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# United States Senate

COMMITTEE ON VETERANS' AFFAIRS  
WASHINGTON, DC 20510

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March 9, 2012

The Honorable Kent Conrad, Chairman  
The Honorable Jeff Sessions, Ranking Member  
Senate Budget Committee  
624 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Sessions:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I write to provide my views and estimates to the Committee on the Budget on the Fiscal Year 2013 (FY13) budget request for those functions under the Committee on Veterans' Affairs' jurisdiction.

At the outset, I would like to emphasize support for the President's request for veterans' programs. Although the budget climate continues to be difficult, programs for America's veterans hold a unique place within the Federal budget. Given this, I remain confident that all veterans programs, including health care, will be exempt in the event of sequestration. However, because of the significant impact a reduction to medical care would have on the Department of Veterans Affairs' (VA) ability to provide timely and quality care, I will continue to work to provide clarity on this issue.

I am particularly supportive of the President's budget request of \$76.4 billion in mandatory spending, which is a \$10.6 billion increase above last year. Several factors are driving this increased level of mandatory spending. They include: presumptive service-connection for certain conditions associated with exposure to Agent Orange, an increase in claims receipts, and utilization rates of the Post-9/11 GI Bill. I believe this funding level reconfirms our Nation's obligation to disabled veterans.

On the discretionary side, the President's budget request of \$64 billion is a \$2.7 billion increase above last year's level. Health care spending accounts for most of this increase. I am pleased with the emphasis that the President has placed on veterans' programs with this level of funding. However, as noted below, I do have a few concerns:

**Construction and Non-Recurring Maintenance.** The President's FY13 budget request reflects a continued trend of reduced funding for major construction and non-recurring maintenance – by \$57 million and \$158 million respectively. VA's Strategic Capital Investment Plan has identified \$51 to \$62 billion in improvements that must be made to ensure that all veterans have access to high quality care that is close to home and that women veterans can receive services in a safe and secure environment. Included within these improvements are \$9 billion to fix identified facility condition deficiencies. I am extremely concerned that continually decreasing funding is both insufficient to meet these needs and may result in patient safety risks.

Given that the government will see decreased spending due to the end of overseas contingency operations, I suggest that construction and upkeep at VA's facilities take a high profile role in any discussion about expending these funds elsewhere. VA's facilities are aging and as servicemembers continue to return from overseas conflicts, VA's capital assets will begin to feel the strain. We must ensure that sufficient funding is allocated to construct a VA that is built to last.

**Office of Inspector General (IG).** Through its work, the IG has made significant contributions helping VA improve its management effectiveness. The IG conducts vital oversight investigations and audits of various aspects of the Department's operations and budget. The President's budget request of \$113 million, a \$1 million increase over last year's enacted level, would virtually flat-line funding for the IG's office in FY13. At this level, the IG's ability to perform oversight work requested by the Secretary and Congress, and to respond to issues identified by VA employees and veterans, would be further limited.

The Committee relies heavily on the IG for unbiased investigations and audits. The work of the IG regularly results in saving significantly more money than is invested for their work. This includes returning \$86 for every \$1 spent over the April 2011 to September 2011 period. Therefore, I recommend that \$1 million be provided over the President's FY13 budget request to allow the IG's office to continue to address problem areas as they arise, and allow for new oversight initiatives.

**State Veterans Homes.** In recent years, a weakened economy, decreasing tax revenues and budget shortfalls have hampered states' abilities to make available the matching funds required in order to be awarded Federal Grants for State Extended Care Facilities, commonly referred to as State Home construction grants. Under this program, VA provides 65 percent of the cost of the construction projects, with states providing a matching 35 percent of the overall funding. Since the financial crisis began in FY09, many states have chosen to defer needed investments in their state homes in order to help balance very difficult state budgets. As a result, many previously proposed State Home construction projects were removed from VA's construction grants priority list. However, over the past year, as states have found ways to resolve their internal budget problems, they have begun to make additional funding available for State Home construction projects. As a result, the backlog of pending State Home construction projects has begun to rise again, with the estimated cost for Federal share climbing from \$650 million in FY11 to \$714 million for FY12. Importantly, the total Federal share for the top priority list – those affecting life, safety and other urgent needs, and for which states have certified the availability of matching funding, has risen from \$296 million in FY11 to \$322 million in FY12, an increase of \$26 million. This trend is expected to continue in the coming years, as more states find themselves financially able to commit resources for State Home construction projects.

The President's FY13 request of \$85 million is the same level requested for FY12 and for FY11. For the above reasons, I recommend that \$15 million be provided above the President's FY13 budget request for Grants for State Extended Care Facilities. Increased funding is necessary to allow important projects like the Walla Walla state veterans home, which has begun the design

phase and is expected to receive the remaining state construction dollars shortly, to move forward and to address the identified unmet need for 642 new state veteran home beds in Washington State.

***Board of Veterans' Appeals.*** The President's request will support 527 FTE, which is a slight decrease from previous years. On average, the Board of Veterans' Appeals (BVA) receives on appeal five percent of all claims decided by VA. Based on this historical average and the continued increase in the number of claims being received by VA, it is anticipated that the number of appeals will also continue to rise. I will closely monitor BVA's caseload and whether process and operational changes result in an increase in decisions, and will use this information to reassess staffing needs if necessary.

***Education Service.*** The President's request for the education service includes a 193 FTE reduction from the FY12 level at a time when: a significant new program that was included as part of Public Law 112-56, the VOW to Hire Heroes Act of 2011, will increase Montgomery GI Bill usage substantially; 50,000 additional beneficiaries will begin utilizing GI Bill programs; and the time it takes to process a new education claim is 24 days, which is 14 days over VA's strategic target. I will continue to evaluate VA's performance in this area and will reassess the President's staffing reduction if it appears that VA is unable to process education claims in a timely and accurate manner.

***Employment and Training.*** With the passage of the VOW to Hire Heroes Act of 2011, Congress recognized that a greater emphasis needs to be placed on training and employment programs for transitioning servicemembers and veterans. Although that legislation was fully paid for on final passage, if funding issues arise as we move forward on implementing specific provisions, I will recommend additional funding be provided to carry out the provisions of that law as Congress intended.

Finally, questions remain regarding the President's \$1 billion Veterans Job Corps initiative. The source of funding for this initiative has yet to be identified. I will monitor this effort and provide additional views as necessary.

***Mental Health Care.*** The President has requested \$6.2 billion for mental health care for FY13, which is a slight increase from FY12. VA acknowledged it may need more resources to meet the high demand for mental health care, and I am concerned that the proposed five percent increase may not be enough. In FY11, Iraq and Afghanistan veterans' demand for mental health increased by approximately 18,000 veterans each quarter. A number of oversight efforts are underway to evaluate the accessibility and quality of VA mental health care services, including staffing levels, vacancies, and the sufficiency of current resources. Although I support the President's request, should it become apparent that the proposed increase is insufficient to meet rising demand and decrease long wait times, additional resources should be provided.

***Savings and Collections. Operational Efficiencies and Collections.*** VA has proposed a number of cost saving initiatives, including \$1.28 billion in efficiencies in health care alone. However, GAO reported that in FY12, VA's estimated savings from its six operational improvements did not occur or could not be proven. Considering that the operational efficiencies proposed for FY13 are either the same or substantially similar to those proposed in FY12, I am concerned there will be similar shortcomings this next fiscal year. A contingency plan from VA is necessary to ensure that the provision of health care will not suffer if the Department fails to meet its cost savings targets in FY13, and I have requested that they provide such a plan to the Committee. Failure to achieve these cost savings targets could impact medical centers and services, as VA may need to make cuts to cover resulting funding gaps. I am concerned about the potential effect on health care services if VA fails to meet its goals.

I am also concerned with the Department's recurring challenges in billing and collections. A recent IG report found that VA's inability to identify billable opportunities and to subsequently collect those amounts meant that the Department would fail to collect approximately \$553 million over the next five years. The IG also found that VA's efforts to implement Consolidated Patient Accounting Centers have not improved VA's effectiveness in this regard, and in fact that these centers were no more effective than facilities that conducted no reviews of billings at all. The Department actually collected \$582.5 million less in FY11 than it had projected it would. For FY12, the Department is already expecting to fall short of its original projections by \$311 million.

VA must do a better job of both accurately projecting what it will collect and in collecting the full amount that it should. Failures to meet these targets mean that VA health care must find ways to make up the difference. It is my expectation that, should these or other cost savings or revenue generating initiatives fail to meet the targets set, that VA will notify the Committee and work to ensure sufficient resources are available. I will continue to exercise oversight of these initiatives, including the accuracy of VA's projections for health care demand, and I have requested the Department generate a contingency plan to ensure VA health care and services are not negatively affected in a scenario in which the Department does not meet its savings and collections targets.

***Wasteful Spending and Contracting Oversight.*** As part of the Committee's focus on reducing wasteful spending, earlier this year I asked VA to evaluate whether operational efficiencies and cost savings could be achieved by realigning functions within the Offices of Health Information (OHI) and Informatics and Analytics (OIA) into other offices within the Department. Specifically, I asked VA to analyze whether functions performed by these offices are duplicative of functions already performed by the Office of Information Technology, and other offices in VHA.

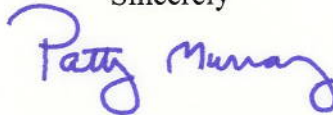
I also expressed concern about the oversight and operation of these offices. According to the most recent Department data for FY 2011, OHI and OIA obligated a combined \$117.9 million for goods and services contracts. It is incumbent upon the Department to ensure that for each of these contracts a clear business case exists, and that each contract adds value, is not duplicative

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of other contracts and is cost effective. These issues highlight the need for VA to ensure it is carefully and appropriately spending taxpayer dollars, and ensuring that as much of its funds as possible are directly benefiting veterans. The savings that VA realizes from improvements in contracting, and the increased efficiencies resulting from realigning the functions of OHI and OIA, should be redirected to critical needs in direct patient care, and to address the areas of concern I have outlined above.

I thank the Budget Committee for its attention to my views and estimates of the Administration's Fiscal Year 2013 budget.

Sincerely

A handwritten signature in blue ink that reads "Patty Murray". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Patty Murray  
Chairman