong support of H.R. 4939, I would now articulate the VFW's vision in support of full VA Medicare Subvention or Reimbursement. To achieve the desired result of shoring up the VA Medical Care System and providing enhanced care and services to veterans:

- Subvention must be implemented uniformly nation-wide so that the outcome is not distorted by regional variations in sick vs. healthy populations. This is also an issue of equity in that it would avoid discriminating between otherwise eligible veterans based solely on geographical location.
- There must be **no** annual cap on Medicare payments to VA. As was demonstrated with the DOD pilot, such an arbitrary upper limit would only place VA in a position to lose dollars relative to CMS with no reasonable expectation of recouping even a modest portion of the cost of providing care to an expanded Medicare eligible veteran patient workload.
- The Level of Effort (LOE) requirement must be eliminated. While the Trust Fund may be technically comprised of "federal" dollars, it is separate and discreet from the General Treasury from which VA appropriations properly flow as directed by the Congress and Administration. With respect to the provision of health care, VA should be treated no differently than any other provider. In the extremely unlikely event that VA becomes "over funded" under subvention, Congress is appropriate entity to take corrective action.
- The CMS capitation or payment formula must be adjusted to accommodate medical services *actually* provided by VA as opposed to only those currently covered under Medicare. As has been documented by the DOD pilot as well as the current situation in the private health care market, this is particularly urgent with respect to the provision of Managed Care which is the primary VA modality. Ancillary to this, payments to VA must be at a 100% rate and not at a reduced or discounted rate relative to other providers as has been proposed in earlier legislation.
- Full appropriation support must be maintained with absolutely no reduction in funding as a consequence of subvention funding. These dollars are to be applied to remedying over a decade of under funding of VA Medical Care and to cover the cost of providing for an expanded Medicare eligible patient workload.

Mr. Chairman and members of the committee, once again on behalf of the men and women of the Veterans of Foreign Wars I thank you for inviting us to present our views here today. Germane VFW Resolution 622 is appended to this testimony for your review, and I will be happy to respond to any questions you may have. Thank you.