

# DEPARTMENT OF VETERANS AFFAIRS

## Since 2001, the Administration:

- Implemented changes to ensure that veterans receive timely, quality medical care;
- Shortened the time to process a veteran's disability claim;
- Improved coordination of medical care and other benefit programs between the Department of Defense and the Department of Veterans Affairs; and
- Will have eliminated waiting lists for veterans in need of medical care in 2004.

## The President's Budget:

- Continues to focus resources on the Department's core medical care mission;
- Realigns the Department's medical care infrastructure to ensure that facilities and services follow veterans;
- Ensures that Veterans Affairs benefits are processed in a timely manner; and
- Begins using electronic patient medical records that can be shared between the Department of Defense and Veterans Affairs for seamless service to our veterans.

## Department of Veterans Affairs

Anthony J. Principi, Secretary

[www.va.gov](http://www.va.gov) 202-273-4800

**Number of Employees:** 218,323

### 2005 Discretionary Budget Authority:

\$29.7 billion; \$32.1 billion (with collections)

**Organization:** Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration.

**Major Assets:** The Department owns 30,217 acres of land and 5,558 buildings; operates 158 hospitals, 840 ambulatory care and community-based outpatient clinics, 133 nursing homes, 206 community-based outpatient psychiatric clinics, 57 regional benefits offices, and 120 national cemeteries.



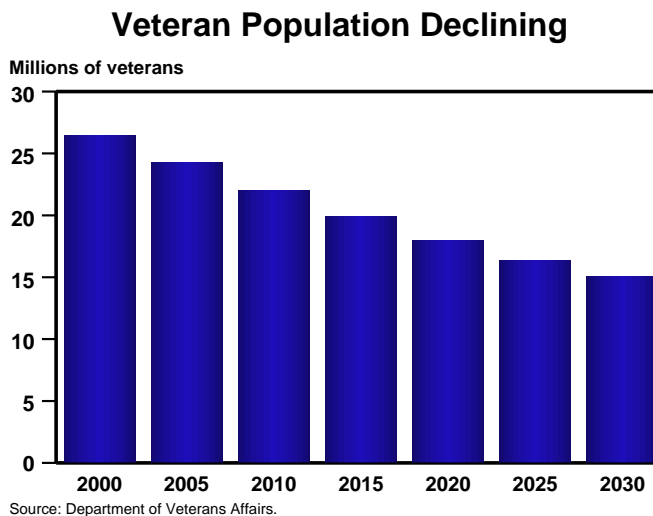
Secretary Principi visits a recovering veteran.

## OVERVIEW

The mission of the Department of Veterans Affairs (VA) is “To care for him who shall have borne the battle, and for his widow, and his orphan.” (*Abraham Lincoln, Second Inaugural Address*). VA ensures that America’s veterans and their families receive timely, compassionate, high-quality care and benefits. Today there are 25 million veterans, but this number will fall by one-third, to 17 million, in the next 20 years as we lose World War II, Korean Conflict and Vietnam era veterans. Only about one in four veterans uses VA benefits in any one year.

The Department operates the largest direct health care delivery system in the country and conducts supporting medical research. VA also administers veterans’ benefits including monthly disability payments, education assistance, life insurance, home loans, and vocational rehabilitation and employment services. In addition, the Department runs veterans’ cemeteries across the country. VA’s biggest challenge over the last four years has been to manage its escalating workload in all of these areas.

More veterans are seeking VA medical care services, as quality, access, and benefits have expanded. This increased demand has put pressure on VA’s ability to care for its core-mission veteran population (military disabled, lower income, and those with special needs such as spinal cord injuries). Consistent with the Department’s successful efforts to refocus and prioritize resources, the Budget includes some medical care proposals that increase benefits to military disabled and low-income veterans. In addition, the Budget begins construction funding necessary to implement recommendations from a nationwide study to ensure that the location of facilities reflects the needs of local veterans.



Both the Department of Defense (DOD) and VA operate large medical care systems serving many of the same individuals. One of the President’s 14 management priorities is to improve cooperation between DOD and VA by sharing information technology, data, facilities, and staffing when appropriate. The Budget includes funding for the development and implementation of an electronic system that will allow both DOD and VA doctors to view critical information on a patient’s medical record, as well as funding for a system that will allow VA to access DOD information to determine eligibility for benefits more quickly.

The Budget continues targeted funding and management of the Veterans Disability Compensation program to ensure that veterans’ claims for monthly disability benefits are adjudicated quickly and accurately. In addition, the Budget provides needed funding to open five new cemeteries and to continue the ongoing effort to ensure that cemeteries are maintained as national shrines that honor our veterans.

## PROTECTING THE MEDICAL CARE CORE MISSION

Treating veterans with military disabilities, low incomes, and special needs (such as substance abuse and spinal cord injuries) has traditionally been VA’s core medical care mission and its highest priority. However, a decision to expand medical services to other veterans in 1998 jeopardized the

### Volunteers Support Health Care

VA is known for its compassionate care. To ensure that this assistance is complemented with the goodwill of those who want to help, it coordinates and monitors a vast volunteer program. Americans from all walks of life volunteer to help the VA provide health-care services to their local veterans. Last year, 131,000 caring Americans donated about 13 million hours of assistance to VA for an estimated total value of \$215 million. Volunteer services include providing transportation to and from the VA hospital, delivering mail and medical records, and visiting long-term patients.

care of these high-priority veterans who had fallen from 98 percent to 74 percent of VA medical care enrollees. When President Bush took office, VA was treating 3.9 million veterans a year, but waiting lists were forming for new patients who could not get an appointment for care for six months or longer. There was no system in place to assure veterans with military disabilities, low incomes, and special needs received prompt treatment at the head of any line.

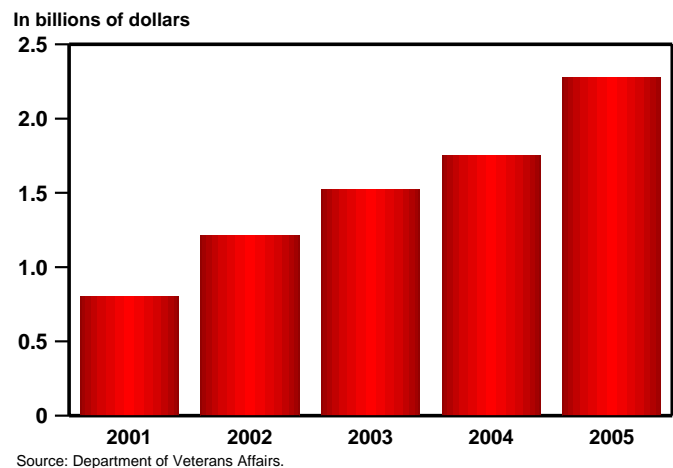
The President promised top quality and accessible care to our Nation's disabled and lower income veterans, and his Administration immediately took steps to fully fund and refocus the mission to ensure that this was accomplished. The President's 2005 VA medical care budget is almost 41 percent greater than the one in place when he took office, and it will treat about a million more patients. This increased funding is crucial to protecting the care of core mission veterans and provides current comprehensive benefits to all enrolled veterans in Priority Groups 1 through 7. It also fully funds all those Priority Group 8 veterans already in the system, ensuring that no veteran currently in the system will be denied care. In addition, VA implemented a temporary program in 2003 to fill prescriptions written by private doctors for anyone on the waiting list. That waiting list for medical care will be reduced from its high of 300,000 to zero in early 2004.

The Administration took several steps to increase medical care collections from both insurance companies and higher income, non-disabled patients. By charging insurance companies a more appropriate rate, by improving the identification of patients with insurance, and increasing the accuracy of its bills, VA was able to increase its collections by more than \$1.6 billion—or three times that in place prior to the effort (see accompanying chart). Those funds directly benefit veterans.

Patients have also benefited from new innovative safety and quality systems implemented by VA. The Institute of Medicine recognized VA in 2003 as a leader in assuring patient safety and quality care. In order to ensure that VA continues to be staffed with top-quality, innovative, and compassionate medical personnel, the Administration designed a new pay system that better aligns with that of the private sector and is working with the Congress to ensure its passage.

VA's research program is known worldwide for its work in areas such as prosthetics, spinal cord injuries, and other widespread diseases, such as Parkinson's and diabetes. In addition, clinical research is a key recruiting and retention tool for VA physicians, ensuring that the Department is

### Medical Care Collections Increase



staffed with the highest caliber professionals. However, VA needs to develop meaningful performance measures to assess the direction and effectiveness of the research program, as revealed by the Government-wide Program Assessment Rating Tool (PART). As a result, the research budget (including reimbursements) is maintained at the previous level while VA develops better performance measures to assess the direction of the program.

The Department now provides most of its care in clinics and other outpatient settings instead of in hospitals. This shift has allowed VA to provide patients with more appropriate care and more convenient service, and to spend its resources more effectively. VA also is working to ensure that its facilities are aligned to reflect veteran migration. Many veterans have moved to the south and southwest, while VA still maintains underused hospitals throughout the northern

and eastern regions of the country where fewer veterans seek such services. VA needs to increase services where veterans live, and convert many of its large, underused hospitals to more efficient clinics to improve quality and access of care to all veterans. To better align resources with patient needs, VA began a review process in the first of its 21 regions in the fall of 2000 and completed the review of all regions in 2003. Construction decisions will be final in 2004, and the 2005 Budget contains \$524 million towards an estimated \$3.7 billion of total construction funding that will be spent over a seven-year period to implement these critical changes. All savings identified will be used to provide needed care to veterans.

The President's Budget includes several changes that continue to focus attention on VA's core medical care mission of providing needed services to veterans with military disabilities, low incomes, and special needs. It assumes that most new veterans enrolling in the VA medical care system will be these core-mission veterans, and that all other veterans will pay an annual enrollment fee and increased drug co-payments that are still low but more in line with other public and private health care programs. This will ensure that resources go to those who most need veterans' medical care benefits.

The Budget also includes a provision that allows VA to pay for emergency room care for veterans in non-VA hospitals if they have enrolled for care at VA. Veterans with life-threatening illnesses should seek and receive care at the closest possible facility. Veterans receiving hospice care will also no longer be charged any copays. In addition, the Budget will eliminate all forms of copays for prisoners of war who have provided unique service to our Nation.

#### **VA's Quality Enhancements**

VA has developed a bar coding drug-dispensing system similar to that used in most stores today. This assures that patients in a hospital receive the correct drugs at the right times. In addition, VA has implemented a patient safety program that encourages physicians, nurses, and other providers to report problems or errors in care. As a result of the many innovative programs that have been introduced in recent years, VA's quality of care has been shown to be better than most other health care systems in key aspects of care.

## **INCREASING COORDINATION BETWEEN DOD AND VA**

President Bush identified "improved cooperation between the Department of Defense and Department of Veterans Affairs in providing care to those who served" as one of the 14 management priorities for his Administration. Significant progress has been made during the past three years in many areas, and the senior leadership in both Departments is committed to this goal.

As a result of this Presidential initiative, VA and DOD established a high-level Executive Council to develop and implement significant collaborative efforts. It focused on three major system-wide issues: 1) facilitating electronic sharing of enrollment and eligibility information for services and benefits; 2) establishing an electronic health record that can be shared by both health systems; and 3) increasing the number of shared medical care facilities and staff. While on active duty, information on military members is tracked by a system that covers everything from security clearances to health care entitlements and commissary privileges. Thus, the sharing of DOD enrollment and eligibility data will

reduce the burden on veterans to provide duplicative information when making the transition to VA for care or benefits. Shared medical information is extremely important to ensure that a veteran receives safe and proper care. The Departments are also working together to share facilities and staff in order to provide needed services to all patients in the most efficient and effective manner.



DOD helps VA treat a veteran.

#### **Navy and VA Work Together to Treat Patients**

Until recently, the North Chicago VA and Naval medical centers ran independent operations within blocks of each other. VA had excess space, while Navy needed more space and needed to expand the type of illnesses experienced in its patient pool to ensure that its medical staff was trained for war. Under the President's coordination initiative, they now share patient-treatment space and radiologists. They are also revising old construction plans that called for separate buildings to one joint plan that provides better value to taxpayers and meets all needs.

The President appointed the Task Force to Improve Health Care Delivery for Our Nation's Veterans in May 2001 with the mandate to identify ways the Departments could coordinate their activities and resources to meet the President's goal of improving health care delivery for America's veterans. Most of the Task Force recommendations regarding facility and personnel sharing, information technology improvements to support collaborative efforts, and senior leadership commitment to collaboration have now been implemented.

## **ENSURING QUICK AND ACCURATE PROCESSING OF DISABILITY CLAIMS**

Veterans' disability compensation is a monthly benefit payment to veterans who are disabled as a result of their military service. It is the workers' compensation program for military members and complements retired pay and disability annuities provided by DOD. In 2005, 2.7 million veterans will receive \$24.9 billion of these tax-free benefits from VA.

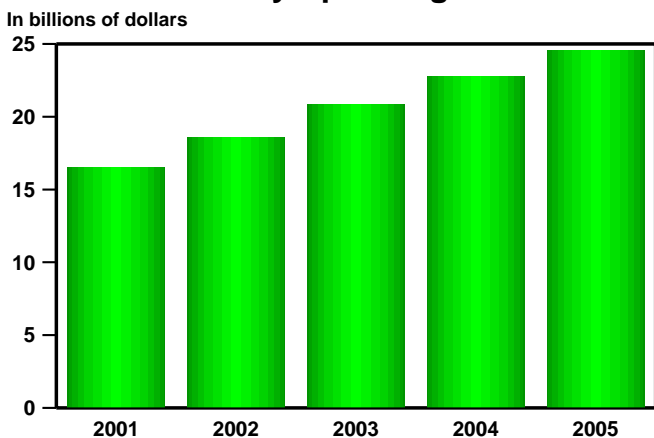
Recognizing the contributions of veterans and improving the quality of life of those disabled as a result of their service is a national responsibility. When President Bush took office, the number of claims waiting to be processed had soared to over 600,000, mainly because of expanded benefits that increased the number of claims in need of review. As a result, many veterans were waiting an average of over 230 days for a claim to be processed. One of the President's top priorities was to reduce this processing time, and VA established a goal of 100 days. The Administration immediately

**Reaching Out to Active Duty and Reserve Personnel**

The best way to ensure that veterans understand what benefits they are entitled to receive is to educate them while they are in the military. Once they leave, there is no easy way to communicate with them. VA instituted a program to provide seamless transition for members as they depart the military for civilian life, especially for those returning from combat theaters with service-related special needs. By assigning staff to major DOD medical centers and unit demobilization sites, VA is able to ensure that veterans are evaluated quickly for the benefits they have earned. This outreach effort includes a special emphasis to make certain that Reserve and National Guard personnel called to active duty are counseled prior to demobilization.

launched and completed a top-to-bottom review of the process and implemented changes to improve the system. VA trained nearly 1,800 employees in proper claims processing procedures, and specialized teams were set up to process claims for those older veterans who had been waiting the longest. Uniform measurement tools were set up to evaluate quality and timeliness, and employee evaluations were re-designed to hold personnel accountable for meeting the President's goal. Further, VA worked with both DOD and the National Records Center in St. Louis to expedite the exchange of information needed to adjudicate claims. As a result, the number of days to process a claim dropped to 156 at the close of 2003 and is on target to drop to the 100 days goal in 2004. By 2005, VA spending on this program will be 50 percent more than four years earlier.

**Total Disability Spending Increases**



Source: Department of Veterans Affairs.

In order to ensure that future spikes in workload are not primarily tackled by increasing personnel, VA needs to accelerate its development of a system where information is viewed on computers to allow multiple people to work on a claim at the same time and in different places around the country. This is also important if all records from all locations a veteran has lived are to be included to guarantee full, fair and prompt evaluation. This involves accepting all new claims electronically, making electronic copies of existing claim files, sharing medical exams with DOD, and designing the best infrastructure of processing centers and veterans application assistance offices.

Disability compensation benefits are supposed to replace the income loss experienced by a veteran because of a disability. However, no study has been completed in recent history that examines the appropriate disability compensation level based on veterans' income to ensure the best and most fair compensation. This is the main reason that the PART score was low. In November 2003, President Bush signed into law a bill that will establish a 13-member Veterans' Disability Benefits Commission which will complete a comprehensive assessment of these benefits and all other Federal benefits that compensate veterans and their survivors for disability or death attributable to military service. The

requirement for this Commission was in the same bill that authorized concurrent receipt of both DOD military retirement benefits and VA disability compensation. The commissioners will be appointed by both the President and the Congress and will report their conclusions in spring 2005.

## QUALITY IN OUR NATION'S VETERAN CEMETERIES

In 2005, approximately 102,000 veterans and eligible family members will be buried in the national cemetery system. This is an increase of 20 percent in the last four years, due to the combined impact of the loss of World War II, Korea and Vietnam era veterans. Expansion of the cemetery system ensures that cemeteries are in close proximity to families, which will become increasingly important as our Nation loses almost a third of our veterans (eight million) in the next 20 years. As the total veteran population continues to decline, demand for cemetery services is growing. VA continues to evaluate the system to determine the appropriate number, location, and mix of national and State cemeteries to address the increased need.



President Bush honors deceased veterans.

VA also continues to improve the quality, accessibility and compassion of burial services. The Budget has increased by 29 percent since President Bush took office to address the increased demand and to improve service. Not only have services been expanded, but the cemeteries are being maintained as national shrines. A recent survey of family members and funeral directors who received services from a national cemetery showed a 94 percent rating of excellent. This is three points higher than last year's results. In addition, VA orders headstones electronically, thus shortening the waiting time for families. To further improve service, information booths have been placed in cemeteries to assist visitors in locating gravesites. The satisfaction expressed by families and these innovations are reflected in the higher score this program received by the PART.

### Partnering with the States on Veterans' Burial Options

It is not feasible for VA to build national cemeteries in enough locations to provide easy access to every eligible veteran. As a result, VA has expanded its partnership with the States over the last four years to give veterans more burial options. Grants for construction and equipment are provided to establish or improve State cemeteries in areas where national cemeteries do not exist. In return, these States agree to adhere to VA standards of eligibility and maintenance. Ninety percent of the States use VA's online automated headstone ordering system to eliminate errors and speed up delivery. Between 2001 and 2005, annual burials in State veteran cemeteries will increase by 33 percent to almost 20,000.

## PERFORMANCE EVALUATION OF SELECT PROGRAMS

The Budget continues to focus on improving program performance. Three VA programs were assessed using the Program Assessment Rating Tool (PART), which evaluated the programs' design and purpose, strategic planning efforts, how well they are managed, and whether they are generating positive results for taxpayers. Below are some of the highlights and recommendations from the PART evaluations. For further details on VA performance assessments, see the White House budget website at [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/).

Program	Rating	Explanation	Recommendation
Medical Care	Adequate	VA has begun to focus resources on the core veteran population (i.e., disabled, poor, and those with special needs) and collects data and assesses activities through use of critical performance measures.	VA should work with congressional staff to bring about approval of its improved budget structuring and continue to develop performance-based budgeting.
Montgomery GI Bill (Education Benefits)	Results Not Demonstrated	The program is well managed but lacks strong outcome goals. The most efficient levels of monthly educational assistance to support the program's purposes are unknown. Budget requests are not tied explicitly to accomplishment of annual and long-term goals.	VA should create a program outcome measure on veterans' readjustment to civilian life and reinstate a cost-effectiveness measure. It should determine the optimum level of monthly benefits to balance military recruitment and retention with readjustment benefit needs.
Medical and Prosthetic Research	Results Not Demonstrated	VA has a strong research program addressing health problems that impact veterans and the general population. However, it lacks ambitious goals and performance measures which accurately assess program strengths and weaknesses.	The program should develop meaningful and useful performance measures.

## UPDATE ON THE PRESIDENT'S MANAGEMENT AGENDA

The table below provides an update on VA's implementation of the President's Management Agenda as of December 31, 2003.



	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
<b>Status</b>	●	●	●	●	●
<b>Progress</b>	●	●	●	●	●

While there have been some short-term delays in the Human Capital area, VA has developed a comprehensive human capital management plan and is focusing on implementation of a redesigned appraisal system for all employees. VA continues to make progress in all areas but Competitive Sourcing. The Administration will work with the Congress to remove legislative impediments to advance this effort which has been demonstrated to generate savings and could free up additional resources to be used to provide direct medical services to veterans. The Department remains on track to achieve its long term goals in the information technology (IT) area, in particular, securing 90 percent of its IT systems in 2005, up from only 39 percent at the end of 2003.

VA is one of 12 major research and development (R&D) agencies that plan, manage, and assess their R&D programs consistent with the R&D Investment Criteria, which are discussed in detail in the Research and Development chapter in the *Analytical Perspectives* volume.

Initiative	Status	Progress
Coordination of VA and DOD Programs and Systems	●	●

Many veterans each year receive care from both DOD and VA health care systems, and all veterans have received some medical care in the past from DOD. The Departments are working on a computerized patient health record that will allow sharing of medical information to improve quality of care and increase efficiency. Today, DOD has begun to provide data to VA for services such as laboratory results. In addition, they are improving IT systems to provide veterans with seamless services as they leave military service and apply for VA benefits. The Administration is committed to increasing the sharing of medical facilities and staff to provide more services in the most cost efficient manner. The Departments are testing the use of a single physical exam that meets the Government's needs and saves veterans time. They are also working together to assure that future veteran needs will be met, and that underused capacity will be eliminated. Likewise, the Departments are increasing the coordination of training programs so that health professionals receive the highest level of professional education. Thus, scarce resources will be appropriately used.

**DEPARTMENT OF VETERANS AFFAIRS**  
(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
<b>Spending</b>				
Discretionary Budget Authority:				
Medical Programs .....	20,846	24,668	27,364	27,822
Medical Care.....	20,140	23,862	26,544	27,052
<i>Medical Care Collections (non-add)</i> .....	771	1,486	1,753	2,419
Medical Care Collections Carryover.....	—	-11	—	—
Research.....	706	817	820	770
Benefit Programs.....	1,219	1,451	1,429	1,464

## DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Disability Compensation .....	529	690	633	658
Pension .....	137	146	153	139
Education .....	64	70	83	91
Vocational Rehabilitation and Employment .....	110	117	134	140
Housing .....	162	170	157	157
Insurance .....	3	4	4	4
Burial Benefits .....	214	254	265	274
Departmental Administration .....	310	287	342	368
General Administration .....	264	229	280	303
Inspector General .....	46	58	62	65
Total, Discretionary budget authority .....	22,375	26,406	29,135	29,654
<i>Total, including medical collections .....</i>	<i>23,146</i>	<i>27,892</i>	<i>30,888</i>	<i>32,073</i>
Total, Discretionary outlays .....	22,366	25,678	28,380	28,585
<b>Mandatory Outlays:</b>				
Medical Programs .....	32	30	30	31
Benefits Programs and Receipts .....	22,703	31,518	31,859	38,684
Disability Compensation				
Existing Law .....	18,579	24,694	27,080	31,607
Legislative Proposal .....	—	—	—51	—162
Pension .....	2,760	3,228	3,288	3,620
Education .....	1,142	1,790	2,051	2,181
Vocational Rehabilitation and Employment .....	426	514	556	587
Housing .....	352	1,243	250	42
Insurance .....	1,243	1,191	1,243	1,242
Burial Benefits .....	112	143	166	181
Other receipts and transactions .....	—1,911	—1,285	—2,724	—614
Departmental Administration .....	—51	—339	14	14
Total, Mandatory outlays .....	22,684	31,209	31,903	38,729
Total, Outlays .....	45,050	56,887	60,283	67,314
<b>Credit activity:</b>				
Direct loan disbursements:				
Vocational Rehabilitation Loans .....	2	3	4	4
Native American and Transitional Housing Loans .....	2	10	35	23
Vendee and Acquired Loans .....	1,470	559	1,093	1,695
Total, Direct loan disbursements .....	1,474	572	1,132	1,722
Guaranteed loan commitments:				
Veterans Home Loans .....	31,138	65,791	46,591	40,642
Total, Guaranteed loan commitments .....	31,138	65,791	46,591	40,642