

TESTIMONY OF

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PRESIDENT

NATIONAL ASSOCIATION
OF
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BEFORE THE JOINT HEARING
OF THE
HOUSE AND SENATE VETERANS' AFFAIRS COMMITTEES

MARCH 25, 2004

Mr. Chairman, Committee members, as President of the National Association of State Directors of Veterans Affairs (NASDVA) I thank you for the opportunity to testify and present the views of our veterans directors in the fifty states, commonwealths, and territories.

State government is the second largest provider of services to veterans, and our role continues to grow. We feel it is our responsibility to help Congress understand the role of states in complementing the efforts of the federal government toward "serving veterans". Our efforts are a major supplement to the federal government's ability to serve our veterans; and when government, at all levels, works together to accomplish the nation's goals, then we have served not only veterans, but all citizens who deserve the best return on their tax dollars.

We applaud the leadership of Chairman Smith and Ranking Member Evans, and other members, in building upon the administration's budget. NASDVA supports the solutions that your leadership provides, and we look forward to this happening in the FY 2005 budget. We agree with you that the level of increase recommended by the administration will not cover, even current, VA health care operations.

Health Services and Prescription Drugs:

- We are encouraged that Secretary Principi intends to implement the new "VA Advantage" program. Working with the Department of Health and Human Services, this program will allow Priority Group 8 veterans aged 65 and older to use their Medicare benefits to obtain VA health care. VA would receive Medicare payments to cover their costs. This is a concept we have strongly supported.
- NASDVA requests that Secretary Principi consider a veterans' medications purchase option.
 - Large numbers of Priority Group 7 and 8 enrollees only seek prescription drugs; they do not seek access to the VA health care system. A medication only purchase program could separate this population from the enrollee lists and reduce backlogs, assisting the VA in strategically addressing unique needs in an efficient manner.
 - We encourage refinement of the co-pay practices by VA. Such a plan might include an annual cap on the total amount paid by the veteran. It could also incorporate any future Medicare funding for medication as part of the payment, while maintaining good benefits for vets and cost less for VA to administer.

The creation of a prescription drug purchase program could accomplish the following:

- Provide a new health care benefit to the nation's veterans without increased cost.
- Clarify the VA health care enrollment issue to better identify, by category, those veterans who desire to receive the full spectrum of care from the system, versus medications only.
- Provide another mechanism for building a mandatory funding structure for the VA health care system, while gaining a fuller understanding of the true needs of those who seek to use it.
- Enable Congress to be in a much better position to determine the proper appropriation levels required to adequately fund the higher priority users of VA health care and the Medicare and medications purchase users.

Capital Asset Realignment for Enhanced Services (CARES):

- We anxiously await Secretary Principi's decision regarding the recommendations of the CARES Commission and the final plan. We support the general direction in which this important process will move VA as a national system.
- We support the development of Community-Based Outpatient Clinics (CBOCs) that have greatly improved veterans' access to VA health care. We are pleased to see additional CBOCs being recommended, especially since there has been little further development since the CARES process began. We encourage rapid deployment of the recommended new clinics.
- We strongly support VA contracting out some specialty care to private-sector facilities where access is difficult.
- We strongly encourage the catch-up of capital funding to support the many projects recommended by CARES, since much of the spending on infrastructure projects has been suspended during the CARES process.

Long Term Care Services and the State Veterans Homes Program:

NASDVA has serious concerns that the CARES initiatives, as expressed to date, do not address Long-Term Care (LTC) in a comprehensive manner. The recently released CARES Commission Report recognizes the critical role that

the State Veterans Homes play in providing long term care services to our aging veteran population. It is unfortunate that the VA's long term care initiatives fall short in their plans to capitalize on this indispensable and growing resource. Long-term care through our veterans' homes is an arena where the states have the most to offer and request Congress's attention to the following issues:

- Grant Applications for State Veterans' Home Construction and Renovation Projects

State government is required to commit funding up front but VA makes no commitment to meet any funding timeline. In today's state budget environment, this is a problem. Once a project is placed on the Priority One list, there should be a contractual requirement for funding within a reasonable time period. Instead of re-ranking all Priority One projects not funded, those projects should be ranked ahead of future year projects. That way, states will have certainty that VA will fund their projects, to which they have committed state funds, in a reasonable timeframe. Currently there are over \$200 million worth of projects that await funding on the Priority One list.

- Veterans with 70% Disability Who Require Long-Term Care

Under current law, the VA is prohibited from paying full reimbursement of care for these veterans if they choose a State Veterans Home. Only contracted facilities get the higher reimbursement. This is unfair to veterans and undermines the operation of State Veterans Homes. Veterans in this category have to pay the remainder or accept placement in a community facility where the VA will actually pay more than the average daily cost at state homes. We encourage a change in law to fix this inequity.

- VA Per Diem Grant Offset

Our State Veterans Homes are in a period of sustained managed growth as a result of increasing numbers of elderly veterans who need long term care. Our homes face the largest aging veterans' population in our nation's history.

The State Veterans Homes are financed in many different ways, but in recent years, twenty states certified their nursing homes through the Medicaid Program. This provided them the opportunity to use Medicaid funds and defray increasing long-term care and medical inflation costs. For those states, there is now ambiguity regarding the treatment of the VA per diem. Under CMS interpretation, VA per diem grants would be considered a third party payment in the Medicaid certified states. This would require that

the entire amount of the VA per diem be offset against Medicaid reimbursements, thereby denying states in the Medicaid Program the benefit of these payments.

The CMS interpretation would force the State Veterans Homes that do not currently offset the VA per diem payments against Medicaid funding to look for alternative funding sources, reduce their standards of care, and possibly close some because the financial impact would make them insolvent.

Mr. Phil Jean, President of the National Association of State Veterans Homes (NASVH), recently provided testimony to the House Veterans Affairs Committee on the importance of clarifying the law so that VA per diem grant payments are not treated as a third party payments under Medicaid. Federal law already includes exceptions for similar payments, including those made under the Indian Health, Community Health, and Migrant Health programs. NASDVA supports the National Association of State Veterans Homes in urging Congress to make this clarification.

VBA/Claims Management:

Mr. Chairman and members of the committee, I would now like to briefly discuss and provide recommendations for the improvement of the compensation and pension services provided by the Department of Veterans Affairs. Over the past several years and during this administration, a number of internal and external studies have been performed to investigate the processing of veterans' claims for benefits with the Department of Veterans Affairs (VA). Each of these efforts embraced the concept and principles of improving the process, reducing the backlog of unresolved claims, and ensuring equitable treatment of America's veterans seeking their benefits. The most recent (October 2001) is the *Report to the Secretary of Veterans Affairs* prepared by the VA Claims Processing Task Force.

The report makes a number of recommendations to improve the claims process, many of which are focused on improving accuracy and accountability on the part of VA staff. There are also a number of recommendations that focus on the preparation and development of claims – much of which occurs outside the VA business process. The report also makes reference to the relationship between Veteran Service Organizations and the VA as an obvious area for improving the service to veterans, and the associated need to develop an effective partnership program.

One of the most notable features of the report, however, is a failure to fully recognize the capacity and capabilities of the nationally chartered Veterans Service Organizations (VSOs), the National Association of County Veterans Service Officers (NACVSOs) network, and resources available from State Departments of Veterans Affairs (SDVAs). All of these organizations share a

long and proud history of providing claims assistance to veterans and their families. They provide a national voice for veterans' issues and continue to be the vanguards for change through their individual and collective legislative efforts. Additionally, State Departments of Veterans Affairs hold unique *statutory* authority to establish veteran service agencies within their states, and generally partnerships extend to the county and city Veteran Service Agency level, where service officers are most likely affiliated with a national VSO.

The National Association of State Departments of Veterans Affairs (NASDVA) wants to thank Secretary Principi for allowing the involvement of NASDVA in providing input for the development of the VA Claims Processing Task Force, Report to the Secretary of Veterans Affairs. That report, however, is now several years old and much work to improve the process remains to be accomplished. The challenge before us is clear. Develop a new approach to the long-standing problem facing all of us within the One VA system; reduce the time it takes to process a claim. NASDVA can and will be an effective partner to achieve this goal. Let me state emphatically, that NASDVA is eager to work with VBA to establishing performance standards and common expectations.

VBA should work with NASDVA in the spirit of true partnership to establish performance criteria, training, and certification with the focus of well-developed "ready-to-rate" claims from the service officers throughout the network. I am confident this work can and will provide recommendations and action plans to ensure we have the necessary number of trained service officers in the areas we need them. Capitalize on the best practices while providing autonomy and support to VARO Directors working with us to improve the process. The items contained in this recommendation are an attempt to embrace the recommendations of the VA Task Force and to further develop the overall intent of providing better quality claims services.

Outreach:

While some growth has occurred in VA health care, primarily due to improved access with CBOCs, many areas in the nation are being short-changed because veterans are not informed or aware of their rights! VA must reach out to veterans regarding their rights and benefits to which they may be entitled.

Last year, Senator Feingold introduced the "Veterans Outreach Improvement Act" to support states conducting "I Owe You" type events that get the word out to veterans about benefits. We support the intent of the legislation that would require VA to conduct outreach activities and ensure that the nation honors its debt to eligible and worthy veterans.

In conclusion, the National Association of State Directors of Veterans Affairs appreciates the opportunity to provide this Joint Committee with our recommendations. Representative Smith, Senator Specter, we respect the important work that you are doing to improve support to veterans who answered the call to serve in the past and all of those standing in harms way today. State government remains dedicated to doing its part, yet we urge you to be mindful of the increasing financial challenges that continue to affect us.

Thank you, Mr. Chairman. If there are questions, I would be happy to try to answer them.