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**THE IMPACT OF PRESIDENT BUSH'S BUDGET ON  
VETERANS HEALTH CARE IN  
CALIFORNIA'S 29TH CONGRESSIONAL DISTRICT**

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**PREPARED FOR REP. ADAM B. SCHIFF**

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## EXECUTIVE SUMMARY

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On February 7, 2005, President Bush released his proposed FY 2006 budget for the Department of Veterans Affairs. The budget provides \$28.1 billion for veterans health care, well short of the funding necessary to pay for health care for all eligible veterans. To compensate for the funding shortfall, the budget proposes to raise \$2.1 billion by charging millions of veterans a \$250 annual enrollment fee and doubling their copayments for prescription drugs.

At the request of Rep. Adam B. Schiff, this report analyzes the impact of these new fees on veterans in California's 29th Congressional District. The report finds:

- **The increased fees will force hundreds of veterans in Rep. Schiff's district to drop out of the VA health care system.** Over 140,000 veterans in California will be unable to pay the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. In Rep. Schiff's district, the proposals will force over 850 veterans enrolled in VA facilities to drop out of the VA health care system.
- **The increased fees will cost California veterans millions of dollars.** Many veterans in California will remain in the VA system but be forced to pay more for their health care. These California veterans will face average cost increases of \$390 annually, with some veterans paying as much as \$550 or more. The total additional cost for veterans in California is estimated to be almost \$65 million annually, including hundreds of thousands of dollars in additional costs for veterans in Rep. Schiff's district.

## BACKGROUND

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The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. In California, the VA system provides care to approximately 620,000 veterans.<sup>1</sup> Another 1.7 million veterans in California are eligible to receive care.<sup>2</sup> In the Los Angeles area, veterans receive their care at the major VA medical center in Los Angeles, and at community-based primary care clinics located in Culver City, East Los Angeles, Gardena, Lancaster, and Lompoc.

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<sup>1</sup> Department of Veterans Affairs, *FY 2004 Enrollment* (Feb. 2005).

<sup>2</sup> *Id.*

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. In 1996, Congress passed the Veterans Health care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by almost 300%, from 2.9 million in 1996 to an estimated 7.5 million in 2003.<sup>3</sup> Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.<sup>4</sup>

President Bush's budget proposes to spend \$28.9 billion on veterans health care in fiscal year 2006. This is an increase of just 0.4% over the FY 2005 budget. In real terms, the budget proposal is actually a reduction because it fails to keep pace with the 4.3% increase in medical inflation in 2004.<sup>5</sup> The budget also does not provide funds for the 5% increase in enrollment anticipated in 2005.<sup>6</sup> Leading veterans groups have described the budget as "tightfisted, miserly,"<sup>7</sup> and "woefully inadequate,"<sup>8</sup> and they have indicated that "in the end, it would seriously erode the quality of care for today's veterans and tomorrow's."<sup>9</sup> Independent analysts have estimated that the budget falls \$3 billion short of what is needed to provide adequate care.<sup>10</sup>

To compensate for these budget shortfalls, President Bush's VA budget seeks to raise the fees paid by the two large classes of veterans: the so-called "Priority 7" and "Priority 8" veterans. Priority 7 veterans are veterans whose injuries are not service-related and whose income is more than \$24,644 (\$29,576 for a veteran with a dependent) but less than 80% of the community's median income.<sup>11</sup>

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<sup>3</sup> *Id.* Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

<sup>4</sup> Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

<sup>5</sup> Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (Feb. 2005).

<sup>6</sup> Department of Veterans Affairs, *FY 2006 Budget Submission*, Volume 2, at 2-15 (Feb. 2005).

<sup>7</sup> Disabled American Veterans, *President's Budget Bad News for Sick and Disabled Veterans* (Feb. 8, 2005).

<sup>8</sup> Paralyzed Veterans of America, *Paralyzed Veterans of America Calls Administration's Budget Proposal Woefully Inadequate, Forcing Some Veterans to Pay for the Health Care of Others by Increasing Fees and Co-Payments* (Feb. 8, 2005).

<sup>9</sup> Disabled American Veterans, *supra* note 7.

<sup>10</sup> The Independent Budget, *Administration's VA Health Care Budget Proposal Shortchanges America's Sick and Disabled Veterans* (Feb. 10, 2005).

<sup>11</sup> Department of Veterans Affairs, *Health Benefits Eligibility* (Feb. 2005).

Priority 8 veterans are veterans whose injuries are not service related and whose incomes are higher than Priority 7 veterans.<sup>12</sup> Together, these two classes of veterans represent 45% of the veterans currently receiving VA health care.<sup>13</sup>

One provision proposed by President Bush would charge all Priority 7 and Priority 8 veterans who are in the VA system a \$250 annual enrollment fee in order to receive care.<sup>14</sup> This would represent a new policy for the VA, which to date has never charged veterans an enrollment fee. A second provision would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.<sup>15</sup> Taken together, these provisions are estimated to raise \$2.1 billion in new revenues over the next five years.<sup>16</sup>

President Bush proposed both these changes before in the FY 2004 and FY 2005 budgets. Both times, the cuts were rejected by the House and Senate. This year, however, the outcome may be different. In January 2005, Republican leaders in Congress ousted Rep. Chris Smith as Chairman of the Committee on Veterans Affairs because Mr. Smith was “failing to toe the party line on spending” by opposing cuts in veterans health care.<sup>17</sup> The new Chairman, Rep. Steven Buyer, has already endorsed President Bush’s proposals, calling them a way to “bring balance, fairness and equity into the system.”<sup>18</sup>

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<sup>12</sup> *Id.*

<sup>13</sup> Department of Veterans Affairs, *supra* note 6, at 2-15.

<sup>14</sup> *Id.*, at 7-2.

<sup>15</sup> *Id.*, at 7-4.

<sup>16</sup> Office of Management and Budget, *Fiscal Year 2006 Budget of the U.S. Government*, 351 (Feb. 2005).

<sup>17</sup> *GOP Leaders Tighten Their Grip on House*, Washington Post (Jan. 9, 2005).

<sup>18</sup> *Senators Question Adequacy of Bush Budget for Veterans*, New York Times (Feb. 16, 2005).

FINDINGS

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**Hundreds of Veterans in California's 29th Congressional District Will Be Forced out of VA Health Care**

President Bush's proposal to increase the cost of VA care will impact thousands of veterans in the 29th Congressional District. The VA estimates that the new fee will force an estimated 46% of enrolled Priority 7 and 8 veterans — almost half — to drop out of the VA system.<sup>19</sup> Overall, the VA estimates that 1.1 million enrolled veterans in the United States, including 200,000 active patients, will be forced out of the VA health care system because of the increased costs.<sup>20</sup>

Thousands of these veterans will be California residents. Presently, there are an estimated 308,000 Priority 7 and Priority 8 veterans enrolled in the VA health care system in California.<sup>21</sup> If 46% of these veterans are forced to drop out of the VA system, an estimated 142,000 enrolled California veterans will no longer have access to VA care. This includes over 25,000 California veterans who are active patients.<sup>22</sup>

Hundreds of these veterans are from the 29th Congressional District. Presently, there are an estimated 1,850 Priority 7 and Priority 8 veterans enrolled in the VA health care system in Rep. Schiff's district.<sup>23</sup> The new fees will force over 850 of these veterans to drop their enrollment in the VA health care system.

**Veterans in California's 29th Congressional District Who Continue to Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs**

For thousands of veterans in California who do stay enrolled in the VA program, there will be significant new costs. Not only will Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they will also have to pay increased copays for prescription drug fees. Nationally, the increased

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<sup>19</sup> Department of Veterans Affairs, *supra* note 6.

<sup>20</sup> *Id.*

<sup>21</sup> Department of Veterans Affairs, *supra* note 1.

<sup>22</sup> According to the VA, an estimated 18% of veterans who will drop out of the system in response to the copayment would be active patients. This analysis assumes that the same percentage applies in California. *Department of Veterans Affairs, supra* note 6.

<sup>23</sup> Department of Veterans Affairs, *supra* note 1.

copays are anticipated to cost veterans in the program an average of \$140 annually.<sup>24</sup> Overall, between the increased copays and the \$250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program will pay a total average increase of \$390 annually.

Many veterans will pay even more. A November 2002 report by the General Accounting Office found that among Priority 7 veterans who use VA outpatient prescription drug services, the average veteran uses 38 monthly prescriptions per year.<sup>25</sup> A Priority 7 veteran who fills this many prescriptions will pay an additional \$304 annually just for prescription drugs, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be over \$550 annually.

Statewide, if the President's proposal goes into effect, an estimated 166,000 Priority 7 and Priority 8 veterans in California are likely to remain in the VA health care system in the state. These veterans will pay an estimated \$65 million annually in increased costs for VA care. In the 29th Congressional District, approximately 1,000 Priority 7 and Priority 8 veterans enrolled at VA health care facilities are likely to remain in the VA health care system. These veterans will pay an estimated \$390,000 annually in increased costs for VA care.

## CONCLUSION

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This report analyzes the impact of President Bush's proposed budget on VA health care in California's 29th Congressional District. The budget will increase the cost of care for thousands of veterans, forcing over 140,000 California veterans to drop out of the VA health care system. In the 29th Congressional District, the proposals will force over 850 enrolled veterans to drop out of the VA system. The proposals will also increase the cost of health care for many veterans who remain in the program by an annual average of \$390 per veteran, costing veterans in the state millions of dollars annually.

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<sup>24</sup> The VA estimates that the increased copays will impact approximately 1.26 million veterans and that the VA will collect approximately \$176 million in copays from these veterans. *Id.*

<sup>25</sup> General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).