

**STATEMENT OF**  
**CARL BLAKE**  
**SENIOR ASSOCIATE LEGISLATIVE DIRECTOR**  
**PARALYZED VETERANS OF AMERICA**  
**BEFORE THE**  
**HOUSE COMMITTEE ON VETERANS' AFFAIRS**  
**CONCERNING**  
***THE INDEPENDENT BUDGET***  
**AND THE DEPARTMENT OF VETERANS' AFFAIRS BUDGET**  
**FOR FISCAL YEAR 2007**

**FEBRUARY 8, 2006**

Mr. Chairman and members of the Committee, as one of the four co-authors of *The Independent Budget*, Paralyzed Veterans of America (PVA) is pleased to present the views of *The Independent Budget* regarding the funding requirements for the Department of Veterans Affairs (VA) health care system for FY 2007.

We are proud that this will mark the 20<sup>th</sup> year that PVA, along with AMVETS, Disabled American Veterans and Veterans of Foreign Wars, have presented *The Independent Budget*, a comprehensive budget and policy document that represents the true funding needs of the Department of Veterans Affairs. *The Independent Budget* uses commonly accepted estimates of inflation, health care costs and health care demand to reach its recommended levels. This year, the document is endorsed by 60 veterans' service organizations, and medical and health care advocacy groups.

We are deeply disappointed that we were not given adequate time to properly analyze and comment on the President's Budget Request for the coming fiscal year prior to this hearing. We believe that it is essential that we have an opportunity to examine policy initiatives and recommendations to provide our insight into how veterans will be affected. With this in mind, we will provide recommendations that we believe will most effectively address the needs of the VA health care system.

Last year proved to be perhaps the most unique year ever in the debate over the VA budget. The VA was forced to admit that it did not have the resources necessary to meet the demands being placed on its health care system. Congress was forced to react quickly and decisively to address this situation. These events served to validate the recommendations made every year, by *The Independent Budget*.

Unfortunately, despite these actions, the VA still faces the real possibility that it will receive inadequate resources in future budgets and the resources they receive will be provided after the

start of the new fiscal year. These factors continue to place enormous stress on the system and will leave the VA struggling to provide the care that veterans have earned and deserve.

The Administration requested \$27.8 billion for veterans' health care for FY 2006, a mere \$110 million more than funding for FY 2005. This request represented an increase of only 0.4 percent despite the fact that in the past the VA has testified that it requires 13 percent to 14 percent just to meet the demands of inflation and mandatory salary increases.

Once again the President's recommendation attempted to use budget gimmicks, major cuts in long-term care programs, and higher out-of-pocket costs for veterans to cover for its lack of appropriated dollars. The budget request sought to require veterans in Category 7 and 8 to pay a \$250 enrollment fee in order to access the health care system each year. The request also included a recommendation to increase prescription drug co-payments by more than double, from \$7 to \$15, for a 30 day supply. The VA originally estimated that these fees could result in more than 213,000 veterans disenrolling. Overall, more than a million veterans in Categories 7 and 8 would have been affected by these proposals. Fortunately, Congress recognized that these policies were untenable and soundly rejected them.

Faced with growing federal budget deficits, these proposals were part of a concerted effort to save money and reduce discretionary spending in all federal programs, including VA health care. We were deeply concerned with the budget control legislation that was considered by Congress last session that would have placed spending caps on all discretionary programs. These caps would have meant real cuts in funding. Such cuts would likely force the VA to further restrict

enrollment of new veterans seeking access to the system, and could mean staff cuts which would result in longer waiting times for veterans.

Shockingly, the VA acknowledged in June 2005, that it was facing a shortfall of approximately \$1.0 billion for veterans' health care funding for FY 2005. During a hearing conducted by this Committee to examine models used to forecast funding needed to provide health care, the VA Under Secretary for Health, Jonathan Perlin, MD, stated that because of flaws with its health care model VA would be transferring approximately \$1 billion from other health care accounts in order to continue to meet demand. During subsequent hearings, the Secretary of Veterans Affairs, James Nicholson, explained that the VA was forced to transfer approximately \$600 million from operations and non-recurring maintenance and approximately \$400 million in funds that were originally made available for transfer for FY 2006 funding. In the end, the VA was provided an additional \$1.5 billion through an emergency supplemental.

Part of the reason for the shortfall was the result of the VA underestimating the growth rate of demand on the system. The VA had assumed a growth rate of approximately 2.3 percent when actually the growth rate was closer to 5.2 percent. *The Independent Budget* for FY 2006 projected a growth rate of approximately 5 percent, for close to the true growth rate on the system. Furthermore, VA assumed that only about 23,500 veterans of the global war on terrorism would access the VA for health care services when in fact the total number was closer to 103,000 veterans.

One of the most important points to come out of this process was validation of the recommendations made by *The Independent Budget*. During a press conference held by Chairman Buyer (R-IN), Representative James Walsh (R-NY), Chairman of the House Appropriations Subcommittee on Military Quality of Life and Veterans Affairs, and Secretary Nicholson, Chairman Buyer stated that balanced against other health care models, the *IB's* "best guess was as accurate as I've seen." For being no more than just a "guess," *The Independent Budget* was right on the mark.

For FY 2007, *The Independent Budget* recommends \$32.4 billion for VA health care, an increase of \$3.7 billion over the FY 2006 appropriation. Unfortunately, the FY 2006 "Military Quality of Life and Veterans' Affairs" appropriations bill was not approved until November 18, 2005. The bill provided approximately \$28.7 billion for VA medical care. Although the appropriation provided a significant increase over the Budget Request, it still fell short of the actual resources needed to continue to provide timely, quality care to veterans.

The medical care appropriation includes three separate accounts—Medical Services, Medical Administration, and Medical Facilities—that comprise the total VA health care funding level. For FY 2007, *The Independent Budget* recommends approximately \$26.0 billion for Medical Services, an increase of \$3.5 billion over the FY 2006 appropriation. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$23,350,760,000
Increase in Patient Workload.....	\$1,470,817,000
Increase in FTE.....	\$118,886,000
Policy Initiatives.....	\$1,050,000,000
Total FY 2007 Medical Services.....	\$25,990,463,000

In order to develop our current services estimate, we used the Obligations by Object in the President's Budget to set the framework for our recommendation. We believe this method allows us to apply more accurate inflation rates to specific accounts within the overall account. Our inflation rates are based on five-year averages of different inflation categories from the Consumer Price Index-All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics every month.

Our increase in patient workload is based on a 6.3 percent increase in workload. The policy initiatives include \$500 million for improvement of mental health and long term care services, \$250 million for funding the fourth mission, and \$300 million to support centralized prosthetics funding. In previous testimony, the VA testified that it is already spending more than \$250 million per year on homeland security, emergency preparedness, and fourth mission requirements.

For Medical Administration, the *IB* recommends approximately \$2.9 billion. The FY 2006 appropriations bill separated \$1.2 billion from this account to create a new Information Technology (IT) account. The new IT account is established as part of General Operating Expenses (GOE). Our recommendation reflects this money being excluded from the Medical Administration account as well. We do recommend approximately \$1.3 billion to be included in the GOE account for IT for FY 2007. If the IT funds are added back into the *IB*'s recommendation, the Medical Administration recommendation would then be approximately \$4.2 billion and the total Medical Care recommendation would be \$33.6 billion. Finally, for Medical Facilities the *IB* recommends approximately \$3.5 billion

Our health care recommendation does not include additional money to provide for the health care needs of Category 8 veterans being denied enrollment into the system. Despite our clear desire to have the VA health care system open to these veterans, Congress and the Administration have shown little desire to overturn this policy decision. The VA estimates that a total of over 1,000,000 Category 8 veterans will have been denied enrollment into the VA health care system by FY 2007. Assuming a utilization rate of 20 percent, we believe that it would take approximately \$684 million to meet the health care needs of these veterans, if the system were reopened. We believe that the system should be reopened to these veterans and this money appropriated on top of our medical care recommendation for this purpose.

For Medical and Prosthetic Research, *The Independent Budget* is recommending \$460 million. This represents a \$48 million increase over the FY 2006 appropriated amount. Research is a vital part of veterans' health care, and an essential mission for our national health care system. VA research has been grossly underfunded in comparison to the growth rate of other federal research initiatives. We call on Congress to finally correct this oversight.

In order to address the problem of adequate resources provided in a timely manner, *The Independent Budget* has proposed that funding for veterans' health care be removed from the discretionary budget process and made mandatory. The budget and appropriations process over the last number of years demonstrates conclusively how the VA labors under the uncertainty of not only how much money it is going to get, but, equally important, when it is going to get it. No Secretary of Veterans Affairs, no VA hospital director, and no doctor running an outpatient

clinic knows how to plan and even provide care on a daily basis without the knowledge that the dollars needed to operate those programs are going to be available when they need them.

Making veterans health care funding mandatory would not create a new entitlement, rather, it would change the manner of health care funding, removing the VA from the vagaries of the appropriations process. Until this proposal becomes law, however, Congress and the Administration must ensure that VA is fully funded through the current process. We look forward to working with this Committee in order to begin the process of moving a bill through the House, and the Senate, as soon as possible.

Health care delayed is health care denied. If the health care system cannot get the funds it needs when it needs those funds the resulting situation only fuels efforts to deny more veterans health care and charge veterans even more for the health care they receive. It is easy to forget, that the people who are ultimately affected by wrangling over the budget are the men and women who have served and sacrificed so much for this nation. We hope that you will consider these men and women when you develop your budget views and estimates, and we ask that you join us in adopting the recommendations of *The Independent Budget*.

This concludes my testimony. I will be happy to answer any questions you may have.



**Information Required by Rule XI 2(g)(4) of the House of Representatives**

Pursuant to Rule XI 2(g)(4) of the House of Representatives, the following information is provided regarding federal grants and contracts.

***Fiscal Year 2006***

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program— \$252,000 (estimated).

***Fiscal Year 2005***

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program— \$245,350.

Paralyzed Veterans of America Outdoor Recreation Heritage Fund – Department of Defense – \$1,000,000.

***Fiscal Year 2004***

Court of Appeals for Veterans Claims, administered by the Legal Services Corporation — National Veterans Legal Services Program— \$228,000.

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Carl Blake is the Senior Associate Legislative Director with Paralyzed Veterans of America (PVA) at PVA's National Office in Washington, D.C. He is responsible for federal legislation and government relations, as well as budget analysis and appropriations. He represents PVA to federal agencies including the Department of Defense, Department of Labor, Small Business Administration, and the Office of Personnel Management. In addition, he represents PVA on issues such as homeless veterans and disabled veterans' employment as well as coordinates issues with other Veterans Service Organizations.

Carl was raised in Woodford, Virginia. He attended the United States Military Academy at West Point, New York. He received a Bachelor of Science Degree from the Military Academy in May 1998. He received the National Organization of the Ladies Auxiliary to the Veterans of Foreign Wars of the United States Award for Excellence in the Environmental Engineering Sequence.

Upon graduation from the Military Academy, he was commissioned as a Second Lieutenant in the United States Army. He was assigned to the 1<sup>st</sup> Brigade of the 82<sup>nd</sup> Airborne Division at Fort Bragg, North Carolina. Carl was retired from the military in October 2000 due to a service-connected disability.

Carl is a member of the Virginia-Mid-Atlantic chapter of the Paralyzed Veterans of America.

Carl lives in Fredericksburg, Virginia with his wife Venus, son Jonathan and daughter Brooke.