A Review of the Fiscal Year 2023 Budget and 2024 Advance Appropriations Requests for the Department of Veterans Affairs

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THE INDEPENDENT BUDGET
A Budget for Veterans by Veterans
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Joint Statement of

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Before

The Senate Committee on Veterans' Affairs

On

A Review of the Fiscal Year 2023 Budget and 2024 Advance Appropriations Requests for the Department of Veterans Affairs

Chairman Tester, Ranking Member Moran, and members of the Committee, the co-authors of The Independent Budget (IB)—DAV (Disabled American Veterans), Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars (VFW)—are pleased to present our views regarding the President's funding request for the Department of Veterans Affairs (VA) for Fiscal Year (FY) 2023, including advance appropriations for FY 2024.

Earlier this year, on February 7, the Independent Budget Veterans Service Organizations (IBVSOs) released comprehensive recommendations for VA's FY 2023 and FY 2024 advance appropriations. The IB Budget Report, a copy of which is attached to this testimony, includes our detailed estimates of the level of funding required to meet the full veteran demand for VA services, benefits, and programs. Since the release of the IB Budget Report, Congress and the Administration completed work on the FY 2022 budget – almost six months into the fiscal year – and the Administration's new budget proposal was released. In today's testimony, we will primarily comment on VA's new budget request and how it compares to the IB's recommendations.

Veterans Health Administration (VHA)

Overall, the Administration's VA budget request for FY 2023 is a very strong proposal that would provide comprehensive and justified increases across most of the discretionary appropriations accounts. The largest share of the discretionary budget request is for the VA

health care system. The Administration's Total Medical Care funding request for FY 2023, including both VA- and community-provided care, is approximately $122.7 billion, which is slightly higher than the IB's estimate of $121.2 billion. However, we note that Administration's request for VA-provided medical care was slightly lower than the IB's estimate ($93.6 billion v. $95.0 billion), whereas the Administration's request for Medical Community Care was higher than the IB's estimate ($29.0 billion v. $26.1 billion). In addition, the Administration's FY 2024 advance appropriation request for Medical Community Care is significantly higher than the IB's estimate: $33.6 billion v. $27.3 billion.

Veterans must have access to both timely and high-quality care and we recognize that at times care must be provided in the community; however, the IBVSOs strongly recommend VA expand its capacity to directly provide medical care to veterans whenever and wherever feasible, rather than rely on purchased care for the long term.

We also note that VA and Congress must be prepared to adjust the level of VA medical care funding for FY 2023 and FY 2024 in response to significant changes in demand, whether resulting from unprojected utilization due to the pandemic, or changes in enrollment or utilization resulting from administrative, regulatory, or statutory changes. For example, enactment of comprehensive toxic exposure legislation or extension of the Secretary's freeze on caregiver program reassessments could increase funding requirements for both FY 2023 and FY 2024. If these or similar types of policy changes occur, VA must be prepared to request, and Congress must be prepared to approve, increased funding, including supplemental appropriations if necessary.

Medical Services

The IB's and Administration's recommendations for FY 2023 are much closer than they have been in recent years, but we continue to differ on the appropriate amount for VA health care.

Our recommendation reflects multiple components including the current services estimate, the increase in patient workload, and additional medical care program costs. It reflects increases based on uncontrollable inflation and a projected 4.6 percent federal pay raise for

all VA employees in FY 2023. The IBVSOs also estimate a four percent increase in VA health care utilization due to deferred demand, increased sickness, and morbidity from COVID as discussed above. In addition, if major toxic exposure legislation is enacted in 2023, VA may need additional funding to cover expanded health care eligibility. Our estimate of growth in patient workload is based on a projected increase of approximately 81,000 new unique patients, which includes an increase of approximately 78,000 new priority groups 1-6 veterans, a decrease of 23,000 priority groups 7 and 8 veterans, and an increase of 26,000 non-veteran users.

We believe there are additional projected medical program funding needs for VA totaling over $2.7 billion. Specifically, the cost to expand and improve services for women veterans, implement phase two expansion and the Beaudette v. McDonough court ruling regarding VA's comprehensive caregiver support program, and the cost to fill at least 33 percent of VHA's pending clinical care and support vacancies, which at the time our recommendations were prepared would have been approximately 13,000 full-time employees (FTE). According to VA's Section 505 (d) reporting for the first quarter of FY 2023, VHA's open vacancies have risen to 56,674 so we recommend sufficient funding be provided to fill 18,891 of VHA's open vacancies.

Suicide Prevention

The IBVSOs also differ with the Administration in terms of funding for suicide prevention. The Administration says it plans to reduce spending in this area by $101 million which is largely driven by the completion of the requirements of the 2019 Executive Order 13861, the President's Roadmap to Empower Veterans and End a National Tragedy of Suicide (PREVENTS). We believe the move to reduce funding in this area is premature and could undermine the recent progress achieved in combating this complex problem. The IBVSOs' recommendations include sufficient funding to hire approximately 450 new FTE ($63 million) to support the new 988 National Suicide Prevention Lifeline, and for the Vet Center program to increase staffing, resources, and expand their fleet of aging Mobile Vet Centers Vans.

Medical and Prosthetic Research

VA's Medical and Prosthetic Research program generates research discoveries that have

made significant contributions to improve health for veterans and all Americans. The VA research program also continues to support recruitment and retention of health care professionals and clinician scientists to serve our nation's veterans. For FY 2023, the IBVSOs' recommendation covers the cost of inflation and accelerates investments in research to address COVID-19, veterans' health disparities, clinical trials access, and veterans' mental health needs while renewing support for groundbreaking programs, like the Million Veteran Program, and expanding research on chronic and emerging needs of our nation's veterans. The value of cutting-edge research has never been demonstrated more clearly than over the past two years, and as a national leader, VA must continue to aggressively grow this program.

Long-Term Services and Supports

VA's Geriatric and Extended Care Strategic FY 2020-FY 2024 Plan projects expenditures for long-term care will double by 2037. In order to keep up with the demand for long-term services and supports, the IBVSOs recommended an increase of $375 million for VHA's Institutional Care and Home and Community Based programs.

Program of Comprehensive Assistance for Family Caregivers (PCAFC)

As the implementation date for PCAFC's phase two expansion approaches, VHA needs adequate funding to support the inclusion of more veterans into the program, and the Beaudette v. McDonough court ruling. Although the Caregiver Support Program (CSP) indicates it is on track to hire the authorized new staff it needs to handle the increased workload from the upcoming eligibility expansion, the work of restructuring the caregiver appeal program as required by the Beaudette decision and in compliance with new procedures mandated by the Appeals Modernization Act, P.L. 115-55, has been a challenge for VA's existing staff. In order to allow VA to meet these new requirements without negatively impacting the program, the IBVSOs recommended 100 new FTE be dedicated to appeals work in the CSP's central office and to cover the cost of caregiver benefits and increased staffing, which the IBVSOs recommended also be added to the caregiver program's budget.

Women Veterans

Women are the fastest growing group in the veteran population and the IBVSOs recommend greater investment towards their care. We recommended an additional $200 million be provided with $150 million of that amount dedicated to support for: VA creating and fully staffing high-quality, clinically relevant services for women veterans; VA's strategic planning for meeting women veterans' health care needs; VA increasing the number and quality of peer support specialists, care navigators, and doulas to assist women veterans; and for VA to create and maintain a dedicated consultative team to assist with managing the care of veterans throughout the maternity cycle. VA must be prepared to provide the highest quality of care to women veterans to guide and assist them during their seasons of life.

General Operating Expenses

Overall, the IBVSOs are pleased with the Administration's proposed budget for the General Operating Expenses, which includes the Veterans Benefits Administration, General Administration, and the Board of Veterans' Appeals. The proposed amount is a 13 percent increase over FY 2022.

Veterans Benefits Administration (VBA)

The COVID-19 pandemic continues to impact disability compensation claims processing with a current backlog of over 200,000 claims. Some veterans who missed their compensation and pension examinations in 2020 were able to reschedule and attend either in-person or virtual appointments during 2021, while others were hesitant to attend in-person exams.

In August 2021, VA added three new presumptive conditions associated with particulate matter exposure and has since hired 2,100 FTE to address the growing number of claims. In addition, the House and Senate introduced large, comprehensive legislative packages on

environmental hazards incurred through military service. In November 2021, VA announced a new pilot program to review certain cancers and serious respiratory conditions and their relation to toxic exposures, and recently, VBA announced they are considering the addition of nine new cancers. The IBVSOs anticipate the spotlight on toxic exposures will result in additional presumptive conditions, whether because of legislation or through a new VA presumptive process, which will further increase disability compensation claims.

The IBVSOs recommended additional FTE and $100 million for overtime in FY 2023, primarily to help VBA make progress on reducing the current backlog of disability compensation claims. In addition, these resources will help prepare VBA for an influx of claims related to toxic exposures in anticipation of Congress passing legislation and VA adding new presumptive conditions.

The Administration's budget will provide funding for 795 FTE to process claims for new respiratory conditions associated with environmental exposure; compensation and pension claims modernization to automate process from submission to authorization; and the Pension Optimization Initiative to reduce processing and wait times.

Board of Veterans' Appeals (Board)

The Appeals Modernization Act (AMA), effective in February 2019, has dramatically changed how veterans appeal decisions on claims for benefits from VBA, VHA, and the National Cemetery Administration. At the Board, appeals are separated between legacy appeals, those pending prior to AMA, and AMA appeals.

The Board employs Veterans Law Judges (VLJs) to conduct hearings and render decisions. Each VLJ requires support from attorneys and administrative staff. Recently, the VA Secretary authorized the Board to increase the number of VLJs. The Board is in the process of filling 35 VLJ positions; however, it was hampered by the Continuing Resolution that the federal government operated under until a final, full-year FY 2022 appropriation was approved. With 86,000 legacy appeals pending, 24,000 of them waiting for hearings;

115,000 AMA appeals; and 60,000 waiting for hearings, the Board needs to be fully staffed and provided adequate resources to increase timeliness and reduce the backlog of appeals.

For FY 2023, the IBVSOs recommended an additional 15 VLJs and an additional 100 FTE in other positions, to assist in driving down the backlog. The Administration's budget proposal of $285 million is an increase of 25 percent over FY 2022. This would provide the Board with 256 new FTEs, including 12 additional VLJs, 151 decision writing attorneys, and 93 appellate operational support and administrative staff. This budget request is projecting to increase the number of Board decisions by 15 percent and a reduction of legacy appeals by 57 percent. This budget is also crucial to addressing AMA appeals, caregiver appeals, and reduce the backlog of pending hearings.

Infrastructure

Over the past decade, the VA health care system has faced significant challenges and undergone historic reforms to improve veterans' access to timely and high-quality health care.

While VA has received increased funding levels to support the veterans' health care system and an increasing number of veterans are seeking VA care, the lack of resources for facilities management and modernization, sufficient health personnel to meet the demand for care and benefits, and replacement of aging systems of support continue to negatively impact accessibility. VA's aging infrastructure not only causes many veterans to wait too long and travel too far for care but also potentially endangers the health and lives of veteran patients and VA personnel.

We are pleased to see VA will direct funds from the Recurring Expenses Transformational Fund toward its construction accounts, but while this is a good step, we believe it clearly reflects the lack of a sufficient funding amount in the original budget request.

While VA's Strategic Capital Investment Planning (SCIP) process ostensibly provides a

consolidated and prioritized list of all VA major construction, minor construction, non-recurring maintenance (NRM), and lease projects, VA's budget request regularly fails to include the full SCIP funding estimates or priorities. The SCIP process does not provide a chronological list of anticipated repairs, renovations, and replacements of facilities necessary to develop an actuarial schedule of facility lifecycle repair and replacement costs. At best, SCIP provides nonbinding suggestions to the VA budget process, which are regularly ignored, resulting in an ever-increasing backlog of overdue maintenance and construction projects. Furthermore, as long as funding for VA infrastructure remains part of its discretionary budget, it must compete with other VA health care and benefit delivery priorities in an era of rising deficits and debt, budget caps, and sequestration. In this limited fiscal environment, VA is forced to choose between properly funding the maintenance of existing facilities or making overdue modernizations and expansions to meet veterans' future health care needs. As a result, the annual discretionary appropriations process has resulted in more than two decades of inadequate funding and a rising backlog of critical VA health care construction projects and leasing requirements. This underprioritizing has led to the need for the AIR (Asset Infrastructure Review) Commission, and we hope this Committee stands ready to remedy all of VA's infrastructure requirements needs.

Insufficient VA construction management and congressional oversight procedures are obstacles to timely and cost-effective infrastructure maintenance and construction. Neither VA's Office of Construction and Facilities Management nor individual VA facilities have the staffing or expertise required to plan or oversee VA's infrastructure at the levels needed to reduce the construction backlog. VA's multi-step planning, contracting, funding, and approval process is consistently plagued by delays and cost overruns, and low funding thresholds for minor construction and NRM, as well as PAYGO scoring rules, have unnecessarily limited clinical treatment.

To overcome VA's infrastructure challenges, Congress must not only provide significantly increased funding to fully address these long-standing issues, but also enact comprehensive planning, budgeting, management, and oversight reforms to ensure more effective use of those funds. The IBVSOs recommend VA's construction budget should be, at a minimum, three percent of its overall operating budget, just to keep up with the growing backlog. In order to reduce the backlog, in addition to increased funding, more employees and contractors are needed to oversee the necessarily increased workload. The IBVSOs also recommended partnering with the Army Corps of Engineers whenever possible to help reduce the construction backlog.

These construction dollars should also be separate from the AIR recommendations. As we have seen from the initial AIR recommendations there are a substantial number of changes proposed for the VA health care system. However, the recommendations do not close as many buildings as some proponents of the process anticipated. Many services within VA facilities will be shifted to community partners, or other VA clinics or hospitals. Most of the market assessments initially recommend retaining a large percentage of VA facilities and simply shifting services at those facilities.

If these initial recommendations are an indication of the final product of the AIR Commission, they reinforce the notion that we should not wait until the completion of the AIR process and instead, redouble efforts to improve the facilities VA already has. There are billions of dollars' worth of necessary repairs and upgrades needed for VA buildings, and those need to take place concurrently with the AIR process.

Lastly, the IBVSOs are concerned about the seemingly lack of priority for seismic corrections in this budget request. VA has identified approximately seven billion dollars' worth of necessary corrections. We view seismic deficiencies as potential life safety issues and that work should not be spread out over years. Instead, they should be prioritized and rectified as quickly as practical.

Thank you for the opportunity to submit our views on the Administration's budget request for VA. We firmly believe that unless Congress acts to substantially increase VA's funding for FY 2023, veterans will be forced to wait longer for care, whether they seek it at VA or in the community, leaving unfulfilled the promises made to veterans.