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U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED ELEVENTH CONGRESS

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WASHINGTON, DC 20515

<http://veterans.house.gov>

March 5, 2010

Honorable John Spratt
Chairman
Committee on the Budget
207 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, House Rule X, clause 4(f), and Rule 7 of the Rules of the Committee on Veterans' Affairs, I herewith submit to the Committee on the Budget the Views and Estimates of the Republican Members of the Committee on Veterans' Affairs regarding the Administration's fiscal year (FY) 2011 budget request for the Department of Veterans Affairs (VA) with regard to programs and matters within the jurisdiction of the Committee.

The Republican Views and Estimates address the major areas of focus essential to fulfilling our nation's commitment to veterans. Overall, the Republican Members generally agree with the President's FY 2011 budget proposal but believe additional funds are required in critical areas.

These areas include health care and benefits programs for wounded warriors, particularly for medical and prosthetic research programs, prosthetic services, and rehabilitation. We also strongly advocate a special emphasis on helping veterans qualify for and find meaningful employment during these difficult economic times, and on ensuring that veterans have access to VA health care regardless of where they live.

We look forward to working with our Committee's Majority Members as well as the Members of the Budget Committee to put forth a budget that will honor and enhance the lives of our nation's veterans, as well as remain fiscally responsible to the American taxpayer.

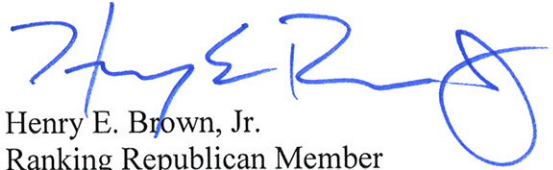
Sincerely,

Steve Buyer
Ranking Republican Member

Cliff Stearns
Deputy Ranking Republican
Member

Jerry Moran

Jerry Moran
Committee Member



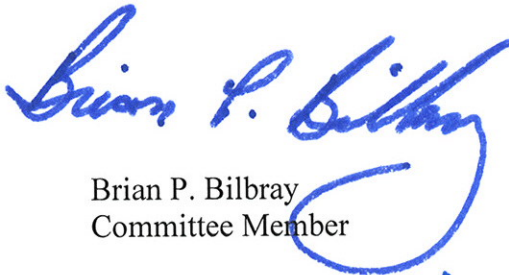
Henry E. Brown, Jr.
Ranking Republican Member
Subcommittee on Health



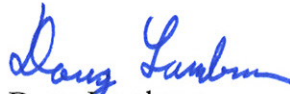
Jeff Miller
Committee Member



John Boozman
Ranking Republican Member
Subcommittee on Economic
Opportunity



Brian P. Bilbray
Committee Member



Doug Lamborn
Ranking Republican Member
Subcommittee on Disability
Assistance & Memorial Affairs



Gus M. Bilirakis
Committee Member



Vern Buchanan
Committee Member



David P. Roe
Ranking Republican Member
Subcommittee on Oversight and
Investigations

cc: The Honorable Bob Filner, Chairman, House Committee on Veterans' Affairs
The Honorable Paul Ryan, Ranking Member, House Committee on the Budget

COMMITTEE ON VETERANS' AFFAIRS

REPUBLICAN VIEWS AND ESTIMATES FOR FISCAL YEAR 2011

March 5, 2010

OVERVIEW

For veteran's healthcare and program costs in fiscal year (FY) 2011, the Administration has requested a total of \$125 billion. For discretionary spending, the Administration has requested \$60.3 billion, and for mandatory spending, the Administration has requested \$64.7 billion.

For veterans' program costs in FY 2011, Republican Members of the Committee on Veterans' Affairs recommend \$ 113.7 million above the Administration's request for discretionary spending, as follows: Compensation and Pension Training and Performance Support Systems, \$5 million; Compensation and Pension Skills Certification, \$10 million; Vocational Rehabilitation and Employment Service, 200 additional Full Time Equivalents (FTE), \$20.4 million; Training of State Veterans Employment Service staff at the National Veterans Training Institute, \$2 million; Veterans Training Program Veterans Employment and Training Service (VETS) Workforce Investment Program, \$11 million; National Cemeteries and Related Agencies National Shrine Commitment, \$10 million; Office of the Inspector General, 230 additional FTE, \$50 million; Department of Labor VETS program, 50 additional FTE, \$5.3 million.

For veteran's healthcare costs in FY 2011, Republican Members of the Committee on Veterans' Affairs recommend \$200 million above the Administration's request for discretionary spending, as follows: Veterans' Court, \$10 million; Medical and Prosthetic Research, \$50 million; Prosthetic Limb Program Modernization, \$20 million; Recreational Therapy, \$30.6 million; and Rural Health Initiative, \$89.4 million. These increases would be funded through a fee-basis care recovery program within the Veterans Health Administration (VHA) estimated to generate recoveries of at least \$200 million annually.

Finally, we recommend that \$2.3 billion be used from the Administration's \$100 billion jobs creation and economic recovery request to fund legislative initiatives to promote job readiness programs for veterans and a small business loan guarantee program for veterans.

In total, the Republican Members recommend an increase of \$2.66 billion in discretionary and mandatory spending above the Administration's request for veterans' healthcare and program costs, and for legislative initiatives in FY 2011.

DEPARTMENT OF VETERANS AFFAIRS

Veterans Benefits Administration

Compensation and Pension Service – The President’s FY 2011 budget request for Compensation and Pension Service (C&P) seeks \$53.5 billion.

The President has proposed a budget that provides an additional \$460 million to fund 4,048 additional permanent FTE to process claims for benefits. Over 3,900 of those new employees are slated for the Compensation and Pension Service (C&P). Republican Members believe that an increase in Veterans Benefits Administration (VBA) personnel is in order, but allocating 97 percent to C&P does not meet the pressing needs also found in the Vocational Rehabilitation and Employment Service (VR&E) and the Education Service (ES). Therefore, Republican Members recommend an additional \$20.4 million to fund additional permanent FTE for VR&E and \$18.5 million for the ES.

It is important to note that according to VA, it takes at least two years for new C&P claims processors to become effective. However, the VR&E program hires highly credentialed staff who require little training beyond understanding the VA’s paperwork program and are effective almost immediately. Similarly, the training period for education claims processors is measured in weeks rather than years and new ES staff are productive relatively soon after hiring.

Republican Members generally agree with the President’s request for C&P, but recommend an additional \$5 million for Training and Performance Support Systems, and an additional \$10 million for skills certification required by P.L. 110-389.

Republican Members are deeply concerned about the growing size of the backlog of claims for VA disability compensation. The number of unresolved claims has soared over the past year. More than 400,000 new claims are now pending, with an additional 200,000 decisions being appealed. The numbers grew despite the nearly 4,000 additional employees VA has hired since 2007.

Additionally, VA recently established new regulations to make it easier for Vietnam veterans who were exposed to the Agent Orange herbicide to receive service-connected compensation. VA expects a significant increase in workload as a result of the regulatory change.

Republican Members believe a multifaceted approach is necessary for VA to overcome the challenges it faces. This approach includes a paradigm shift that involves placing a high level of priority on quality of work as well as quantity. To do so, VA must place greater emphasis on employee training and accountability.

We have long recognized the need for technological improvements in VA’s business process, including the development of a paperless adjudication system. VA is striving to meet the requirements of the Veterans Disability Benefits Claims Modernization Act of 2008, which became part of P.L. 110-389. VA’s efforts include creation of the Veterans Benefits Management System (VBMS) to replace its antiquated paper-driven process.

Vocational Rehabilitation and Employment (VR&E) – The President’s budget proposes to reduce the VR&E staff by nine FTE. During the VA’s Budget hearing testimony, the Department described the decrease as an artifact of how personnel costs are allocated. The President’s budget estimates a 10 percent increase in caseload over FY 2010 and an increase of 20 percent over FY 2009. With the President’s budget proposal, VR&E staff levels would result in an average caseload of approximately 150 per counselor. At the same time, the number of disabled veterans returning home from the current conflicts is increasing. Therefore, Republican Members believe it is imperative to increase the number of VR&E staff to decrease the average caseload and shorten the time it takes to begin rehabilitation.

The VR&E program has five tracks ranging from immediate employment services to long term education and training. Regardless of the track, all veterans desiring to participate in the VR&E program must complete the phases that include application for the benefit, determination of eligibility, evaluation, and planning. According to VA, this process typically takes about 171 days to complete. During that time, a significant number of veterans withdraw from the program, many because of the need to work to support their families. By increasing the VR&E staff levels, the extended period of application and evaluation should be reduced, resulting in fewer dropouts and a higher rehabilitation rate.

Therefore, we agree with the authors of the Independent Budget that VR&E direct service staff levels should be increased by 200 FTE with a cost of approximately \$20.4 million. Republican Members recommend an additional \$20.4 million above the President’s request to fund the recommended 200 additional FTE for the VR&E Service. Such an increase would reduce the average caseload to just over 100.

The President’s budget also proposed about \$165.4 million for the existing state grant program to fund the Disabled Veterans Outreach Program Specialists (DVOPS) and Local Veterans Employment Representatives (LVER). DVOPS and LVER are state employment service staff whose mission is to provide intensive job placement services to disabled veterans and outreach to employers to promote hiring veterans in general. The President also proposed \$8 million to fund additional DVOPS and LVER to support the Transition Assistance Program (TAP). While Republican Members are supportive of providing these employment services to veterans, the Members believe this additional \$8 million should be used to provide TAP services at U.S. bases through contract. By using contract personnel, Republican Members believe the President’s proposal will enable DVOPS and LVER to focus on providing direct employment services to veterans.

Education – VA’s strategic goal is 26 days to adjudicate an original claim for education benefits. It currently takes 47 days.

To meet the influx of the new Post 9/11 GI Bill claims, VA increased ES staffing to 1,889 FTE in FY 2010 by hiring several hundred short term personnel. The President’s budget proposes to reduce ES direct FTE from 1,889 to 1,521. That decrease reflects shifting some of the term employees hired to augment the permanent claims processing staffs to permanent employees.

Most of the remaining term employees would be released to reflect implementation of a new information technology system to automate education claims processing.

However, Republican Members remain skeptical of the Department's ability to meet the proposed December 2010 implementation date for the new IT system. Therefore, Republican Members recommend reallocating \$18.5 million in General Operating Expenses funds from the President's budget to maintain the current mix of 1,889 permanent and term FTE employees for the entire FY 2011. Maintaining the current level of FTE should enable VA to meet the VA's strategic processing goals in case of a slip in IT delivery and to bridge the transition period from manual to automated processing.

National Cemeteries and Related Agencies

The President's FY 2011 budget request for the National Cemetery Administration (NCA) seeks \$251 million.

Republican Members generally concur with the President's request for NCA, but recommend an additional \$10 million be included to continue the National Shrine Commitment at NCA. This additional funding would ensure the highest possible standards for all of our veterans' final resting places, and would be used for infrastructure projects such as irrigation, renovation of historic structures, headstone cleansing, and road resurfacing.

Additionally, we recommend a comprehensive and independent study of the federal veterans' cemeteries under the jurisdiction of the VA National Cemetery Administration, the American Battle Monuments Commission, the Department of the Army, and the Department of Interior. This study would identify areas for improvement to ensure a consistent, high standard is maintained for veterans' cemeteries. Republican Members are concerned that having four different agencies share this responsibility has led to four different standards of upkeep and appearance of veterans' cemeteries.

Veterans Health Administration

Medical Services – Republican Members recommend \$37.3 billion for medical services, which is \$200 million more than the Administration's request. Further, Republican Members recommend that VA conduct a recovery audit for outpatient medical services that we expect would provide additional resources of at least \$200 million. We expect that this recommendation would accommodate for health care inflation, estimated workload, and the following initiatives:

Rural Health Care – Republican Members are concerned that VA has not implemented section 403 of Public Law 110-387, which establishes a three-year pilot program in five Veterans Integrated Service Networks (VISNs) for veterans in highly rural areas who elect to receive healthcare from non-VA healthcare providers. Therefore,

we recommend an additional \$89.4 million to move forward with this important initiative.

Prosthetic Limb Program Modernization – We are encouraged by VA’s intent to obligate an additional \$148 million to modernize VA’s prosthetic limb program. However, Republican Members recommend an additional \$20 million because it is vitally important that VA be capable, system-wide of meeting the needs of the younger and more active amputees with the latest technology and providing consistent and coordinated state-of-the art care regardless of where the veteran amputee lives.

Mental Health Initiatives – We are also encouraged by VA’s intent to obligate an additional \$410 million or nine percent increase to support the implementation of the Mental Health Strategic Plan and the hiring of additional new mental health professionals to ensure all veterans have access to these vital services throughout the system.

Recreation Therapy Services – Republican Members recommend an increase in obligations for recreation therapy services of \$30.6 million. We are concerned that recreation therapy services are not consistently funded system-wide. Further, the budget does not identify obligations for such services. Therefore, Republican Members also recommend that VA provide a separate budget line item to track and account for the allocation of funds for recreation therapy services at each VA medical center.

Republican Members believe this is important because VA recreation therapy supports wellness programs and provides the first opportunity to engage veterans in sports as a part of their rehabilitation. The Congress recognized the value of sports in rehabilitation with the enactment of Public Law 110-389. This law requires VA to award grants through the United States Olympic Committee to grassroots organizations to plan, develop, manage, and implement an integrated adaptive sports program for disabled veterans and disabled members of the Armed Forces.

Veterans Justice Outreach (VJO) Program – Republican Members wholeheartedly support the VJO program VA launched in 2009 to work with local justice system partners to provide outreach and alternative treatment for justice-involved veterans, including Veterans’ courts, drug courts, and mental health courts. The budget request includes plans for 40 full-time VJO specialist positions. Republican Members recommend an additional \$10 million for funding 113 more full time specialist positions to accommodate full time positions in each VA medical center.

Medical Care Collections Fund – We are pleased with the progress VA has made in improving third-party collections. In FY 2009, VA exceeded the projection level. Additionally, Republican Members are encouraged and pleased with the Secretary’s decision to pursue a more aggressive timeline to consolidate their collection activities at seven Consolidated Patient Accounting Centers (CPAC).

Outpatient Audit and Recovery Program - The Office of Inspector General (IG) reported a net cost to the Department due to errors in the process VA uses for paying fee basis bills of \$865 million over five years. While VA currently employs a recovery audit for inpatient medical services, it has not yet used the authority Congress provided to conduct a recovery audit program for outpatient medical services. The current inpatient program has identified about \$6.8 million in overpayments in 2009 and over \$109 million in the program to date. We recommend that VA conduct a similar audit and recovery program for outpatient medical services. Through such a program, we believe VA could identify overpayments of at least 10 to 15 percent of the total amount VA spends on the outpatient fee basis program, which exceeded \$2 billion in FY 2009. We estimate that VA would realize at least \$200 million in savings from this program.

Medical Facilities – Republican Members recommend \$5.74 billion for medical facilities consistent with the Administration request, which is \$881 million more than the enacted FY 2010 amount for this account.

Energy Initiatives – Republican Members place a high premium on advancing renewable energy projects at VA facilities. Savings from the use of alternative sources of energy results in additional resources for medical care for our veterans. We recommend at least a \$325 million of this amount be obligated to implement planned energy initiatives and establish a long-term strategy for energy conservation and sustainability. VA has completed 29 feasibility studies to implement renewable energy projects at selected VA medical facilities. In FY 2010, VA expects to allocate about \$13 million to move forward with the procurement process on these projects. We expect that with the additional resources for FY 2011, VA will be able to fully fund all the identified projects.

Medical Support and Compliance – Republican Members recommend \$5.3 billion for Medical Support and Compliance, consistent with the Administration’s request.

Medical and Prosthetic Research – Republican Members recognize the importance of medical and prosthetic research to ensure that our veterans are receiving the best possible in care,

treatment, and medical practices. We recommend \$640 million in direct appropriations for medical and prosthetic research. This amount is \$50 million above the Administration's FY 2011 request and an increase of \$59 million more than the FY 2010 appropriation.

The signature injury of the War on Terror is traumatic brain injury (TBI). TBI can also be one of the most debilitating combat injuries, and every effort should be made to improve protective equipment such as helmets, which can substantially limit physiological damage sustained in combat.

Of particular interest in this regard is a new technology developed for race car drivers to measure G-force impact. We recommend VA direct funds in collaboration with the Department of Defense to conduct a series of similar tests and evaluations to improve combat helmets for servicemembers.

VHA Major Construction Projects – Republican Members recommend \$1.04 billion, consistent with the Administration's request for major medical construction projects. However, Republican Members are concerned with a shift in the priority and scope of a major medical facility project in Omaha, NE. In the VA FY 2010 budget submission, Omaha, NE, was described as "HVAC and clinical deficiencies" with an estimated cost of \$256 million. In the FY 2011 Budget Submission, this project was elevated from the seventh to the number two priority without justification, and the scope of the project was changed to a replacement facility at a cost of \$560 million. Further, the budget request includes \$56 million for the design of the project. This project has been moved ahead of other FY2010 scored projects in Lexington, KY; Columbia, SC; Reno, NV; West Los Angeles, CA; Lebanon, PA, and Portland, OR. Therefore, Republican Members recommend that \$56 million be instead appropriated for the Lexington, KY campus realignment. Finally, Republican Members request \$36.8 million of advance planning and design funds be used to carry out section 804 of Public Law 109-461 for the design of a co-located joint-use medical facility in Charleston, SC.

VHA Minor Construction Projects –For FY 2011, Republican members recommend \$387 million for minor construction costs to maintain and improve an aging VA infrastructure, consistent with the Administration's request.

Advance Appropriations

The Administration's request includes \$50.6 billion in advance appropriations for FY 2012, consistent with Public Law 111-81. The purpose of the advance appropriations is to ensure continuity of funding in the areas of Medical Services (\$39.6 billion requested), Medical Support and Compliance (\$5.5 billion requested), and Medical Facilities (\$5.4 billion requested).

Republican Members are concerned that the Administration's request for advance appropriations for FY 2012 may not reflect the total resource amount projected by the Enrollee Health Care Projection Model. However, without having the ability to evaluate specific components of this advance appropriation request (Medical Care, long term care, CHAMPVA, Vet Centers, and State Home Per Diem), it is not possible to assess the sufficiency of the request.

The Government Accountability Office (GAO) is required by law to conduct a study of the adequacy and accuracy of the budget projection and report on whether the Administration's advance appropriations request for VA health care funding is consistent with expenditures estimated under the Model. However, the GAO study will not be available prior to the submission of our Views and Estimates, and it remains to be determined if the Administration's budget request is transparent for GAO assessments.

Office of Information and Technology

Republican Members believe that a top VA priority should be information technology (IT) systems that are standardized, integrated, and secure, function properly, and should be funded sufficiently. We commend VA Secretary Shinseki for his support of continuing the consolidation of the department's IT infrastructure and funding. We are pleased with the top down review of all VA IT programs utilizing the Program Management Accountability System, which has put 45 VA IT projects on hold because they have not met deadlines or have failed to be delivered.

The FY 2010 appropriated amount for the Office of Information and Technology (OI&T) was \$3.307 billion. Republican Members concur with the FY 2011 Administration request of \$3.307 billion for the OI&T.

During testimony provided at the Oversight and Investigations Subcommittee hearing on February 23, 2010, VA indicated there is a carry-over amount from the FY 2009 appropriations of \$700 million for OI&T. Republican Members believe the procurement and implementation of currently available technology applications to identify and monitor when previously entered clinical documentation has been copied and pasted into another electronic patient record document within VHA's computerized medical record system (CPRS) should come from a portion of the FY 2009 carry-over account. This procurement would provide mandatory monitoring of the copy and paste functions within the CPRS system. This issue was brought to the Committee's attention in a number of Inspector General Combined Assessment Program (CAP) reviews of VA facilities.

Republican Members also recommend an additional amount of \$56.2 million to fund the development of the Purchased Care Claims Processing System and the Patient Accounting System for the automation of the fee-for-service program also to be procured out of the FY 2009 carry-over amount.

Office of the Inspector General

For FY 2010, Congress appropriated \$109 million for the VA Office of the Inspector General (OIG). The OIG is responsible for the audit, investigation, and inspection of all VA programs and operations. Funding from appropriations at \$109 million and 551 FTE provides resources to increase work on several oversight initiatives.

The President's request for FY 2011 remains at the FY 2010 appropriated level. While this was an increase from the appropriations from the FY 2009 level, Republican Members believe it still does not provide sufficient resources to allow the OIG to perform the amount of work consistent with the large agency for which it must provide oversight. Republican Members recommend adding \$50 million for the VA Office of Inspector General to provide an additional 230 FTE. The additional staffing resources would permit the OIG to perform much needed investigative and auditing work to include reduction of the Regional Office review cycle; appropriate oversight on the claims processes; more timely review of Outpatient Clinics, currently on a 20 year review cycle; and strengthening the OIG criminal investigations unit and their audit personnel. The additional resources would also allow new or increased oversight of the VA's homeless programs, elderly care programs, and non-VA care provided to veterans. This additional funding will allow the OIG to be more pro-active than reactive such as in the colonoscopy investigations.

The total funding for the OIG recommended by Republican Members is \$159 million, \$50 million above the Administration's request.

DEPARTMENT OF LABOR

Veterans Employment and Training Service – The US Department of Labor's Veterans Employment and Training Service (VETS) manages programs intended to assist veterans seeking employment. For FY 2011, the President proposes \$262.5 million for VETS, an increase of \$6.4 million. The Homeless Veteran Reintegration Program (HVRP) will receive \$5 million of that increase. Overall, the Republican Members agree with the President's proposal but believe that the current economic climate requires additional funds to assist unemployed veterans.

Therefore, Republican Members recommend increasing funding for the basic infrastructure devoted to promoting veterans as ideal employees to businesses and providing the skills to qualify for good-paying jobs. To ensure that state employment service Disabled Veteran Outreach Program Specialists (DVOPS) and Local Veterans Employment Representatives (LVERs) are properly prepared to meet their statutory duties, Republican Members recommend an additional \$2 million to fund the training operations at the National Veterans Training Institute (NVTI). This increase should enable NVTI to meet the training requirements of Public Law 109-461.

Lastly, to improve federal oversight of the DVOPS and LVERs, HVRP grantees, Veterans Workforce Investment Program (VWIP) grantees, and NVTI, Republican Members recommend an additional \$5.3 million to fund 50 additional federal staff.

LEGISLATIVE INITIATIVES

The Administration's budget request for other budget functions included a \$100 billion jobs creation and economic recovery package. Republican Members believe it is critical that veterans be explicitly targeted in any jobs creation and economic recovery package.

Veterans Small Business Loan Guarantees – Veterans comprise about 3.5 million or 13 percent of the 27 million US small businesses. VA previously operated a small business direct and guaranteed loan program that terminated in 1986. H.R. 294, the Veteran-Owned Small Business Promotion Act of 2009, would reauthorize the VA's small business loan guaranty program. Therefore, Republican Members recommend that not less than \$1 billion of the \$100 billion be applied to this legislative proposal to authorize VA and Small Business Administration loans to veteran-owned small businesses.

Veterans Job Readiness – On January 1, 2010, there were 968,000 unemployed veterans. Of that number, 685,000 were between the ages of 35 and 64 – the years when most people experience the largest financial burdens. Unlike younger veterans, this is the age group that has either passed eligibility for VA education and training programs and who also may not be able to afford to pursue a long-term degree program to improve their marketability. Therefore, it is vital to provide funds for shorter-term training to provide skills relevant to today's job market.

To meet these job readiness needs, Republican Members also recommend \$700 million from the Administration's \$100 billion jobs creation and economic recovery request to fund the training proposed in H.R. 4220, the Promoting Jobs for Veterans Act of 2009. Of that amount, VA would receive an additional \$470 million in mandatory funds and \$210 million in discretionary funds. Further, of that amount the Department of Labor would receive \$20 million.

Further, we anticipate a legislative proposal that would authorize eligibility for most unemployed veterans between the ages of 35 and 60 eligible for up to one year of education or training under the Chapter 30 Montgomery GI Bill. The program would be effective from FY 2011 through FY 2013. The estimated cost for FY 2011 would be \$645 million, also to be funded from the Administration's \$100 billion jobs creation and economic recovery request.

-END-