

Written Statement of

**RICHARD J. SANTOS
National Commander
The American Legion**

To the

**Committee on the Budget
United States Senate**

Concerning

The Fiscal Year (FY) 2003 Budget Resolution

On

February 5, 2002

Mr. Chairman and Members of the Budget Committee:

The American Legion welcomes the opportunity to present its views on the FY 2003 Budget Resolution. As you and your colleagues consider the President's recent budget request, I share the views of the nation's largest wartime veterans' service organization.

The American Legion's reputation as an advocate for maintaining a strong national defense is well documented, dating back to its very beginning in 1919 in Paris, France. As veterans of the *War to End All Wars*, The American Legion founders established an organization:

- To uphold and defend the Constitution of the United States of America;
- To maintain law and order;
- To foster and perpetuate a one-hundred percent Americanism;
- To preserve the memories and incidents of our associations in the Great Wars;
- To inculcate a sense of individual obligation to the community, state, and nation;
- To combat autocracy of both the classes and the masses;
- To make right the master of might;
- To promote peace and good will on earth;
- To safeguard and transmit to posterity the principles of justice, freedom and democracy;
- To consecrate and sanctify our comradeship by our devotion to mutual helpfulness.

The only common bond of all Legionnaires is honorable military service during a period of armed conflict. Legionnaires are men and women that belong to an organization based upon comradeship. This group of veterans is devoted to fair and equitable treatment of their fellow veterans, especially the service-connected disabled. Another group of veterans honored by The American Legion is those fallen comrades that are killed in action (KIA), missing in action (MIA), or those held as prisoner of war (POW). These service members often leave spouses and

children behind. For those who have paid the ultimate sacrifice for freedom, The American Legion will honor their service by making sure this nation fulfills its promises to their survivors. For those listed as MIA or POW, The American Legion will continue to demand the fullest possible accounting of each and every comrade.

National Security

The deep-rooted interest of The American Legion in the security of the nation was born in the hearts and minds of its founders and sustained by its current membership. The bitter experiences of seeing comrades wounded or killed through lack of proper training crystallized the determination of Legionnaires to fight for a strong, competent defense establishment capable of protecting the sovereignty of the United States. The tragic events of World War I, largely precipitated by unprepared military, were still vivid in the minds of combat veterans that founded The American Legion. After 22 years of repeated warnings by The American Legion, Pearl Harbor dramatically illustrated the cost of failed vigilance and complacency.

For over 83 years, The American Legion's drumbeat on defense issues has remained constant. With the evolution of space age technology and scientific advancement of conventional and nuclear weapons, The American Legion continues to insist on a well-equipped, fully manned, and a properly trained fighting force to deter aggressors. The events surrounding September 11, 2001 publicly exposed a soft underbelly of America to acts of terrorism, especially the vulnerability to nuclear, biological, and chemical (NBC) warfare.

America's armed forces must be well manned and equipped, not to pursue war, but to preserve the hard-earned peace. The American Legion is fully aware of what can happen when diplomacy and deterrence fail. Many military experts believe that the current national security is based on budgetary concerns rather than real threat levels to America and its allies. As the world's remaining superpower, America's armed forces need to be more fully structured, equipped, and budgeted.

Defense budget, military manpower, and force structure are currently improving over the FY 2001 levels. The current operational tempo of active-duty and Reserve and Guard forces remains extremely high and very demanding. The American Legion recommends:

- Active-duty personnel level should not be less than 1.6 million.
- The Army must maintain 12 fully manned, equipped, and trained combat divisions.
- The Navy must maintain 12 aircraft carrier battle groups and a viable strategic transport capability.
- The Air Force must maintain, at a minimum, 15 fighter wings, a strategic bombing capability, its Intercontinental Ballistic Missile capability and a global strategic transport capability.
- Deployment of a national missile defense system.
- The defense budget should equal 3-4 percent of the Gross Domestic Product.

The current active-duty personnel level is approximately 1.37 million. Military leaders are making up the difference by increasing the operations tempo and by over-utilizing the Reserve components. Currently, American military personnel are deployed to over 140 countries

worldwide. Overseas deployments have increased well over 300 percent in the past decade. Many of these personnel continue to come from the Reserve and Guard components.

Cuts in force structure cannot be rapidly reconstituted without the costly expenditures of time, money, and human lives. Modernization of weapon systems is vital to properly equipping the armed forces, but are totally ineffective without adequate personnel to effectively operate the state-of-the-arts weaponry. The American Legion strongly recommends adequate funding for modernization of the services. America is losing its technological edge. No American soldier, sailor, airman, or Marine should be ordered into battle with obsolete weapons, supplies, and equipment. America stands to lose its service members on the battlefield and during training exercises due to aging equipment. The current practice of trading off force structures and active-duty personnel levels to recoup modernization resources must be discontinued.

The American Legion recommends restoring the force structure to meet the threat level and to increase active-duty personnel levels. Ensuring readiness also requires retaining the peacetime Selective Service System to register young men for possible military service in case of a national emergency. Military history repeatedly demonstrates that it is far better to err on the side of preserving robust forces to protect America's interest than to suffer the consequences of ill preparedness. America needs a more realistic strategy with an appropriate force structure, weaponry, equipment, and active-duty personnel level to achieve its objectives.

A major national security concern is the enhancement of the quality-of-life issues for service members, Reservists, National Guard, military retirees, and their families. During the First Session, President Bush and Congress made marked improvements in an array of quality-of-life issues for military personnel and their families. These efforts are visual enhancements that must be sustained. The cost of freedom is on going, from generation to generation.

The President and Congress addressed improvements to the TRICARE system to meet the health care needs of the military beneficiaries; enhanced the Montgomery GI Bill educational benefits; and homelessness throughout the veterans community. For these actions, The American Legion applauds your strong leadership, dedication, and commitment. However, one issue still remains unresolved: the issue of concurrent receipt of full military retirement pay and VA disability compensation without the current dollar-for-dollar offset. The issue of concurrent receipt appeared in the FY 2002 budget resolution and the FY 2002 defense authorization act. Every day, new severely disabled military retirees are joining the ranks of American heroes being required, by law, to forfeit military retirement pay.

Recently, 14 soldiers and 2 airmen were awarded Purple Hearts from the War on Terrorism. These newest American heroes would be the latest victims of this injustice should their war wounds result in debilitating medical conditions. During the State of the Union Address, one such future recipient, SFC Ronnie Raikes, was sitting next to the First Lady. Concurrent receipt legislation in both chambers (S. 170 and H.R. 303) has overwhelming support by your colleagues. With the President's proposed \$48 billion increase in defense spending, The American Legion believes now is the time to correct this terrible injustice. Enactment of corrective legislative and fully funding concurrent receipt are actions to properly reward heroism and courage under fire.

If America is to continue as the world's remaining superpower, it must operate from a position of strength. This strength can only be sustained through meaningful leadership and adequate funding of the armed forces.

Veterans' Health Care

The American Legion believes that the primary mission of the Department of Veterans Affairs (VA) is to meet the health care needs of America's veterans. The American Legion believes that the VA should continue to receive appropriate funding in order to maximize its ability to provide world-class health care to the large number of aging veterans, while still maintaining services to a younger cohort of veterans who are using VA for the first time. The American Legion greatly appreciates the actions of all Members of Congress regarding the increase in VA Medical Care funding for FY 2002. Now, please focus your attention to the increases in FY 2003.

Just like the Medicare and Medicaid programs, the VA health care budget requires an annual increase to maintain its existing service level and to fund new mandates. For years, VA managers were asked to do more with less. The recent funding increase now allows the Veterans Health Administration (VHA) to catch up with the growing demands placed upon the system and repair some of the problems related to long patient waiting times and limitations on access to care.

The American Legion felt that the President's budget request last year failed to accurately reflect VA's FY 2002 health care funding needs. VA's projections misrepresented the actual number of veterans seeking care. It appears that the President's budget request was based on a much lower number of patients projection (less than 3 percent) than the actual number of users (closer to 11 percent). Fortunately, Congress added over \$300 million to the President's original request; however, VHA is now faced with dealing with an inadequate FY 2002 budget. The American Legion believes that close to 5 million veterans will seek care in VHA medical facilities in FY 2003. Last year, The American Legion requested \$21.6 billion in FY 2002; however, this year we recommend \$23.1 billion for VA medical care.

Many factors are driving more veterans to use VHA as their primary health care provider:

- Many Medicare+Choice health maintenance organizations (HMOs) withdrew from the program;
- Many HMOs collapsed;
- VHA has opened community based outpatient clinics;
- Double-digit increase in health care premiums;
- The dramatic fluctuations in the national economy make VHA a more cost-effective option for veterans; and
- VHA's reputation for quality of care and patient safety is attracting new patients.

Where comparable data exist, VHA continues to outperform the private sector in all indicators in health promotion and disease prevention. The American Legion adamantly believes VHA is the best health care investment of tax dollars. The average cost per patient treated within VHA is

unmatched by any other major health care delivery system, especially with comparable quality of care.

Mr. Chairman and Members of the Committee, the reason VHA medical care continues to increase annually is not because of uncontrollable cost increases nor poor cost estimations, but rather because thousands of veterans are voting with their feet. More and more veterans are choosing to use their earned benefit – access to VHA. However, enrollment in VHA is limited to existing discretionary appropriations. The American Legion urges Congress to evaluate several options that would assure every veteran that wants to enroll in VHA can enjoy that earned benefit. The key factor driving the increases in medical care funding requirements has not been uncontrolled cost increases, nor has it been poor cost estimation processes – it has been the unexpected and dramatic increase in demand for care from the VA system.

The overall guiding principle for VA must be improved services to veterans, their dependents, and survivors. This will require improving access and timeliness of veterans' health care; increasing quality and timeliness in the benefit claims process; and enhancing access to national and state cemeteries. Specific American Legion objectives for Congress include:

- Sound VHA funding for long-term strategic planning and program performance measurement,
- Additional revenue for staff and construction,
- Medicare subvention,
- Pilot programs for certain dependents of eligible veterans,
- VA and DoD sharing,
- Reduce the claims backlog,
- Repeal bar to service-connection for tobacco-related illnesses,
- Increase the rate of beneficiary travel reimbursement, and
- Allow all third-party reimbursements collected by VA to supplement, rather than offset, the annual Federal discretionary appropriations.

The American Legion created the *GI Bill of Health* as a blueprint for meeting the current and future health care requirements of the nation's veterans and for supplementing VA's annual health care appropriation. The *GI Bill of Health*, once fully implemented, would expand VHA's patient base and increase its non-appropriated funding through new revenue sources.

As VHA continues to re-invent itself, change is not a defining event, but rather a series of small steps. Despite its recent successes, VHA still faces numerous future challenges.

The American Legion believes VHA's long-term future must be clearly defined to be responsive to those who have "borne the battle." All individuals, who enter military service, should be assured that there is a health care system dedicated to serving their needs upon leaving the military. That concept is especially important to disabled veterans and to retired service members. The *GI Bill of Health* would ensure that all honorably discharged veterans would be eligible for VA health care, as they will fall into one of the core entitlement categories and into a health insurance or buy-in category. A unique feature of the *GI Bill of Health* is that it will also permit certain dependents of veterans to enroll in the VA health care system.

The American Legion commends VA for the changes made within VHA over the past few years. These changes include eligibility reform, enrollment, the reorganization of the 172 medical centers into 22 integrated operating units, the elimination of certain fiscal inefficiencies, and the expansion of community based outpatient clinics. In some cases, The American Legion believes VA has gone too far in attempting to improve fiscal efficiency. Veterans should not have to increase their travel time for the benefit of the Department. Rather, VHA needs to improve its cooperation with other Federal, state, and private health care providers to improve the quality and timeliness of care for veterans and their families. The American Legion encourages VHA to continue to provide health care that is the highest quality to all veterans at the most reasonable cost.

Two additional significant steps required to re-engineer VHA are Medicare subvention and permitting certain dependents of veterans to utilize the system.

Unlike in the private sector, Medicare-eligible veterans cannot use their Medicare benefits in a VHA facility for treatment of nonservice-connected conditions. When Medicare-eligible veterans receive health care treatment for any medical condition in the private sector, the federal government reimburses the health care provider for a portion of that service. When Medicare-eligible veterans receive health care treatment for the same medical conditions (nonservice-connected) within VHA, the federal government will not reimburse VHA for any portion of that service. This equates to a restriction on a veteran's right to access health care of his or her choice and using his or her Medicare benefit. The American Legion believes that Medicare subvention will result in more accessible, quality health care for all Medicare-eligible veterans. Furthermore, Medicare subvention should greatly reduce incidents of fraud, waste, and abuse in billing because it will occur between two Federal agencies with congressional oversight. Today's fiscal realities requires VHA to seek other revenue streams to supplement the growing demand for service and not simply rely on saving more dollars to serve more veterans. The American Legion strongly recommends allowing Medicare subvention for Priority Group 7 Medicare-eligible veterans enrolled in VHA.

Allowing certain veterans' dependents access to health care within VHA will also help develop new revenue streams and will ultimately improve recruitment and retention within the armed forces. Service members need to know that their dependents have access to quality health care while serving on active duty. The American Legion believes that VHA can and should play a larger role in the provision of this care to active duty service members. Additionally, when service members leave active duty, this health care coverage should continue. VHA has the capacity and the capability to play a much larger role in the provision of health care to the beneficiaries of DoD health care system.

VHA has six strategic goals through the year 2006:

- Put quality first.
- Provide easy access to medical knowledge, expertise and care.
- Enhance, preserve and restore patient function.
- Exceed customers' expectations.
- Save more dollars to serve more veterans.
- Build healthy communities.

Unfortunately, nowhere in the list of VHA priorities are the goals of Medicare-subvention, the treatment of veterans' dependents, expanding the non-appropriated funding revenue base, and greater cooperation with the private sector and with DoD health care system.

Veterans' Benefits

Given the number of veterans and other claimants who file claims each year and with an annual expenditure of over \$25 billion in compensation and pension payments, it is imperative that Congress maintain strong oversight of the operations of Veterans Benefit Administration's (VBA's) Compensation and Pension Service.

Over the last several years, the backlog of pending claims and appeals has increased dramatically and now exceeds over 660,000 cases. It routinely takes six months to a year or more to process disability compensation claims. In addition, annually, some 60,000 to 70,000 new appeals are initiated. After a wait of over two years for an appeal to reach the Board of Veterans Appeals (BVA or the Board), more than 20 percent will be allowed and more than 22 percent will be sent back to the regional office for further required development and readjudication. Remanded cases may be pending for another year or two, in the regional office before returning to the Board. Sometimes, cases are remanded two and three times because the specified corrective action had not been completed, which adds several more years to the appeal.

Unfortunately, there is a pattern of recurring issues, which continue to have a direct and adverse effect on the quality and timeliness of regional office claims adjudication. They relate to budget, staffing, training, quality assurance, accountability, and attitude. These findings confirm our long-held view that quality must be VBA's highest priority. Without guaranteed quality, thousands of claims will continue to process unnecessarily through the system; much of VBA's valuable financial and personnel resources will be wasted; and veterans will not receive the benefits and services they are entitled to and that Congress intended they should have.

The American Legion believes VBA is committed to bringing about much needed change to the claims adjudication system with the overall goal of providing quality, timely service to veterans and its other stakeholders. In recent years, VBA's strategic plans have made many promises and we have, in fact, seen the implementation of a variety of programmatic and procedural changes. However, it is obvious that progress toward major improvements in service continues to be slow and that much remains to be done. The overall quality of regional office decision making remains problematic.

Secretary Principi has identified many problems and is working diligently to find solutions that will provide improved service to veterans and their families. There are a spectrum of ongoing and planned initiatives, such as the Pre-Discharge Examinations, Personnel Information Exchange System (PIES), Electronic Burial Claims, Virtual VBA, Decision Review Officer (DRO) Program, and personal hearing teleconferencing, just to name a few. In addition, VBA has begun implementing the recent recommendations of the Secretary's Claims Processing Task Force focusing on improving the operating efficiency of the process and procedures by which claims are adjudicated. These involve special initiatives to better manage the claims and

appeals. There will be an emphasis on better training for the many newly hired adjudicators. Performance standards are being implemented that provide for personal and organization accountability. VBA is continuing the development of its information technology program.

While we support these much-needed changes, we are concerned that they only indirectly address the core problem of continued poor quality decision making. Without a vigorous, comprehensive quality assurance program, thousands of claims will continue to process needlessly through the regional offices, the Board of Veterans Appeals, and the courts wasting time, effort and taxpayers' money. Veterans have a right to a fair, proper, and timely decision. They should not have to endure financial hardship and delay before receiving the benefits to which they are entitled by law.

The workload and budgetary requirements of National Cemetery Administration (NCA) will continue to grow over the next 15-20 years. The death rate of World War II veterans will peak in 2008, but the annual death rate of veterans will not return to 1995 levels under 2020. The death rates of Korean and Vietnam Era veterans will greatly accelerate thereafter. The American Legion continues to fully support the further development of the State Cemetery Grants Program.

The Veterans Millennium Health Care and Benefits Act (Public Law 106-117) requires VA to provide long-term nursing care to veterans rated 70 percent disabled or greater. The new law also requires VA to provide long-term nursing care to all other veterans for service-connected disabilities and to those willing to make a co-payment to offset the cost of care. Further, it requires VA to provide veterans' greater access to alternative community-based long-term care programs. These long-term care provisions will place greater demand on VA and on the State Veterans Home Program for years to come.

The American Legion believes that it makes economic sense for VA to look to States governments to help fully implement the provisions of PL 106-117. VA spends on average \$225 per day to care for each of their nursing care patients and pays private-sector contract facilities an average per diem of \$149 per contract veteran. The national average daily cost of care for a State Veterans Home nursing care resident is about \$140. VA reimburses State Veterans Homes a per diem of \$40 per nursing care resident. Over the long term, VA saves millions of dollars through the State Veterans Home Program.

The American Legion supports the State Veterans Home Program and believes the federal government must provide sufficient construction funding to allow for the expected increase in long-term care veteran patients.

On September 11, 2001, I was about to present testimony before a Joint Session of the Veterans' Affairs Committees, when we were directed to evacuate the Cannon House Office Building. Like Americans around the world, I was shocked by the barbaric, terrorist actions taken against innocent airline passengers, those in the World Trade Towers, and those in the Pentagon. My heart swelled with pride as fearless rescue workers, fellow service members, and private citizens rushed to assist the victims, only to experience the heartache as the Twin Towers collapsed turning heroes into victims in a matter of seconds. At that specific moment, the importance of

that testimony paled in comparison. The American Legion's efforts, like the rest of America, shifted to what we do best – helping at the community, state, and national level.

Summary

Since I was unable to formally present my testimony, I did submit The American Legion's recommendations for the VA budget for FY 2003 for the record. Today, it is important that I share that information to this Committee:

Program	P.L. 106-377	P.L. 107-73	Legion's FY 2003 Request
<i>Medical Care</i>	<i>\$20.2 billion</i>	<i>\$21.3 billion</i>	<i>\$23.1 billion</i>
<i>Medical and Prosthetics Research</i>	<i>\$350 million</i>	<i>\$371 million</i>	<i>\$420 million</i>
<i>Construction</i>			
<i>Major</i>	<i>\$ 66 million</i>	<i>\$183 million</i>	<i>\$310 million</i>
<i>Minor</i>	<i>\$170 million</i>	<i>\$211 million</i>	<i>\$219 million</i>
<i>State Veterans' Home</i>	<i>\$100 million</i>	<i>\$100 million</i>	<i>\$110 million</i>
<i>State Veterans' Cemeteries</i>	<i>\$ 25 million</i>	<i>\$ 25 million</i>	<i>\$ 30 million</i>
<i>NCA</i>	<i>\$110 million</i>	<i>\$121 million</i>	<i>\$140 million</i>
<i>General Administration</i>	<i>\$1 billion</i>	<i>\$1.2 billion</i>	<i>\$1.3 billion</i>

The American Legion believes that the true character of any democracy is best reflected in the way it treats its veterans of the armed forces – the true preservers and defenders of liberty.

Mr. Chairman and Members of the Committee, that concludes my written statement.