Democratic Views and Estimates
February 23, 2005

Overview

The Administration's budget submission for the Department of Veterans Affairs for fiscal year 2006 is deficient in numerous areas. The following proposal aims to make critical increases in veterans' programs, including adding $800 million for direct spending (mandatory) veterans' benefits for a total request of $37.537 billion. For discretionary programs, including medical programs, benefits administration, construction, and departmental administration, we have requested additional funds in the amount of $3.2 billion ($2.6 billion, when a reasonable estimate of medical collections is included) for a total of $34.066 billion without collections and $36.066 billion, including collections.

Medical Programs

The Administration has submitted a budget proposal that is inadequate by any measure. It is our belief that proposing $28.2 billion for medical programs under-funds critical programs by $3.0 billion—even when a reasonable estimation of collections ($2.0 billion) is included to offset this deficit, it is still short by $2.4 billion to fund current services to restore and revitalize programs for our veterans now using them and for the service members returning from Iraq and Afghanistan now and in the near future.

The Administration's fiscal year 2006 request for discretionary funds without collections is a scant $105 million (or .3%) more than Congress appropriated for fiscal year 2005. A flat-line budget for the programs developed on behalf of our nation's heroes is inappropriate under normal times; in a time of war it is disgraceful.

The Administration would impose a new enrollment fee and increase existing fees for pharmaceutical drugs. These fees are designed for two purposes—first, to discourage almost half (1.1 million) of the current priority 7 and 8 veterans enrolled in the system from re-enrolling for health care in the Department of Veterans Affairs and second, to raise revenues in order to fund the ongoing operations of the Department.

We categorically reject any increase in veterans' copayments and any enrollment fee specifically developed to discourage veterans' utilization of health care services.

VA must fund the cost of increased workload, payroll, and inflation—by the Department's own estimation, these costs alone require $1.4 billion. Rather than ask for additional funds, however, the Administration proposes to meet these uncontrollable costs by increasing copayments and by limiting eligibility for any VA-provided or sponsored nursing home care to only service-connected veterans, non-service-connected veterans with catastrophic disabilities and those with a short-term need for care. It also proposes the adoption of poorly defined "management efficiencies" to write off much of its need for resources. Since 2002, VA has required its medical care programs to absorb $1.2 billion of these efficiencies and to this amount already programmed into its baseline, it proposes to add another $590 million in fiscal year 2006.

VA has yet to offer any evidence that its estimates for savings due to management efficiencies have come to fruition. Neither has it provided a plan for finding further efficiencies in the future. We, therefore, do not recognize the fiscal year 2006 savings estimates based on management efficiencies that are forecast by VA, without any accounting or verification of these savings. Past attempts by this Committee to seek detail from either VA or OMB have not yielded results that can be checked or verified. They have, however, yielded admissions that planning factors or estimates in previous years may not have been accurate.

In the FY 2004 Budget Submission (Vol. 4 page 1-15), VA estimated management savings of $950 million to partially offset the overall cost of health care. The estimate was based on implementation of a rigorous competitive sourcing plan, reforming health care procurement, increasing employee productivity, shifting from inpatient to outpatient care, reducing employee travel, interagency motor pools, maintenance and repair services, and operating supplies. We have not been given any detailed analysis of savings from these areas.

For example, competitive sourcing in VHA was very limited following the April 2003 General Counsel Opinion and actual savings from prior competitive sourcing actions has yet to be demonstrated. VA did save $25.2 million from pre- and post-award audits (performed by VA Office of Inspector General), but this demonstrable efficiency should likely be offset by the well-publicized failures associated with the CoreFLS project pilot. For the near future, VA can no longer project significant savings from automation of finance, logistics, and supply functions. This may result in a significant adjustment to savings in the $200 million range for the FY 2004 budget and more in the out years. It is even possible that for FY 2004, the effect of all management "actions" is an additional burden on

VHA rather than purported cost avoidance and savings. In the absence of data from VA to demonstrate its case for further cost savings, we will not credit it for further management efficiencies.

In addition, the Administration fails to acknowledge additional funds needed to shore up some of VA's highest demand programs—particularly mental health and other specialized services and long-term care programs. P.L. 104-262 required VA to maintain the capacity of its "specialized services" for some of its most seriously disabled veterans—veterans with disorders such as amputations, spinal cord injury, blindness, traumatic brain injury, and serious mental illness. Yet, GAO report (GAO/HEHS-00-57) Disabled Veterans' Care: Better Data and More Accountability Need to Adequately Assess Care requested by Ranking Member Evans indicated that VA could not verify that it was preserving these programs. In past years, VA's Federal Advisory Committee on Special Disabilities and Prosthetics and the Under Secretary for Health's Advisory Committee on Care for the Seriously Mental Ill have both disputed VA's assertions in yearly reports to Congress that it is maintaining capacity. In some years, VA's Inspector General has also failed to approve data VA uses to report on maintaining capacity. In fact, in testimony to the Committee, even VA officials have acknowledged some programmatic shortfalls, particularly in substance abuse programs.

As troops return home from Operation Iraqi Freedom and Operation Enduring Freedom, VA will eventually become responsible for many of their health care needs, particularly for those with injuries that may last a lifetime. Many of these servicemembers will require ongoing rehabilitative care for their injuries—both mental and physical. As of December 2004, VA had treated roughly 32,684 of the 210,000 veterans from these deployments. We agree with the Independent Budget on the necessity of a significant infusion of funds to ensure that veterans are able to receive the best sustaining care available for their problems.

Recent studies have shown that a significant number of returning troops (up to 17%) are demonstrating a need for some post-deployment mental health intervention. Troops' mental health issues range from acute and transitory anxiety and readjustment disorders to more chronic and severe problems—even psychoses. We believe VA must stand ready to provide immediate relief to service members who return requiring its services. Experts indicate that immediate intervention may be the surest remedy to preventing more serious and chronic disorders later on.

A February 16 report from the Government Accountability Office conducted at the request of Ranking Member Evans suggests that VA has not fully implemented any of its Special Committee on Post-Traumatic Stress Disorder's recommendations. VA's stated reasons for delaying implementation of these recommendations often include fiscal limitations. As a result, VA may not be adequately prepared to meet troops' needs for services upon their return. An earlier report requested by Rep. Evans asserts that VA's data does not verify its programs' current capacity. We recommend additional resources and oversight to expedite VA's progress toward implementing its experts' recommendations and better ensuring that veterans have timely access to quality post-deployment mental health services.

P.L. 106-117 requires VA to maintain its in-house nursing home capacity at the level that existed in fiscal year 1998 (average daily census [ADC] of 13,391). VA's programs have continued to erode since that time (in the current fiscal year ADC is projected to be 11,548) and, rather than take actions to redress this erosion, VA continues to propose to do away with the requirement and fund ways to reduce its institutional long-term care capacity even though we are now in the veteran population's peak need for such services. This year's proposal would result in the elimination of more than a third of the average daily census across VA's provided or sponsored institutional settings. As a substitute for $400 million worth of institutional services, VA proposes a modest increase ($60 million) in its home and community based long-term care programs. While we believe the non-institutional programs are a necessary part of VA's care continuum, we hold to the 1998 recommendations of the Federal Advisory Committee on the Future of VA Long-Term Care that VA should maintain its bed capacity, increase capacity in the state homes and double or triple capacity in its non-institutional long-term care settings. To that end, we recommend funding to restore the 1998 baseline of services.

We also are greatly dismayed by proposals in the President's budget that could literally bankrupt many of the 109 veterans' state homes throughout the nation. For more than 40 years, VA and states have viewed state homes as a mutually beneficial means of providing veterans with a long-term care safety net. Indeed, it has become the largest institutional long-term care venue for veterans relying on the VA for care and serves as the final home for many elderly and disabled veterans. VA estimates it will sponsor an ADC of 18,500 in 2005. Shockingly, the Administration now proposes to eviscerate this program limiting the care it will sponsor to an ADC of 7,217 (a reduction of 61%) in 2006! We reject this proposal and its companion—to place a virtual moratorium on state grants without further justification for these drastic proposals.

As uninsurance rates continue to climb and other public health safety nets, such as Medicaid, become increasingly fiscally constrained, we believe VA must reconsider its position on Priority 8 veterans. Contrary to the opinion that these "wealthier" veterans have other options, data from the 2001 National Survey of Veterans found that a significant portion (6.4%) of its lowest priority users lacked other health care coverage. Since the time of this survey, rates of uninsurance in the general population have grown and it must be assumed that this is also the case with veterans. VA must revisit its policy to bar the enrollment of new Priority 8 veterans. Included in this proposal are funds to allow approximately 85,000 new Priority 8 veterans to enroll in VA.

The President's budget also cuts $9 million from VA's renowned medical and prosthetic research program, whose achievements have benefited veterans and non-veterans alike. As advocates are quick to point out, without appropriated research dollars, these programs fail to draw competitively based funding from private and other government sources. With continued cuts to its appropriated funding levels the system continues to be challenged to fund merit-reviewed projects that could greatly benefit veterans and other Americans.

Finally, many of us argue that the process for funding VA health care is irreparably broken. Year after year, Congress simply lacks adequate discretionary funds to address VA health care as a high priority. For the last three years, this process has yielded late and inadequate budgets that defy efforts to plan. Looking at the fix that, by many accounts, is working for the once troubled TRICARE for Life program, and was recommended by George W. Bush's own Task Force to Improve Health Care Delivery For Our Nation's Veterans, we conclude that assured funding is an avenue worth exploring and encourage the members of the Budget Committee to give H.R. 515 serious consideration.

Benefits Programs

Funding for adjudication of veterans' claims is also inadequate. Although the budget includes some additional funding for compensation and pension staff, these positions are funded with one-year money. No additional funding is provided to address the huge and growing backlog of claims which has been remanded by the Board of Veterans Appeals and the United States Court of Appeals for Veterans Claims. Currently 22,150 remanded claims are assigned to the Appeals Management Center. Thousands of other claims are pending at VA regional offices. During the last four years, the number of claims in appellate status has almost doubled. The VA should use the one-year money provided in the

Administration's budget to dramatically reduce the number of pending appeals and remands, and provide 115 new FTEE as permanent positions. An additional 10 FTEE should be devoted to addressing issues of quality and consistency in decision-making.

The Administration's Budget reduces funding for training and travel related training during FY 2006. Although VA reports a relatively high rate of quality in its adjudication, this finding is inconsistent with other evidence such as the large percentage of claims appealed to the Board which are remanded for additional work, the Secretary's findings of non-compliance with the *DeLuca* criteria for evaluating musculoskeletal claims and the low pass rate on skills certification testing. An additional $2 million should be added to address these deficiencies.

The reduction in FTEE proposed for staff at the Board of Veterans Appeals is projected to more than double the time it takes an appeal to be resolved at the Board from 170 days at the end of 2004 to 391 days at the end of 2006. Along with the majority we recommend an additional $6 million to support an increase of 50 FTEE to permit the Board to provide veterans with timely and accurate decisions on their appeals.

Consistent with the majority we also recommend additional funding of $45.6 million over the President's FY06' budget request to equal a $60 million investment in the National Shrine Commitment. This amount is necessary for FY 2006 to complete the recommended improvements within the next five years, which are estimated to cost approximately $300 million. (*see, Study on Improvements to Veterans Cemeteries, Volume 2: National Shrine Commitment – Facility Condition Assessment – April 2000*).

The President's FY06' budget request would eliminate 14 FTEE in the VA's Education Service. In agreement with the majority on this budget issue, we reject the Administration's funding level and recommend an increase in resources of $1.1 million to restore the projected FTEE cuts in VA's Education Service. Education claims are expected to increase due to more veterans seeking to take advantage of Montgomery G.I. Bill education benefits, as well as the new Chapter 1607 - Guard and Reserve education program enacted last year as part of the National Defense Authorization Act of 2005 (see, section 527 of the National Defense Authorization Act of 2005; Public Law 108-375). Moreover, a number of senior VA Education Service employees are eligible to retire in the near future. Additional resources are needed to address the expected increases in education claims and hire new employees.

The President's FY06' budget request provides no funding for additional FTEE designated to provide direct vocational rehabilitation and employment counseling services. Rather, the President's budget simply reflects a redistribution of "management support" personnel. Veterans applying for vocational rehabilitation and employment services increased dramatically over the last decade – roughly a 75 percent increase. Demand for this service will surely continue due to the many injuries suffered by our troops serving in Iraq and Afghanistan. Former Secretary Anthony J. Principi, established a task force to review the vocational rehabilitation and employment program (VR&E) from "top-to-bottom." The VR&E Task Force issued a comprehensive report in May of 2004. The report contained 102 recommendations to improve the VR&E program and reform it to be responsive to 21st Century needs of service-connected disabled veterans.

The Task Force recommended increasing full-time staff positions in the VR&E program by approximately 200 FTEE; including 27 FTEE in headquarters; 112 in the regional offices to deliver direct services; 56 in the regional offices for contracting and purchasing; and 8 quality assurance staff. Consistent with the VR&E Task Force Report, we suggest an increase of $5 million to provide for 57 additional FTEE – one full time staff position in each regional office.

Direct Spending Legislative Proposals

We have included with our views and estimates legislative proposals that would increase mandatory spending by approximately $800 million. These proposals would increase important benefits earned by veterans, servicemembers and military families. (please see attached document for specific legislative proposals).

Lane Evans
Bob Filner
Luis Gutierrez
Corrine Brown
Vic Snyder
Mike Michaud
Stephanie Herseth
Ted Strickland
Darlene Hooley
Silvestre Reyes
Shelley Berkley
Tom Udall

Proposed Increases to FY 2006 Appropriation for Veterans Programs

(in millions)

Direct Spending – Legislative proposals

<u>Benefits</u>

$24 Increase monthly DIC for survivors with dependent children under 18 by $250 per month, indexed for inflation.

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that surviving spouses with dependent children receive an additional $250 per month for the first five years after the servicemember's death. Public Law 108-422 provided this increase, but only for the first two years of eligibility due to the pay-go costs involved. The families of those who lost a parent due to their military service should be provided with the minimum amount recommended and that amount should be indexed for inflation, to avoid a devaluation of the benefit.

$382 Increase SGLI to $300,000 retroactive to October 7, 2001

Since the start of Operation Enduring Freedom, thousands of servicemembers have lost their lives in military service. Their families have received less than that provided to those who lost their lives in the attacks of September 11, 2001. The survivors of civilians who have lost their lives in civil service generally receive more monetary benefits than are provided to servicemembers. However, a retroactive increase can not be funded without increasing the premiums paid by current servicemembers. Such an increase would need to be funded as a cost of extra hazards or otherwise by appropriations.

$20 Base premiums for SDVI insurance on current actuarial tables

This program provides life insurance to veterans with service-connected disabilities who apply within two years of being service-connected. At the time the SDVI program was begun, premium rates were based upon the then current (1941) actuarial tables used by commercial life insurance companies. Although those tables have been updated several times, most recently in 2001, servicemembers injured in Afghanistan and Iraq as well as other veterans with service-connected disabilities are subjected to excessive premiums at odds with the original intent of the program because the actuarial tables are now 60 years out of date. In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that veterans' premiums should be based on current mortality rates.

$162 Increase SDVI maximum insurance to $50,000

In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that SDVI coverage limits should be increased to $50,000 to cover at least two years worth of income following the veteran's death. The basic amount of SDVI available has not been increased since 1951. (This amount assumes an update to actuarial tables. Cost would be less if outdated actuarial tables were maintained.)

$2 Expand coverage for VMLI to $200,000

VMLI is a type of mortgage insurance available only to those veterans disabled enough by a service-connected disability to qualify for a specially adapted housing grant. In May of 2001, the *Program Evaluation of Benefits for Survivors of Veterans with Service-connected Disabilities* recommended that the amount of VMLI insurance should be increased to between $150,000 and $200,000. This amount has not been increased since 1992 and the cost of housing has increased dramatically since that time.

$21 Increase burial plot allowance to $600

Veterans who are buried in a private or state cemetery are eligible for a plot allowance of $300. The current amount is less than half of the costs of providing the plot. The amount should be raised to at least $600.

$28 Increase burial benefits for veterans who die of a service-connected disability to $4,000

The increase in burial benefits would take into account the increased cost of burial since the program was begun.

$138 Increase burial benefits for veterans who die of a nonservice-connected disability to $1,200

The increase in burial benefits would take into account the increased cost of burial since the program was begun.

$22 Allow World War II Filipino veterans to receive a pension of up to $200.00 per month

This would permit aging World War II Filipino veterans to receive a monthly pension to recognize their service to the United States.

General Operating Expenses (Discretionary Spending)

$10 Increase 125 FTEE for Compensation and Pension

Additional funding is needed to adjudicate the increasing number of claims expected as reservists called up for active duty are deployed and servicemembers prevented from leaving the military under "stop-loss" policies are released. The number of pending appeals has increased from 87,291 in January of 2001 to 151,831. This includes 22,150 remands which are pending at the Appeals Management Center and thousands of other remands pending at VA Regional Offices. Some claims have been in appellate status for more than ten years. The 112 FTEE funded in the Administration's budget with one year money should be used to reduce the number of remands pending for more than one year to the lesser of 1,000 or 5% of the pending remands. The new FTEE should be added to VA's base to account for the increased workload expected in 2006 and the foreseeable future.

(Benefits 2A-2, VA Responses to pre-hearing questions.)

[Additional staff is needed to improve quality and consistency in regional office claims decisions.] Ten of the additional FTEE should be used to improve the quality and consistency of regional office decisions.

(Sun Times Stories, VA RO Committee Visits, Special VA DeLuca Review)

$4 Provide for a COLA for employees equal to that proposed for military servicemembers.

For the past two years, the VA budget has projected an employee COLA which has been approximately 2% lower than the actual COLA provided by law. As a result, FTEE had to be cut and hiring freezes imposed in order to meet the budget limits. The COLA should be projected to be the same as that proposed for servicemembers 3.1%.

(*Benefits 2A-2*) *(Military COLA is in the Administration's Budget documents)*

$2 **Improved training and related travel for decision makers.**

During 2004 less than one-third of the veterans service representatives passed an examination for advancement to a higher position. Nonetheless, the Administration's budget proposes to decrease the funding for training and travel. Although the claims processing accuracy reports for FY 2004 indicate a national accuracy rate of 88% for core rating work, this rate is inconsistent with other evidence. Of claims appealed to the board, over 56% are remanded for additional work and an additional the 17% are allowed (reversing the regional office decision.) In reviewing compliance with the *DeLuca* criteria, VA found that only one of 72 inadequate examinations were returned to the examining physician. In addition, numerous errors, such as failing to award service-connected compensation when a veteran is medically discharged from military service, omission of claimed issues from the rating decision and lack of compliance with DeLuca criteria have been noted by Committee staff on visits to VA regional offices. It is critical that decision makers receive high quality training in order to provide high quality services to veterans and their families.

(*Benefits 3A-3) (Examination results discussed at VBA Leadership Conference 2004, DeLuca VA Study, VA Committee RO Visits)*

$2 **Replacement of field computers and peripherals, the silent monitoring program for telephone quality control and improvements to support virtual VA**

Unfortunately in a technological society of planned obsolescence, it is critical to maintain up to date equipment and software for proper processing of claims and fiduciary work. With continued emphasis on computer assistance to expedite processing of claims, it is critical that funding be provided to upgrade and improve computers and related technology. About 7 million telephone interviews are conducted annually. Silent monitoring of these conversations is essential to assuring accurate information to veterans and other beneficiaries. With the increased number of veterans expected to apply for VA benefits additional resources are warranted.

(Benefits 3A-16)

$6 **Increase 50 FTEE at the Board of Veterans Appeals to address the backlog of pending appeals.**

The number of appeals pending as of February 11, 2005 151,831 is almost double the 87,391 pending in January of 2001. Appeals currently take

years to resolve. Without additional resources at the Board of Veterans Appeals, more veterans will be dying before their claims are adjudicated. In FY 2004 38,371 decisions were issued, including 21,797 which were remanded. If present trends continue 75% or about 16,000 of these remanded cases can expect to be returned to the Board for further action. Without additional FTEE, the pending appellate workload will continue to grow and the Board's disposition times will more than double by the end of 2006.
(VACOLS Data, Monday Morning Reports, General Administration Summary 1A-6)

$2 Information technology
Additional funding to assure appropriate preproduction testing of new technology initiatives, such as SHARE, including their compatibility with current and future operating systems, such as the BDN and Master Records System prior to deployment. Add additional 5 FTEE for Hines to assure continued operation of the BDN until such time as the VETSNET replacement is fully operational.

$45.6 National Shrine Commitment
Consistent with the majority we recommend additional funding of $45.6 million over the President's FY06' budget request to equal a $60 million investment in the National Shrine Commitment. This amount is necessary for FY 2006 to complete the recommended improvements within the next five years, which are estimated to cost approximately $300 million. (*see, Study on Improvements to Veterans Cemeteries, Volume 2: National Shrine Commitment – Facility Condition Assessment – April 2000*).

$1.1 Increase 14 FTEE in VA's Education Service
The President's FY06' budget request would eliminate 14 FTEE in the VA's Education Service. We agree with the majority on this budget issue and reject the Administration's funding level and recommend an increase in resources of $1.1 million to restore the projected FTEE cuts in VA's Education Service. Education claims are expected to increase due to more veterans seeking to take advantage of Montgomery G.I. Bill education benefits, as well as the new Chapter 1607 - Guard and Reserve education program enacted last year as part of the National Defense Authorization Act of 2005 (see, section 527 of the National Defense Authorization Act of 2005; Public Law 108-375). Moreover, a number of senior VA Education Service employees are eligible to retire in the near

future. Additional resources are needed to address the expected increases in education claims and hire new employees.

$5 Increase 57 FTEE in VA's VR&E program

The President's FY06' budget request provides no funding for additional FTEE designated to provide direct vocational rehabilitation and employment counseling services. Rather, the President's budget simply reflects a redistribution of "management support" personnel. Veterans applying for vocational rehabilitation and employment services increased dramatically over the last decade – roughly 75 percent increase. Demand for this service will surely continue due to the many injuries suffered by our troops serving in Iraq and Afghanistan. Former Secretary Anthony J. Principi, established a task force to review the vocational rehabilitation and employment program (VR&E) from "top-to-bottom." The VR&E Task Force issued a comprehensive report in May of 2004. The report contained 102 recommendations to improve the VR&E program and reform it to be responsive to 21st Century needs of service-connected disabled veterans. The Task Force recommended increasing full-time staff positions in the VR&E program by approximately 200 FTEE; including 27 FTEE in headquarters; 112 in the regional offices to deliver direct services; 56 in the regional offices for contracting and purchasing; and 8 quality assurance staff. Consistent with the VR&E Task Force Report, we recommend an increase of $5 million to provide for 57 additional FTEE – one full time staff position in each regional office.

Medical

The Democratic budget proposal builds from a baseline of the fiscal year 2005 appropriation. This baseline ostensibly includes funds that will allow VA to:

- Serve veterans in priority groups 7 and 8 without increasing drug copayments or levying new enrollment fees.
- Provide some nursing home care to veterans in all priority groups
- Continue to offer per diem payments to state homes for veterans in all priority groups.

In addition, Democrats believe the following increases are necessary:

Medical services:

- Add $1.388 billion as estimated by the VA to allow for increased workload and utilization, increased payroll, inflation and other uncontrollables.
- Add $300 million (enhancing by $200 million, VA's initiative) for mental health programs to enhance the spectrum of services to meet the needs of veterans and the post-deployment needs of servicemembers now in Iraq and Afghanistan. This will allow VA to expedite recommendations in its Mental Health Strategic Plan, including those for veterans in need of post-traumatic stress disorder services.
- Add $200 million (enhancing by $100 million, VA's initiative) for prosthetics and amputee care and programs, such as blind rehabilitation and specialized treatment for spinal cord injury and traumatic brain injury.
- Add $200 million to begin to enroll new Priority 8 veterans. This will allow approximately 85,000 new veterans to enroll.
- Add $269 million to allow VA to meet capacity requirement in P.L. 106-117 (VA nursing homes had an ADC 13391 in FY 1998; VA nursing homes have an ADC of 11548 in FY 2005).
- Add $75 million to implement physician and dentist pay reforms in P.L. 108-445 as recommended by the VA.
- Add $43 million per VA's recommendation to fund emergency care copayments in non-VA settings for insured veterans.
- Add $20 million for homeless veterans initiatives recommended by VA.
- Add $12 million for medical research support.

Medical Administration:

- Add $141 million for pay raise, inflation, and other uncontrollable cost increases.

Medical Facilities:

- Add $200 million for pay raise, inflation, and other uncontrollable cost increases.
- Add $106 million, effectively doubling the VA's request for Capital Assets for Restructuring Enhanced Services (CARES)-recommended projects.

Medical and Prosthetic Research:

- Add $67 million as recommended by the Independent Budget and the Friends of the VA.

Grants to State Extended Care Facilities:

- Add $150 million to restore state home grants program and increase to Independent Budget-proposed level.

Departmental Administration

Education and Training Programs on Medical Responses to Consequences of Terrorist Activities. We understand the majority view is that $5.0 million should be added to the budget to support this program. We concur.

The Office of the Inspector General. We agree with the majority's proposal to add $7.8 million to the budget of the Office of the Inspector General to support a total of 505 FTEEs. However, we decline to specify how the Inspector General shall use these additional FTEE as long as they are used in the best interests of the Office of the Inspector General as determined by the IG.

Department of Veterans Affairs Information and Technology. We agree that the Chief Information Officer should be authorized direct line authority over the VA information technology budget and personnel, but we do not agree with the funding reductions proposed by the majority.

Proposed Committee Views and Estimates
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Appropriation/Fund Account (in millions)	2005	2006	Difference 2006-2005	% Difference 2006-2005	2006 IB	2006 IB-2006	2006 HVAC Dems	Difference HVAC Dems and 2006	Difference 2006 IB and 2006 HVAC Dems
Benefit programs:									
Disability Compensation	28,960	29,772	812	2.80%			29,796	24	
Pensions	3,294	3,470	176	5.34%			3,492	22	
Education	2,172	2,580	408	18.78%			2,580	0	
Vocational rehabilitation and employment	569	634	65	11.42%			634	0	
Insurance	44	46	2	4.55%			612	566	
Housing Program Account	1,904	65	-1,839	-96.59%			65	0	
Burial	169	171	2	1.18%			358	187	
Total Benefits Mandatory	**37,112**	**36,738**	**-374**	**-1.01%**			**37537**	**799**	
Total Benefits Administration	**1,448**	**1,406**	**-42**	**-2.90%**	**1,367**	**-39**	**1,432**	**26**	-65
TOTAL BENEFITS (does not include construction)	**38,560**	**38,144**	**-416**	**-1.08%**			**38,969**	**825**	
Medical programs:									
Medical services	19,902	19,952	50	0.25%	22,486	2,534	22,409	2,457	77
Medical care collection fund	1,953	2,588	635	32.51%	2,200	-388	2,000	-588	200
Medical administration	4,437	4,517	80	1.80%	4,866	349	4,658	141	208
Medical facilities	3,330	3,298	-32	-0.96%	3,875	577	3,602	304	273
VA/DoD Health Sharing Incentive Fund	30	43	13	43.33%	0	-43	43	0	-43
Medical and prosthetic research	402	393	-9	-2.24%	460	67	460	67	0
Total medical programs	**30,054**	**30,791**	**737**	**2.45%**	**33,887**	**3,096**	**33,172**	**2,381**	715
Total medical programs without collections	**28,101**	**28,203**	**102**	**0.36%**	**31,687**	**3,484**	**31,172**	**2,969**	515
Department Administration:									
Construction									
Major and Minor Construction	700	816	116	16.57%	1,283	467	862	46	421
Grants for construction of State extended care facilities	104	0	-104	-100.00%	150	150	150	150	0
Grants for the construction of State Veterans Cemeteries	32	32	0	0.00%	37	5	37	5	0
Total Construction	**836**	**848**	**12**	**1.44%**	**1,470**	**622**	**1,049**	**201**	421
Total General administration	295	325	30	10.17%	388	63	336	11	52
Total Office of Inspector General	69	70	1	1.45%	71	1	78	0	-7
Total appropriations	**69,814**	**70,178**	**364**	**0.52%**			**73,603**	**3,425**	
Total Mandatory	**37,112**	**36,738**	**-374**	**-1.01%**			**37,537**	**799**	
Total Discretionary without MCCF	**30,749**	**30,852**	**103**	**0.33%**	**34,983**	**4,131**	**34,066**	**3,214**	**917**
Total Discretionary with MCCF and other receipts	**32,702**	**33,440**	**738**	**2.26%**	**37,183**	**3,743**	**36,066**	**2,626**	**1,117**

Note: The Independent Budget figures have been revised to include medical collections for purposes of comparison.

Additional and Dissenting Views and Estimates

We have reviewed the Department of Veterans Affairs (VA) Budget Submissions for the last four fiscal years and are greatly concerned with the impact that claimed, but unrealized management efficiencies may have on veterans' health care funding. While we have joined our Democratic Colleagues on the Committee in their request to augment the Administration's budget proposal by an additional $3.4 billion, we would like to take this opportunity to express our continued reservations about the legitimacy of claims of savings created by alleged management efficiencies claimed for this and prior years. We explain below why an additional $3.7551 billion is required to correct this unfounded offset to veterans' health care, a claim based on VA's unsubstantiated claims of finding and implementing management efficiencies.

From 2003-2006 VA escalated its claims and projections of savings by implementing management efficiencies. The total offset to veterans' health care during this four-year period was $4.345 billion. As these savings have not been proven, and as significant evidence exists to refute the magnitude of savings claimed, the funds should be restored and no further offsets due to management efficiencies should be permitted until the detailed evidence and methodology is provided.

The current Democratic views and estimates disallows only the proposed Fiscal Year (FY) 2006 increase to claimed VA management efficiencies of $590 million and leaves in place for FY06 a baseline of approximately $1.2 billion in previously claimed efficiency savings. As many of the assumptions underlying this baseline savings estimate were never realized, we recommend disallowing claimed management efficiencies until proof of savings is demonstrated. After FY03, each subsequent year projects a new "efficiency" amount added to a baseline savings estimate created the prior year.

FY 2003	$ 316.4 million	(FY 2003/book #2, page 2-136)
FY 2004	$ 950.0 million	(FY 2004/book #2, page 2-164)
FY 2005	$1.2900 billion	(FY 2005/book #2, page 2F-14)
FY 2006	$1.7891 billion	(FY 2006/book #2, page 8-14)

Examining the FY04 savings claim of almost one billion dollars as an example, we find that this amount of savings was based on competitive sourcing, procurement reform and employee productivity. While savings due to competitive sourcing are difficult to prove in the long-term, the basis for the claimed savings in FY04 never transpired because outsourcing has not occurred in VA since the VA General Counsel determined in April 2003 that VHA could not engage in competitive sourcing absent specific authorization from Congress.

Additionally in FY04, the VA Inspector General (IG) and Government Accountability Office published reports detailing problems with procurement, contracting and accountability in several different areas – they reflect serious management problems, not management efficiencies. An independent audit by Deloitte & Touche for FY04 found repeat material weaknesses and problems with operational oversight at VA that had not been corrected from the previous year. Additionally, the well publicized failure by VA to deploy the CoreFLS automated system resulted in $249 million in government obligations. The IG faulted both VA management and senior leadership in its August 11, 2004, report regarding the CoreFLS failure. From the evidence now available, the proven management problems may outweigh the proven management efficiencies.

In good conscience, we cannot allow illusory management efficiency claims to be deducted from veterans' health care based on "efficiencies" of the type listed above. It is incumbent on all Federal employees to be efficient managers, to always seek ways to become more effective. We all know that there are "gives and takes" in this process but we have little evidence of gains by VA to compare with the strong indications of management failure chronicled above. We should deduct only those efficiencies that are well-grounded and that are not offset by management errors, fraud, waste or abuse. VA has not proven its net efficiency claims. We therefore request that the Budget Committee disallow all VA claims of savings based on management efficiencies from FY 2003-2006 and fully restore the missing $4.3451 billion. When and if VA is able to detail legitimate management savings, then and only then should we consider such savings for purposes of developing the budget resolution.

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