

Congress of the United States
Washington, DC 20515

September 27, 2024

The Honorable Denis R. McDonough
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Secretary:

On September 19, 2024, Congress completed its work on the *Veterans Benefits Continuity and Accountability Supplemental Appropriations Act* (P.L. 118-82) and on September 23rd the Department of Veterans Affairs (VA) provided further information about its \$12 billion health care budget shortfall and supplemental appropriations request. We are fully focused on monitoring VA's use of the additional benefits funding and getting to the bottom of the health care shortfall while the Office of Inspector General (OIG) undertakes its forensic audit.

We believe it is wholly appropriate and necessary for you and your team to reconcile accounts for fiscal year 2024, entering into fiscal year 2025, and see where the books actually stand before making any definitive statements about the resources you have and additional resources you may need. Given VA's ongoing difficulties estimating demand, utilization, and costs, it would be irresponsible for Congress to appropriate extra taxpayer dollars based on speculation, or as the Veterans Health Administration (VHA) chief financial officer characterized her estimate of an element of the shortfall during the September 23rd briefing—a "S.W.A.G."¹

Now that VHA has provided a breakdown of the estimated \$12 billion health care shortfall, we are able to analyze its individual components.² Veterans' Affairs Committee members asked the chief financial officer and other VA witnesses many questions about this material during recent hearings. Some questions were answered; others were not. Many more questions remain.

In particular, we share our colleagues' concerns that VHA's dramatically increased pharmaceutical costs may be partly the result of prescribing practices that warrant further inquiry, that the bloated service contract spending has no obvious connection to direct patient

¹ "By the Letter, Here's a Glossary of Common Military Acronyms," Editors of Military.com, December 20, 2013: <https://www.military.com/join-armed-forces/glossary-of-military-acronyms.html>.

² The health care shortfall's components, as briefed to Committee staff on September 23rd are: additional hiring \$4,420,624,000; community care \$1,915,629,000; pharmacy \$3,413,973,000; prosthetics \$454,668,000; and "all other non-pay" \$1,751,957,000. In addition, non-recurring maintenance costs of \$223,169,000 were included as part of the shortfall but it is unclear to what extent this component is part of the supplemental request.

care, and that the more we learn about the various components of the shortfall, the more inconsistent VA's rationale seems to be.

We ask that you provide answers to the following questions along with all relevant documents no later than **October 18, 2024**:

- 1) Please provide obligation figures for disability compensation, pension, and education benefits for the month of September 2024 along with a comparison to the Veterans Benefits Administration's (VBA) original and revised spend plans. Indicate which obligations were funded by P.L. 118-82 and which were funded by base appropriations.
- 2) How much unobligated funding remains as carryover in the Compensation and Pensions and Readjustment Benefits accounts as of October 1, 2024?
- 3) How much unobligated funding remains as carryover in the Medical Services, Medical Support and Compliance, Medical Community Care, and Medical Facilities accounts as well as their analogous subaccounts within, or allocations from, the Toxic Exposures Fund as of October 1, 2024?
- 4) Provide a breakdown of the roughly 17,000 full-time equivalents (FTE) that VHA has already added, in terms of occupation, similar to the breakdown of the 5,000 FTE that VHA intends to add in fiscal year 2025, which was presented on September 23rd.
- 5) As to the prosthetics component of the shortfall, please indicate:
 - a. Which emerging technologies or unusually expensive items are contributing to the shortfall and how much of the shortfall they represent;
 - b. How many more veterans does VA estimate will require prosthetics in fiscal year 2025, what factors are driving their prosthetics utilization, and how much of the shortfall this represents;
 - c. Which index or measure of prosthetics inflation VHA uses and how it was selected; and,
 - d. Which "ongoing procurement challenges" are driving up prosthetics costs, how VA is attempting to address these challenges, and how much of the shortfall they represent.
- 6) When presenting information about prosthetics, please organize the information in terms of recognizable categories (e.g., artificial limbs, hearing aids, eyeglasses, wheelchairs, surgical implants, etc.) rather than the catch-all definition of 38 U.S. Code 8123.
- 7) In preparation for the briefing on "all other non-pay," please itemize the \$1,964,051,000 of increased expenses for "other contractual services."
- 8) Please explain how the expenditure growth rates for community care were developed in VA's fiscal year 2025 budget request and in VHA's current estimate.

- 9) Indicate how much VHA spent in fiscal year 2024 and expects to spend in fiscal year 2025 on tirzepatide and semaglutide, resmetirom, and other “single source drugs (e.g., innovator drugs where generics are not available)” or “new/high-cost agents.” List all such single source drugs and new/high-cost agents. Please also indicate how much of the shortfall they represent.
- 10) Please explain whether VA predicts prescription of tirzepatide and semaglutide will lead to long-term cost savings on diabetes care and related conditions such as those that lead to amputations and require prosthetic care. If so, please demonstrate these estimates.
- 11) Indicate VA’s cost per veteran, per one-month supply of tirzepatide and semaglutide and VA’s negotiated discount on these medications. Please explain how VHA providers prescribe tirzepatide and semaglutide when the drugs are not on the national formulary.
- 12) Please quantify and explain the intensity and inflation trends contributing to increased pharmaceutical costs in the shortfall. Demonstrate VA’s calculations of the “trend revisions” amounting to \$745,155,000 in fiscal year 2024 and \$1,668,818,000 in fiscal year 2025.
- 13) Please explain the non-recurring maintenance costs totaling \$223,169,000 including which projects are involved, why these costs increased or were not budgeted, why they pertain to fiscal year 2024 but not fiscal year 2025, and whether non-recurring maintenance is being factored into the shortfall, the supplemental request, or both.
- 14) Please explain why VHA included non-recurring maintenance costs in the shortfall presentation but not other subaccounts within the Medical Facilities account. In particular, please explain why Leases have not been included when VA is likely facing hundreds of millions of dollars in additional costs for leases that have exceeded their authorizations.
- 15) Please explain any and all impacts of the shortfall on the Caregiver Support Program and the care provided to veterans, including those with spinal cord injuries. Indicate which services have been or may be affected, and how.

Finally, we ask that you deliver the briefing on pharmaceutical and prosthetics costs that Chairman Bost requested in his July 17, 2024, letter as quickly as possible, and we reiterate Representative Self’s request on September 25th for an additional, dedicated briefing on “all other non-pay.”

Congress has always provided the resources for veterans' care and benefits, including by meeting VA's budget requests, and we remain committed to doing this in a responsible way. Thank you for your commitment to transparency in this vital matter. If you have any questions about these requests and to schedule the briefings, please do not hesitate to have your staff contact the respective Committee staffs.

Sincerely,



MIKE BOST
Chairman
Committee on Veterans' Affairs

JOHN R. CARTER
Chairman
Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies Appropriations

Cc: The Honorable Mark Takano, Ranking Member
The Honorable Debbie Wasserman Schultz, Ranking Member