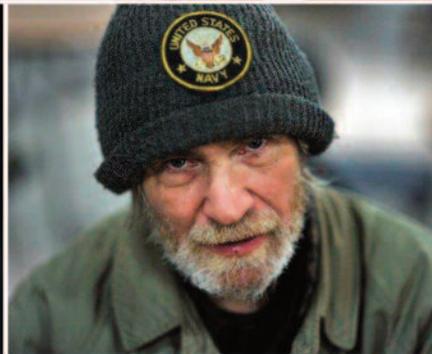
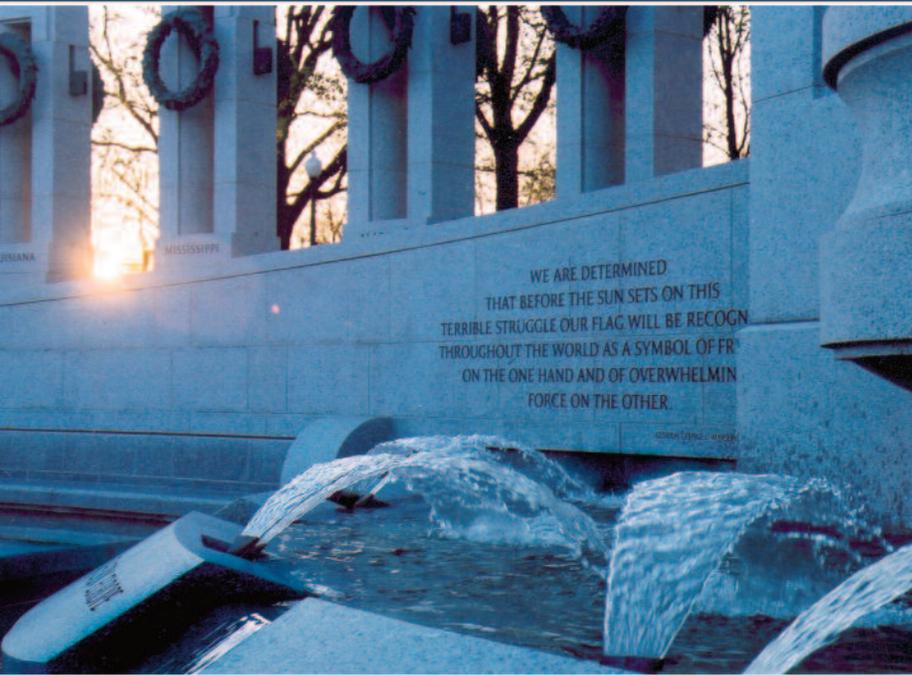


# THE INDEPENDENT BUDGET FOR THE DEPARTMENT OF VETERANS AFFAIRS

Budget Recommendations for FY 2016 and FY 2017





*The Independent Budget*  
**for the Department of Veterans Affairs**



*Budget Recommendations for FY 2016 and FY 2017*



## Introduction

The co-authors of *The Independent Budget (IB)*—AMVETS, DAV (Disabled American Veterans), Paralyzed Veterans of America, and Veterans of Foreign Wars—recognize that Congress and the Administration continue to face immense pressure to reduce federal spending. However, we believe that the ever-growing demand for healthcare and benefits services provided by the Department of Veterans Affairs (VA) certainly validates the continued need for sufficient funding. We understand that VA has fared better than most federal agencies with regard to budget proposals and appropriations.

In the past couple of years, as many federal agencies have faced immense pressure to hold down spending, the Administration has continued to request increases to discretionary funding for VA. At the same time, Congress has continued to provide increases in actual appropriated dollars. However, the serious access problems in the healthcare system identified in 2014 and the continued pressure being placed on the claims-processing system raise serious questions about the resources being provided and how VA chooses to spend the resources it is given. In fact, Deputy Secretary Gibson affirmed our concerns last year when he testified before the House Committee on Veterans' Affairs that for too long VA has been “managing to budget, not to need.” This is an unacceptable practice for an agency charged with meeting the needs of the men and women who have served and sacrificed for this country.

For the first time, *The Independent Budget* veterans service organizations (IBVSOs) are jointly releasing a stand-alone report that focuses solely on the budget of VA and our projections for the VA's funding needs across all programs. This report is not meant to suggest that these are the absolute right answers for funding these service lines. However, in submitting our recommendations the IBVSOs are attempting to produce an honest assessment of need that is not subject to the politics of federal budget development and negotiations that inevitably have led to insufficient requests.

Our recommendations include funding for all discretionary programs for FY 2016 as well as advance appropriations recommendations for medical care for FY 2017. We hope that the House and Senate Committees on Veterans' Affairs as well as the Military Construction and Veterans' Affairs Appropriations Subcommittees will be guided by these estimates in making their decisions for ensuring sufficient, timely, and predictable funding for VA.

## VA Accounts for FY 2016 and FY 2017 Advance Appropriations

	FY 2015 Appropriation	FY 2016* Admin	FY 2016 <i>IB</i>	FY 2017 Adv Approp	FY 2017 <i>IB</i> Adv Approp
<b><u>Veterans Health Administration (VHA)</u></b>					
Medical Services	45,224,716	47,603,202	51,593,505	51,673,000	54,183,411
Medical Support & Compliance	5,879,700	6,144,000	5,972,489	6,524,000	6,241,506
Medical Facilities**	4,739,000	4,915,000	5,703,763	5,074,000	5,926,353
<b>Subtotal Medical Care Discretionary</b>	<b>55,843,416</b>	<b>58,662,202</b>	<b>63,269,757</b>	<b>63,271,000</b>	<b>66,351,270</b>
<i>Medical Care Collections</i>	<i>3,065,000</i>	<i>3,248,000</i>		<i>3,299,954</i>	
<b>Total, Medical Care Budget Authority (including Collections)</b>	<b>58,908,416</b>	<b>61,910,202</b>	<b>63,269,757</b>	<b>66,570,954</b>	<b>66,351,270</b>
Medical & Prosthetic Research	588,922	621,813	619,000		
<b>Total, Veterans Health Admin.</b>	<b>59,497,338</b>	<b>62,532,015</b>	<b>63,888,757</b>		
<b><u>General Operating Expenses (GOE)</u></b>					
Veterans Benefits Admin.	2,534,254	2,697,734	2,796,650		
General Administration	321,591	346,659	330,436		
Board of Veterans Appeals	99,294	107,884	117,853		
<b>Total, General Operating Expenses (GOE)</b>	<b>2,955,139</b>	<b>3,044,393</b>	<b>3,244,939</b>		
<b><u>Departmental Admin. and Misc. Programs</u></b>					
Information Technology	3,903,344	4,133,363	3,974,781		
National Cemetery Admin.	256,800	266,220	260,970		
Office of Inspector General	126,411	126,766	128,412		
<b>Total, Dept. Admin. &amp; Misc. Programs</b>	<b>4,286,555</b>	<b>4,526,349</b>	<b>4,364,163</b>		
<b><u>Construction Programs</u></b>					
Construction, Major	561,800	1,143,800	1,930,000		
Construction, Minor	495,200	406,200	575,000		
Grants for State Extended Care Facilities	90,000	80,000	200,000		
Grants for State Vets Cemeteries	46,000	45,000	48,000		
<b>Total, Construction Programs</b>	<b>1,193,000</b>	<b>1,675,000</b>	<b>2,753,000</b>		
Other Discretionary	162,372	166,090	165,132		
<b>Total, Discretionary Budget Authority (Including Medical Collections)</b>	<b>68,094,404</b>	<b>71,943,847</b>	<b>74,415,991</b>		

\*Amounts for health care for FY 2016 reflect the FY 2015 Consolidated and Further Continuing Appropriations Act approved in December 2014. However, the Administration has revised its FY 2016 estimated need for the three medical care accounts. The Administration projects need for an additional \$1.1 billion for Medical Services, \$70 million for Medical Support and Compliance, and \$105 million for Medical Facilities. The new total includes **Medical Services (\$48.7 billion)**, **Medical Support and Compliance (\$6.2 billion)**, and **Medical Facilities (\$5 billion)**. This results in a new **total Medical Care estimate of \$63.3 billion**.

\*\*The *IB* Recommendation for Medical Facilities includes \$900 million over the baseline for Non-Recurring Maintenance for both FY 2016 and FY 2017.

## Veterans Health Administration

### Total Medical Care

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$63.3 billion</b>
<b>FY 2016 Revised Administration Request</b>	<b>\$63.2 billion</b>
<b>FY 2016 Enacted Advance Appropriations</b>	<b>\$58.7 billion</b>
<b><i>Medical Care Collections</i></b>	<b><i>\$3.2 billion</i></b>
<b>Total</b>	<b>\$62.0 billion</b>
<b>FY 2017 <i>IB</i> Advance Appropriations Recommendation</b>	<b>\$66.4 billion</b>
<b>FY 2017 Administration Advance Appropriations Request</b>	<b>\$63.3 billion</b>
<b><i>Medical Care Collections</i></b>	<b><i>\$3.3 billion</i></b>
<b>Total</b>	<b>\$66.6 billion</b>

The IBVSOs appreciate the fact that the Administration continues to present budget recommendations for the overall Medical Care accounts that address veterans' growing demand for healthcare services. Unfortunately, we believe the advance appropriations amount for FY 2016 provided for by Congress in the "FY 2015 Consolidated and Further Continuing Appropriations Act" approved in December 2014 is not sufficient to meet the full demand for services being placed on the system. For FY 2016, the *IB* recommends approximately \$63.2 billion for total Medical Care. However, Congress recently approved only \$62 billion for total Medical Care (based on an assumption that includes approximately \$3.3 billion for medical care collections).

Of particular concern is the fact that VA continues to over-project and underperform with its medical care collections estimates. Overestimating medical care collections affords Congress the opportunity to appropriate fewer discretionary dollars for the healthcare system. However, when VA fails to collect what VA estimated, it is left with insufficient funding to meet the actual demand by veterans. As long as this scenario continues, VA will find itself falling farther and farther behind in its ability to care for those men and women who have served and sacrificed for this nation. In fact, we believe this to be the precise situation now occurring.

Similarly, we are concerned that the Administration has not adjusted the baseline for medical care funding to account for the additional resources targeted at expanding the capacity of the system. Congress approved approximately \$5.0 billion in additional funding to expand the capacity of the VA healthcare system in P.L. 113-146, the "Veterans Access, Choice and Accountability Act (VACAA)." We believe that it will be critical moving forward for VA to adjust its baseline for total Medical Care expenditures to account for the infusion of these new resources and the resultant expansion of capacity, including new permanent employment authorized by the act.

*The Independent Budget* also recommends approximately \$66.1 billion for total Medical Care for FY 2017. This reflects an increase of approximately \$4.1 billion over the amount advance-appropriated by Congress in December 2014.

## Medical Services

### Appropriations for FY 2016

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$51.6 billion</b>
<b>FY 2016 Revised Administration Request</b>	<b>\$48.7 billion</b>
<b>FY 2016 Enacted Advance Appropriations</b>	<b>\$47.6 billion</b>

For FY 2016, *The Independent Budget* recommends approximately \$51.6 billion for Medical Services. This recommendation is a reflection of multiple components. These components include the following recommendations:

Current Services Estimate.....	\$49,468,647,000
Increase in Patient Workload.....	\$1,489,858,000
Additional Medical Care Program Costs.....	\$635,000,000
Total FY 2016 Medical Services.....	\$51,593,505,000

The current services estimate reflects the impact of projected uncontrollable inflation on the cost to provide services to veterans currently using the system. The estimate also assumes a 1.5 percent increase for pay and benefits across the board for all VA employees.

Our estimate of growth in patient workload is based on a projected increase of approximately 148,000 new unique patients. These new unique patients include priority group 1–8 veterans and covered nonveterans as well as additional new users as a result of veterans being removed from the extended waiting lists and those whose decisions on healthcare enrollment eligibility are made. We estimate the cost of these new unique patients to be approximately \$1.2 billion. The increase in patient workload also includes a projected increase of 71,500 new Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) enrollees, as well as Operation New Dawn (OND) veterans at a cost of approximately \$282 million. The increase in utilization among OEF/OIF/OND veterans is supported by the average annual increase in new users from FY 2002 through the 3<sup>rd</sup> quarter of FY 2014.

*The Independent Budget* believes that there are additional projected medical program funding needs for VA. Specifically, we believe there is real funding needed to address the array of long-term-care issues facing VA, including the shortfall in institutional capacity; to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA’s prosthetics service); as well as funding necessary to improve the Comprehensive Family Caregiver program; and funding to address needed improvements in programs directed for women veterans.

*The Independent Budget* recommends \$325 million directed toward VA long-term-care programs. In order to support the continued rebalancing of VA long-term care in FY 2016, \$125 million should be provided. Additionally, \$95 million should be targeted at the VA’s Veteran Directed-Home and Community Based Services (VD-HCBS) program. The remainder of the \$325 million (\$105 million) should be dedicated to increasing the VA’s long-term-care

average daily census (ADC) to the level mandated by Public Law 106-117, the “Veterans Millennium Health Care and Benefits Act.”

In order to meet the increase in demand for prosthetics, the *IB* recommends an additional \$150 million. This increase in prosthetics funding reflects an increase in expenditures from FY 2014 to FY 2015 and the expected continued growth in expenditures for FY 2016. Our additional program costs recommendation includes investing \$70 million in the Comprehensive Family Caregiver program in accordance with the deficiencies identified during the hearing held by the House Veterans’ Affairs Subcommittee on Health in December 2014.

The Medical Services appropriation should be supplemented with \$90 million designated for women’s healthcare programs, in addition to those amounts already included in the FY 2016 baseline. These funds would be used to help the Veterans Health Administration deal with the continuing growth in ensuring coverage for gynecological, prenatal, and obstetric care, other gender-specific services, and for maintenance and repair of facilities hosting women’s care to improve privacy and safety of these facilities where women seek care. The new funds would also aid the VHA in making its cultural transformation to embrace women veterans and welcome them to VA healthcare services, and provide means for VA to improve specialized mental health and readjustment services for women veterans.

### **Advance Appropriations for FY 2017**

<b>FY 2017 <i>IB</i> Advance Appropriations Recommendation</b>	<b>\$54.2 billion</b>
<b>FY 2017 Administration Advance Appropriations Request</b>	<b>\$51.7 billion</b>

*The Independent Budget* once again offers baseline projections for funding through advance appropriations for the Medical Care accounts for FY 2017. While we have previously deferred to the Administration and Congress to provide sufficient funding through the advance appropriations process, we remain concerned that this responsibility is not being taken seriously.

For FY 2017, *The Independent Budget* recommends approximately \$54.2 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$51,937,260,000
Increase in Patient Workload.....	\$1,576,151,000
Additional Medical Care Program Costs.....	\$670,000,000
Total FY 2017 Medical Services.....	\$54,183,411,000

Our growth in patient workload is based on a projected increase of approximately 150,000 new unique patients. These new unique patients include priority group 1–8 veterans and covered nonveterans. We estimate the cost of these new unique patients to be approximately \$1.3 billion. This recommendation also reflects an assumption that more veterans will be accessing the system as VA expands its capacity and services and we believe that reliance rates will increase as veterans examine their healthcare options as a part of the option for choice. The increase in patient workload also includes a projected increase of 74,225 new OEF/OIF, as well as OND veterans at a cost of approximately \$301 million.

Last, as previously discussed, the IBVSOs believe that there are additional medical program funding needs for VA. *The Independent Budget* recommends \$325 million directed toward VA long-term-care programs. In order to support the continued rebalancing of VA long-term care in FY 2017, \$125 million should be provided. Additionally, \$95 million should be targeted at the VA’s Veteran Directed-Home and Community Based Services (VD-HCBS) program. The remainder of the \$325 million (\$105 million) should be dedicated to increasing the VA’s long-term-care average daily census (ADC) to the level mandated by Public Law 106-117, the “Veterans Millennium Health Care and Benefits Act.” In order to meet the increase in demand for prosthetics, the *IB* recommends an additional \$165 million. Our additional program costs recommendation includes continued reinvestment of \$75 million in the Comprehensive Family Caregiver program in accordance with the deficiencies identified during the hearing held by the House Veterans’ Affairs Subcommittee on Health in December 2014. Finally, we believe that VA should invest a minimum of \$105 million as an advance appropriation in FY 2017 to expand and improve access to women veterans’ healthcare programs.

## Medical Support and Compliance

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$5.972 billion</b>
<b>FY 2016 Revised Administration Request</b>	<b>\$6.214 billion</b>
<b>FY 2016 Enacted Advance Appropriations</b>	<b>\$6.144 billion</b>
<b>FY 2017 <i>IB</i> Advance Appropriations Recommendation</b>	<b>\$6.242 billion</b>
<b>FY 2017 Administration Advance Appropriations Request</b>	<b>\$6.524 billion</b>

For Medical Support and Compliance, *The Independent Budget* recommends approximately \$6.0 billion for FY 2016. Our projected increase reflects an increase in current services based on the impact of inflation on the FY 2015 appropriated level. Additionally, for FY 2017 *The Independent Budget* recommends approximately \$6.2 billion for Medical Support and Compliance. This amount also reflects an increase in current services from the FY 2016 advance appropriations level.

## Medical Facilities

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$5.704 billion</b>
<b>FY 2016 Revised Administration Request</b>	<b>\$5.020 billion</b>
<b>FY 2016 Enacted Advance Appropriations</b>	<b>\$4.915 billion</b>
<b>FY 2017 <i>IB</i> Advance Appropriations Recommendation</b>	<b>\$5.926 billion</b>
<b>FY 2017 Administration Advance Appropriations Request</b>	<b>\$5.074 billion</b>

For Medical Facilities, *The Independent Budget* recommends approximately \$5.7 billion for FY 2016, nearly \$800 million more than the enacted advance appropriations in December 2014. Our Medical Facilities recommendation includes the addition of \$900 million to the baseline for Non-Recurring Maintenance (NRM). The Administration’s request over the past two cycles represents a wholly inadequate request for NRM funding, particularly in light of the actual expenditures

that are outlined in the budget justification. While VA has actually spent on average approximately \$1.3 billion yearly for NRM, the Administration has requested only approximately \$460 million for NRM. This is clearly insufficient. This decision means that VA is forced to divert funds designated for another purpose to meet this need.

*The Independent Budget* also recommends approximately \$5.9 billion for Medical Facilities for FY 2017. Our FY 2017 recommendation also includes the addition of \$900 million to the baseline for NRM. Last year the Administration’s recommendation for NRM reflected a projection that would place the long-term viability of the healthcare system in serious jeopardy.

## **Medical and Prosthetic Research**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$619 million</b>
<b>FY 2016 Administration Request</b>	<b>\$622 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$589 million</b>

The VA Medical and Prosthetic Research program is widely acknowledged as a success on many levels, and contributes directly to improved care for veterans and an elevated standard of care for all Americans. The research program is an important tool in VA’s recruitment and retention of healthcare professionals and clinician-scientists to serve our nation’s veterans. By fostering a spirit of research and innovation within the VA medical care system, the VA research program ensures that our veterans are provided state-of-the-art medical care.

### **Investing Taxpayers’ Dollars Wisely**

Despite documented success of VA investigators across many fields, the amount of appropriated funding for VA research since FY 2010 has lagged far behind annual biomedical research inflation rates, resulting in a net loss over these years of nearly 10 percent of the program’s overall purchasing power. As estimated by the Department of Commerce, Bureau of Economic Analysis, and the National Institutes of Health, for VA research to maintain current service levels, the Medical and Prosthetic Research appropriation should be increased in FY 2016 by 2.5 percent over the FY 2015 baseline—about \$15 million.

Numerous meritorious proposals for new VA research cannot be funded without an infusion of additional funding for this vital program. Research awards decline as a function of budgetary stagnation, so VA may resort to terminating ongoing research projects or not funding new ones, and thereby lose the value of these scientists’ work, as well as their clinical presence in VA healthcare. Denied research funding, many of them simply resign and move their research work to affiliated universities or to corporate platforms.

### **Program Growth**

In addition to covering uncontrollable inflation, the IBVSOs believe Congress should appropriate an additional \$15 million for FY 2016, for expanding research on conditions prevalent among newer veterans, as well as continuing VA’s inquiries in chronic conditions of aging veterans from previous wartime periods. These additional funds would support ongoing research on

chronic conditions of aging veterans and provide funds for new and emerging research on conditions prevalent among younger veterans of our most recent overseas wars. For example, VA research is uniquely positioned to advance genomic medicine through the “Million Veteran Program” (MVP), an effort that seeks to collect genetic samples and general health information from 1 million veterans over the next five years. When completed, the MVP will constitute one of the largest genetic repositories in existence, offering tremendous potential to study the health of veterans.

Additional funding will also help VA support emerging areas that remain critically underfunded, including:

- post-deployment mental health concerns such as PTSD, depression, anxiety, and suicide in the veteran population;
- the gender-specific healthcare needs of the VA’s growing population of women veterans;
- new engineering and technological methods to improve the lives of veterans with prosthetic systems that replace lost limbs or activate paralyzed nerves, muscles, and limbs;
- studies dedicated to understanding chronic multisymptom illnesses among Gulf War veterans and the long-term health effects of potentially hazardous substances to which they may have been exposed; and
- innovative health services strategies, such as tele-health and self-directed care, that lead to accessible, high-quality, cost-effective care for all veterans.

## **General Operating Expenses (GOE)**

### **Veterans Benefits Administration**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$2.797 billion</b>
<b>FY 2016 Administration Request</b>	<b>\$2.698 billion</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$2.534 billion</b>

The Veterans Benefits Administration account is comprised of six primary divisions. These include Compensation; Pension; Education; Vocational Rehabilitation and Employment (VR&E); Housing; and Insurance. The increases provided for these accounts primarily reflect current services estimates with the impact of inflation representing the grounds for the increase. However, two of the subaccounts—Compensation and VR&E—also reflect a substantial increase in staffing. The explanation for those increases is included below.

The *IB* recommends approximately \$2.797 billion for the Veterans Benefits Administration (VBA) for FY 2016. This amount reflects an increase of approximately \$263 million over the recently enacted FY 2015 appropriations level. Our recommendation includes approximately \$159 million additional in the Compensation account above current services and approximately \$42 million additional in the VR&E account above current services to provide for new full-time equivalent employees (FTEEs).

<b>Compensation Service Personnel</b>	<b>1,700 New FTEEs</b>	<b>\$158.9 million</b>
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Over the past two years, the VBA has made significant progress in addressing the backlog of pending claims for compensation, reducing the number of pending claims and increasing the accuracy rate for claims decisions. Some of this progress can be attributed to the development and deployment of a new organizational model and new information technology (IT) systems, including the Veterans Benefits Management System (VBMS), e-Benefits, and the Stakeholder Enterprise Portal (SEP). However, much of the increased productivity is the result of putting more resources into processing claims. Recognizing that rising workload, particularly claims for disability compensation, could not be addressed without additional personnel, Congress provided the VBA with more than 3,000 FTEEs between 2008 and 2013, primarily in Compensation Service. However, relative to the VBA's total workload, to include appeals, these increases have not been significant enough to keep pace with or reduce backlogs in the claims and appeals pipelines as evidenced by VBA's own resource allocation and personnel decisions.

Over the past couple of years, VBA's largest increases in productivity—periods where the backlog declined most markedly—occurred while the VBA enforced a policy of mandatory overtime for its workforce. During holiday periods at the end of the year, when mandatory overtime was curtailed, production fell off measurably. Furthermore, over the past couple of years many VA Regional Offices (VAROs) have diverted some of their senior employees from both quality review and appeals work to focus on claims- processing work in order to drive down the backlog. Specifically, both Decision Review Officers (DROs) and Quality Review



medical separations through the Department of Defense and VA's joint Integrated Disability Evaluation System.

These additional functions of VR&E personnel are undoubtedly beneficial; however, staffing levels throughout VR&E services must be commensurate with current and future demands. At the end of FY 2013, VR&E had a total of 1,343 FTEEs. The VBA projected an increase in FY 2014 and was authorized 1,442 FTEEs. In the FY 2015 budget request, the VBA did not recommend increasing this staff and was again authorized 1,442 for FY 2015, despite an increasing workload.

In order for VR&E to keep pace with demand, the IBVSOs project the total number of VR&E participants at roughly 165,000 for FY 2016, nearly 10 percent in participant growth. At present there are roughly 974 VR&E counselors managing an active client caseload of roughly 140,000 participants, which averages out to a counselor-to-client ratio of roughly 1:135.

Ideally, a reasonable client-to-counselor ratio would consist of one VR&E counselor for every 125 veterans as has been advocated by the IBVSOs for the past several years. However, the average can be somewhat misleading as there are higher and lower averages throughout VAROs. As an example, the Cleveland VAROs counselor to client ratio was 206 cases for every one VR&E counselor, and in the Fargo VARO, 64 cases for every one VR&E counselor.

In order to achieve the 1:125 counselor to client ratio in FY 2016, VR&E would require an additional 382 FTEEs, of which 277 would be dedicated as VR&E counselors and the remaining 105 employees dedicated toward support services bringing VR&E's total FTEE strength to 1,824.

While increased staffing levels are required to provide efficient and timely services to veterans utilizing VR&E services, it is also essential that these increases be properly distributed throughout all of VR&E to ensure that VR&E counselors' caseloads are equitably balanced among VAROs.

## **General Administration**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$330 million</b>
<b>FY 2016 Administration Request</b>	<b>\$347 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$322 million</b>

The General Administration account is comprised of nine primary divisions. These include the Office of the Secretary; the Office of the General Counsel; the Office of Management; the Office of Human Resources and Administration; the Office of Policy and Planning; the Office of Operations, Security and Preparedness; the Office Public and Intergovernmental Affairs; the Office of Congressional and Legislative Affairs; and the Office of Acquisition, Logistics, and Construction. For FY 2016, the *IB* recommends approximately \$330 million, an increase of nearly \$8.0 million over the FY 2015 appropriation level. This increase reflects only an increase in current services based on the impact of uncontrollable inflation across all of the General Administration accounts.

## **Board of Veterans' Appeals**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$118 million</b>
<b>FY 2016 Administration Request</b>	<b>\$108 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$99 million</b>

*The Independent Budget* recommendation for the Board of Veterans' Appeals (Board) reflects two considerations. The baseline of the Board recommendation represents an increase in current services based on inflation. Our recommendation then includes funding for additional FTEEs for the Board. For FY 2016, the IBVSOs recommend \$118 million to fully fund the operations of the Board and increase its staffing level by 120 FTEEs.

**Board of Veterans' Appeals Personnel      120 New FTEEs                      \$17 million**

After several years of declining workforce, the Board has significantly increased its FTEE levels over the past two years, rising from an average of 510 FTEEs in FY 2012 to an authorized 640 FTEs in FY 2015. Since approximately 18 months of training and orientation are required for a new Board attorney to reach full productivity, and given the time taken away from existing staff to train and mentor new staff, there will still be some expected increases in productivity to be made this year even without future increases in staffing. Over the past five years, the Board has averaged approximately 90 appeals dispositions per FTEE, producing a record 55,532 decisions in FY 2014. However, with the inventory of pending appeals now topping 360,000 in various stages at both the VBA and the Board, there are simply not enough hands to do all the work that will be required, even with further efficiencies gained through technology and other reforms. Furthermore, as the number of claims processed annually continues to rise with increased productivity by the VBA, the number of appeals is also expected to rise, even accounting for increased accuracy in rating board decisions.

In order to meet current and future workload requirements, the Board will need to continue adding new attorneys and veteran law judges, as well as sufficient support staff. For FY 2016, the IBVSOs recommend an increase of 120 new FTEEs, a 20 percent increase over the FY 2015 authorized level. This increase represents a balance between the total requirement for staffing at the Board, which is likely even higher, and the ability of the Board to absorb new personnel without undue disruption in a single year.

## **Departmental Administration and Miscellaneous Programs**

### **Information Technology**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$3.975 billion</b>
<b>FY 2016 Administration Request</b>	<b>\$4.133 billion</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$3.903 billion</b>

In contrast to significant department-level IT failures, the Veterans Health Administration (VHA) over more than 30 years successfully developed, tested, and implemented a world-class comprehensive, integrated electronic health record (EHR) system. The current version of this EHR system, based on the VHA's self-developed VistA public domain software, sets the standard for EHR systems in the United States and has been publicly praised by the President and many independent observers. However, VistA is aging and is in urgent need of replacement. One of its component parts, the outdated scheduling module, contributed to VA's recent access to care scandal, and is being replaced on an expedited basis.

Meanwhile, the VBA has completed implementation of a new organizational model and system in order to fix the broken veterans benefits claims-processing system. For more than five years, the VBA has been engaged in a comprehensive transformation process designed to transition from paper-based processing. The initiative is working and merits continued support for the current transformation efforts

For FY 2016, the IBVSOs recommend approximately \$4.0 billion for the administration of the VA's IT program. This recommendation does not include any new funding above the planned current services level. Significant resources have already been invested into VA's IT programs in recent years, and we believe proper allocation of existing resources can allow VA to fulfill its missions while modernizing its systems. However, we do believe a portion of the IT appropriation should be directed specifically at acceleration of the VBMS and at modernization of the BVA IT system. A detailed explanation of those recommendations is included below.

#### **VBMS Acceleration \$60 million**

The most critical and dramatic elements of the VBA's claims-processing transformation have been the new IT systems—the VBMS, e-Benefits, and SEP—built over the past five years. These three systems have led the way in moving claims processing from an outdated, paper-based system to a modern, automated digital system. Despite some early challenges, the VBMS program has proven to be an effective platform for processing claims in a digital environment, but more must be done.

Because of budget constraints, current planning at the VBA calls for some critical elements of the claims process, including major new modules to allow electronic transmission of examinations and service treatment records from the Department of Defense, other government agencies, and private businesses and organizations, to be slowly phased in over the next several

years. The VBMS has also yet to fully address veterans service organization stakeholder requirements to enhance the ability of certified service officers to fully represent veterans in the claims process.

The IBVSOs recommend increasing the amount of IT funding allocated to the VBMS program in FY 2016 by \$60 million to support the specific IT enhancements referenced above, which are already planned, but have been pushed forward to future years solely due to budget constraints.

**Board of Veterans' Appeals IT Modernization** **\$15 million**

Similarly, the extension and adaptation of the VBMS for the Board's use has also been pushed back to future years due to limited budgets made available to the VBMS program. While the Board has access to e-Folders to review claims records, they do not have the ability to process appeals within a fully electronic environment. With the inventory of pending appeals at both VBA and the Board growing, it is imperative that IT modernization at the Board move forward. The IBVSOs recommend that \$15 million be allocated in FY 2016 to move forward as expeditiously as feasible with the Board's IT modernization.

**National Cemetery Administration**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$261 million</b>
<b>FY 2016 Administration Request</b>	<b>\$266 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$257 million</b>

The National Cemetery Administration (NCA), which receives funding from eight appropriations accounts, administers numerous activities to meet the burial needs of our nation's veterans, including:

- interring veterans and their eligible family members in national cemeteries;
- maintaining the graves and cemetery grounds as national shrines;
- providing aid to individual states and tribal organizations in establishing, maintaining, and expanding existing veteran cemeteries;
- furnishing headstones and markers for eligible individuals in national, state, or tribal veterans cemeteries and private cemeteries;
- furnishing commemorative medallions to be affixed to privately purchased headstones;
- issuing Presidential Memorial Certificates to the families of deceased veterans in recognition of their loved ones service to the nation;
- providing outer burial receptacles or partial reimbursement for privately purchased receptacles for each new gravesite in NCA-administered cemeteries;
- initiating and confirming all information necessary for the interment process in the NCA system, to including recording First Notice of (Veterans) Death; requests for flags, headstones, or markers; burial applications; and entering insurance information into VA IT systems.

In a strategic effort to meet the burial and access needs of our veterans and eligible family members, the NCA continues to expand and improve the national cemetery system, by adding

new and/or expanded national cemeteries. Not surprising, due to the opening of additional national cemeteries, the NCA is expecting an increase in the number of annual veteran interments through 2017 to roughly 130,000, up from 125,180 in 2014; this number is expected to slowly decrease to 126,000 by 2020. This much need expansion of the national cemetery system will help to facilitate the projected increase in annual veteran interments and will simultaneously increase the overall number of graves being maintained by the NCA to 3.7 million in 2018 and 3.9 million by 2020.

Even as the NCA continues to add veteran burial space to within its expanding system, many existing cemeteries are exhausting their capacity and will no longer be able to inter casketed or cremated remains. In fact, as of 2016, the NCA expects four national cemeteries—Baltimore, Maryland; Nashville, Tennessee; Danville, Virginia; and Alexandria, Virginia—to reach their maximum capacity and will be closed to first interments, though they will continue to accept second interments.

In order to minimize the dual negative impacts of increasing interments and limited veteran burial space, the NCA needs to:

- continue developing new national cemeteries;
- maximize burial options within existing national cemeteries;
- strongly encourage the development of state veteran cemeteries; and
- increase burial options for veterans in highly rural areas.

Additional areas of growth within the NCA system include:

- an increase in the issuance of Presidential Memorial Certificates, which is expected to increase from approximately 654,000 in 2013 to more than 870,000 in 2017;
- the expected increase in the burial of indigenous veterans; and
- the possible increase, thanks to local historians and other interested stakeholders, in requests for headstones or markers for previously unidentified veterans.

### **Budgetary Resources for NCA Programs**

With the above considerations in mind, *The Independent Budget* recommends \$261 million for FY 2016 for the Operations & Maintenance of the NCA. The IBVSOs believe that this should include a minimum of \$20 million for the National Shrine Initiative. Since FY 2013, national shrine funding has decreased from \$33.9 million to \$9.1 million projected in FY 2015. The NCA must continue to invest sufficient resources in the National Shrine Initiative to ensure that this important work is completed.

## Office of the Inspector General

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$128 million</b>
<b>FY 2016 Administration Request</b>	<b>\$127 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$126 million</b>

The Office of the Inspector General (OIG) has been under significant scrutiny over the past year. We believe that the work requirements assigned to this office have placed it under great stress and potentially stretched it beyond its capacity. That being said, the IBVSOs believe that the office does not warrant a staffing increase at this time. The nature of the reporting and the scrutiny that the OIG has faced suggests that internal reform should be considered before significant new resources are appropriated. The *IB* recommends funding based on current services of approximately \$128 million.

## **Construction Programs**

### **Major Construction**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$1.93 billion</b>
<b>FY 2016 Administration Request</b>	<b>\$1.14 billion</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$562 million</b>

Each year the Department of Veterans Affairs outlines its current and future major construction needs in its annual Strategic Capital Investment Planning (SCIP) process. In its FY 2015 report, VA projects it will take between \$18.1 billion to \$22.1 billion to close all current and projected gaps in access, utilization, and safety. Currently, VA has more than 50 major construction projects that are either partially funded or funded through completion, but in which construction is incomplete.

Last year VA requested and Congress appropriated approximately \$562 million to further fund four major construction projects. While these funds will allow VA to begin substantive construction on these projects, many other previously funded sites continue to go unfunded. One of these projects was originally funded in FY 2007, while others were funded more than five years ago but no money has been spent on the projects to date. Of the 49 projects on VA's partially funded VHA construction list, 12 are seismic in nature, with nine of them being in some stage of funding.

It is time for the projects that have been in limbo for years or that present a safety risk to veterans and employees to be put on a course to completion within the next five years. To accomplish this, the IBVSOs recommend that Congress appropriate \$1.93 billion for FY 2016 to fund through completion the 10 highest priority projects. On an urgent basis, Congress must fund the full cost to replace any funds that have been reprogrammed from existing projects to allow construction on the Denver VA Medical Center replacement facility to be concluded.

### **Research Infrastructure**

State-of-the-art research requires state-of-the-art technology, equipment, and facilities. For decades, VA construction and maintenance appropriations have not provided the resources VA needed to maintain, upgrade, or replace its aging research laboratories and associated facilities. The impact of funding shortages was vividly demonstrated in a Congressionally mandated report that found major, systemwide deficits in VA research infrastructure. Nearly 40 percent of the deficiencies found were designated "Priority 1: Immediate needs, including corrective action to return components to normal service or operation; stop accelerated deterioration; replace items that are at or beyond their useful life; and/or correct life safety hazards."

The report cited above estimated that approximately \$774 million would be needed to correct all deficiencies found, but only a fraction of that funding has been appropriated since this report was made public in 2012. The VA Office of Research and Development is conducting a follow-up

study of over a dozen key research sites. This update should be available in mid-2015, the results of which can be used to guide VA and Congress in further investment in VA research infrastructure. Nevertheless, Congress needs to begin now to correct the most urgent of these known infrastructure deficiencies, especially those that concern life-safety hazards for VA scientists and staff, and for veterans who volunteer as research subjects.

The IBVSOs believe that Congress should break this chronic stalemate and designate funds to improve specific VA research facilities in FY 2016 and in subsequent years. In order to begin to address these known deficits, the IBVSOs recommend Congress approve at least \$50 million for up to five major construction projects in VA research facilities.

The full report discussed above is available at [www.aamc.org/varpt](http://www.aamc.org/varpt). The House reports associated with this issue are House Report 109-95, and House Report 111-559.

## **Minor Construction**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$575 million</b>
<b>FY 2016 Administration Request</b>	<b>\$406 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$495 million</b>

In FY 2015, VA requested and Congress appropriated \$495 million for 47 minor construction projects. That still leaves more than 600 minor construction projects that need funded to close all current and future year gaps within ten years. To complete all of these current and projected projects, VA will need to invest between \$6.7 and \$8.2 billion over the next decade.

In August 2014, the President signed the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), Public Law 133-146. In this law Congress provided \$5 billion to increase healthcare access by increasing medical staffing levels and investing in infrastructure. VA has developed a spending plan that will obligate \$511 million for 64 minor construction projects over a two-year period.

VA plans to invest \$383 million of these funds in FY 2015, leaving \$128 million for minor projects in FY 2016. It is important to remember that these funds are a supplement to, not a replacement of, annual appropriations for minor construction projects. To ensure that VA funding keeps pace with completing all current and future minor construction projects, the IBVSOs recommend that Congress appropriate an additional \$575 million above the \$128 million that is provided through VACAA for FY 2016.

Additionally, the IBVSOs recommend \$175 million in non-recurring maintenance and minor construction funding to address needs of facilities identified in the Congressionally requested report on the status of VA research facilities.

## **Grants for State Extended-Care Facilities**

(State Home Construction Grants)

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$200 million</b>
<b>FY 2016 Administration Request</b>	<b>\$80 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$90 million</b>

The State Veterans Home program is a very successful federal-state partnership in which VA and states share the cost of constructing and operating nursing homes and domiciliaries for America's veterans. Today, State Homes provide over 30,000 nursing home and domiciliary beds for veterans, their spouses, and gold-star parents of veterans. Overall, State Homes provide approximately 53 percent of VA's long-term-care workload, for the very reasonable cost of only about 12 percent of VA's long-term-care budget. VA's basic per diem payment for skilled nursing care in State Homes is approximately \$100, significantly less than comparable costs for operating VA's own long-term-care facilities. On average, the daily cost of care for a veteran at a State Home is less than 50 percent of the cost of care at a VA long-term-care facility. This basic per diem covers about 30 percent of the cost of care, with states responsible for the balance, utilizing both state funding and other sources.

VA also provides states with construction grants to build, renovate, repair, and expand both nursing homes and domiciliaries, with states required to provide 35 percent of the cost for these projects in matching funding. VA maintains a prioritized list of construction projects proposed by State Homes based on specific criteria, with life and safety threats in the highest priority group. Only those projects that already have state matching funds qualify are included in VA's Priority List Group 1 projects, which are eligible for funding. Those who have not yet received assurances of state matching funding are put on the list among Priority Groups 2 through 7.

In FY 2014, the estimated federal share for proposed State Home Construction Grants submitted by states was \$928 million, of which \$489 million had already secured the state matching funds required to put them in the Priority Group List 1. The IBVSOs had recommended \$250 million to provide funding for about half of the Priority 1 projects. The final appropriated funding for FY 2014 was only \$85 million, significantly less than the amount needed to address the current backlog of projects.

In FY 2015, total estimated share of State Home Construction Grant requests rose to \$976 million, of which \$409 million already have state matching funding. For FY 2015, Congress appropriated \$90 million for this program, which does represent a small increase, but again does not begin to seriously address the backlog of pending construction requests to maintain the State Homes infrastructure.

For FY 2016, the IBVSOs recommend \$200 million for the State Home Construction Grant program, which we estimate would provide sufficient funding for approximately half of the projects expected to be on the FY 2016 VA Priority Group 1 List when it is released at the end of this year.

## **Grants for State Veterans Cemeteries**

<b>FY 2016 <i>IB</i> Recommendation</b>	<b>\$48 million</b>
<b>FY 2016 Administration Request</b>	<b>\$45 million</b>
<b>FY 2015 Enacted Final Appropriation</b>	<b>\$46 million</b>

The State Cemetery Grant Program allows states to expand veteran burial options by raising half the funds needed to build and begin operation of veterans' cemeteries. The NCA provides the remaining funding for construction and operational funds, as well as cemetery design assistance. As of September 2014, there were 49 projects with state matching funds.

Funding eight projects in FY 2016 will provide burial options for an additional 148,000 veterans. To fund these projects, Congress must appropriate \$48 million.