THE INDEPENDENT BUDGET FOR THE DEPARTMENT OF VETERANS AFFAIRS

Budget Recommendations for FY 2017 and FY 2018

The Independent Budget

for the Department of Veterans Affairs

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Introduction

For 30 years, the co-authors of *The Independent Budget*—DAV (Disabled American Veterans), Paralyzed Veterans of America (PVA), and Veterans of Foreign Wars (VFW)—have presented our budget and policy recommendations to Congress and the Administration. Our recommendations are meant to inform Congress and the Administration of the needs of our members and all veterans and to offer substantive solutions to address the many health care and benefits challenges they face. This budget report serves as our benchmark for properly funding the Department of Veterans Affairs (VA) to ensure the delivery of timely, quality health care and accurate and appropriate benefits.

The Independent Budget veterans' service organizations (IBVSOs) recognize that Congress and the Administration continue to face immense pressure to reduce federal spending. However, we believe that the ever-growing demand for health care and benefits services provided by the VA certainly validates the continued need for sufficient funding. We understand that VA has fared better than most federal agencies in budget proposals and appropriations.

In the past couple of years, as many federal agencies have faced reductions in funding, the Administration has continued to request increases to discretionary funding for VA. At the same time, Congress has continued to provide increases in appropriations dollars. However, the serious access problems in the health care system identified in 2014 and the continued pressure being placed on the claims processing system raise serious questions about the resources being provided and how VA chooses to spend these resources. In fact, Deputy Secretary Gibson affirmed on multiple occasions that for too long VA has been "managing to budget, not to need." This is an unacceptable practice for an agency charged with meeting the needs of veterans who have served and sacrificed.

The IBVSOs are jointly releasing this stand-alone report that focuses solely on the budget of VA and our projections for the VA's funding needs across all programs. This report is not meant to suggest that these are the absolute correct answers for funding these services. However, in submitting our recommendations the IBVSOs are attempting to produce an honest assessment of need that is not subject to the politics of federal budget development and negotiations that inevitably have led to continuous funding deficits.

Our recommendations include funding for all discretionary programs for FY 2017 as well as advance appropriations recommendations for medical care accounts for FY 2018. Our recommendations reflect our concerns with obtaining adequate funding levels for the VA in light of the massive shortfall that the VA faced last summer. It affirms the need for added emphasis on properly staffing the health care system and building capacity, particularly in the spinal cord injury system of care that serves the largest single inpatient population of veterans. We hope that the House and Senate Committees on Veterans' Affairs as well as the Military Construction and Veterans' Affairs Appropriations Subcommittees will be guided by these estimates in making their decisions to ensure sufficient, timely, and predictable funding for VA.

VA Accounts for FY 2017 and FY 2018 Advance Appropriations

	FY 2016 Appropriation	FY 2017 Advance Approps	FY 2017 Admin Revised	FY 2017 IB	FY 2018 Advance Approps	FY2018 IB Advance Approps
Veterans Health Administration (VHA)						
Medical Services	49,972,360	51,673,000	45,505,812	60,868,757	44,886,554	64,032,909
Medical Community Care			7,246,181		9,409,118	
Choice Program**	5,643,953		5,673,190			
Subtotal Medical Services	***55,616,313***	***51,673,000***	***58,425,183***	***60,868,757***	***54,295,672***	***64,032,909***
Medical Support and Compliance	6,144,000	6,524,000	6,524,000	6,222,894	6,654,480	6,314,266
Medical Facilities	5,020,132	5,074,000	5,723,000	5,742,036	5,434,880	6,683,603
Subtotal Medical Care, Discretionary	**66,780,445**	**63,271,000**	**70,672,183**	**72,833,687**	**66,385,032**	**77,030,778**
Medical Care Collections	*3,515,171*	*3,299,954*	*3,558,307*		*3,627,255*	
Total, Medical Care Budget Authority (including Collections)	***70,295,616***	***66,570,954***	***74,230,490***	***72,833,687***	***70,012,287***	***77,030,778***
Medical and Prosthetic Research	630,735		663,366	665,000		
Millions Veterans Program				75,000		
Total, Veterans Health Administration	**70,926,351**	**66,570,954**	**74,893,856**	**73,573,687**		
General Operating Expenses (GOE)						
Veterans Benefits Administration	2,707,734		2,826,160	3,056,353		
General Administration	336,659		417,959	345,623		
Board of Veterans Appeals	109,884		156,096	134,150		
Total, GOE	**3,154,277**		**3,400,215**	**3,536,126**		
Departmental Admin/ Misc. Programs						
Information Technology	4,133,363		4,278,259	4,209,053		
National Cemetery Administration	271,220		286,193	274,942		
Office of Inspector General	136,766		160,106	138,440		
Total, Dept. Admin/ Misc. Programs	**4,541,349**		**4,724,558**	**4,622,435**		
Construction Programs						
Construction, Major	1,243,800		528,110	1,500,000		
Construction, Minor	406,200		372,069	749,000		
Grants for State Extended Care Facilities	120,000		80,000	200,000		
Grants for State Vets Cemeteries	46,000		45,000	52,000		
Total, Construction Programs	**1,816,000**		**1,025,179**	**2,501,000**		
Other Discretionary	166,090		201,000	168,000		
Rescission to Joint Incentive Fund	-30,000					
Total, Discretionary Budget Authority (Including Medical Collections)	***80,574,067***		***84,244,808***	***84,401,248***		

Veterans Health Administration

Total Medical Care

FY 2017 *IB* Recommendation	**$72.8 billion**
FY 2017 Enacted Advance Appropriations	**$63.3 billion**
Medical Care Collections	***$3.3 billion***
Total Advance Appropriations	**$66.6 billion**
FY 2017 Revised Administration Request	
*****This amount includes approximately $3.6 billion in Medical Care Collections and nearly $5.6 billion in funding used under authorities of the Choice Act.***	
Total	**$74.2 billion**

FY 2018 *IB* Advance Appropriations Recommendation	**$77.0 billion**
FY 2018 Administration Advance Appropriations Request	**$70.0 billion**
Medical Care Collections	***$3.6 billion***
Total	**$73.6 billion**

The IBVSOs appreciate the fact that the Administration continues to present budget recommendations for the overall Medical Care accounts that address veterans' growing demand for health care services. Unfortunately, we believe the FY 2017 advance appropriation approved by Congress in the FY 2016 Consolidated and Further Continuing Appropriations Act is not sufficient to meet the full demand for services being placed on the system. For FY 2017, the *IB* recommends approximately $72.8 billion in total medical care funding. Congress recently approved only $66.6 billion for this account (including an assumption of approximately $3.3 billion in medical care collections).

Of particular concern to the IBVSOs that VA continues to over-project and underperform its medical care collections estimates. Overestimating medical care collections allows Congress to appropriate fewer discretionary dollars for the health care system. However, when VA fails to collect what VA originally estimated, it is left with insufficient funding to meet the actual demand by veterans. As long as this scenario continues, VA will find itself falling farther behind in its ability to care for enrolled veterans, the precise situation now occurring.

Similarly, we are concerned that the baseline for FY 2016 was not appropriately adjusted in the previous continuing appropriations bill to offset the severe shortfall the VA experienced last year. The underfunded baseline will assuredly have a serious negative downstream effect on funding for FY 2017 and FY 2018. We believe that it will be critical moving forward for VA to adjust its baseline for total Medical Care need to account for the much greater demand for services.

With these thoughts in mind, *The Independent Budget* also recommends approximately $77.0 billion for total Medical Care for FY 2018. This recommendation reflects the necessary adjustment to the baseline for all Medical Care program funding in the preceding fiscal years.

Medical Services

Appropriations for FY 2017

FY 2017 *IB* Recommendation	**$60.9 billion**
FY 2017 Revised Administration Request	
Medical Services	**$45.5 billion**
Medical Community Care (New Proposed Account)	**$7.2 billion**
Section 801 and 802 Choice Act Funds	**$5.7 billion**
Medical Care Collections	***$3.6 billion***
Total	**$58.4 billion**
FY 2017 Enacted Advance Appropriations	**$51.7 billion**
Medical Care Collections	***$3.6 billion***
Total	**$55.3 billion**

For FY 2017, *The Independent Budget* recommends $60.9 billion for Medical Services. This recommendation is a reflection of multiple components. These components include the following recommendations:

Current Services Estimate…….$57,114,044,000
Increase in Patient Workload……..$1,409,713,000
Additional Medical Care Program Cost…..……..$2,345,000,000
Total FY 2016 Medical Services…….…..$60,868,757,000

The current services estimate reflects the impact of projected uncontrollable inflation on the cost to provide services to veterans currently using the system. This estimate also assumes a 1.2 percent increase for pay and benefits across the board for all VA employees in FY 2017. The Administration recently announced an intention to provide a 1.6 percent comparability increase. The significant increase in our recommended funding also reflects an adjustment in the baseline for funding within the Medical Services account of approximately $2.85 billion. *The Independent Budget* believes this adjustment is necessary in light of a more than $3 billion shortfall that the VA health care system experienced last summer. The fact that VA provided 7 million more appointments last year—both within VA facilities and in the community—is further evidence of the dramatic rise in demand. If the baseline from FY 2016 is not adjusted to better reflect the true demand VA is experiencing, we believe the VA will inevitably face a severe shortfall again this fiscal year and next.

Our estimate of growth in patient workload is based on a projected increase of approximately 103,000 new unique patients. These patients include priority group 1–8 veterans and covered non-veterans. We estimate the cost of these new unique patients to be approximately $1.2 billion. The increase in patient workload also includes a projected increase of 53,150 new Operation

Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) enrollees, as well as Operation New Dawn (OND) veterans at a cost of approximately $215 million. The increase in utilization among OEF/OIF/OND veterans is supported by the average annual increase in new users through the third quarter of FY 2015.

The Independent Budget believes that there are additional projected medical program funding needs for VA. Specifically, we believe there is real funding needed to address the array of long-term-care issues facing VA, including the shortfall in institutional capacity; critical resources to address the continually increasing demand for life-saving Hepatitis C treatments; to provide additional centralized prosthetics funding (based on actual expenditures and projections from the VA's Prosthetics and Sensory Aids Service); funding to expand and improve services for women veterans; as well as funding necessary to improve the Comprehensive Family Caregiver program. Similarly, VA must ensure that adequate funding is directed towards specialized services, to include the beds and staffing infrastructure for the spinal cord injury service which delivers lifetime care for a patient population that heavily relies on the VA health care system. Lack of commitment to these programs threatens the health and well-being of many of the most vulnerable populations of veterans.

Long-Term Services and Supports

The Independent Budget recommends $285 million for FY 2017. This recommendation reflects the fact that there was a significant increase in the number of veterans receiving Long Term Services and Supports (LTSS) in 2015. Unfortunately, due to loss of authorities—specifically fee-care no longer being authorized, provider agreement authority not yet enacted, and the inability to use Choice funds for all but skilled nursing care—to purchase appropriate LTSS care particularly for home- and community-based care, we estimate an increase in the number of veterans using the more costly long-stay and short-stay nursing home care. This funding is particularly important to veterans with spinal cord injury/disease (SCI/D), as they tend to rely on inpatient LTSS that is far more complex than the average veteran. Unfortunately, SCI/D veterans are significantly underserved by VA's LTSS. We believe the Administration must demonstrate serious commitment to expanding capacity for long-term care for veterans with SCI/D.

Hepatitis C

We also recommend $1.7 billion dedicated specifically to the goal of expanding treatment for veterans diagnosed with Hepatitis C. The VA previously projected a goal to treat 120,000 veterans with Hepatitis C between FY 2016 and FY 2018. In, FY 2017, VA is expected to treat as many as 50,000 veterans with a projected cost of approximately $1.7 billion. This estimate also includes the assumption of a 10 percent cost reduction per veteran, which we believe the VA will be able to achieve through the introduction of newer and cheaper Hepatitis C medications, and if the VA renegotiates the price of current medications.

Prosthetics and Sensory Aids

In order to meet the increase in demand for prosthetics, the *IB* recommends an additional $150 million. This increase in prosthetics funding reflects a similar increase in expenditures from FY 2015 to FY 2016 and the expected continued growth in expenditures for FY 2017. With the development of new advanced prosthetics that will benefit veterans with the most catastrophic disabilities, such as loss of single or multiple limb functions, significant resources must be provided to support this advancement. Failure to do so will limit the options available to veterans with the greatest need.

Caregiver Support Program

Our increased program cost recommendation also includes $120 million (above the projected baseline of $605 million) for the Comprehensive Family Caregiver Program in FY 2017. The additional $120 million for VA's Caregiver Program will provide for the steady rate of increase in the number of caregivers participating in the program, currently averaging between 350 and 400 per month. The amount recommended will also provide for a more robust number of Caregiver Support Coordinators to address issues regarding the program administration at local facilities. This will directly benefit an aging and severely disabled veteran population whose lives are significantly impacted by the availability of comprehensive VA Caregiver Support services.

Women Veterans

The Medical Services appropriation should be supplemented with $90 million designated for women's health care programs, in addition to those amounts already included in the FY 2017 baseline. These funds would be used to help the Veterans Health Administration deal with the continuing growth in ensuring coverage for gynecological, prenatal, and obstetric care, other gender-specific services, and for maintenance and repair of facilities hosting women's care to improve privacy and safety of these facilities. The new funds would also aid VHA in making its cultural transformation to embrace women veterans and welcome them to VA health care services, and provide means for VA to improve specialized mental health and readjustment services for women veterans.

Spinal Cord Injury/Disease Care

The IBVSOs remain concern that adequate resources are not being directed towards the VA's largest inpatient system of care. The Spinal Cord Injury & Disease (SCI/D) continuum of care model for the lifetime treatment of veterans with SCI/D has evolved over a period of more than 50 years. VA SCI/D care has been established in a unique "Hub and Spokes" model. If SCI/D centers are underfunded, and thus insufficiently staffed, spoke facilities (often secondary VA medical centers) are forced to care for veterans in need of types of complex, acute care that they are unprepared to provide. Like private sector non-specialized care, care at spoke facilities is insufficient to treat SCI/D-specific acute conditions (e.g. pressure ulcer debridement, complex urinary tract infection) because the spokes are only equipped to provide basic primary and preventative health care. Both Congress and VA must work together to ensure all VA SCI/D Centers have the right number of available operating beds and nurse staffing ratios to care for

referred veterans, and revisit annual reporting requirements to measure capacity for VA SCI/D and other specialized care as previously required by Public Law 104-262.

Advance Appropriations for FY 2018

FY 2018 *IB* Advance Appropriations Recommendation	**$64.0 billion**
FY 2018 Administration Advance Appropriations Request	
Medical Services	**$44.9 billion**
Medical Community Care (New Proposed Account in FY17)	**$9.4 billion**
Medical Care Collections	***$3.6 billion***
Subtotal	**$57.9 billion**

The Independent Budget once again offers baseline projections for funding through advance appropriations for the Medical Care accounts for FY 2018. While the enactment of advance appropriations for VA medical care in 2009 helped to improve the predictability of funding requested by the Administration and approved by Congress, we have become increasingly concerned that sufficient corrections have not been made in recent years to adjust for new, unexpected demand for care.

For FY 2018, *The Independent Budget* recommends approximately $64.0 billion for Medical Services. Our Medical Services level includes the following recommendations:

Current Services Estimate……..$61,011,026,000
Increase in Patient Workload……...$1,351,883,000
Additional Medical Care Program Cost…..……$1,670,000,000
Total FY 2017 Medical Services……..…..$64,032,909,000

Our estimate of growth in patient workload is based on a projected increase of approximately 93,000 new patients. These new unique patients include priority group 1–8 veterans and covered nonveterans. We estimate the cost of these new patients to be approximately $1.1 billion. This recommendation also reflects an assumption that more veterans will be accessing the system as VA expands its capacity and services and we believe that reliance rates will increase as veterans examine their health care options as a part of the Choice program. The increase in patient workload also assumes a projected increase of 49,500 new OEF/OIF and OND veterans, at a cost of approximately $207 million.

Last, as previously discussed, the IBVSOs believe that there are additional medical program funding needs for VA. *The Independent Budget* recommends $285 million directed toward VA long-term-care programs. In order to continue to provide the critically needed Hepatitis C treatments, we recommend $1 billion to treat 30,000 veterans. In order to meet the increase in demand for prosthetics, the *IB* recommends an additional $160 million. Our additional program cost recommendation includes continued investment of $125 million in the Comprehensive Family Caregiver program. Finally, we believe that VA should invest a minimum of $100

million as an advance appropriation in FY 2018 to expand and improve access to women veterans' health care programs.

Medical Support and Compliance

FY 2017 *IB* Recommendation	**$6.223 billion**
FY 2017 Enacted Advance Appropriations	**$6.524 billion**
FY 2017 Revised Administration Request	**$6.524 billion**

FY 2018 *IB* Advance Appropriations Recommendation	**$6.314 billion**
FY 2018 Administration Advance Appropriations Request	**$6.654 billion**

For Medical Support and Compliance, *The Independent Budget* recommends $6.2 billion for FY 2017. Our projected increase reflects growth in current services based on the impact of inflation on the FY 2016 appropriated level. Additionally, for FY 2018 *The Independent Budget* recommends $6.3 billion for Medical Support and Compliance. This amount also reflects an increase in current services from the FY 2017 advance appropriations level.

Medical Facilities

FY 2017 *IB* Recommendation	**$5.742 billion**
FY 2017 Enacted Advance Appropriations	**$5.074 billion**
FY 2017 Revised Administration Request	**$5.723 billion**

FY 2018 *IB* Advance Appropriations Recommendation	**$6.684 billion**
FY 2018 Administration Advance Appropriations Request	**$5.435 billion**

For Medical Facilities, *The Independent Budget* recommends $5.7 billion for FY 2017, nearly $700 million more than the enacted advance appropriation from December 2015. Our Medical Facilities recommendation includes $1.35 billion for Non-Recurring Maintenance (NRM). The Administration's request over the past two budget cycles represented a wholly inadequate level for NRM funding, particularly in light of the actual expenditures that were outlined in the budget justification. While VA has actually spent on average approximately $1.3 billion yearly for NRM, the Administration has requested only $460 million for NRM. This request level is clearly insufficient. This decision means that VA is forced to divert funds programmed for other purposes to meet this need. Additionally, our recommendation includes $692 million for operating and capital leases.

The Independent Budget recommends approximately $6.7 billion for Medical Facilities for FY 2018. Our FY 2018 advance appropriation recommendation also includes $1.35 billion for NRM. Last year the Administration's recommendation for NRM reflected a projection that would place the long-term viability of the health care system in serious jeopardy. This deficit must be addressed.

Medical and Prosthetic Research

FY 2017 *IB* Recommendation	**$665 million**
Million Veteran Program	**$75 million**
Total IB Medical and Prosthetic Research	**$740 million**
FY 2016 Enacted Final Appropriation	**$631 million**
FY 2017 Administration Request	**$663 million**

The VA Medical and Prosthetic Research program is widely acknowledged as a success on many levels, and contributes directly to improved care for veterans and an elevated standard of care for all Americans. The research program is an important tool in VA's recruitment and retention of health care professionals and clinician-scientists to serve our nation's veterans. By fostering a spirit of research and innovation within the VA medical care system, the VA research program ensures that our veterans are provided state-of-the-art medical care.

Investing Taxpayers' Dollars Wisely

Despite documented success of VA investigators across many fields, the amount of appropriated funding for VA research since FY 2010 has lagged far behind annual biomedical research inflation rates, resulting in a net loss over these years of nearly 10 percent of the program's overall purchasing power. As estimated by the Department of Commerce, Bureau of Economic Analysis, and the National Institutes of Health, for VA research to maintain current service levels, the Medical and Prosthetic Research appropriation should be increased in FY 2017 by 2.7 percent over the FY 2016 baseline simply to keep pace with inflation. With this in mind, *The Independent Budget* recommends approximately $17 million to meet current services demands for research.

Numerous meritorious proposals for new VA research cannot be funded without an infusion of additional funding for this vital program. Research awards decline as a function of budgetary stagnation, so VA may resort to terminating ongoing research projects or not funding new ones, and thereby lose the value of these scientists' work, as well as their clinical presence in VA health care. When denied research funding, many of them simply choose to leave the VA.

Emerging Research Needs

In addition to covering uncontrollable inflation, the IBVSOs believe Congress should appropriate an additional $17 million for FY 2017, for expanding research on emerging conditions prevalent among newer veterans, as well as continuing VA's inquiries in chronic conditions of aging

veterans from previous wartime periods. For example, additional funding will help VA support areas that remain critically underfunded, including:

- Post-deployment mental health concerns such as PTSD, depression, anxiety, and suicide in the veteran population;
- The gender-specific health care needs of the VA's growing population of women veterans;
- New engineering and technological methods to improve the lives of veterans with prosthetic systems that replace lost limbs or activate paralyzed nerves, muscles, and limbs;
- Studies dedicated to understanding chronic multi-symptom illnesses among Gulf War veterans and the long-term health effects of potentially hazardous substances to which they may have been exposed; and
- Innovative health services strategies, such as telehealth and self-directed care, that lead to accessible, high-quality, cost-effective care for all veterans.

Million Veteran Program

The VA Research program is uniquely positioned to advance genomic medicine through the "Million Veteran Program" (MVP), an effort that seeks to collect genetic samples and general health information from 1 million veterans over the next five years. When completed, the MVP will constitute one of the largest genetic repositories in existence, offering tremendous potential to study the health of veterans. To date, more than 400,000 veterans have enrolled in MVP. The VA estimates it currently costs around $75 to sequence each veteran's blood sample. Under the President's Precision Medicine Initiative, the IBVSOs recommend $75 million to enable VA to process one quarter of the MVP samples collected.

General Operating Expenses (GOE)

Veterans Benefits Administration

FY 2017 *IB* Recommendation	**$3.056 billion**
FY 2016 Enacted Final Appropriation	**$2.708 billion**
FY 2017 Administration Request	**$2.826 billion**

The Veterans Benefits Administration (VBA) account is comprised of six primary divisions. These include Compensation; Pension; Education; Vocational Rehabilitation and Employment (VR&E); Housing; and Insurance. The increases recommended for these accounts primarily reflect current services estimates with the impact of inflation representing the grounds for the increase. However, two of the subaccounts—Compensation and VR&E—also reflect a substantial increase in requested staffing.

The *IB* recommends approximately $3.056 billion for the VBA for FY 2017. This amount reflects an increase of approximately $348 million over the recently enacted FY 2016 appropriations level. Our recommendation includes approximately $171 million in additional funds in the Compensation account above current services, and approximately $17.6 million more in the VR&E account above current services to provide for new full-time equivalent employees (FTEE).

Compensation Service Personnel 1,700 New FTEEs $171 million

Over the past few years, VBA has made significant progress in reducing the disability compensation backlog, which stood at over 600,000 claims in March 2013, to just over 77,000 in January 2016; this represents nearly an 87 percent reduction in the backlog in just under three years' time. In 2009, VBA issued decisions on 2.74 million medical issues; that number more than doubled to 6.35 million in FY 2015. Today, VBA reports that on average, 92 days are required to process a claim; in March of 2013, VBA required roughly 282 days.

Some of VBA's claims processing progress can be attributed to the development and deployment of a new organizational model and new information technology (IT) systems, including the Veterans Benefits Management System (VBMS), e-Benefits, and the Stakeholder Enterprise Portal (SEP). However, much of the increased productivity is the result of simply putting more resources into processing claims, specifically, the use of mandatory overtime. What remains unknown is whether VBA will be able to manage its current claims inventory of 352,000 claims, without needing to rely on mandatory overtime.

Recognizing that rising workload, particularly claims for disability compensation, could not be addressed without additional personnel, Congress provided VBA with more than 1,000 FTEEs between FY2013 and FY 2016, primarily in Compensation Service. In FY 2016 alone, Congress authorized VBA to hire an additional 770 FTEE. The new FTEE were to be purposed for non-rating activities. However, taking into consideration VBA's total workload, including appeals,

these increases in personnel have not been sufficient to keep pace with incoming workload or to reduce the backlogs in these non-rating areas.

A blend of technology and people will be required to enable VBA to provide veterans and their dependents with more timely and accurate decisions. Necessary personnel increases should not be tempered against a hoped-for future technological capability. Although VBA's new claims processing systems have the potential to transform the delivery and accuracy of benefits, its full effect may not be realized for years.

As a consequence of this concentrated effort to reduce the claims backlog, the backlogs for other activities, including appeals, have grown. As of February 2016, 440,000 appeals were pending, 360,000 within the jurisdiction of the VBA and the remainder within the jurisdiction of the Board of Veterans Appeals. This growing appeals backlog is a result of VBA's shift in focus and resources to process disability claims, as evidenced by the fact that Decision Review Officers (DROs) and Quality Review Specialists (QRSs) were performing development and rating duties during both regular and overtime working hours at many VA regional offices (VARO).

Considering the enormous growth in appeals, non-rating-activities and other services, the IBVSOs believe that more accurate staffing and production models are required to determine future resources for VBA.

For FY 2017, the IBVSOs will focus resource recommendations on VBA's non-rating related work, appeals processing, and call center needs. We recommend an additional 1,000 FTEE for FY 2017 that would be dedicated to processing appeals at VBA in an effort to eliminate the backlog of 360,000 appeals within the next three years. Depending on the progress made over the next year, further personnel increases may still be necessary to address this appeals backlog.

To address the growing backlog of non-rating related work such as dependency claims, the IBVSOs recommend an additional 300 FTEE. In order to address the delays experienced by callers contacting VBA call centers, the IBVSOs recommend an additional 300 FTEE.

In addition, the IBVSOs recommend an increase of 100 FTEE for the Fiduciary program to meet the growing needs of veterans participating in VA's Caregiver Support programs. This recommendation is also based on a July 2015 VA Inspector General report on the Fiduciary program that found, "…Field Examiner staffing did not keep pace with the growth in the beneficiary population, [and] VBA did not staff the hubs according to their staffing plan…."

Since VA may achieve future technological and organizational productivity gains, we recommend that VBA hire a blend of permanent and two-year temporary FTEEs to fill all new positions. At the end of the two years, the best of those hired on a temporary basis could be transitioned into permanent positions made available through attrition. The IBVSOs believe this approach to staffing would offer a temporary surge capacity, while also developing a group of experienced and trained employees to fill positions that occur through attrition.

VR&E Service Personnel **158 New FTEEs** **$17.6 million**

The Vocational Rehabilitation and Employment Service (VR&E), also known as the VetSuccess program, provides critical counseling and other adjunct services necessary to enable service disabled veterans to overcome barriers as they prepare for, find, and maintain gainful employment. VetSuccess offers services on five tracks: re-employment, rapid access to employment, self-employment, employment through long-term services, and independent living. An extension for the delivery of VR&E assistance at a key transition point for veterans is the VetSuccess on Campus (VSOC) program deployed at 94 college campuses. Additional VR&E services are provided at 71 select military installations for active duty service members undergoing medical separations through the Department of Defense and VA's joint Integrated Disability Evaluation System (IDES).

These additional functions of VR&E personnel are undoubtedly beneficial to disabled veterans; however, staffing levels throughout VR&E services must be commensurate with current and future demands and their global responsibilities.

At the end of FY 2014, VR&E reported a total of 1,416 FTEEs dedicated to direct VR&E services. VR&E projected an increase of 7.3 percent in program participation for FY 2015, and for FY 2016 an additional 3.8 percent increase in participation was expected. Over the previous two fiscal years, program participation was expected to increase by 11.1 percent; however, the Administration failed to request adequate staffing levels to keep pace with anticipated demand. In fact for FY 2015 and FY 2016, only 1,442 direct personnel were requested, with no increase for FY 2016.

Over the past five years, program participation has increased by an average of 7.1 percent each year, and the IBVSOs project that total program participation for FY 2017 will grow by at least 7.1 percent for total caseload of approximately 147,000. In July 2015, VR&E reported that its average Vocational Rehabilitation Counselor (VRC)-to-client ratio was 1:139, which represented an increase from its previous 1:135 ratio. A more reasonable VRC-to-client ratio would consist of 1:125; however, this benchmark may even be too high when taking into consideration the overall responsibilities of VRCs, such as VSOC and IDES.

In order to achieve and sustain a 1:125 counselor –to-client ratio in FY 2017, we estimate that VR&E would need 158 new FTEE, for a total workforce of 1,600 FTEE, to manage an active caseload of 147,000 VR&E participants. At a minimum, three-quarters of the new hires should be VRCs dedicated to providing direct services to veterans.

While increased staffing levels are required to provide efficient and timely services to veterans utilizing VR&E services, it is also essential that these increases be properly distributed throughout all of VR&E to ensure that VRC caseloads are equitably balanced among VAROs, which typically experience variable caseloads. As an example, a January 2014 GAO Report found the Cleveland VARO's VRC ratio to be 1:206 and in the Fargo VARO, the ratio was 1:64.

General Administration

FY 2017 *IB* Recommendation	**$346 million**
FY 2016 Enacted Final Appropriation	**$337 million**
FY 2017 Administration Request	**$417 million**

The General Administration account is comprised of nine primary divisions. These include the Office of the Secretary; the Office of the General Counsel; the Office of Management; the Office of Human Resources and Administration; the Office of Policy and Planning; the Office of Operations, Security and Preparedness; the Office of Public and Intergovernmental Affairs; the Office of Congressional and Legislative Affairs; and the Office of Acquisition, Logistics, and Construction. For FY 2017, the *IB* recommends approximately $346 million, an increase of nearly $9.0 million over the FY 2016 appropriated level. This increase reflects only an increase in current services based on the impact of uncontrollable inflation across all of the General Administration accounts.

Board of Veterans' Appeals

FY 2017 *IB* Recommendation	**$134 million**
FY 2016 Enacted Final Appropriation	**$110 million**
FY 2017 Administration Request	**$156 million**

Board of Veterans' Appeals Personnel	**166 New FTEEs**	**$23.1 million**

Faced with a growing number of claims and resultant appeals, the Board's staff grew from 510 FTEE in FY 2012 to 676 FTEE in FY 2015. For 2016, the Administration did not request funding for increased staffing, despite an ever increasing workload; instead the FY 2016 budget proposed a reduction from of 669 FTEE to 662 FTEE.

Over the past few years, the Board has averaged approximately 90 appeal dispositions per FTEE, producing a record 55,532 decisions in FY 2014. Current data was not available at the time of this report; however, we estimate that for FY 2015 the Board issued nearly 60,000 dispositions. Although most of the 440,000 pending appeals are in various stages of processing at VBA, the Board currently has nearly 80,000 appeals in its jurisdiction. In order to process these 80,000 appeals in one year, based on 90 appeals per Board FTEE, the Board would need approximately 890 FTEE; however, it did not receive any increase for FY 2016, and will likely only be able to again dispose of approximately 60,000 appeals.

Furthermore, as the number of claims processed annually continues to rise as a result of the increased capacity of VBA, the number of appeals is also expected to continue rising. Even with increased accuracy in rating board decisions, on average 10 to 12 percent of claims decisions are appealed. Thus, assuming VBA processes 1.5 million claims next year—a reasonable estimate considering VBA processed over 1.4 million claims in both FY 2014 and FY 2015–roughly 150,000 appeals would enter the system, with roughly half of them continuing on to the Board for appellate review. In order for the Board to keep pace with only this new incoming workload

and not those appeals already in the system, a total FTEE level of 833 would be required. Furthermore, a significant number of Board remands return to the Board for another round of appellate review, as many as 20,000 per year, requiring an additional 217 FTEE to manage that workload.

About 360,000 appeals are backlogged at VBA, of which approximately 180,000 are expected eventually to reach the Board. If the goal were to eliminate the backlog in three years, while simultaneously disposing of both new incoming appeals and returning remanded appeals, then an additional 666 FTEE would be required. In total, without any increases in productivity, the Board would require 1,716 FTEE, almost tripling its current workforce. Even if the Board could increase its productivity by one-third to 120 appeals per FTEE, approximately 1,291 FTEE, almost double the current workforce, would be needed.

To meet current and future workload requirements, the Board will need to continue adding new attorneys and veteran law judges, as well as sufficient support staff; however, the Board could not absorb that level of staffing growth while simultaneously managing its overall workload. Approximately 18 months of training and orientation are required for a new Board attorney to reach full productivity. Given the time taken away from existing staff to train and mentor new staff, the Board must strike a balance in its hiring strategy.

For FY 2017, the IBVSOs recommend an increase 166 FTEE for FY 2017, a 25 percent increase, bringing the Board's total FTEE to 828. The Board must expect to increase its personnel over the next couple of years to continue to grow its capacity to handle the rising number of appeals that will come from VBA's increased productivity.

Another option the Board may want to consider in future years would be to authorize a mix of full-time and temporary hires, utilizing the temporary workforce in a "surge-capacity" role to help reduce the appeals backlog.

Departmental Administration and Miscellaneous Programs

Information Technology

FY 2017 *IB* Recommendation	**$4.209 billion**
FY 2016 Enacted Final Appropriation	**$4.133 billion**
FY 2017 Administration Request	**$4.278 billion**

In contrast to significant department-level IT failures, the Veterans Health Administration (VHA) over more than 30 years successfully developed, tested, and implemented a world-class comprehensive, integrated electronic health record (EHR) system. The current version of this EHR system, based on the VHA's self-developed VistA public domain software, sets the standard for EHR systems in the United States and was a trailblazer for years. However, parts of VistA require either modernization or replacement. For example, one of its component parts, the outdated scheduling module, contributed to VA's recent access to care crisis. According to VA, this module is being replaced on an expedited basis.

For FY 2017, the IBVSOs recommend approximately $4.2 billion for the administration of the VA's IT program. This recommendation includes no new funding above the planned current services level. Significant resources have already been invested in VA's IT programs in recent years, and we believe proper allocation of existing resources can allow VA to fulfill its missions while modernizing its systems. We continue to call for acceleration of the VBMS, and the implementation of an appropriate solution for the Board of Veterans Appeals IT system.

Additionally, it is critical to ensure that sufficient funds are directed at the incremental costs of implementation for the new Veterans Choice Program (VCP). The VA identified a series of one time incremental costs for IT systems in order to redesign, develop, and deliver systems and technology solutions for the new VCP. Those incremental costs range from $421 million in Phase I of the project, to $606 million in Phase II, and finally $851 million in Phase III. Without having a clear plan for when each of these Phases might actually take place, The Independent Budget has chosen not to explicitly recommend these funds in our IT funding recommendation. However, we believe Congress must consider these costs in an effort to assist the VA in implementing the new VCP.

National Cemetery Administration

FY 2017 *IB* Recommendation	**$275 million**
FY 2016 Enacted Final Appropriation	**$271 million**
FY 2017 Administration Request	**$286 million**

The National Cemetery Administration (NCA), which receives funding from eight appropriations accounts, administers numerous activities to meet the burial needs of our nation's veterans.

In a strategic effort to meet the burial and access needs of our veterans and eligible family members, the NCA continues to expand and improve the national cemetery system, by adding new and/or expanded national cemeteries. Not surprising, due to the opening of additional national cemeteries, the NCA is expecting an increase in the number of annual veteran interments through 2017 to roughly 130,000, up from 125,180 in 2014; this number is expected to slowly decrease to 126,000 by 2020. This much need expansion of the national cemetery system will help to facilitate the projected increase in annual veteran interments and will simultaneously increase the overall number of graves being maintained by the NCA to 3.7 million in 2018 and 3.9 million by 2020.

Even as the NCA continues to add veteran burial space to its expanding system, many existing cemeteries are exhausting their capacity and will no longer be able to inter casketed or cremated remains. In fact, as of 2016, the NCA expects four national cemeteries—Baltimore, Maryland; Nashville, Tennessee; Danville, Virginia; and Alexandria, Virginia—to reach their maximum capacity and will be closed to first interments, though they will continue to accept second interments.

In order to minimize the dual negative impacts of increasing interments and limited veteran burial space, the NCA needs to:

- Continue developing new national cemeteries;
- Maximize burial options within existing national cemeteries;
- Strongly encourage the development of state veteran cemeteries; and
- Increase burial options for veterans in highly rural areas.

Additional areas of growth within the NCA system include:

- An increase in the issuance of Presidential Memorial Certificates, which is expected to increase from approximately 654,000 in 2013 to more than 870,000 in 2017;
- The expected increase in the burial of Native American, Alaska Native, and Pacific Islander veterans; and
- The possible increase, thanks to local historians and other interested stakeholders, in requests for headstones or markers for previously unidentified veterans.

Budgetary Resources for NCA Programs

With the above considerations in mind, *The Independent Budget* recommends $275 million for FY 2017 for the Operations & Maintenance of the NCA. The IBVSOs believe that this should include a minimum of $20 million for the National Shrine Initiative. Since FY 2013, national shrine funding has decreased each year. The NCA must continue to invest sufficient resources in the National Shrine Initiative to ensure that this important work is completed.

Office of the Inspector General

FY 2017 *IB* Recommendation	**$138 million**
FY 2016 Enacted Final Appropriation	**$137 million**
FY 2017 Administration Request	**$160 million**

The Office of Inspector General (OIG) received a significant infusion of new resources for FY 2016 due to the high volume of work that it has produced. And yet, the OIG has been under significant scrutiny over the past year. We believe that the work requirements assigned to this office have placed it under great stress and potentially stretched it beyond its capacity. That being said, the IBVSOs believe that the office does not warrant a staffing increase at this time. We believe that the substantial increase that the OIG received in FY 2016 should allow it to expand its staffing sufficiently to meet the ever-growing demands on its work. With this in mind, the *IB* recommends funding based on current services of approximately $138 million.

Construction Programs

Major Construction

FY 2017 *IB* Recommendation	**$1.50 billion**
FY 2016 Enacted Final Appropriation	**$1.24 billion**
FY 2017 Administration Request	**$528 million**

Each year the Department of Veterans Affairs outlines its current and future major construction needs in its annual Strategic Capital Investment Planning (SCIP) process. In its FY 2016 budget submission, VA projected it would take between $11.2 billion and $13.6 billion to close all current and projected gaps in access, utilization, and safety. Currently, VA has more than 30 major construction projects that are either partially funded or funded through completion, but in which construction is incomplete.

Last year VA requested and Congress appropriated a significant increase in funding for major construction projects—approximately $1.24 billion. While these funds will allow VA to begin construction on key projects, many other previously funded sites still lack the funding for completion. One of these projects was originally funded in FY 2007, while others were funded more than five years ago but no funds have been spent on the projects to date. Of the 33 projects on VA's partially funded VHA construction list, nine are seismic in nature.

It is time for the projects that have been in limbo for years or that present a safety risk to veterans and employees to be put on a course to completion within the next five years. To accomplish this, the IBVSOs recommend that Congress appropriate $1.5 billion for FY 2017 to fund either the next phase or fund through completion all existing projects, and begin advance planning and design development on six major construction projects that are the highest ranked on VA's priority list.

The IBVSOs also recommend, as outlined in its Framework for Veterans Health Care Reform, that VA realign its SCIP process to include public-private partnerships and sharing agreements for all major construction projects to ensure future major construction needs are met in the most financially sound manner.

Research Infrastructure

State-of-the-art research requires state-of-the-art technology, equipment, and facilities. For decades, VA construction and maintenance appropriations have not provided the resources VA needed to maintain, upgrade, or replace its aging research laboratories and associated facilities. The impact of funding shortages was vividly demonstrated in a Congressionally-mandated report that found major, system wide deficits in VA research infrastructure. Nearly 40 percent of the deficiencies found were designated "Priority 1: Immediate needs, including corrective action to return components to normal service or operation; stop accelerated deterioration; replace items that are at or beyond their useful life; and/or correct life safety hazards."

The report cited above estimated that approximately $774 million would be needed to correct all deficiencies found, but only a fraction of that funding has been appropriated since this report was made public in 2012. The VA Office of Research and Development is conducting a follow-up study of over a dozen key research sites. This update should be available in mid-2016, the results of which can be used to guide VA and Congress in further investment in VA research infrastructure. Nevertheless, Congress needs to begin now to correct the most urgent of these known infrastructure deficiencies, especially those that concern life-safety hazards for VA scientists and staff, and for veterans who volunteer as research subjects.

The IBVSOs believe that Congress should break this chronic stalemate and designate funds to improve specific VA research facilities in FY 2017 and in subsequent years. In order to begin to address these known deficits, the IBVSOs recommend Congress approve at least $50 million for up to five major construction projects in VA research facilities.

The full report discussed above is available at www.aamc.org/varpt. The House reports associated with this issue are House Report 109-95, and House Report 111-559.

Minor Construction

FY 2017 *IB* Recommendation	**$749 million**
FY 2016 Enacted Final Appropriation	**$406 million**
FY 2017 Administration Request	**$372 million**

In FY 2016, Congress appropriated $406 million for minor construction projects. Currently, approximately 600 minor construction projects need funding to close all current and future year gaps within the next 10 years. To complete all of these current and projected projects, VA will need to invest between $6.7 and $8.2 billion over the next decade.

In August 2014, the President signed the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), Public Law 133-146. In this law Congress provided $5 billion to increase health care access by increasing medical staffing levels and investing in infrastructure using these funds. VA has developed a spending plan that will obligate $511 million for 64 minor construction projects over a two-year period.

VA planned to invest $383 million of these funds in FY 2015, leaving $128 million for minor projects in FY 2016. It is important to remember that these funds are a supplement to, not a replacement of, annual appropriations for minor construction projects. To ensure that VA funding keeps pace with all current and future minor construction needs, the IBVSOs recommend that Congress appropriate an additional $749 million for minor construction projects.

Additionally, the IBVSOs recommend $175 million in non-recurring maintenance and minor construction funding to address needs of facilities identified in the Congressionally-requested report on the status of VA research facilities discussed earlier in this report.

Grants for State Extended-Care Facilities

(State Home Construction Grants)

FY 2017 *IB* Recommendation	**$200 million**
FY 2016 Enacted Final Appropriation	**$120 million**
FY 2017 Administration Request	**$80 million**

Grants for state extend-care facilities, commonly known as state home construction grants, are a critical element of federal support for the state veterans' homes. The state home program is a very successful federal-state partnership in which VA and states share the cost of constructing and operating nursing homes and domiciliaries for America's veterans. State homes provide over 30,000 nursing home and domiciliary beds for veterans, their spouses, and gold-star parents of deceased veterans. Overall, state homes provide more than half of VA's long-term-care workload, but receive less than 15 percent of VA's long-term-care budget. VA's basic per diem payment for skilled nursing care in state homes is significantly less than comparable costs for operating VA's own long-term-care facilities. This basic per diem paid to state homes covers approximately 30 percent of the cost of care, with states responsible for the balance, utilizing both state funding and other sources. On average, the daily cost of care for a veteran at a State Home is less than 50 percent of the cost of care at a VA long-term-care facility.

States construction grants help build, renovate, repair, and expand both nursing homes and domiciliaries, with states required to provide 35 percent of the cost for these projects in matching funding. VA maintains a prioritized list of construction projects proposed by state homes based on specific criteria, with life and safety threats in the highest priority group. Only those projects that already have state matching funds are included in VA's Priority List Group 1 projects, which are eligible for funding. Those that have not yet received assurances of state matching funding are put on the list among Priority Groups 2 through 7.

In FY 2016, the estimated federal share for the 109 state home construction grants requests that have been submitted by states was over $1 billion. Of that amount, the states had already secured their state matching funds required to put them in the Priority Group List 1 for 69 projects that will require $550 million in federal matching funds. Last year, VA requested only $85 million and the IBVSOs had recommended $200 million; Congress ultimately appropriated $120 million funding for FY 2016, which will fund only the first 13 projects on the FY 2016 Priority Group 1 List.

With almost $1 billion in state home projects still in the pipeline, the IBVSOs again recommend $200 million for the state home construction grant program, which we estimate would provide funding for approximately 40 percent of the projects expected to be on the FY 2017 VA Priority Group 1 List when it is released at the end of this year.

Grants for State Veterans Cemeteries

FY 2017 *IB* Recommendation	**$52 million**
FY 2016 Enacted Final Appropriation	**$46 million**
FY 2017 Administration Request	**$45 million**

The State Cemetery Grant Program allows states to expand veteran burial options by raising half the funds needed to build and begin operation of veterans' cemeteries. The NCA provides the remaining funding for construction and operational funds, as well as cemetery design assistance. As of September 2014, there were 49 projects with state matching funds.

Funding eight projects in FY 2017 will provide burial options for an additional 148,000 veterans. To fund these projects, Congress must appropriate $52 million.