



**STATEMENT OF  
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NATIONAL LEGISLATIVE COMMISSION  
THE AMERICAN LEGION**

**BEFORE THE**

**COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES SENATE**

**ON**

**THE PRESIDENT'S FISCAL YEAR 2008 BUDGET REQUEST FOR  
THE DEPARTMENT OF VETERANS AFFAIRS**

**FEBRUARY 13, 2007**

Mr. Chairman and Members of the Committee:

I thank you for this opportunity to present the views of its 2.7 million members on the President's Fiscal Year 2008 budget request.

The President's FY 2008 budget request is designed to allow VA to address its three highest priorities:

- *Provide timely, high-quality health care to veterans who need VA the most – those with service-connected disabilities, lower incomes, special health care needs, and service in Operation Iraqi Freedom and Operation Enduring Freedom.*
- *Address the significant increase in claims for compensation and pension.*
- *Ensure the burial needs of veterans and their eligible family members are met, and maintain veterans' cemeteries as national shrines.*

The American Legion will continue to work with the Secretary, Congress and the entire veterans' community to ensure that VA is indeed capable of providing the highest quality health care services "...for him who shall have borne the battle and for his widow and his orphan." In 1996, Eligibility Reform was enacted to reopen the VA health care system to all eligible veterans within existing appropriations. Therefore, the challenge faced is to make sure no veteran in need of health care is ever turned away from a VA medical care facility as a result of budgetary shortfalls.

There is no question that all service-connected disabled veterans and economically disadvantaged veterans must receive timely access to quality health care; however, their comrades-in-arms should also receive their earned benefit – enrollment in the VA health care delivery system. Rather than supporting legislative proposals designed to drive veterans from the world's best health care delivery system, The American Legion will continue to advocate new revenue streams to allow any veteran to receive VA health care.

Equally as important, The American Legion remains steadfastly in support of achieving timely adjudication of VA disability claims and pensions. As a nation at war, the expectation of an increase in the number of new disability claims is apparent. The newest generation of wartime veterans rightly deserve timely adjudication of their claims. Again, the Secretary, Congress and the veterans' community must work towards meaningful solutions to the ever-increasing backlog of veterans' disability claims. Increased funding and additional staffing is a solid first step toward change.

The American Legion fully supports the goals of the National Cemetery Administration. The addition of new national cemeteries and state veterans' cemeteries is critical in meeting the growing need.

With that in mind, The American Legion offers the following budgetary recommendations for selected discretionary programs within the Department of Veterans Affairs for FY 2008:

<b>Program</b>	<b>FY06 Funding</b>	<b>President's Request</b>	<b>Legion's Request</b>
<b>Medical Care</b>	<b>\$30.8 billion</b>	<b>\$36.6 billion</b>	<b>\$38.4 billion</b>
Medical Services	\$22.1 billion	\$27.2 billion	\$29 billion
Medical Administration	\$3.4 billion	\$3.4 billion	\$3.4 billion
Medical Facilities	\$3.3 billion	\$3.6 billion	\$3.6 billion
Medical Care Collections	(\$2 billion)	(\$2.4 billion)	\$2.4 billion *
<b>Medical and Prosthetics Research</b>	\$412 million	\$411 million	\$472 million
<b>Construction</b>			
Major	\$1.6 billion	\$727 million	\$1.3 billion
Minor	\$233 million	\$233 million	\$279 million
<b>State Extended Care Facilities Grant Program</b>	\$85 million	\$85 million	\$250 million
<b>State Veterans' Cemetery Grants Program</b>	\$32 million	\$32 million	\$42 million
<b>National Cemetery Administration</b>	\$149 million	\$166 million	\$178 million
<b>General Administration</b>	\$294 million	\$274 million	\$300 million
<b>Information Technology</b>	\$1.2 billion	\$1.9 billion	\$1.9 billion

\* Third-party reimbursements should supplement rather than offset discretionary funding.

### **MEDICAL CARE**

The Department of Veterans Affairs' standing as the nation's leader in providing safe, high-quality health care in the health care industry (both public and private) is well documented. Now VA is also recognized internationally as the benchmark for health care services:

- December 2004, RAND investigators found that VA outperforms all other sectors of the U.S. health care industry across a spectrum of 294 measures of quality in disease prevention and treatment;
- In an article published in the **Washington Monthly** (Jan/Feb 2005) "The Best Care Anywhere" featured the VA health care system;
- In the prestigious **Journal of the American Medical Association** (May 18, 2005) noted that VA's health care system has "... quickly emerged as a bright star in the constellation of safety practice, with system-wide implementation of safe practices, training programs and the establishment of four patient-safety research centers.";
- The **U.S. News and World Report** (Jul 18, 2005) issue included a special report on the best hospitals in the country titled "Military Might—Today's VA Hospitals Are Models of Top-Notch Care" highlighting the transformation of VA health care;
- **The Washington Post** (Aug 22, 2005) ran a front-page article titled "Revamped Veterans' Health Care Now a Model" spotlights VA health care accomplishments;
- In 2006, VA received the highly coveted and prestigious "Innovations in American Government" Award from Harvard's Kennedy School of Government for its advanced electronic health records and performance measurement system; and

- Recently, in January 2007, the medical journal **Neurology** wrote: “The VA has achieved remarkable improvements in patient care and health outcomes, and is a cost-effective and efficient organization.”

Although VA is considered a national resource, the Secretary of Veterans Affairs continues to prohibit the enrollment of any new Priority Group 8 veterans, even if they are Medicare-eligible or have private insurance coverage. This prohibition is not based on their honorable military service, but rather on limited resources provided to the VA medical care system. For two-years following receiving an honorable discharge, veterans from Operations Enduring Freedom and Iraqi Freedom are able to receive health care through VA, but many of their fellow veterans and those of other armed conflicts may very well be denied enrollment due to limited existing appropriations. This is truly a national tragedy.

As the Global War on Terrorism continues, fiscal resources for VA will continue to be stretched to their limits and veterans will continue to go to their elected officials requesting additional money to sustain a viable VA capable of caring for all veterans, not just the most severely wounded or economically disadvantaged. VA is often the first experience veterans have with the Federal government after leaving the military. This nation’s veterans have never let this country down; Congress and VA should do its best to not let veterans down.

The President’s budget request for FY 2008 calls for Medical Care funding to be \$36.6 billion, which is about \$1.8 billion less than The American Legion’s recommendation of \$38.4 billion. The major difference is the President’s budget requests continues to offset the discretionary appropriations by its Medical Care Collection Fund’s goal (\$2.4 billion), whereas The American Legion considers this collection as a supplement since it is for the treatment of nonservice-connected medical conditions.

### **Medical Services**

The President’s budget request assumes the enrollment of new Priority Group 8 veterans will remain suspended. The American Legion strongly recommends reconsidering this “lockout” of eligible veterans, especially for those veterans who are Medicare-eligible, military retirees enrolled in TRICARE or TRICARE for Life, or have private health care coverage. Successful seamless transition from military service should not be penalized, but rather encouraged. This prohibition sends the wrong message to recently separated veterans. No eligible veteran should be “locked out” of the VA health care delivery system.

The VA health care system enjoys a glowing reputation as the best health care delivery system in the country, so why “lock out” any eligible veteran, especially those that have the means to reimburse VA for services received? New revenue streams from third-party reimbursements and co-payments can supplement the “existing appropriations,” but sound fiscal management initiatives are required to enhance third-party collections of reasonable charges.

In FY 2008, VA expects to treat 5.8 million patients (an increase of 2.4 percent). According to the President’s budget request, VA will treat over 125,000 more Priority 1-6 veterans in 2008 representing a 3.3 percent increase over the number of these priority veterans treated in 2007. Priority 7 and 8 veterans are projected to decrease by over 15,000 or 1.1 percent from 2007 to

2008. However, VA will provide medical care to non-veterans; this population is expected to increase by over 24,000 patients or 4.8 percent over this same time period. In 2008, VA anticipates treating 263,000 Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) veterans, an increase of 54,000 patients, or 25.8 percent, over the 2007 level.

The American Legion supports the President's mental health initiative to provide \$360 million to deliver mental health and substance abuse care to eligible veterans in need of treatment of seriously mental illness, to include post-traumatic stress disorder.

The American Legion remains opposed to the concept of charging an enrollment fee for an earned benefit. Although the President's new proposal is a tiered approach targeted at Priority Groups 7 and 8 veterans currently enrolled, the proposal does not provide improved health care coverage, but rather creates a fiscal burden for the 1.4 million Priority Groups 7 and 8 patients. This initiative clearly projects further reductions in the number of Priority Groups 7 and 8 veterans leaving the system for other health care alternatives. This proposed vehicle for gleaning of veterans would apply to both service-connected disabled veterans as well as nonservice-connected disabled veterans in Priority Groups 7 and 8.

The American Legion also remains opposed to the President's proposed increase in VA pharmacy co-pays from the current \$8 to \$15 for enrolled Priority Groups 7 and 8 veterans. This proposal would nearly double current pharmacy costs to this select group of veterans.

The American Legion recommends \$29 billion for Medical Services, \$1.8 billion more than the President's budget request of \$27.2 billion.

### **Medical Administration**

The President's budget request of \$3.4 billion is a slight increase in FY 2006 funding level. VA plans to transfer 3,721 full-time equivalents from Medical Administration to Information Technology in FY 2008. The American Legion applauds the President recommending this level of funding.

### **Medical Facilities**

The President's budget request of \$3.6 billion is about \$234 million more than the FY 2006 funding level. The American Legion agrees with this recommendation to maintain VA existing infrastructure of 4,900 buildings and over 15,700 acres. In FY 2008, VA will transfer 5,689 full-time equivalents from Medical Facilities to Medical Services. It has been determined that the costs incurred for hospital food service workers, provisions and related supplies are for the direct care of patients which Medical Services is responsible for providing.

### **Medical Care Collection Fund (MCCF)**

The Balanced Budget Act of 1997, Public Law 105-33, established the VA Medical Care Collections Fund (MCCF), requiring that amounts collected or recovered from third-party payers after June 30, 1997 be deposited into this fund. The MCCF is a depository for collections from third-party insurance, outpatient prescription co-payments and other medical charges and user fees. The funds collected may only be used for providing VA medical care and services and for VA expenses for identification, billing, auditing and collection of amounts owed the Federal

government. The American Legion supported legislation to allow VA to bill, collect, and reinvest third-party reimbursements and co-payments; however, The American Legion adamantly opposes the scoring of MCCF as an offset to the annual discretionary appropriations since the majority of the collected funds come from the treatment of nonservice-connected medical conditions. Historically, these collection goals far exceed VA's ability to collect accounts receivable.

In FY 2006, VA collected nearly \$2 billion, a significant increase over the \$540 million collected in FY 2001. VA's ability to capture these funds is critical to its ability to provide quality and timely care to veterans. Miscalculations of VA required funding levels results in real budgetary shortfall. Seeking annual emergency supplemental is not the most cost-effective means of funding the nation's model health care delivery system.

Government Accountability Office (GAO) reports have described continuing problems in VHA's ability to capture insurance data in a timely and correct manner and raised concerns about VHA's ability to maximize its third-party collections. At three medical centers visited, GAO found an inability to verify insurance, accepting partial payment as full, inconsistent compliance with collections follow-up, insufficient documentation by VA physicians, insufficient automation and a shortage of qualified billing coders were key deficiencies contributing to the shortfalls. VA should implement all available remedies to maximize its collections of accounts receivable.

The American Legion opposes offsetting annual VA discretionary funding by the arbitrarily set MCCF goal, especially since VA is prohibited from collecting any third-party reimbursements from the nation's largest Federally mandated, health insurer -- Medicare.

### **Medicare Reimbursement**

As do most American workers, veterans pay into the Medicare system without choice throughout their working lives, including active-duty. A portion of each earned dollar is allocated to the Medicare Trust Fund and although veterans must pay into the Medicare system, VA is prohibited from collecting any Medicare reimbursements for the treatment of allowable, nonservice-connected medical conditions. This prohibition constitutes a multi-billion dollar annual subsidy to the Medicare Trust Fund. The American Legion does not agree with this policy and supports Medicare reimbursement for VHA for the treatment of allowable, nonservice-connected medical conditions of allowable enrolled Medicare-eligible veterans.

As a minimum, VA should receive credit for saving the Centers for Medicare and Medicaid Services billions of dollars in annual mandatory appropriations.

## **MEDICAL AND PROTHETICS RESEARCH**

The American Legion believes that VA's focus in research should remain on understanding and improving treatment for conditions that are unique to veterans. The Global War on Terrorism is predicted to last at least two more decades. Service members are surviving catastrophically disabling blast injuries in Iraq, Afghanistan and elsewhere due to the superior armor they are wearing in the combat theater and the timely access to quality triage. The unique injuries sustained by the new generation of veterans clearly demands particular attention. There have

been reported problems of VA not having the state-of-the-art prostheses, like DoD, and that the fitting of the prostheses for women has presented a problems due to their smaller stature.

In addition, The American Legion supports adequate funding for other VA research activities, including basic biomedical research as well as bench-to-bedside projects. Congress and the Administration should encourage acceleration in the development and initiation of needed research on conditions that significantly affect veterans - such as prostate cancer, addictive disorders, trauma and wound healing, post-traumatic stress disorder, rehabilitation, and others jointly with DoD, the National Institutes of Health (NIH), other Federal agencies, and academic institutions.

The American Legion recommends \$472 million for Medical and Prosthetics Research in FY 2008, \$61 million more than the President's budget request of \$411 million.

## **CONSTRUCTION**

### ***Major Construction***

Over the past several years, Congress has kept a tight hold on the purse strings that control the funding needs for the construction program within VA. The hold out, presumably, is the development of a coherent national plan that will define the infrastructure VA will need in the decades to come. VA has developed that plan and it is CARES. The CARES process identified more than 100 major construction projects in 37 states, the District of Columbia, and Puerto Rico. Construction projects are categorized as major if the estimated cost is over \$7 million. Now that VA has a plan to deliver health care through the year 2022, it is up to Congress to provide adequate funds. The CARES plan calls for, among other things, the construction of new hospitals in Orlando and Las Vegas and replacement facilities in Louisville and Denver for a total cost estimate of well over \$1 billion alone for these four facilities. VA has not had this type of progressive construction agenda in decades. Major construction money can be significant and proper utilization of funds must be well planned out. The American Legion is pleased to see six medical facility projects (Pittsburgh, Denver, Orlando, Las Vegas, Syracuse, and Lee County, FL) included in this budget request.

In addition to the cost of the proposed new facilities are the many construction issues that are virtually "put on hold" for the past several years due to inadequate funding and the moratorium placed on construction spending by the CARES process. One of the most glaring shortfalls is the neglect of the buildings sorely in need of seismic correction. This is an issue of safety. Hurricane Katrina taught a very real lesson on the unacceptable consequences of procrastination. The delivery of health care in unsafe buildings cannot be tolerated and funds must be allocated to not only construct the new facilities, but also to pay for much-needed upgrades at existing facilities. Gambling with the lives of veterans, their families and VA employees is absolutely unacceptable.

The American Legion believes that VA has effectively shepherded the CARES process to its current state by developing the blueprint for the future delivery of VA health care – it is now time for Congress to do the same and adequately fund the implementation of this comprehensive and crucial undertaking.

The American Legion recommends \$1.3 billion for Major Construction in FY 2008, \$573 million more than the President's budget request of \$727 million to fund more pending "life-safety" projects.

### ***Minor Construction***

VA's minor construction program has suffered significant neglect over the past several years as well. The requirement to maintain the infrastructure of VA's buildings is no small task. Because the buildings are old, renovations, relocations and expansions are quite common. When combined with the added cost of the CARES program recommendations, it is easy to see that a major increase over the previous funding level is crucial and well overdue.

The American Legion recommends \$279 million for Minor Construction in FY 2008, \$46 million more than the President's budget request of \$233 million to address more CARES proposal minor construction projects.

### ***Capital Asset Realignment for Enhanced Services (CARES)***

In March 1999, GAO published a report on VA's need to improve capital asset planning and budgeting. GAO estimated that over the next few years, VA could spend one of every four of its health care dollars operating, maintaining, and improving capital assets at its national major delivery locations, including 4,700 buildings and 18,000 acres of land nationwide.

Recommendations stemming from the report included the development of asset-restructuring plans for all markets to guide future investment decision-making, among other initiatives. VA's answer to GAO and Congress was the initiation and development of the Capital Asset Realignment for Enhanced Services (CARES) program.

The CARES initiative is a blueprint for the future of VHA - a fluid, work in progress, in constant need of reassessment. In May 2004, the long awaited final CARES decision was released. The decision directed VHA to conduct 18 feasibility studies at those health care delivery sites where final decisions could not be made due to inaccurate and incomplete information. VHA contracted Pricewaterhouse Cooper (PwC) to develop a broad range of viable options and, in turn, develop business plans based on a limited number of selected options. To help develop those options and to ensure stakeholder input, then-VA Secretary Principi constituted the Local Advisory Panels (LAPs), which are made up of local stakeholders. The final decision on which business plan option will be implemented for each site lies with the Secretary of Veterans Affairs.

The American Legion is dismayed over the slow progress in the LAP process and the CARES initiative overall. Both Stage I and Stage II of the process include two scheduled LAP meetings at each of the sites being studied with the whole process concluding on or about February 2006.

It wasn't until April 2006, after nearly a seven-month hiatus, that Secretary Nicholson announced the continuation of the services at Big Spring, Texas, and like all the other sites, has only been through Stage I. Seven months of silence is no way to reassure the veterans' community that the process is alive and well. The American Legion continues to express concern



over the apparent short-circuiting of the LAPs and the silencing of the stakeholders. The American Legion intends to hold accountable those who are entrusted to provide the best health care services to the most deserving population – the nation’s veterans.

Upon conclusion of the initial CARES process, then-Secretary Principi called for a “billion dollars a year for the next seven years” to implement CARES. The American Legion continues to support that recommendation and encourages VA and Congress to “move out” with focused intent.

### **STATE EXTENDED CARE FACILITY GRANTS PROGRAM**

Since 1984, nearly all planning for VA inpatient nursing home care has revolved around State Veterans’ Homes and contracts with public and private nursing homes. The reason for this is obvious; VA paid a per diem of \$59.48 for each veteran it placed in State Veterans’ Homes, compared to the \$354 VA pays to maintain a veteran for one day in its own nursing home care units.

Under the provisions of title 38, United States Code, VA is authorized to make payments to states to assist in the construction and maintenance of State Veterans’ Homes. Today, there are 109 State Veterans’ Homes in 47 states with over 23,000 beds providing nursing home, hospital, and domiciliary care. Grants for Construction of State Extended Care Facilities provide funding for 65 percent of the total cost of building new veterans homes. Recognizing the growing long-term health care needs of older veterans, it is essential that the State Veterans’ Home Program be maintained as a viable and important alternative health care provider to the VA system. The American Legion opposes any attempts to place moratoria on new State Veterans’ Home construction grants. State authorizing legislation has been enacted and state funds have been committed. The West Los Angeles State Veterans’ Home, alone, is a \$125 million project. Delaying this and other projects could result in cost overruns from increasing building materials costs and may result in states deciding to cancel these much-needed facilities.

The American Legion supports:

- increasing the amount of authorized per diem payments to 50 percent for nursing home and domiciliary care provided to veterans in State Veterans’ Homes;
- the provision of prescription drugs and over-the-counter medications to State Veterans’ Homes Aid and Attendance patients along with the payment of authorized per diem to State Veterans’ Homes; and
- allowing for full reimbursement of nursing home care to 70 percent service-connected veterans or higher, if the veteran resides in a State Veterans’ Home.

The American Legion recommends \$250 million for the State Extended Care Facility Construction Grants Program in FY 2008, \$165 million more than the President’s budget request. This additional funding will address more pending life-safety projects and new construction projects.

## **STATE CEMETERY GRANTS PROGRAM**

The State Veterans' Cemetery Grant Program is not intended to replace National Cemeteries, but to complement them. Grants for state-owned and operated cemeteries can be used to establish, expand and improve on existing cemeteries. States are planning to open 24 new state veterans' cemeteries between 2007 and 2012. There are 60 operational cemeteries and two more under construction. Since NCA concentrates its construction resources on large metropolitan areas, it is unlikely that new national cemeteries will be constructed in all states. Therefore, individual states are encouraged to pursue applications for the State Cemetery Grants Program. Fiscal commitment from the state is essential to keep the operation of the cemetery on track. NCA estimates it takes about \$300,000 a year to operate a state cemetery.

The American Legion recommends \$42 million for the State Cemetery Grants Program in FY 2008, \$10 million more than the President's budget request.

## **NATIONAL CEMETERY ADMINISTRATION**

The mission of the National Cemetery Administration is to honor veterans with final resting places in national shrines and with lasting tributes that commemorate their service to this Nation. The National Cemetery Administration's vision is to serve all veterans and their families with the utmost dignity, respect, and compassion. Every national cemetery should be a place that inspires visitors to understand and appreciate the service and sacrifice of this Nation's veterans.

### **National Cemetery Expansion**

The American Legion supported P.L. 108-109, the National Cemetery Expansion Act of 2003, authorizing VA to establish new national cemeteries to serve veterans in the areas of: Bakersfield, Calif.; Birmingham, Ala.; Jacksonville, Fla.; Sarasota County, Fla.; southeastern Pennsylvania; and Columbia-Greenville, S.C. All six areas have veterans' populations exceeding 170,000, which is the threshold VA has established for new national cemeteries. By 2009, all six new national cemeteries should be open to serve veterans in these areas.

There are approximately 24 million veterans alive today. Nearly 688,000 veteran deaths are estimated to occur in 2008. The total number of graves maintained by VA is expected to increase from 2.8 million in 2006 to just over 3.2 million by 2012. The VA expects that at least 12 percent of these veterans will request burial in a national cemetery. Considering the growing costs of burial services and the excellent quality of service the NCA is providing, The American Legion foresees that this percentage will be much greater. By 2012, four more national cemeteries are expected to exhaust their supply of available, unassigned gravesites.

Congress must provide sufficient major construction appropriations to permit NCA to accomplish its stated goal of ensuring that burial in a national or state cemetery is a realistic option by locating cemeteries within 75 miles of 90 percent of eligible veterans.

### **National Shrine Commitment**

Maintaining cemeteries as National Shrines is one of NCA's top priorities. This commitment involves raising, realigning and cleaning headstones and markers to renovate gravesites. The

work that has been done so far has been outstanding; however, adequate funding is key to maintaining this very important commitment. The American Legion supports NCA's goal of completing the National Shrine Commitment within five years. This commitment includes the establishment of standards of appearance for national cemeteries that are equal to the standards of the finest cemeteries in the world. Operations, maintenance and renovation funding must be increased to reflect the true requirements of the NCA to fulfill this commitment.

The American Legion recommends \$178 million for the National Cemetery Administration in FY 2008, \$12 million more than the President's budget request.

### **INFORMATION TECHNOLOGY**

The data theft that occurred in May of last year serves as a monumental wake up call to the nation. VA can no longer ignore IT security. The recovery of the laptop is indeed cause for optimism; however, we must not discount the possibility that every name on that list could still be subject to possible identity theft. The complete overhaul of VA IT is only in its beginning stages. Meanwhile, there are still unresolved security breaches within VA including the most recent theft of a laptop from a VA contractor. How many computers need to be stolen before veterans get some real assurances from the Federal government that their information is not only safe, but that safeguards will be in place to help protect them against identity theft? The American Legion once again calls on VA and the Administration to keep its promise to veterans and provide free credit monitoring for one year. The American Legion is hopeful that the steps VA takes to strengthen its IT security will renew the confidence and trust of veterans who depend on VA for the benefits they have earned.

Funding for the IT overhaul should not be paid for with money from other VA programs. This would in essence make veterans pay for VA's gross negligence in the matter. The American Legion hopes that Congress will not attempt to fix this problem on the backs of America's veterans and from scarce fiscal resources provided to the VA health care delivery.

VA has shown it can be a leader in the areas of care and service. Its accomplishments, from providing high quality medical care to leading the world in the development of electronic records, are indicators that VA can also be the nation's leader in IT security.

The American Legion believes that there should be a complete review of IT security government-wide. VA isn't the only agency within the government that needs to overhaul its IT security protocol. The American Legion would urge Congress to exercise its oversight authority and review each Federal agency to ensure that the personal information of all Americans is secure.

The American Legion agrees with the President's budget request for \$1.9 billion for Information Technology in FY 2008.

## **VA's LONG-TERM CARE MISSION**

Historically, VA's Long-Term Care (LTC) has been the subject of discussion and legislation for nearly two decades. In a landmark July 1984 study, *Caring for the Older Veteran*, it was predicted that a wave of elderly veterans had the potential to overwhelm VA's long-term care capacity. Further, the recommendations of the Federal Advisory Committee on the Future of Long-Term Care in its 1998 report *VA Long-Term Care at the Crossroads*, made recommendations that serve as the foundation for VA's national strategy to revitalize and reengineer long-term care services. It is now 2006 and that wave of veterans has arrived.

Additionally, Public Law 106-117, the Millennium Act, enacted in November 1999, required VA to continue to ensure 1998 levels of extended care services (defined as VA nursing home care, VA domiciliary, VA home-based primary care, and VA adult day health care) in its facilities. Yet, VA has continually failed to maintain the 1998 bed levels mandated by law.

VA's inability to adequately address the long-term care problem facing the agency was most notable during the CARES process. The planning for the long-term care mission, one of the major services VA provides to veterans, was not even addressed in the CARES initiative. That CARES initiative is touted as the most comprehensive analysis of VA's health care infrastructure that has ever been conducted.

Incredibly, despite 20 years of forewarning, the CARES Commission report to the VA Secretary states that VA has yet to develop a long-term care strategic plan with well-articulated policies that address the issues of access and integrated planning for the long-term care of seriously mentally ill veterans. The Commission also reported that VA had not yet developed a consistent rationale for the placement of long-term care units. It was not for the lack of prior studies that VA has never had a coordinated long-term care strategy. The Secretary's CARES decision agreed with the Commission and directed VHA to develop a strategic plan, taking into consideration all of the complexities involved in providing such care across the VA system.

The American Legion supports the publishing and implementation of a long-term care strategic plan that addresses the rising long-term care needs of America's veterans. We are, however, disappointed that it has now been over two years since the CARES decision and no plan has been published.

It is vital that VA meet the long-term care requirements of the Millennium Health Care Act and we urge this Committee to support adequate funding for VA to meet the long-term care needs of America's Veterans. The American Legion supports the President's \$4.6 billion funding recommendation for FY 2008.

## **HOMELESS VETERANS**

VA has estimated that there are at least 250,000 homeless veterans in America and approximately 500,000 experience homelessness in a given year. Most homeless veterans are single men; however, the number of single women with children has drastically increased within the last few years. Homeless female veterans tend to be younger, are more likely to be married,

and are less likely to be employed. They are also more likely to suffer from serious psychiatric illness.

Approximately 40 percent of homeless veterans suffer from mental illness and 80 percent have alcohol or other drug abuse problems. It cannot go unnoticed that the increase in homeless veterans coincides with the under-funding of VA health care, which resulted in the downsizing of inpatient mental health capabilities in VA hospitals across the country. Since 1996, VA has closed 64 percent of its psychiatric beds and 90 percent of its substance abuse beds. It is no surprise that many of these displaced patients end up in jail, or on the streets. The American Legion applauds VA's recent plan to restore a good portion of this capacity. The American Legion believes there should be a focus on the prevention of homelessness, not just measures to respond to it. Preventing it is the most important step to ending it.

The American Legion has a vision to assist in ending homelessness among veterans, by ensuring services are available to respond to veterans and their families in need before they experience homelessness. Towards that objective, The American Legion in partnership with the National Coalition for Homeless Veterans created a Homeless Veterans Task Force. The mission of the Task Force is to develop and implement solutions to end homelessness among veterans through collaborating with government agencies, homeless providers and other veteran service organizations. In the last two years, 16 homeless veterans workshops were conducted during The American Legion National Leadership Conferences, National Convention and Mid-Winter Conferences. Currently, there are 51 Homeless Veterans Chairpersons within The American Legion who act as liaison to federal, state and community homeless agencies and monitor fundraising, volunteerism, advocacy and homeless prevention activities within participating American Legion Departments.

The current Administration has vowed to end the scourge of homelessness within ten years. The clock is running on this commitment, yet words far exceed deeds. While less than nine percent of the nation's population are veterans, 34 percent of the nation's homeless are veterans and of those 75 percent are wartime veterans.

Homelessness in America is a travesty, and veterans' homelessness is disgraceful. Left unattended and forgotten, these men and women, who once proudly wore the uniforms of this nation's armed forces and defended her shores, are now wandering her streets in desperate need of medical and psychiatric attention and financial support. While there have been great strides in ending homelessness among America's veterans, there is much more that needs to be done. We must not forget them. The American Legion supports funding that will lead to the goal of ending homelessness in the next ten years.

#### ***Homeless Providers Grant and Per Diem Program Reauthorization***

In 1992, VA was given authority to establish the Homeless Providers Grant and Per Diem Program under the Homeless Veterans Comprehensive Service Programs Act of 1992, P.L. 102-590. The Grant and Per Diem Program is offered annually (as funding permits) by the VA to fund community agencies providing service to homeless veterans.

The American Legion strongly supports changing the Grant and Per Diem Program to be funded on a five-year period instead of annually and a funding level increased to the \$200 million level annually.

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

The VA has a statutory responsibility to ensure the welfare of the nation's veterans, their families, and survivors. Providing quality decisions in a timely manner has been, and will continue to be, one of the VA's most difficult challenges.

#### ***Workload and Claims Backlog***

There are approximately 3.5 million veterans and beneficiaries currently receiving VA compensation and pension benefits. In 2006, VA added almost 250,000 new beneficiaries to the compensation and pension rolls. VA anticipates receiving about 800,000 claims a year in 2007 and 2008. The current staffing levels do not enable VA to reduce the pending claims inventory and provide timely service to veterans; therefore, the President is requesting an increase of 457 full-time equivalents compensation and pension personnel. The productivity of the additional staff will increase throughout 2008 and in subsequent years as these new employees receive training and gain experience. VA believes the additional staffing will enable VBA to improve claims processing timeliness, reduce appeals workload, improve appeals processing timeliness, and enhance services to veterans returning from the Global War on Terrorism.

The increasing complexity of VA claims adjudication continues to be a major challenge for VA rating specialists. Since judicial review of veterans' claims was enacted in 1988, the remand rate of those cases appealed to the United States Court of Appeals for Veterans Claims (CAVC) has, historically, been about 50 percent. In a series of precedent-setting decisions by the CAVC and the United States Court of Appeals for the Federal Circuit, a number of longstanding VA policies and regulations have been invalidated because they were not consistent with statute. These court decisions immediately added thousands of cases to regional office workloads, since they require the review and reworking of tens of thousands of completed and pending claims.

As of August 19, 2006, there were more than 389,000 rating cases pending in the VBA system. Of these, 92,047 (23.6 percent) have been pending for more than 180 days. According to the VA, the appeals rate has also increased from a historical rate of about 7 percent of all rating decisions being appealed to a current rate that fluctuates from 11 to 14 percent. This equates to more than 152,000 appeals currently pending at VA regional offices, with more than 132,000 requiring some type of further adjudicative action.

#### ***Staffing***

Whether complex or simple, VA regional offices are expected to consistently develop and adjudicate veterans' and survivors' claims in a fair, legally proper, and timely manner. The adequacy of regional office staffing has as much to do with the actual number of personnel as it does with the level of training and competency of the adjudication staff. VBA has lost much of its institutional knowledge base over the past four years, due to the retirement of many of its 30-plus year employees. As a result, staffing at most regional offices is made up largely of trainees with less than five years of experience. Over this same period, as regional office workload

demands escalated, these trainees have been put into production units as soon as they completed their initial training.

Concern over adequate staffing in VBA to handle its demanding workload was addressed by VA's Office of the Inspector General (IG) in a report released in May 2005 (Report No. 05-00765-137, dated May 19, 2005). The IG specifically recommended, "in view of growing demand, the need for quality and timely decisions, and the ongoing training requirements, reevaluate human resources and ensure that the VBA field organization is adequately staffed and equipped to meet mission requirements." The Under Secretary for Benefits has conceded that the number of personnel has decreased over the last few years. And the congressionally mandated Veterans' Disability Benefits Commission is also closely looking at the adequacy of current staffing levels.

It is an extreme disservice to veterans, not to mention unrealistic, to expect VA to continue to process an ever increasing workload, while maintaining quality and timeliness, with less staff. Our current wartime situation provides an excellent opportunity for VA to actively seek out returning veterans from Operations Enduring Freedom and Iraqi Freedom, especially those with service-connected disabilities, for employment opportunities within VBA. To ensure VA and VBA are meeting their responsibilities, The American Legion strongly urges Congress to scrutinize VBA's budget requests more closely. Given current and projected future workload demands, regional offices clearly will need more rather than fewer personnel and The American Legion is ready to support additional staffing. However, VBA must be required to provide better justification for the resources it says are needed to carry out its mission and, in particular, how it intends to improve the level of adjudicator training, job competency, and quality assurance.

### **GI BILL EDUCATION BENEFITS**

Over 96 percent of recruits currently sign up for the MGIB and pay \$1,200 out of their first year's pay to guarantee eligibility. However, only one-half of these military personnel use any of the current Montgomery GI Bill benefits. We believe this is directly related to the fact that current GI Bill benefits have not kept pace with the increasing cost of education. Costs for attending the average four-year public institution as a commuter student during the 1999-2000 academic year was nearly \$9,000. On October 1, 2005, the basic monthly rate of reimbursement under MGIB was raised to \$1,034 per month for a successful four-year enlistment and \$840 for an individual whose initial active duty obligation was less than three years. The current educational assistance allowance for persons training full-time under the MGIB Selected Reserve is \$297 per month.

The Servicemen's Readjustment Act of 1944, P.L. 78-346, the original GI Bill, provided millions of members of the Armed Forces an opportunity to seek higher education. Many of these individuals may not have been afforded this opportunity without the generous provisions of that act. Consequently, these former service members made a substantial contribution not only to their own careers, but also to the economic well being of the country. Of the 15.6 million veterans eligible, 7.8 million took advantage of the educational and training provisions of the original GI Bill. Between 1944 and 1956, when the original GI Bill ended, the total educational cost of the World War II bill was \$14.5 billion. The Department of Labor estimates that the

government actually made a profit, because veterans who had graduated from college generally earned higher salaries and, therefore, paid more taxes.

Today, a similar concept applies. The educational benefits provided to members of the Armed Forces must be sufficiently generous to have an impact. The individuals who use MGIB educational benefits are not only improving their career potential, but also making a greater contribution to their community, state, and nation.

The American Legion recommends the 110th Congress make the following improvements to the current MGIB:

- The dollar amount of the entitlement should be indexed to the average cost of a college education including tuition, fees, textbooks, and other supplies for a commuter student at an accredited university, college, or trade school for which they qualify;
- The educational cost index should be reviewed and adjusted annually;
- A monthly tax-free subsistence allowance indexed for inflation must be part of the educational assistance package;
- Enrollment in the MGIB shall be automatic upon enlistment; however, benefits will not be awarded unless eligibility criteria have been met;
- The current military payroll deduction (\$1,200) requirement for enrollment in MGIB must be terminated;
- If a veteran enrolled in the MGIB acquired educational loans prior to enlisting in the Armed Forces, MGIB benefits may be used to repay those loans;
- If a veteran enrolled in MGIB becomes eligible for training and rehabilitation under Chapter 31, of title 38, United States Code, the veteran shall not receive less educational benefits than otherwise eligible to receive under MGIB;
- Separating service members and veterans seeking a license, credential, or to start their own business must be able to use MGIB educational benefits to pay for the cost of taking any written or practical test or other measuring device;
- Eligible veterans shall have an unlimited number of years after discharge to utilize MGIB educational benefits;
- Eligible veterans should have the right to transfer their earned benefits to their spouse and dependents; and
- Eligible members of the Select Reserves, who qualify for MGIB educational benefits shall receive not more than half of the tuition assistance and subsistence allowance payable under the MGIB and have up to 5 years after their date of separation to use MGIB educational benefits.

### **VOCATIONAL REHABILITATION AND EMPLOYMENT SERVICE (VR&E)**

The mission of the VR&E program is to help qualified, service-disabled veterans achieve independence in daily living and, to the maximum extent feasible, obtain and maintain suitable employment. The American Legion fully supports these goals. As a nation at war, there continues to be an increasing need for VR&E services to assist Operations Iraqi Freedom and Enduring Freedom veterans in reintegrating into independent living, achieving the highest possible quality of life, and securing meaningful employment. To meet America's obligation to



these specific veterans, VA leadership must focus on marked improvements in case management, vocational counseling, and -- most importantly -- job placement.

The successful rehabilitation of our severely disabled veterans is determined by the coordinated efforts of every Federal agency (DoD, VA, DoL, OPM, HUD etc.) involved in the seamless transition from the battlefield to the civilian workplace. Timely access to quality health care services, favorable physical rehabilitation, vocational training, and job placement play a critical role in the “seamless transition” of each and every veteran, as well as his or her family.

Administration of VR&E and its programs is a responsibility of the Veterans Benefits Administration (VBA). Providing effective employment programs through VR&E must become a priority. Until recently, VR&E’s primary focus has been providing veterans with skills training, rather than providing assistance in obtaining meaningful employment. Clearly, any employability plan that doesn’t achieve the ultimate objective --a job -- is falling short of actually helping those veterans seeking assistance in transitioning into the civilian workforce.

Vocational counseling also plays a vital role in identifying barriers to employment and matching veterans’ transferable job skills with those career opportunities available for fully qualified candidates. Becoming fully qualified becomes the next logical objective towards successful transition.

Veterans Preference in Federal hiring plays an important role in guiding veterans to career possibilities within the Federal government and must be preserved. There are scores of employment opportunities within the Federal government that educated, well-trained, and motivated veterans can fill -- given a fair and equitable chance to compete. Working together, all Federal agencies should identify those vocational fields, especially those with high turnover rates, suitable for VR&E applicants. Career fields like information technology, claims adjudications, debt collection, etc., offer employment opportunities and challenges for career-oriented applicants that also create career opportunities outside the Federal government.

GAO has also cited exceptionally high workloads for a limited number of staff members at VR&E offices. This increased workload hinders the staff’s ability to effectively assist individual veterans with identifying employment opportunities. In April 2005, the average caseload of a typical VR&E counselor approached 160 veterans. The American Legion is pleased that an additional number of 150 full-time equivalents will be hired and we applaud the President’s budget request for \$159.5 million in FY 2008. It is vital that Congress approve this request to adequately address the expected increase of veterans needing assistance.

### **HOME LOAN GUARANTY PROGRAM**

VA’s Home Loan Guaranty program has been in effect since 1944 and has afforded nearly 17 million veterans the opportunity to purchase homes. The Home Loan programs offer veterans a centralized, affordable and accessible method of purchasing homes in return for their service to this nation. The program has been so successful over past years that not only has the program paid for itself but has also shown a profit in recent years. The American Legion believes that it is unfair for veterans to pay high funding fees of 2 to 3 percent, which can add approximate \$3,000

to \$11,000 for a first time buyer. The VA funding fee was initially enacted to defray the costs of the VA guaranteed home loan program. The current funding fee paid to VA to defray the cost of the home loan has had a negative effect on many veterans who choose not to participate in this highly beneficial program. Therefore, The American Legion strongly recommends that the VA funding fee on home loans be reduced or eliminated for all veterans whether active duty, reservist, or National Guard.

### ***Specially Adapted Housing***

The American Legion believes that with the increasing numbers of disabled veterans returning from Iraq and Afghanistan, the need for specially adapted housing is paramount. Therefore, The American Legion strongly recommends that the current \$50,000 grant for specially adapted housing be increased to \$55,000 and special home adaptations be increased from \$10,000 to \$12,300. Specially adapted housing grants are available for the installation of wheelchair ramps, chair lifts, modifications to kitchens and bathrooms and other adaptations to homes for veterans who cannot move about without the use of wheelchairs, canes or braces or who are blind and suffer the loss or loss of use of one lower extremity. Special home adaptation grants are available for veterans who are legally blind or have lost the use of both hands.

## **SUMMARY**

Mr. Chairman and Members of the Committee, The American Legion appreciates the strong relationship we have developed with this Committee. With increasing military commitments worldwide, it is important that we work together to ensure that the services and programs offered through VA are available to the new generation of American service members who will soon return home. You have the power to ensure that their sacrifices are indeed honored with the thanks of a grateful nation.

The American Legion is fully committed to working with each of you to ensure that America's veterans receive the entitlements they have earned. Whether it is improved accessibility to health care, timely adjudication of disability claims, improved educational benefits or employment services, each and every aspect of these programs touches veterans from every generation. Together we can ensure that these programs remain productive, viable options for the men and women who have chosen to answer the nation's call to arms.

Thank you for allowing me the opportunity to appear before you today.