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COMMITTEE ON GOVERNMENT REFORM, MINORITY STAFF
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**PROPOSED RESTRICTIONS ON ACCESS TO VA HEALTH CARE
ON THE CENTRAL COAST:
SAN LUIS OBISPO COUNTY, SANTA BARBARA COUNTY, AND VENTURA COUNTY**

PREPARED FOR REP. LOIS CAPPS

Proposed Restrictions on Access to VA Health Care on the Central Coast

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EXECUTIVE SUMMARY

In February 2003, President Bush released his proposed budget for the Department of Veterans Affairs for fiscal year 2004. The budget would halt enrollment in VA health care for many veterans, denying them access to any VA care. In addition, the budget would charge other veterans who are currently in the VA system a \$250 annual enrollment fee and increase co-payments for doctor's visits and prescription drugs. The budget narrowly passed by the House of Representatives and the Senate on April 11, 2003, adopted these proposals.

At the request of Rep. Lois Capps, who represents California's 23rd Congressional District, this report analyzes the impact of these changes on veterans on California's Central Coast.

The report finds that the proposed changes would cause over 90,000 California veterans, including over 3,500 Central Coast veterans, to be denied VA health care or to drop out of the VA system, while increasing costs for thousands more. Specifically:

- **The budget proposals would deny care to hundreds of Central Coast veterans.** The President's budget would freeze VA enrollment for "Priority 8" veterans, preventing an estimated 10,000 veterans in California from enrolling to receiving care. Locally, this provision would prevent an estimated 400 veterans from enrolling in Central Coast VA facilities.
- **Increased fees would force thousands of Central Coast veterans to drop out of the VA health care system.** An estimated 83,000 California veterans, including over 28,000 veterans receiving active VA care, are unlikely to be able to afford the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. Locally, the proposals would force over 3,200 veterans enrolled in Central Coast VA facilities, including an estimated 1,100 active patients, to drop out of the VA health care system.
- **Many veterans on the Central Coast would pay an additional \$350 or more each year for VA care.** Other veterans on the Central Coast would remain in the VA system but be forced to pay more for their health care. Veterans who receive prescription drugs from VA and who fill a typical number of prescriptions each year could face new fees of almost \$600.

BACKGROUND

The Department of Veterans Affairs runs the nation's largest health care system, providing care to over four million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. The VA serves as a critical health care resource for veterans in California. In 2003, the VA will provide care for an estimated 550,000 veterans in the state.¹ On the Central Coast, veterans receive care at VA clinics located in Santa Barbara, San Luis Obispo, and Oxnard.

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. Nationwide, there were almost 300,000 veterans in 2002 who were either placed on waiting lists or forced to wait for over six months in order to receive an appointment for necessary care.² These problems providing care can be traced to the failure to provide adequate funding for the VA. 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 over 200%, from 2.9 million in 1996 to an estimated 7.0 million in 2003.³ Funding for the VA, however, increased by less than 60% during this period,⁴ leading to shortages of capacity and long waiting times for many veterans.

Under the 1996 legislation, the VA was required to establish several categories for enrollment, with the highest priority given to veterans who have service-related

¹ Department of Veterans Affairs, *FY 2003 End of Year Enrollment Projection* (Mar. 2003).

² Memorandum from Department of Veterans Affairs to Chairs and Ranking Members of Senate and House Veterans' Committees and VA-HUD Appropriations Sub-Committees (July 2002).

³ Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996-2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). *FY 2003 End of Year Enrollment Projection*, *supra* note 1.

⁴ Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996-2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). Department of Veterans Affairs, *FY 2004 Budget Submission* (Feb. 2003).

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disabilities and low incomes. The lowest priority is given to veterans who do not have service-connected disabilities and have higher incomes.

The two veterans groups with the lowest priority are known as Priority 7 and Priority 8 veterans. Priority 8 veterans are veterans who do not have service-related disabilities and who have incomes that exceed the Department of Housing and Urban Development's cutoff level for eligibility for public housing programs. This is a geographically-based income level, set at 80% of the median income level for a given community. On the Central Coast, for a single veteran, this annual income level ranges from \$32,300 to \$33,950 (for a veteran with a single dependent, this income level varies from \$36,950 to \$38,800).⁵ Priority 7 veterans are those who do not have service-related disabilities and who have incomes that are below the HUD means test income, but above a VA-established threshold of \$24,644 for a single veteran (\$29,576 for a veteran with a single dependent).

PRESIDENT BUSH'S VA PROPOSALS

President Bush's VA budget contains several provisions that would either restrict access to care for veterans or increase the cost of VA care for Priority 7 and Priority 8 veterans.⁶ These provisions were included in the FY 2004 budget

⁵ Department of Housing and Urban Development, *FY 2003 Income Limits* (Feb. 2003) (online at: <http://www.huduser.org/datasets/il/fmr03/index.html>).

⁶ Overall, the President proposed a budget of \$27.5 billion for VA health care, an increase of 7.7%. Most of this increase is offset by medical inflation, which was 4.7% last year, Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (2003), and new enrolment, which is expected to increase by 8% this year. *Supra* note 4. Some of the increase would pay for decreasing pharmacy co-pays for some low-income veterans (those with incomes between \$9,690 and \$16,169) and for reducing the backlog for care. The Administration's own figures indicate that the proposed budget is less than is needed to provide adequate health care to veterans. Department of Veterans Affairs, *Veterans Health Care Enrollment and Expenditure Projections* (Sep. 2002). Leading veterans groups have also indicated that the budget is inadequate to provide all necessary care. Disabled American Veterans, Paralyzed Veterans of America, VFW of the United States, AMVETS, *The Independent Budget for Fiscal Year 2004: A Comprehensive Budget and Policy Document Created by Veterans for Veterans* (2003).

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agreement that narrowly passed the House of Representatives and the Senate on April 11, 2003. This budget agreement also made additional cuts in the VA budget in future years.⁷

The first provision would halt enrollment of new Priority 8 veterans, denying them access to any VA care. Under this proposal, all Priority 8 veterans who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

The second provision 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. This would represent a new policy for VA, which to this date has never charged veterans an enrollment fee for care. Finally, a third set of provisions would increase co-payments for Priority 7 and Priority 8 veterans who are receiving VA care. The co-payments for primary care payments would increase by 33%, from \$15 per visit to \$20 per visit. The co-payments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.⁸

⁷ Fiscal Year 2004 Budget Resolution (April 11, 2003). In the House, the budget resolution passed by 5 votes, 216 to 211, with 216 Republicans supporting the resolution and 204 Democrats opposing it, while in the Senate the budget resolution passed 51 to 50 after Vice President Cheney cast the tie-breaking vote. The final budget resolution reconciled differences in funding approved by the House and the Senate. Initially, the Senate approved \$30 billion in spending authority for VA health care and other discretionary programs for FY 2004, while the House approved \$28.1 billion. The final agreement provided the FY 2004 funding level approved by the Senate, \$30 billion, of which \$29 billion is for VA health care. This funding level assumes that the President's proposal to increase fees for Priority 7 and Priority 8 veterans will be put into effect. The final budget resolution also approved less spending than requested by the President in FY 2005 - FY 2008. Joint Explanatory Statement of the Committee of Conference, *Fiscal Year 2004 Budget Resolution* (Apr. 11, 2003) (online at www.house.gov/budget/04stmntmgrs.pdf).

⁸ These provisions were endorsed by the congressional conference committee that negotiated the final FY 2004 budget agreement. According to the conferees, the Senate funding level, which the conferees accepted, "assumes the enactment of legislation to establish the President's proposed \$250 enrollment fee for priority level 7 and 8 veterans. . . . The Senate amendment also assumes legislation will be enacted to increase the insurance and prescription drug co-payments for Priority 7 and 8 veterans to \$20 and \$15, respectively." Joint Explanatory Statement of the Committee of Conference, *Fiscal Year 2004 Budget Resolution* (Apr. 11, 2003) (online at www.house.gov/budget/04stmntmgrs.pdf).

FINDINGS

Thousands of Veterans on the Central Coast Will Be Forced Out of VA Health Care

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of veterans on the Central Coast. First, it will mean that veterans who otherwise would have received care will no longer be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will deny care to 173,000 veterans nationwide.⁹ Of these 173,000 veterans who will be denied care, an estimated 10,100 reside in California.¹⁰ This includes almost 400 Priority 8 veterans who would have enrolled at VA facilities on the Central Coast.¹¹ In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of \$250. The VA estimates that the new fee will force an estimated 55% of enrolled Priority 7 and 8 veterans — over half — to drop out of the VA system.¹² Overall, VA estimates that 1.25 million enrolled veterans in the United States, including 425,000 active patients, will be forced out of the VA health care system care because of the increased costs.¹³

⁹ Department of Veterans Affairs, *Impact of Suspending Enrollment of Priority 8 Veterans by State for FY 2003* (2003).

¹⁰ *Id.*

¹¹ VA data indicates that approximately 4% of Priority 7 and Priority 8 veterans in California received care at VA facilities on the Central Coast. Department of Veterans Affairs, *VHA Priority 7 Patients: Fiscal Year 2002* (Feb. 2003). Prior to FY 2003, there were no Priority 8 veterans; all veterans now classified as Priority 8 veterans were instead placed in the Priority 7 category.

¹² *FY 2004 Budget Submission, supra* note 4.

¹³ At any given time, not all enrolled veterans are actively receiving care from VA. VA estimates that approximately half of all enrolled Priority 7 and Priority 8 veterans are active patients, and that 34% of all Priority 7 and Priority 8 veterans who will drop

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Thousands of these veterans will be California residents. Presently, there are an estimated 65,537 Priority 7 and an estimated 86,247 Priority 8 veterans enrolled in the VA health care system in California.¹⁴ If 55% of these veterans are forced to drop out of the VA system, it will mean that over 83,000 California veterans will no longer have access to VA care. This includes an estimated 28,000 California veterans who are active patients.¹⁵

Many of these veterans would receive care at VA facilities on the Central Coast. Locally, an estimated 3,200 veterans enrolled at Central Coast VA facilities would be forced to drop VA enrollment due to the new fees. This includes an estimated 1,100 veterans who are active patients.

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, over 90,000 California veterans, including over 3,500 veterans on the Central Coast, will lose access to VA health care under the President's proposal.

Veterans on the Central Coast Who Continue to Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs

For many veterans on the Central Coast 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 physician visits and prescription drug fees. The increased

enrollment because of increased fees are active patients. *Id.*

¹⁴ *FY 2003 End of Year Enrollment Projection, supra* note 1.

¹⁵ *See* note 13.

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fees are anticipated to cost veterans in the program an average of \$97 annually.¹⁶ 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 \$347 annually.

Many veterans will pay even more. A recent 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.¹⁷ A Priority 7 veteran that fills this many prescriptions will pay an additional \$304 annually just for prescription drugs, plus the increased fees for doctor visits, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be almost \$600 annually.

Statewide, if the President's proposal does go into effect, almost 70,000 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 \$24 million annually in increased costs for VA care. Approximately 2,600 Priority 7 and Priority 8 veterans enrolled at VA healthcare facilities on the Central Coast are likely to remain in the VA health care system. These veterans will pay almost one million dollars annually in increased costs for VA care.

¹⁶ VA estimates that the increased copays will impact approximately 750,000 veterans and will cost veterans a total of \$73 million. *FY 2003 End of Year Enrollment Projection*, *supra* note 1.

¹⁷ General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).

CONCLUSION

This report analyzes the impact of President Bush's proposed budget on VA health care on the Central Coast. The budget proposes restricting access to care for many veterans and increasing the cost of care for others. These proposals would deny care to an estimated 10,100 veterans in the state and force an additional 83,000 enrolled California veterans, including over 28,000 active patients, to drop out of the VA health care system. Locally, the proposals would deny care to almost 400 veterans at Central Coast VA facilities and force over 3,200 veterans enrolled in Central Coast VA facilities, including an estimated 1,100 active patients, to drop out of the VA health care system. The proposals would also increase the cost of health care for many veterans who remain in the program by an average of \$350 annually and would cost many veterans as much as \$600 or more annually.