

THE WHITE HOUSE
WASHINGTON

July 14, 2005

Dear Mr. Speaker:

My Administration is committed to ensuring that our Nation's veterans continue to receive timely and high-quality health care. To this end, I ask the Congress to consider the enclosed \$1.977 billion FY 2006 budget amendment for the Department of Veterans Affairs (VA). I am requesting these resources to cover the expected increased costs in FY 2006 that VA will experience in its medical care budget.

The details of this proposal are set forth in the enclosed letter from the Director of the Office of Management and Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Bush", is written over a light blue rectangular background.

The Honorable J. Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Enclosure



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 14, 2005

The President
The White House

Submitted for your consideration is a request for a \$1.977 billion FY 2006 budget amendment for the Department of Veterans Affairs (VA) medical care budget. The discretionary budget authority proposed in your FY 2006 Budget would be increased by this amount. With this amendment, discretionary spending proposed in your Budget would grow by 2.3 percent, less than the expected rate of inflation, and non-security discretionary spending would be held below the FY 2005 level.

The VA has recently determined that due to unanticipated growth in the number of patients using the VA health care system and the increased cost per patient of providing this care, the FY 2005 enacted budget and the FY 2006 proposed budget include insufficient funding. On June 28th, Secretary Nicholson informed the Congress of additional needs for the VA medical care system. On June 30th, you submitted a \$975 million supplemental request to Congress to address FY 2005 needs. In that supplemental request you indicated that the Administration would be submitting a budget amendment for FY 2006.

The details of this FY 2006 request and how the request relates to the FY 2005 supplemental funding request that was transmitted to the Congress on June 30, 2005, are described below.

FY 2005 Supplemental

- The FY 2005 supplemental for VA medical care proposed a \$975 million increase for VA to cover a 2.9 percent unexpected increase in the number of patients in 2005. VA predicted a 2.3 percent increase in patients and now predicts that number to be 5.2 percent.

FY 2006 Budget Amendment

The components of the amendment are:

- An additional \$300 million to meet FY 2005 needs. The supplemental covered the increased cost for the additional number of new patients. However, new VA data indicate that the average cost per patient in the entire system has increased by one percent because of the increasing number of visits per patient and the complexity of their conditions. The President's original budget assumed that VA would carry over funding

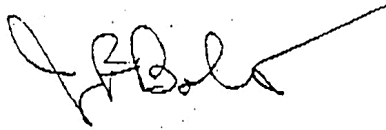
from FY 2005 to meet FY 2006 needs, but now \$300 million of that expected carryover will be used for the re-estimated FY 2005 needs. The FY 2006 budget amendment will cover the loss of this expected carryover.

- A \$677 million increase for VA to cover an estimated 2.0 percent increase in the number of patients expected to seek care in FY 2006. The President's Budget assumed 5.2 million patients in FY 2006 and VA now predicts this number to be 5.3 million patients.
- A \$400 million increase to recognize that the average cost per patient in the entire system will continue to grow in FY 2006 to 1.2 percent more than expected.
- A \$600 million upward revision to correct for the estimated cost of long-term care.

Recommendation

I have carefully reviewed this proposal and am satisfied that this is necessary at this time. Therefore, I join the Secretary of the Department of Veterans Affairs in recommending that you transmit this amendment to the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bolten', with a long horizontal stroke extending to the right.

Joshua B. Bolten
Director

Enclosures

FY 2006 Budget Amendment

Agency: DEPARTMENT OF VETERANS AFFAIRS
Bureau: MEDICAL PROGRAMS
Heading: Medical Services
FY 2006 Budget Appendix Pages: 893-897
FY 2006 Pending Request: \$22,377,141,000 (includes two legislative fee proposals)
Proposed Amendment: \$1,977,000,000
Revised Request: \$24,354,141,000

(In the appropriations language under the above heading, delete "\$19,789,141,000" and substitute \$21,766,141,000.)

This amendment would increase the resources available to the Medical Services Fund to address an increase in the demand and cost for VA medical care that began in FY 2005 and will continue through FY 2006.

The request would increase FY 2006 outlays by \$1,810,338,900.