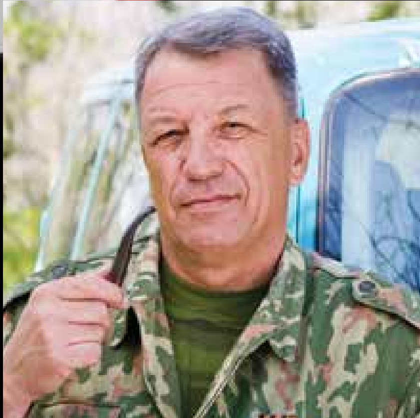

THE INDEPENDENT BUDGET
FOR THE DEPARTMENT OF VETERANS AFFAIRS

A Comprehensive Budget & Policy Document Created by Veterans for Veterans

Fiscal Year
2015

The Independent Budget Critical Issues Report for Fiscal Year 2015

Introduction

As the Department of Veterans Affairs (VA) continues to face the growing demand being placed on its health-care and benefits systems, it is incumbent upon Congress, the Administration, and veteran stakeholders to ensure that VA has all of the tools necessary to effectively meet those demands. This commitment must be accomplished in the face of continued pressure to control federal spending. However, it cannot be emphasized enough that meeting the needs of veterans of every generation is a solemn obligation and responsibility that cannot—and should not—be minimized.

The Independent Budget is a comprehensive budget and policy document created by veterans for veterans. This year marks the 28th year of *The Independent Budget.* We—AMVETS (American Veterans), DAV (Disabled American Veterans), Paralyzed Veterans of American (Paralyzed Veterans), and Veterans of Foreign Wars of the United States (VFW)—proudly co-author *The Independent Budget*. In anticipation of the release of the *Independent Budget for Fiscal Year 2015*, we offer this Critical Issues Report to outline some of the greatest challenges facing VA and all parties affected by the actions of VA.

The four co-authors, *The Independent Budget* veterans service organizations (IBVSOs), believe that our mandate has remained steadfast over the years: to ensure that VA provides—

- competent, compassionate, and consistently high-quality health care to all eligible veterans and to their eligible families and survivors;
- timely and accurate delivery of all earned benefits to veterans, dependents, and survivors, including disability compensation, pensions, education, housing assistance, and other necessary supports; and
- dignified memorial services to all eligible veterans, preserving our national cemeteries as shrines to those lost in or following service to our nation.

This Critical Issues Report is intended to be a reference and an instrument to inform and educate not only VA and its veteran stakeholders but also the general public, the Administration, and Congress about the most pressing issues affecting VA health care and benefits, and their timely and accurate delivery, as well as a variety of memorial services. These issues make up some of the greatest concerns facing VA and the veterans community, and our recommendations for improvements are provided in an effort to assist veterans in gaining and keeping access to services and benefits in a delivery system created solely for them.

We submit this report in the hope that legislators and VA policymakers will consider and incorporate our recommendations in developing legislation and making policy changes affecting VA in FY 2015 and beyond, and for developing advance appropriations in VA health care for FY 2016. We believe that by capitalizing on the strong foundation this Critical Issues report provides VA will be better able to improve its benefits and services and achieve operational excellence.

As our nation's government continues to be plagued by numerous fiscal and monetary challenges, especially in light of the pressures created via sequestration, continued efforts to reduce federal spending, and partisan gridlock, the IBVSOs are justifiably apprehensive about the future of VA funding and its potential effects on the vast array of programs that serve veterans. Ultimately, *The Independent Budget* co-authors strongly believe that veterans and their families who are served by VA should not be forced to sacrifice the health care and benefits that were promised to them and that they so clearly have earned.

In order to retain the valuable but costly progress made in these areas over the past several years, the IBVSOs will not support any backsliding on the outlay of funds needed for investment in essential VA programs and infrastructure. If the nation expects to continue to attract and retain willing and talented candidates to serve in the military, we must commit to providing the earned benefits and health-care services to those men and women who have made selfless sacrifices for the nation. We must emphasize that freedom is expensive not only to achieve but to sustain, and this cost is often life altering and may be life ending.

Our veterans have always stepped forward when we needed them to do the tough jobs, often in the worst conditions imaginable, and while making numerous personal sacrifices and enduring physical and emotional pain. Veterans have paid their dues in full. It is time that those sacrifices be repaid in kind.

CRITICAL ISSUE 1

Trends in VA Funding

While the demands on the VA health-care and benefits systems continue to grow, funding for these programs is not keeping pace with those demands.

The United States Government confronts a difficult and uncertain fiscal future, and, accordingly, the Department of Veterans Affairs is not immune to the challenges faced by all federal agencies. The co-authors of *The Independent Budget*—AMVETS, DAV (Disabled American Veterans), Paralyzed Veterans of America, and Veterans of Foreign Wars—recognize that Congress and the Administration continue to work under immense pressure to reduce federal spending. However, the ever-growing demand for VA health-care services and benefits certainly validates the continued need for sufficient funding. Meanwhile, we know that VA, like every other federal agency, is under pressure to hold down spending in the coming years as a result of the federal debt and deficit. However, this philosophy ignores the fact that VA still must meet growing demand for health-care services and benefits for veterans of past conflicts as well as those who have served over the past decade in Iraq and Afghanistan.

With these thoughts in mind, we are concerned about trends regarding VA and the funding it receives. *The Independent Budget* veterans service organizations (IBVSOs) understand that VA has fared better than most federal agencies with regard to budget proposals and appropriations. However, discretionary funding for VA is no longer keeping pace with medical care inflation or health-care demand. Additionally, VA continues to rely on medical care collections forecasts that have rarely been achieved and on operational and management improvements that allegedly reduce costs. Meanwhile, the broken appropriations process continues to have a negative impact on the operations of VA, particularly with regard to the claims-processing transformation and the activities that support this effort. Similarly, funding for VA's capital infrastructure has been woefully inadequate (see Critical Issue 3).

In recent years most federal agencies have been directed to reduce spending, but the Administration has continued to request increases for discretionary VA funding. Annually, Congress has provided increases in VA appropriations. From FY 2010 to FY 2014, VA received an average increase in funding of more than 4 percent. However, in the most recent budget (released in April 2013), the Administration requested an increase in funding of only approximately 2 percent. Congress is expected to agree.

The Administration and Congress must provide sufficient, timely, and predictable funding to VA. Unfortunately, the Administration's FY 2014 budget request, including advance appropriations for medical care for FY 2015 does not meet that standard. In fact, comparing the projected increase in funding for all medical care in the Administration's budget from FY 2014 to the advance appropriations recommendation for FY 2015, the IBVSOs conclude that the VA budget will not begin to meet the projected needs of veterans already in the system and those likely coming to VA for the first time. The $1.1 billion increase that the Administration projects from FY 2014 to FY 2015 neither meets current services needs nor accounts for inflation

(conservatively estimated to be around 3 percent for general medical care). The Administration's budget would certainly not be sufficient to address the needs of newly enrolled veterans.

VA continues to over-project its estimates of medical care collections and underperform in those collections. Inflating projected collections affords Congress the opportunity to appropriate fewer discretionary dollars for the health-care system. However, when VA fails to achieve those collections estimates, the health-care system is left with insufficient funding to meet the actual patient care demand. The longer this scenario continues, the more VA will find itself falling behind in its ability to care for veterans who have served. VA originally projected collections of approximately $3.7 billion in FY 2012 and $3.3 billion in FY 2013. Congress based its appropriations for the VA for those fiscal years on those projected collections. However, VA subsequently revised its estimates anticipating collections of $2.8 billion in both FY 2012 and FY 2013. As a consequence, VA received $1.4 billion less in total resources needed for those two fiscal years combined. This shortfall was not addressed through supplemental appropriations. Downstream, the impact falls on veterans who must live with the consequences of diminished quality of care. Because VA continues to experience problems with its medical care collections, Congress needs to properly analyze, and if necessary, revise the advance appropriations from previous years to ensure that the VA health-care system is getting the resources it actually needs.

The IBVSOs remain concerned about steps VA has taken in recent years to generate resources to meet ever-growing demand on the VA health-care system. Once again this year the Administration continues to rely upon "management and operational improvements," a popular gimmick that was used by previous Administrations to generate savings and offset the growing costs to deliver care. The FY 2014 budget request includes estimates for savings as a result of presumed "management improvements." The Administration concluded that it could reduce appropriations requirements for FY 2014 and FY 2015 based on these alleged improvements. The budget outlines $482 million in proposed savings for both FY 2014 and FY 2015. Additionally, the budget projects $1.3 billion in operational improvements for both FY 2014 and FY 2015. This is a wholly unacceptable way to fund the operations of the VA health-care system.

We remain concerned that the broken appropriations process continues to have a negative impact on the operations of VA. Again this year Congress failed to fully complete the appropriations process in the regular order, instead choosing to fund the federal government through an extended continuing resolution. As a result of the enactment of advance appropriations, the health-care system is generally shielded from the difficulties associated with late appropriations (an occurrence that has become the rule, not the exception). However, many of the operations that support the health-care system, particularly through its information technology system, are negatively impacted, complicating VA's ability to delivery timely, quality health care.

We also have concerns about the advance appropriations process as it currently functions. Our intent for this process was for the Administration to request an advance appropriation for a given fiscal year (two years ahead of the start of that fiscal year), and then revise that recommendation in its next budget request immediately prior to the start of the fiscal year in question. However, during the two most recent budget cycles, the Administration has offered very little revision in its

advance appropriations requests, essentially asking for the same funding level it identified in the previous budget despite obvious increases in demand due to factors such as military downsizing, which is likely to continue. Moreover, the IBVSOs believe that Congress has not conducted due diligence in adequately analyzing the advance appropriations recommendations and making necessary changes through supplemental appropriations. In fact, once Congress has approved an advance appropriations level for VA, it has not revised its previous year's decision in any appreciable way. This undermines the principle benefit of advance appropriations—having additional time to ensure that sufficient funds are provided.

Similarly, many other functions of VA, particularly the benefits delivery system, the VA research program, and VA grants for state veterans cemeteries and state veterans homes, are adversely impacted because of late budgets. In the Veterans Benefits Administration (VBA), failure to provide a sufficient and timely operations budget (governed through appropriations) severely strains the ability of the VA personnel tasked with overcoming perhaps the greatest challenge facing VA today—the ever-growing claims backlog and all new claims. VBA reforms are being undermined because of budget uncertainty. Congress should fulfill its responsibility to fund all of the operations of VA in a timely and predictable manner. The VA appropriations bills routinely carry strong bipartisan support. It is time for Congressional action to reflect this fact.

One important step would be for Congress to expand advance appropriations authority to all remaining VA discretionary accounts, particularly those for the VBA, medical and prosthetic research, and information technology (IT) programs. While advance appropriations is not a perfect remedy, as previously discussed, it has greatly aided VA's ability to plan and manage health care, particularly in this seemingly endless budgetary crisis mode. Since Congress already provides about 84 percent of VA's total discretionary funding through the advance appropriations process, this expansion would allow VA to plan and operate all its programs in the same budgetary environment.

Recommendations:

The Administration and Congress must work together to ensure that the advance appropriations amounts already provided for FY 2014 will in fact be sufficient to meet the projected demand for veterans health care and ensure that sufficient resources will be provided in the advance appropriation for FY 2015.

Congress should approve legislation to extend budgetary authority for advance appropriations to all VA discretionary accounts, most important, for the VBA, medical and prosthetic research, and IT programs.

Critical Issue 2

Completing the Transformation of VA's Benefits Claims-Processing System

Although there is measurable progress in reducing the backlog of veterans' claims, the Veterans Benefits Administration must increase its openness, transparency, cooperation, and collaboration with Congress and veterans service organizations to successfully complete this transformation.

Three years ago the Veterans Benefits Administration (VBA) committed to completely overhauling its claims-processing system to finally create a modern, paperless system that would eliminate the backlog of pending claims once and for all. Department of Veterans Affairs Secretary Eric Shinseki established an ambitious goal: by 2015 the VBA would process all claims within 125 days and would do so with 98 percent accuracy. To accomplish this, the VBA would develop entirely new information technology (IT) systems, organizational structures, and adjudication procedures, all the while continuing to process a million claims or more every year. Today there are measureable signs of progress resulting from the VBA's transformation efforts; however, there are also troubling questions about whether this progress can be sustained two, five or ten years from now.

The backlog of claims for veterans' benefits peaked at the beginning of 2013 with about 870,000 total pending, of which almost 70 percent (602,000) had been pending for more than 125 days, the VBA's official target for measuring the backlog. Since that time, the VBA has reduced that number to 752,000 as of the beginning of September, a decrease of 118,000. During the past eight months, the number of backlogged claims pending more than 125 days fell by 142,000 to 460,000, a 23.6 percent reduction; the backlog dropped almost 20 percent in only the past four months.

There is also progress on the average days pending for rating claims, which went from 274.6 days in January to 226.3 in August. This decrease can probably be attributed to the VBA provisional claims initiative designed to rapidly complete all claims pending more than two years, even if provisional ratings had to be awarded. Having finished processing virtually all two-year old claims, the VBA is now focusing on reducing and eliminating one-year old claims, which will further lower the average days pending. However, as Under Secretary Alison Hickey stated at the outset of the provisional claims initiative, while the average days pending would fall, the average days to complete claims would rise commensurately due to the fact that a greater percentage of older claims were recently completed. True to Hickey's prediction, the average processing time rose from 272.5 days in January to 341.2 days in August.

Perhaps more encouraging, the VBA official claims accuracy rate has increased every month over the past seven months, steadily rising from 86.3 percent to 88.3 percent based on the VBA's Systematic Technical Accuracy Assessment measurement. This quality increase is even more dramatic looking at the three-month rolling average, which rose from 85.7 percent at the beginning of the year to 90.8 percent in August. Part of this improvement may be attributable to VBA's creation and deployment of Quality Review Teams, whose only function is to monitor

quality and provide training in every VA regional office (VARO). In addition, part of the progress may be due to the influx of new, better-trained employees over the past few years. The use of automated rating tools may also be helping to eliminate administrative and technical errors. Perhaps one of the most important measures won't be known for several years, when claims denied at the VARO level are considered by the Board of Veterans' Appeals.

Overall, *The Independent Budget* veterans service organizations believe significant progress has been made; however, based only on the currently available data and information from the VBA, it is not certain whether this level of progress will be sufficient to meet the Secretary's ambitious 2015 goals. Despite repeated requests from Congress and veterans service organization stakeholders, the VBA has yet to produce detailed plans, interim goals and other milestones with which to assess the progress and ultimate success of its transformation initiatives. Without such information, we find it difficult to determine whether the documented progress is short-term progress that will stall, or whether it can be sustained and accelerated to finally eliminate the backlog.

The IBVSOs are growing more concerned about a recent trend toward less openness and transparency from the VBA over the past year that could hinder its ability to successfully complete the transformation, particularly with regard to the new Transformational Organizational Model and the Veterans Benefits Management System (VBMS), both recently deployed to all VAROs. It is essential that the VBA work in an open, transparent and collaborative manner with both Congress and veterans service organization stakeholders in order to continue receiving the support and assistance needed to complete this transformation. Just as important, without proper and transparent data and metrics, neither Congress nor veterans organization stakeholders will gain the information necessary to provide constructive feedback that could help improve the VBA claims-processing system.

Although the VBA has increased its productivity in 2013—the number of claims completed each month rose 22 percent from an average of about 89,000 during the first four months of the year to more than 108,000 over the past three months—the cause is unclear. Earlier this year, the VBA finished the roll out of both VBMS and the new Transformation Organizational Model, but it is probably still too soon to attribute much of the productivity gains at this early stage of implementation. In addition, there is always a learning curve for both employees and management with new systems before they reach their full potential. The more likely explanation for the boost in productivity is probably a combination of the increased focus on fully developed claims (FDCs), a national policy of mandatory overtime for claims processors and the seasoning of VBA's new employees hired over the past few years.

Some observers have expressed concerns that the VBA might be distorting its resource allocations in order to achieve short-term reductions in the pending backlog in response to the intense media and Congressional attention focused on this longstanding problem. Because the new processing system divides claims between three "lanes"—express, core, and special ops, depending on the complexity of the claims—careful monitoring of resource allocation is required to ensure that veterans' claims move equitably through each of the lanes. For example, if VAROs were to overstaff their express lanes, they could complete a larger number of these simpler claims and thus reduce the backlog, at least momentarily. Unfortunately, there would

also be a disproportionately large number of complex and time-consuming claims awaiting decisions, eventually clogging the system, particularly as the average number of issues per claim continues to reach unprecedented levels.

The IBVSOs continue to actively support the FDC program and the VBA goal of channeling an increasing share of all claims through the FDC program. This will not only lower the burden on VBA employees, it will also result in faster and more accurate claims decisions for veterans. However, when veterans submit additional evidence after an FDC is formally filed, by rule that claim is removed from the FDC program and put back into the regular claims track, even when the supplemental evidence submitted required no additional development actions by the VBA. We believe that in those instances the VBA should allow the claim to remain in the FDC program, benefiting both the veteran and the VBA. To help incentivize veterans to gather the private medical evidence needed to properly complete an FDC claim, the IBVSOs continue to call for Congress to approve legislation to require that the VBA provide due deference to private medical evidence as embodied by VBA's Acceptable Clinical Evidence initiative. Furthermore, the VBA should allow private treating physicians to complete and submit disability benefit questionnaires (DBQs) for medical opinions (i.e., "nexus") and for diagnosing post-traumatic stress disorder. Currently those DBQs are only made available internally for VA examining doctors and VA contract examiners.

Probably the most important elements of the VBA transformation are its IT components, particularly the Veterans Lifetime Electronic Record and the VBMS. VA and the DOD must finally come to an agreement, develop an implementation plan and execute it to create a single interoperable medical record. The impasse between the DOD and VA has already cost the country more than $1 billion over five years and less palatable alternatives to a single integrated electronic health record do not satisfy Congress's 2008 directive to VA. The seamless integration of VA and DOD medical information is one of the keys to truly achieving automated, electronic processing.

While the VBA was able to complete implementation of VBMS ahead of schedule in June, a number of significant development challenges remain to be overcome before the system can operate at its full capacity. The coding and embedding of rating calculators inside VBMS remains a labor-intensive, time-consuming process, but it is an essential component of the future automated claims-processing system. The VBA must devote sufficient resources to completing this coding, but must thoroughly test new rating calculators and other tools for accuracy before embedding them into VBMS. In addition, service officers at some VAROs are not being provided the customary 48 hours to review claims decisions made in VBMS before they are made final. The VBA must ensure that neither the VBMS nor other new technologies override veterans' rights or the ability of veterans service organizations to fully represent veterans in this new electronic claims-processing environment.

The IBVSOs have related concerns about the content of rating decisions issued through the Simplified Notification Letter program. While we do not oppose the use of automated technology to generate rating decisions and notification letters, the VBA must include sufficient information that allows veterans and their representatives to fully understand the decisions, including all the evidence considered and all the reasons and bases used to reach them.

To sustain any progress made with the new IT systems and organizational models, the VBA must continue to make the changes to its work culture so that quality and accuracy are the cornerstones of all their activities. The VBA's creation of Quality Review Teams was a powerful statement of its commitment to quality; however, the VBA must ensure that VAROs do not use quality review specialists to increase productivity by assigning them to claims work, as was done in the past with decision review officers. The VBA must also continue to evaluate and improve its training, testing, and quality control programs. These elements are key to truly reforming the claims system over the long term.

Finally, in order to complete the transformation and end the backlog, the VBA must develop and instill a new work culture based on quality and accountability. At a time when so much national attention has been focused on reducing the number of claims pending in the backlog, the VBA must continue to place at least equal emphasis on quality and accuracy, rather than just speed and production. In order to hold the VBA accountable for developing a system that decides each claim right the first time, the VBA must develop new and realistic metrics and performance measures at every level in the process—from claims processors to regional office management to central office leadership. The VBA must develop a scientific methodology for measuring the resources (primarily personnel) required to accurately and timely process the current and future anticipated workload, as well as a new model for allocating those resources among VA regional offices.

Recommendations:

The VBA must increase its openness, transparency, cooperation, and collaboration with Congress and veterans service organization stakeholders as it implements its new transformation initiatives.

The VBA must provide comprehensive and detailed plans, including benchmarks, milestones, and interim goals for its claims transformation initiatives.

The VBA must ensure that VA regional offices equitably allocate their resources among the newly designed claims-processing lanes so that all claims are processed accurately and in a timely manner.

The VBA should revise its policies so that they do not exclude claims from the fully developed claims process when a veteran submits additional evidence, provided that evidence requires no further development actions.

Congress should pass legislation to require that private medical evidence be given due deference when it is competent, credible, probative, and otherwise adequate for rating purposes.

The VBA should allow private treating physicians to complete and submit disability benefit questionnaires for medical opinions and for diagnosing post-traumatic stress disorder.

VA and the DOD must agree upon, develop, and implement a single, interoperable electronic medical record that will facilitate automated processing of veterans' medical records for benefits applications.

The VBA must ensure that automated rating or decision notification tools accurately reflect current law and regulations and fully protect veterans' rights before being implemented.

The VBA must develop new metrics and assessment tools to measure performance at every level of the claims-processing system, based upon a scientific methodology of projecting workload, resource requirements, and allocations.

CRITICAL ISSUE 3

Maintaining VA's Critical Infrastructure

To provide high-quality, accessible care, the Department of Veterans Affairs must receive adequate funding to maintain current structures and reduce the backlog of critical infrastructure gaps in utilization, space, condition, and safety that are outlined in VA's Strategic Capital Investment Plan.

As the Department of Veterans Affairs strives to improve the quality and delivery of care for our wounded, ill, and injured veterans, the facilities that provide that care continue to erode. With buildings that have an average age of 60 years, VA confronts a monumental task of improving and maintaining these facilities. Since 2004, utilization at VA facilities has grown from 80 percent to 120 percent, while the condition of these facilities has eroded from 81 percent to 71 percent over the same period of time. It is important to remember that VA facilities are where our veterans receive care, and that these facilities are just as important as the physicians, nurses, and other VA staff who deliver that care. Every effort must be made to ensure that these facilities remain safe, workable, and sufficient environments for delivery of that care. A VA budget that does not adequately fund facility maintenance and construction needs will reduce the timeliness and quality of care for veterans.

The vastness of VA's capital infrastructure is rarely fully visualized or understood. VA currently manages and maintains more than 5,600 buildings and almost 34,000 acres of land. Although VA has addressed a number of critical infrastructure needs, more than 3,900 remain. These repairs and other improvements will cost up to $66 billion (including $11 billion in activation costs).

With shrinking requests and appropriations from the Administration and Congress, VA is falling behind in meeting known safety, utilization, and access needs. To maintain VA infrastructure in its current condition, VA's nonrecurring maintenance (NRM) account could justify $1.35 billion per year. The account is currently being funded at $712 million. More funds, from $19 billion to $23.3 billion, will need to be invested to prevent the documented NRM backlog from growing even larger.

VA's commitment to investing in major construction continues to trend in the wrong direction. Congress appropriated more than $1.1 billion for the major construction account in FY 2011. In FY 2014, VA requested $342 million. To finish existing projects and to eliminate current and future deficits outlined in VA's Strategic Capital Investment Planning (SCIP) process, VA will need to invest between $19 and $23.3 billion over the next 10 years. At currently requested levels, more than 50 years will be required to complete VA's so-called "10-year plan."

To close all the minor construction appropriations gaps within VA's 10-year plan timeline, VA would need to invest between $6.8 and $8.3 billion over the next decade to meet its 10-year goal. Over the past few years Congress has appropriated increasingly higher levels of funding. In FY

2011, Congress appropriated just $468 million; in FY 2014 VA requested $714 million. If VA continues to request this level of funding and Congress appropriates the request, VA could meet its SCIP program goals.

A fourth cornerstone to VA's capital planning is leasing. The current leasing policy calls for little more than $2 billion over the next 10 years. The vast majority of these leases are for community-based outpatient clinics. Leasing these types of properties provides the advantage of quick, accessible health care for veterans.

Unfortunately, a policy shift by the Congressional Budget Office (CBO) in 2012 has effectively halted Congressional authorization of leases for such new clinics. Also, as old leases expire and need reauthorization in future years, this CBO decision jeopardizes existing VA-leased health, research, and other facilities.

Last year the CBO announced that it would redefine 15 VA-proposed leases as "capital" leases and would treat them as current-year mandatory obligations, costing more than $1 billion over a 20-year period. In order to advance these leases to approval, House budget rules would require an offset equal to the cost of these leases with an unrealistic FY 2013 reduction in mandatory veterans' programs. Since no such accommodation could be made in a single year, and VA had not addressed such an offset in its FY 2013 budget, the proposed lease authorizations were dropped from the authorizing bill. These 15 proposed community facilities, along with the 13 proposed leases for FY 2014, are now in limbo, and veterans are not being served.

The CBO's policy must be addressed in consultation with VA and the Office of Management and Budget. *The Independent Budget* veterans service organizations (IBVSOs) ask that the Administration and Congress take action that results in the authorization of the 15 clinics still in limbo since 2012, along with the additional 13 proposed in VA's budget for FY 2014, and, in general, to find the means to allow VA's leased facilities to continue to provide flexible, low-cost VA care to wounded, injured, and ill veterans. The current situation is unacceptable and must be remedied.

High-quality, accessible health care continues to be the focus of the IBVSOs. To achieve and sustain that imperative goal, VA must make large capital investments. Presenting a well-articulated, completely transparent capital asset plan is important. VA has developed such a plan and is to be commended, but funding that plan is imperative to close the access, utilization, and safety gaps in VA's capital infrastructure. If VA does not request and Congress does not appropriate much higher levels of funding, veterans will suffer as a consequence.

Special Note on Research Laboratory Infrastructure

At the urging of the House Committee on Veterans' Affairs, in 2012 VA released its long-awaited internal review of capital needs for VA research laboratories and other space in which VA researchers conduct important research projects. The report, completed by three different outside reviewers retained by VA over a six-year period, found that VA facilities need approximately $774 million to bring 74 research laboratories up to standard for life safety,

efficiency, air and contaminant control, and numerous other needs that are critical to sustain the excellence of this program for sick and disabled veterans.

Most of these funds would be categorized in maintenance and repair and minor construction, but in several instances major construction funding perhaps would be the optimum recourse to correct the thousands of deficiencies noted by reviewers. No recent Administration has requested capital funds in the budget to support VA research, and Congress has provided no funding dedicated to correcting research facility deficiencies, or to build new VA research facilities. While VA has provided about $272 million between fiscal years 2007 and 2011 for emergency and urgent repairs and other projects in these laboratories, a major initiative needs to be launched to bring the remaining key activities up to par.

Recommendations:

Congress must significantly increase funding for nonrecurring maintenance to maintain current and future infrastructure, as well as invest in reducing the current $21.5 billion NRM backlog.

VA should include the plant replacement value in its annual capital-funding plan.

Congress must increase funding for the VA major construction account in an effort to close the gaps in major construction within 10 years.

VA's minor construction account must be funded at a level over the next decade to close known gaps and facility deficiencies.

VA must continue its transparency in leasing and ensure that the inpatient access needs of veterans will not be jeopardized if and when leases expire. The Administration and Congress should resolve together the current policy that will prevent further leasing options for establishment of new VA leased facilities.

The Administration should request, and Congress should appropriate, funds to address at least the worst of the known deficiencies in VA's research laboratories as depicted in the external report cited, in particular those deficiencies that create life-safety threats to VA researchers and other VA staff who are required to work in these potentially hazardous environments.

CRITICAL ISSUE 4

Accountability to Veterans and Their Representatives

The Department of Veterans Affairs must ensure its organizational structure, policies, and programs promote good governance to be responsive to the needs of veterans.

Accountability is one of the cornerstones of good government. It ensures actions and decisions taken by public officials are subject to external oversight so as to guarantee that government programs meet their stated objectives and respond to the needs of the communities they are designed to benefit. In the pursuit of genuine accountability, *The Independent Budget* veterans service organizations (IBVSOs) believe the Department of Veterans Affairs and its officials are obligated to provide information about their decisions and actions, and justify them to the public and those institutions of accountability tasked with providing oversight and enforcement. The IBVSOs are tasked with ensuring that VA offices provide information and justification on important decisions and actions as well as seek to enforce standards of good performance when responding to the needs of the veterans VA serves.

Accountability is challenging to enforce or manage when key leadership executives are missing. As of this writing, VA reports vacancies for key VA leadership positions including the Deputy Secretary of Veterans Affairs and numerous assistant secretaries. Some of these executive positions are critical to adequately address key areas of concern that the IBVSOs have articulated in previous *Independent Budget* reports, but remain unresolved. It is difficult to imagine that much progress can be made on the deficits we have identified when key executives in these areas of responsibility have not been nominated to serve, or appointed as appropriate.

Within VA, the organizational structures of the Veterans Health Administration (VHA) Central Office and its field organizations are designed to complement each other. The most recent reorganization in VA Central Office was completed in March 2011. According to VA, the purpose is to continue the transformation of the agency to define and demonstrate the highest standards in health care to meet the needs of enrolled veterans. The core principles of this transformation provide that care should be veteran-centered, team- and evidence-based, and data-driven.

During this transformation, IBVSO interactions with VHA personnel have become more cumbersome than in previous alignments, and the reorganized system seems to have had a dampening effect on the agency's responsiveness to IBVSO concerns. Moreover, since the reorganization of the VHA Central Office and the pending downsizing of Veterans Integrated Service Network personnel, there has been less access to, and receipt of, information to conduct proper oversight when issues arise dealing with timely access, quality of care, and policy implementation.

Correspondingly, transformation and modernization of the Veterans Benefits Administration (VBA) as outlined in Critical Issue 2, depends upon developing and implementing a system of accountability at every organizational level in the claims process: from individual employees to

regional office management to central office leadership. Key to VBA accountability must be the creation of new and realistic metrics and performance standards that place quality at the same level of importance as productivity in order to create a culture that holds everyone accountable for adjudicating every claim right the first time.

A “Transparency and Open Government” memorandum of January 21, 2009, distributed to heads of executive departments and agencies documented President Obama’s commitment to running a transparent, participatory, and collaborative government that offers “increased opportunities [for stakeholders] to participate in policymaking and to provide…Government with the benefits of their collective expertise and information.” Despite the veteran community’s bringing first-hand experience about performance of VA into the accountability process, holding the agency accountable for its decisions and actions is increasingly becoming a voluntary exercise. Therefore, the IBVSOs strongly recommend Congressional oversight to monitor current VA reorganizational efforts. The current accountability process by the veterans service organization community is yielding little effective intervention or enforcement. As this process continues, veterans subject to VA’s policies and practices are likely to suffer, or be underserved.

Recommendations:

VA should begin practicing fully and faithfully under the President’s executive order on transparency in government.

VA should voluntarily share information with veterans service organizations on factual information that deals with workloads, efficiency, productivity, and performance by key offices and key executives.

VA should be more diligent and efficient in filling vacant positions of key executive offices.

VA should create new and realistic metrics and performance standards that place quality at the same level of importance as productivity in the claims process.

CRITICAL ISSUE 5

The Continuing Challenge of Providing Specialized Care and Benefits Services to Veterans

The Department of Veterans Affairs must work to provide integrated health services and benefits that meet the needs of newer veterans and veterans from past generations of service.

The federal government is accountable to provide new veterans with a seamless transition of services and benefits to ensure their successful reintegration into civilian society. More than 2 million U.S. service members have deployed to Iraq and Afghanistan since 2001, with many individuals having served several tours of duty. *The Independent Budget* veterans service organizations (IBVSOs) believe particular attention must be paid to this population, including to the families of those severely injured in service and to women veterans now serving in unprecedented numbers. Equally important, the Department of Veterans Affairs must simultaneously continue to care for veterans of prior generations of service, including providing robust specialized health-care programs, such as those for traumatic brain injury (TBI); post-traumatic stress disorder (PTSD) and other mental health needs; spinal cord injury or disorder (SCI/D); blind rehabilitation, amputation care, and prosthetic, orthotic and sensory aids devices; and furnish vital family caregiver support services to these veterans. These are crucial services for millions of disabled veterans, and VA is often the only resource available to them.

Family Caregivers of Severely Injured and Ill Veterans

Many family members serve as lifelong caregivers to severely injured veterans. To respond, Congress enacted Public Law 111-163, the "Caregivers and Veterans Omnibus Health Services Act." More than 10,000 families of veterans are now enrolled in this support program. Over our objection, the law limits eligibility for full benefits and services to families of veterans who served on or after September 11, 2001. This comprehensive support program should apply to all service-disabled veterans on the basis of medical and other pertinent needs, not based solely on the period of military service involved. To make the benefit more effective, we urge Congress to authorize expansion of the comprehensive program to cover family caregivers of all service-disabled veterans, irrespective of a veteran's period of service.

Veterans should not be forced to wade through bureaucratic delays to obtain the VA benefits and health care that they have earned. To better assist these veterans and their families, strong case management is necessary as new veterans transfer from the responsibility of the Department of Defense (DOD) to VA. Congress created the Federal Recovery Coordination Program (FRCP) to coordinate DOD and VA care for severely injured and ill service members. The IBVSOs appreciate this authorization, but we remain concerned about the gaps observed between these VA and DOD transition programs and the need for dependable and integrated case management essential for veterans to receive complex components of care in an effective manner. The gaps that need to be addressed include reducing confusion or conflicting information by more effectively communicating with, and educating families, and streamlining the referral process. We encourage continuation of determined Congressional oversight of the FRCP to ensure it fulfills its purpose.

Traumatic Brain Injury, Post-Traumatic Stress Disorder, and Mental Illnesses

The IBVSOs believe VA and the DOD should conduct additional research into the long-term consequences of brain injury and its relationship with PTSD symptoms, and continue to develop best practices and evidence-based treatments, not only in the care of these patients but also in supportive programs for their families. Experts in the brain injury field have concluded that even the "mild" version of brain injury can produce individual behaviors that mimic PTSD or create other mental health challenges. Also, mild-to-moderate TBI and other physical injuries can leave patients with long-term health consequences if they go untreated. In addition to treatment and rehabilitation, the IBVSOs are concerned about the challenge and coordination of integrated services for severely injured veterans and aid to their families, especially those with TBI. Additionally, research has consistently found that the effects of TBI and PTSD can co-exist in one individual. Nevertheless, much remains unknown about effective treatments for these sometimes comorbid conditions.

Without proper screening, diagnosis, and treatment, mental health struggles can lead some distressed individuals to break down. Suicide in the active duty force is a disturbing phenomenon, and the suicide rate among veterans is alarmingly high compared to the general population. The IBVSOs are encouraged that VA has developed a specific suicide prevention strategy. The DOD is also making progress against this difficult challenge. However, the DOD and VA need to continue cooperating to improve their responses to at-risk combat veterans, including making improvements in the integration of mental health services into basic primary medical care. Primary care is the most likely venue where providers can identify active duty personnel and veterans who are struggling and may be at risk, and then develop early interventions for observed potential mental or emotional problems in these populations.

Military Sexual Trauma

Of rising concern to the IBVSOs is the scourge of military sexual trauma. The DOD estimates that up to 36,000 sexual assaults occur annually within the ranks of active, reserve, and Guard units, even though less than 10 percent of these potential criminal incidents are reported by survivors. VA is providing more than 800,000 annual episodes of outpatient care and counseling to more than 100,000 veterans victimized by such personal assaults during their service. Additionally, VA is challenged to recognize service connection of the disabilities attendant to sexual trauma because of unavailable or non-existent DOD records to corroborate their claims. Even in cases in which records exist, VA often cannot obtain them from the DOD. Until recently DOD agencies were destroying some of these records after very short retention periods.

The Veterans Benefits Administration has issued special procedures to claims adjudicators to address the lack of available information in these cases, but the IBVSOs are concerned about whether these procedures are being carried out fully at VA regional offices, given other pressures extant within the VBA to reduce the overall backlog of claims. We believe VA, responsible military service branch offices, and the DOD Sexual Assault Prevention and Response Office need to coordinate inter-agency policies to ensure that such cases are dealt with properly if veterans step forward and make claims for related disabilities. It is unclear whether policies with

respect to records security, retention, and access across the Army, Navy, Air Force, Marine Corps (and in the case of the Department of Homeland Security and the Coast Guard) are consistent. Congress and the Administration should take steps to ensure that such policies are carried out in a manner that supports survivors of this in-service injury, and that the benefit of the doubt always accrues to veterans injured by sexual assault or other trauma.

Challenges Facing Veterans with Spinal Cord Injury or Disorder

As the veteran population ages, VA must assess and prepare for veterans' long-term-care needs. Of particular concern is the availability of VA long-term-care services for veterans with spinal cord injury or disorder. The need for long-term-care services for this population of veterans is vastly growing.

Despite the fact that the life expectancy for these veterans has increased significantly in recent years, and the onset of secondary illnesses and complications associated with aging and SCI/D occurs more frequently, VA is not devoting sufficient resources to meet this demand. Nationwide, VA operates only five designated long-term-care facilities for SCI/D veterans. Unfortunately, the existing centers are not optimally located to meet the needs of a nationally dispersed SCI/D veteran population. Often, the existing centers cannot accommodate new veterans needing long-term-care services due to lack of beds, so consequently these facilities manage long waiting lists for admission and veterans remain unserved, which bears long-term costs that remain invisible to decision makers who focus on the short term gains. Placing veterans with a spinal cord injury or disorder in a long-term-care facility within VA or the local community continues to be a challenge.

While VA has identified a need to provide additional SCI/D long-term-care centers, and has included these additional centers in ongoing facility renovation plans, many of these plans have been languishing for years. Therefore, the IBVSOs strongly recommend that VA and Congress work together to ensure that the Spinal Cord Injury System of Care has adequate resources to staff existing long-term-care centers, as well as increase the number of centers throughout VA.

Delays in the Delivery of Prosthetic Services

The VA Prosthetic and Sensory Aids Service (PSAS) has created a prosthetics and surgical products contracting center within the VA Office of Acquisition and Logistics. This center is responsible for ordering prosthetic devices that cost $3,000 or more. Centralization of contracting staff ultimately extended the procurement process and created delays by putting distance between purchasing agents and authority to transact procurements above the micropurchase threshold. Many purchasing agents were not given consistent guidance from VA Central Office or Veterans Integrated Service Network contracting officers on the extent of their responsibilities under the new process. Hence, judgment of medical need has been placed completely into the hands of administrators who do not directly engage clinicians or patients, who must adhere to stringent regulations to make awards to the lowest responsible bidder, and who must observe a wide variety of ethics and disclosure obligations that have nothing to do with the patient's condition. As a result of this change, veterans have experienced

delayed delivery of prosthetic devices and inconsistent administration of VA prosthetic policies, and decreased overall quality of VA prosthetic services.

Too many veterans are experiencing delays in delivery of their prosthetic devices due to inconsistent administration of PSAS policy. The failure to enact and enforce a national standard has resulted in VHA national prosthetics staff having to create local interpretations of VA policy that vary across medical centers and prolong the ordering and delivery of prosthetic items. In addition to inconsistent policies, the two offices responsible for ensuring that veterans receive quality prosthetics in a timely manner do not communicate efficiently, thus increasing bureaucratic delays and making an intricate process even more complex for veterans and their families to understand.

The delivery of prosthetic devices must improve. Specifically, VA must establish and implement national standards and policy for prosthetics service delivery and develop systems that eliminate communication barriers between both PSAS and the Office of Acquisition and Logistics. The PSAS and the Office of Acquisition and Logistics must work together to create and implement these changes consistently in all VA medical facilities.

The Challenge of Information Technology

The IBVSOs continue to be concerned about the status of collaboration between the DOD and VA in the area of information technology (IT) management, encompassing both military personnel records and the electronic health records each agency maintains on individuals. Earlier this year, VA and DOD secretaries jointly announced a major change to this years-long project that may mean that interoperable electronic records will never be achieved. Each agency is now embarked on developing separate records systems, but including a plan to establish an interface that permits the disparate records of one to be read by the other. This announcement brought on a vast amount of criticism by Congress on a bipartisan and bicameral basis, charging in effect that the agencies were abandoning their long-sought goal, and one that is mandated in law.

The absence of sharing electronic information on a broad or routine scale will create a major barrier to achieving seamless transition in hundreds of thousands, and perhaps millions, of service personnel, and will affect the status of all veterans in their subsequent transactions with VA. Effective information exchange could increase health-care sharing between agencies and providers, laboratories, pharmacies, and patients; aid patients in transition between settings; reduce duplicative and unnecessary testing; promote and improve integration and safety and reduce errors. In addition, lack of access to DOD records by VA claims examiners prevents quality decision-making on veterans' disability claims and may cause unfair denials of grants of service connection for in-service injuries and illnesses. Effective information technology is more than ever the lynchpin for providing veterans their rightful benefits and services.

We remain firm that the DOD and VA are accountable to service members and veterans for completing a process of records management that is national, computable, and interoperable—and that can provide real-time electronic exchange of personnel, health, occupational, and environmental exposure information on millions of veterans. Today this goal is far from being

achieved, and the secretaries' announcement abandoning the project may make joint records an unreachable goal.

Recommendations:

The Administration must ensure that the DOD and VA provide service members a seamless transition from military to civilian life while keeping their promises of care for older generations of war veterans. Congress must conduct rigorous oversight to validate this commitment.

The Administration should ensure that VA and the DOD refine coordinated programs of early intervention services for treatment of all war-related health problems, with a high priority on mental health challenges, substance-use disorders, and the effects of military sexual trauma.

The Administration must ensure that the DOD and VA maintain clear plans of effective rehabilitation for severely injured service members and veterans, with special attention to those with acute and chronic polytrauma, burn injury, amputation, TBI, PTSD, SCI/D, and other conditions associated with war trauma and its aftermath. Both agencies must make better use of the Federal Recovery Coordination Program to ensure these patients receive appropriate, integrated care.

To provide equity and fairness, VA should expand eligibility for caregiver support to families of all generations of severely ill and injured service-disabled veterans. Congress should continue to monitor VA to ensure that it faithfully executes the intent of Public Law 111-163 with respect to family caregiver needs.

The DOD and the Department of Homeland Security must execute consistent policies in records management (including access, retention, and disposal) with respect to individuals harmed by military sexual trauma, and VA should be granted access to these records, with consent of the individuals concerned, when needed to verify individual claims for disability.

The DOD and VA must invest in further research for traumatic brain injury and post-deployment mental health conditions to close gaps in care and develop best practices in screening, diagnosing, and treating brain injuries and mental health sequelae of exposure to war, not only in the care of these patients but also in supportive programs for their families. The Administration should use its oversight to ensure this research continues and is robustly funded.

The DOD and VA must continue to train and certify that their health-care providers deliver evidence-based care for post-traumatic stress disorder and depression-related illnesses and find new ways to encourage service members and veterans to seek mental health care without fear of stigma. Evidence-based treatments should include counseling and care for military sexual trauma.

VA and Congress must work together to ensure that the Spinal Cord Injury System of Care has adequate resources to staff existing long-term-care centers, as well as increase the number of centers throughout VA.

VA must establish and implement national standards and policy for prosthetics service delivery and develop systems that eliminate communication barriers between both the Prosthetic and Sensory Aids Service and the Office of Acquisition and Logistics.

The DOD and VA information technology programs must ensure that they promote a seamless transition for new veterans and continue to support excellence in VA benefits and services to older generations of veterans. Congress and the Administration should maintain their oversight on VA and DOD information technology efforts to create new systems and approaches that accomplish these vital goals.

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