

**Statement of**  
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**THE AMERICAN LEGION**  
**For**  
**SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES**  
**COMMITTEE ON APPROPRIATIONS**  
**UNITED STATES SENATE**  
**On the**  
**DEPARTMENT OF VETERANS AFFAIRS' BUDGET FISCAL YEAR 2001**  
**APRIL 7, 2000**

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates the opportunity to comment on the Administration's Fiscal Year (FY) 2001 budget proposal for the Department of Veterans Affairs (VA). The main challenge to veterans' advocates in this new century is to protect and improve the hard won and well deserved benefits that veterans and their survivors have and to continue to redress the problems that remain within all three VA administrations. To that end, the President's FY 2001 budget for VA sets forth a good beginning.

The President's FY 2001 budget for VA programs and services includes a budget authority of \$47.6 billion, an increase of \$1.7 billion over the enacted FY 2000 level. The medical care budget of \$20.9 billion includes a \$1.35 billion appropriations increase; entitlement spending of \$24.6 billion reflects an overall \$200 million increase; and other discretionary spending totaling \$2.1 billion increases by \$100 million. VA is projecting Medical Care Cost Fund revenues of \$600 million to achieve a total medical care budget of \$20.9 billion.

Last September, I appeared before a Joint Session of the Congressional Committees on Veterans' Affairs to present The American Legion's FY 2001 budget recommendations for VA. My recommendations and the President's FY 2001 budget compare as follows:

	<u><b>FY 2001 VA BUDGET</b></u>	
	<i><u>President's FY 2001 Request</u></i>	<i><u>American Legion Recommendation</u></i>
Medical Care (appropriations)	\$20.3 billion	\$20.5 billion
Medical and Prosthetics Research	\$ 321 million	\$ 375 million
Major Construction	\$ 62 million	\$ 200 million
Minor Construction	\$ 162 million	\$ 200 million
Grants for State Extended Care	\$ 60 million	\$ 110 million *
National Cemetery Administration	\$ 110 million	\$ 110 million
State Grants Cemetery Program	\$ 25 million	\$ 25 million
Veterans Benefits Administration		
General Operating Expenses (GOE)	\$ 1 billion	\$ 960 million

\* The American Legion recommendation for the Grants Program for State Extended Care Facilities has subsequently been revised to \$150 million.

### **VETERANS HEALTH ADMINISTRATION (VHA)**

The American Legion believes the President's FY 2001 medical care budget is a responsible budget, but still falls short of necessary funding support. The medical care budget proposes an increase of \$1.355 billion, to be targeted as follows:

- Expend \$548 million to fully meet the costs of the Veterans Millennium Health Care and Benefits Act, Public Law 106-117, regarding emergency care, extended care services, and specialized mental health services,
- Continue an aggressive response to Hepatitis C by increasing funding by \$145 million over FY 2000 projections,
- Enhance Patient Safety Management and Training by adding 190 full-time employees (FTE) for oversight safety issues (to a level of \$137 million for patient safety and 484 FTE system-wide).
- Access and Service Improvements with \$400 million and 2,200 FTE realigned to meet the goal of veterans receiving a primary care appointment within 30 days, obtaining a specialty clinic appointment within 30 days, and being seen within 20 minutes of scheduled appointments (\$200 million expenditure over the FY 2000 level), and
- Open 63 new outpatient clinics and treat 100,000 more veterans than in FY 2000.

These necessary initiatives account for nearly \$1 billion of the total projected FY 2001 medical care funding increase. The additional \$355 million increase has to absorb the projected cost for current service adjustments, pharmaceutical increases, prosthetics services, dental services, and all other programs. In all honesty, \$355 million is not sufficient to cover all other fixed expenses. VHA is projecting new management efficiencies of \$360 million just to stay within the budget targets. This is the portion of the Administration's FY 2001 VHA budget that is fraught with danger.

Therefore, The American Legion recommends at a minimum, a FY 2001 appropriations increase of \$1.5 billion for VA health care. With a slight increase in MCCF revenues, above the current year level, and with realistic efficiency enhancements, VHA will be in a much better position to meet its FY 2001 obligations.

### **MEDICAL AND PROSTHETIC RESEARCH**

The Administration is proposing a FY 2001 straight-line budget for medical and prosthetics research. Dollar for dollar, VA is widely recognized for conducting a very effective research program. VA devotes 75 percent of its research funding to direct clinical investigations and 25 percent to bioscience. Patient-centered research comprises one of every two dollars spent on VA research. While more responsibility is delegated to VA research through its Rehabilitation Research Centers of Excellence, the Geriatric Research, Evaluation and Clinical Centers, and the recently established Mental Health Research Centers of Excellence, it is negligent to propose a flat line budget for FY 2001.

Two years ago, the Administration committed to a goal of doubling VA's medical and prosthetics research budget over a five-year period. The research budget was then \$282 million. VA's research appropriation requires a significant funding increase over several years to accomplish its mission and goals. It is essential to know what research programs and initiatives the Administration would propose reducing, in light of its failure to acknowledge a necessary

funding increase over the current services level. With a flat-line budget for FY 2001, VA will be seriously challenged in attracting and retaining competent research professionals.

VA research cannot maintain its current efforts or plan its future activities when its budget is so uncertain from year to year. The American Legion previously recommended that VA research funding be set at three percent of the Department's medical care appropriation. Currently, the research budget represents 1.5 percent of health care funding. Most major corporations devote at least three percent of their budget to research and development and there is no reason why VA cannot do the same. It's a struggle convincing the Department to devote more of its funding to research and development, aside from seeking these resources from Congress.

VA recently expanded its Rehabilitation Research Centers from three to nine. This program, including its efforts in spinal cord, stroke, rehabilitation, multiple sclerosis, and low vision research will be significantly derailed under the FY 2001 budget. VA has not funded one cooperative research project this year due to its current inadequate research appropriation. Cooperative research programs affected include diabetes, heart disease and Parkinson's disease.

The Quality Enhancement Research Initiative (QUERI) will be further reduced under the FY 2001 budget. This program started with ten separate areas of research investigation and has already been reduced to eight topics due to a shortage of funding. It is projected that the program will be further reduced to five topic areas under the FY 2001 budget. QUERI is an exciting program that not only accomplishes patient related research but also translates that research into direct patient care.

Department facilities are also seriously short of research space. With over 3,000 underutilized buildings across the system, minor construction improvements are critically necessary. VA estimates that infrastructure improvements at the 25 neediest sites will cost approximately \$25 million.

Nearly 75 percent of VA's medical investigators are physicians. These doctors will not remain with VA as the research program continues to grow smaller. While VA's research appropriation represents about one-third of its overall research budget, it is an important one-third. It is up to Congress to correct this glaring funding deficiency in VA's FY 2001 budget and for the future.

### **MEDICAL CONSTRUCTION AND INFRASTRUCTURE SUPPORT**

The Administration proposes \$62 million for major construction projects for FY 2001 and \$162 million for minor construction. The initial VA proposal to the Office of Management and Budget was \$260 million for major construction and \$222 million for minor construction.

The American Legion believes both major and minor construction proposals are impracticable to the prevailing needs. VHA would greatly benefit from developing a five-year strategic plan for priority construction requirements - and making this plan available to all interested parties to generate maximum support. There is no consistency to what construction project's OMB supports. The infrastructure needs of VHA that receive OMB approval are totally budget driven, rather than needs driven.

The American Legion supports the seismic correction project for VAMC Palo Alto, CA. However, seismic projects are also necessary for VAMCs Long Beach and San Diego, CA. There is also a compelling need to renovate various buildings at the Brecksville Division of VAMC Cleveland, OH and to construct a new spinal cord injury unit at VAMC Augusta, GA.

For minor construction, the proposed \$162 million budget will not begin to address the system's many requirements. Various VA facilities require significant clinical and ambulatory care renovations to accommodate the recent increases in primary care.

The longer VA has to defer receiving the necessary funds to maintain state-of-the-art medical care facilities and address critical patient safety issues, the harder it becomes to catch up. Once again, there is ample evidence of a penny-wise, pound-foolish construction philosophy.

#### **GRANTS FOR CONSTRUCTION OF STATE EXTENDED CARE FACILITIES**

The recently enacted Millennium Act requires VA to provide long-term nursing care to veterans rated 70 percent service-connected or greater. It also requires VA to provide long-term nursing care to all other veterans for service-related disabilities and to those willing to make a copayment to offset the cost of care. Further, the bill 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 Home Program for many years to come.

It makes economic sense that VA look to the state homes to help fully implement the provisions of the Millennium Act. VA spends an average \$255 per day to care for each of their long-term nursing care residents and pays private-sector contract nursing homes an average per diem of \$149 per contract veteran. The national average daily cost of caring for a State Veterans Home nursing care resident is approximately \$140. VA reimburses State Veterans Homes a per diem of only \$40 per nursing care resident.

The \$60 million proposed for FY 2001 would not come close to meeting the program's full requirements. The State of Texas alone requires \$58 million in matching VA grants to fully fund all seven newly approved state veterans' homes. Throughout the Nation, 2,500 new long-term care beds (including domiciliary beds) are waiting for matching VA grants. The bottomline is that the State Veterans' Home Grants Program needs \$150 million in FY 2001 to cover every single new state home that has applied for matching funds. Afterwards, the program's annual requirements will be based on new applications.

#### **NATIONAL CEMETERY ADMINISTRATION (NCA)**

I requested a funding level of \$110 million for the NCA in FY 2001 during his September 1999 testimony. The American Legion is pleased that the Administration recognizes the budgetary needs of NCA with its request of \$110 million for FY 2001.

The workload and budget requirements of 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 the 1995 level until 2020.

I am pleased the construction of four new national cemeteries is included in the FY 2001 for advanced planning of new national cemeteries in Miami, FL; Detroit, MI; Atlanta, GA; and Sacramento, CA. The American Legion believes a new national cemetery in the vicinity of Pittsburgh, Pennsylvania is also a high priority. Advanced planning funds should be included in the FY 2001 budget for a new national cemetery in Pittsburgh, PA.

#### **STATE CEMETERY GRANTS PROGRAM**

The American Legion supports the Administration's request of \$25 million for the State Cemetery Grants program in FY 2001.

#### **VETERANS BENEFITS ADMINISTRATION (VBA)**

The Administration's budget for the VBA for FY 2001 provides \$24.6 billion for the payment of statutory benefits to eligible veterans, their dependents, and survivors. The budget reflects higher average benefit payments, certain legislative proposals, and a proposed 2.5% cost-of-living-adjustment for FY 2001.

Discretionary funding for VBA would be increased to \$1 billion, which represents an increase of \$139 million over the FY 2000 appropriation. This will provide for an increase in staffing of 287 full time employees (FTE) over the current authorized staffing level and 577 FTE over the staffing level for FY 1999. The additional personnel resources, in conjunction with VBA's ongoing efforts to reengineer their business processes and other initiatives, will improve the quality and timeliness of service provided to veterans and their families.

The performance and service improvements set forth in the FY 2001 budget reflects the broad goals of VBA's strategic management plan and the expected progress toward meeting the specific performance measures established for this budget cycle. The funding and staffing levels proposed for FY 2001 will permit VBA to continue the implementation of its strategic plan initiatives and be proactive in preparing for the large scale retirement among experienced adjudicators and other personnel expected in the next several years.

In response to considerable criticism from its veteran clientele, stakeholders, and Congress, VBA has, within the last several years, begun implementing an ambitious plan to improve its overall operations. This includes the development of a broad spectrum of administrative, programmatic, and technological changes, which over time, should result in dramatic improvements in both the level and quality of service provided by VBA offices. The American Legion is strongly supportive of VBA's efforts to address the core problems affecting the claims adjudication and appeals process. However, we recognize this is a long-term process and, as such, will require continued budgetary support in FY 2001 and beyond in order to ensure success.

#### **BOARD OF VETERANS APPEALS (BVA)**

The American Legion requests \$45.9 million for FY 2001 for the operations of BVA. Staffing at BVA is to increase by 24 FTE for a total of 500 FTE. The additional resources will enable the BVA to continue improving its productivity and further reduce its response time. This will also provide continued support to the joint BVA/VBA efforts to resolve as many appeals as possible before they come to the BVA and to reduce the overall appeal response time.

### **SUMMARY**

The Administration's FY 2001 budget for VA is a responsible request and provides room for further improvement. The proposal allows both VHA and VBA to continue building on their current reform efforts. It would be completely inconsistent for the Administration to support the recent Veterans' Millennium Health Care Act and not provide sufficient funding to support the bill's various mandates. The increase in VBA's General Operating Expense is greatly needed and represents an important step towards meeting its Business Reengineering Plan objectives.

The VA health care system must continue its efforts to generate new non-appropriated funding sources. Each year, VHA's current services budget requires nearly a \$1 billion increase just to maintain its programs and services. The American Legion believes its GI Bill of Health is a realistic proposal and would generate a substantial amount of new annual revenues for VHA. It is time to enact on an incremental basis the various provisions of the GI Bill of Health that would generate new revenues for VHA. This includes providing VA health care to certain veterans' dependents, to military retirees and their eligible dependents, and to active duty personnel and their dependents.

The American Legion supports the Administration's FY 2001 budget for NCA and the State Cemetery Grants Program. Both of these programs are proposed to receive needed increases. These budgets reflect a growing national commitment to recognize the service and sacrifices of all veterans.

The American Legion believes the Administration's FY 2001 budget seriously undermines VA's medical and prosthetics research programs, the major and minor construction programs, and the State Extended Care Grants Program. The American Legion respectfully requests this Subcommittee to thoroughly review the Administration's budget for these programs in light of their reasonable budget requirements and their overall contribution to supporting VA's mission.

Mr. Chairman, that concludes this statement.