

Testimony of

VIETNAM VETERANS OF AMERICA

presented by

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Before the

House Committee on Veterans Affairs

Regarding

The President's FY 2003 Budget Request for Veterans

February 13, 2002

Chairman Smith, Ranking Member Evans, and other distinguished members of the committee, Vietnam Veterans of America (VVA) is grateful for this opportunity to provide testimony on the administration's fiscal year 2003 budget request for vitally needed veterans services.

I want to preface my remarks by saying that VVA continues to hold Secretary Principi in the highest regard. He has worked with us to address a number of issues of concern to VVA, its membership, and all veterans. We believe that his commitment to helping veterans is genuine. In contrast, VVA believes that some permanent members of the bureaucracy at the Office of Management and Budget (OMB) may not share his understanding or concern for veterans, particularly low-income and other economically disadvantaged veterans.

When President Bush announced in his State of the Union speech that he would seek "an historic increase" in funding for veterans health care, VVA's leaders and members were left with the impression that the President was about to make a clean break with the past, that veterans could expect full and honest funding of real appropriated dollars for real health care. Having examined the budget in some detail, we have found budget gimmicks built into the overall request, making it less of an "historic increase" than it might seem at first glance.

The President has asked for \$1.414 billion more for FY2003 than the level set for FY2002, and this is a significant increase in comparison to some other programs. While the President was correct when he and the U. S. Department of Veterans Affairs (VA) stated in their press release of February 4 that the FY 2003 proposed budget was the largest overall increase in recent memory, it would in fact be the *second* largest increase ever provided for veterans health care in purely *appropriated* dollars. In ordinary times, this would be a major achievement. These are not ordinary times, however.

We believe that the Veterans Health Administration (VHA) needs at least another \$1.3 billion in addition to the \$1.414 that the President requested. However, that additional \$2.7 billion for veterans health care over the FY2002 level must be "real" appropriated dollars. An appropriation of this magnitude is vitally needed partly because of the significant shortfall this year, which made the starting base too low. Indeed, it is clear that a supplemental appropriation of approximately \$750 million is needed to stop the reductions in force now occurring at every VA medical facility in the nation. A \$2.7 billion increase in the appropriated dollars is vitally needed to advance meaningful and permanent improvements in veterans health care.

VVA would also point out that one cannot speak realistically of preparedness for further attacks from our enemies on American soil and of homeland security without ensuring that the VA healthcare system is restored enough funding and positions for the VHA to be able to rebuild the organizational capacity lost since 1996. Put quite simply, in case of an attack resulting in 5,000 or more casualties at one time in any given congressional district, the civilian medical system would be overwhelmed and the VHA medical facilities would implode. Many American citizens would suffer and die needlessly in such a scenario. Currently the VA cannot properly meet its first three missions, much less adequately meet the vital "Fourth Mission" of acting as a backup to the National Disaster Medical System.

I will spend the balance of my testimony providing specific examples that I think help illustrate this brutal reality.

“Fuzzy Math”

The VA press release touting the President’s budget request claimed that it was “the largest increase ever for the Department of Veterans Affairs.” As Ranking Member Evans has pointed out, of the \$25.5 billion the Bush administration claims the budget will provide for veterans medical care, \$794 million will simply shift personnel-related costs to VA from the Office of Personnel Management (OPM). Another \$1.28 billion is to offset unavoidable cost increases like inflation, higher pharmaceutical prices, and federal pay raises. It was this type of budgetary sleight-of-hand that helped produce the VA’s current FY 2002 budget shortfall, which even the most conservative estimates place at \$492 million. If the same accounting gimmicks are allowed to pass as “realistic” budget policy for FY 2003, we can expect even larger shortfalls by this time next year.

What is especially disturbing about the administration’s rosy claims over the FY 2003 budget is their belief that they will be able to achieve significant revenue increases through the Medical Care Collection Fund (MCCF), the third-party payer billing mechanism used by the VA to recover costs for treating service-connected veterans for nonservice-connected ailments. Every year between 1995 and 2000, MCCF collections consistently fell far short of the Executive branch projections—often by hundreds of millions of dollars. VVA is highly skeptical that this trend will suddenly reverse unless fundamental management reforms are implemented that lead to genuine increases in MCCF collections.

The VA has an equally undistinguished track record of collecting from private insurers. As GAO reported in 1999, VA collections from insurers declined in every fiscal year from 1995 through 1999. From a peak of \$532 million in 1995, VA third-party collections declined to roughly \$400 million by the end of fiscal year 1999. While we understand that there was some slight improvement during 2001, GAO has reported that the increase was largely due to a shift from a flat-rate to “reasonable charges” billing model. The billing model change allowed the VA to do a better job of collecting reimbursements for treating roughly the same number of veterans as in FY 2001. Thus, unless other improvements in billing occur, MCCF collections are likely to level off or even decline in future years, invalidating OMB’s optimistic assumptions about this revenue stream.

VVA believes that the entire concept of using co-payments and third-party collections as an integral part of the VA budget request is a fundamentally flawed accounting gimmick, in addition to putting a significant part of the burden of paying for veterans health care on the backs of the veterans themselves. OMB’s penchant for “discounting” the Veterans Health Administration’s budget request by the amount in collections anticipated inevitably makes the collections a wash in terms of bringing more revenue into the chronically starved veterans health

care system. OMB has repeated this practice in the FY 2003 budget, with what we believe will be predictably bad results.

Additionally, VA's shift from an inpatient-based to an outpatient-based healthcare model has dramatically reduced the number of opportunities to bill insurers for medical services; outpatient treatment episodes are almost always less costly than inpatient encounters. GAO reported in September 1999 that the annual number of VA inpatient episodes dropped by more than 250,000 between 1995 and 1998, while the number of outpatient episodes climbed by nearly 7 million. One could argue that this has made the system more "efficient," although VVA would argue that in many instances veterans should be hospitalized, but there simply is no capacity for that clinically indicated inpatient care available at that facility or in the Veterans Integrated Service Network (VISN).

VVA does not at present have figures on the numbers of outpatient encounters involving over-65 veterans. We would suggest to the committee that this is an area requiring further study and investigation, because another key problem facing the MCCF—and one completely outside of the VA's control—is the aging veteran population. An increasing number of veterans are over 65 and thus Medicare eligible. At present, however, there is no Medicare subvention program available to the VA through which the VA could bill Medicare for veteran's health care. Because the VA is not an authorized provider under any existing HMO plan, VA cannot bill those plans for services provided to veterans.

This issue is becoming more acute due to the VA's Capital Asset Realignment for Enhanced Services (CARES) process. In essence, CARES serves as a vehicle for the VA to shut down aging medical centers, shift functions and services to more modern facilities, and expand the number of community-based outpatient clinics (CBOCs) within the VA system. We have testified before the full committee on previous occasions about our growing concerns over the decline in access to VA health care for hundreds of thousands of veterans across America.

On September 17, VVA filed comments with the VA opposing their proposed CARES-driven reorganization of VISN 12 for a number of substantial reasons, including the VA's refusal to contract for medical service for veterans living in regions not within an easy drive of a VAMC or even a CBOC. Similarly, the VA's inability to bill Medicare for services compromises health care for elderly veterans by tying over-65 veterans to VAMCs that are often hours from their homes. These issues are closely linked, and require a comprehensive Congressional response.

Co-payment Deductibles: Draconian and Discriminatory

The Administration's proposed \$1,500 per year deductible for "high income" veterans (i.e., Category 7 veterans) can most charitably be described as a form of Darwinian class warfare, an attempt to force out of the VA system some of the most economically and socially disadvantaged members of the veteran community.

What constitutes a "high income veteran" by VA standards? A single veteran earning more than \$24,500 per year, or a veteran with a family of four making more than \$28,800 per year. Both of these figures are well below the national poverty level. That most certainly is the

case in any metropolitan area in the country, whether the veteran lives in New Jersey, Illinois, or Texas.

Tens of thousands of veterans nationwide are living at or just slightly above the current VA Category 7 means test threshold. We can assure this committee and the American public that if the administration's proposal is adopted, tens of thousands of veterans will effectively be priced out of health care altogether. Given the decline in state health care budgets, these low-income veterans and their families will plunge straight through the remaining shreds of a very tattered social and economic safety net, perhaps to a future of homelessness and steadily declining health for themselves and their families.

We remind this committee that many veterans who begin as Category 7's move to higher categories once their claims have been approved. While they wait for their claims to be approved, these veterans are paying much more out of pocket for their medical care than would otherwise be the case. How many veterans have slipped into poverty in this way, by losing their ability to hold down a job as their health declined, all the while having to make significant co-payments as their claims sat for months or even years?

What also happens in some cases is that veterans simply do not seek any medical care until they are so sick that they cannot work at all, therefore needing much more extensive and intensive care than if they had sought the care earlier. You can be sure that if the administration's proposal is adopted, without the Congress adjusting the means test to at least conform with the Federal poverty guidelines in a given area, the number of veterans who slip into poverty will increase as they are forced to choose between paying for health care or buying food or paying rent. Then the VA healthcare facilities will treat them, but those same veterans will cost a great deal more to treat.

VVA is fully committed to the VA acting as the primary health care system for service-disabled veterans. We recognize that those veterans who wish to receive health care from the VA for nonservice-connected conditions should pay for those services, *if their economic circumstances allow them to do so*. Accordingly, VVA believes that the means test threshold for Category 7 veterans should be raised to not less than \$38,000 per year for single veterans, and not less than \$45,000 per year for a family of four. We also believe that the deductibles should be set on a sliding scale, with veterans at the lower economic end of the scale paying no more than a \$250 per year deductible. We believe that these figures are far more realistic, affordable, and fair for the average veteran and/or veteran and family.

VVA also urges this distinguished Committee to begin seriously examining the concept of making veterans health care for service-connected disabled or potentially service-related illnesses a legally mandated right, and not merely a discretionary expenditure.

Vet Centers: Cost Effective and Vital

One critical VA program that received no substantive coverage in the administration announcement of the budget was the Readjustment Counseling Service Vet Centers. As this committee knows, the Vet Centers provide a nationwide system of community-based centers designed to provide counseling for psychological war trauma. VA operates 206 Vet Centers in all 50 states, Puerto Rico, the Virgin Islands, the District of Columbia, and Guam. In 2000, Vet Centers saw more than 131,000 veterans and provided more than 890,000 visits to veterans and family members, according to the VA.

Many have expressed surprise at the sheer number of persons exhibiting Post-Traumatic Stress subsequent to the attacks of last September 11. Many also seem surprised by the acuity and the persistence of both the symptoms and of the condition itself. VVA and many of the distinguished Members on this panel were not surprised. It is now time to recognize that the Vet Centers have a vital, unique, and positive role to play in the mix of services that is so needed by today's veterans, as well as those now serving in uniform when they return to civilian life.

Interdisciplinary teams that include psychologists, nurses, and social workers staff the centers. Readjustment counseling features a non-medical setting, a mix of social services, community outreach activities, psychological counseling for war-related experiences and family counseling. These services are designed to assist combat-affected veterans and other veterans have well-adjusted lives. In other words, the Vet Centers help families stay together, help veterans surmount problems that threaten their job, and help those unemployed to become more job ready. The Vet Centers are the only element of the VA that is authorized to treat family members, even when the veteran refuses to come in for treatment. This service is part of the holistic approach to health care that VVA has been advocating for many years.

VVA knows from our members and from talking to Vet Center staff across the country that the Vet Centers have been inundated with "new" veterans and their family members seeking counseling, as well as previously treated veterans and their families seeking additional counseling and assistance in the wake of the September 2001 terrorist attacks on the United States. We believe that this program needs a minimum increase of \$17 million to both enhance organizational capacity and to be able to deal even more effectively with the new influx of cases related to the terrorist attacks. In addition, an additional 250 FTEE must be added. Most of the \$17 million would be used to pay for a family services counselor in each of the 206 Vet Centers, and to augment those Centers with the most overwhelming needs. This is a very modest increase that will pay very large dividends in assisting veterans, and indeed whole communities by extension.

National Center for Post-traumatic Stress Disorder

Related to our concerns regarding funding for the Vet Centers, VVA also believe that the National Center for Post-traumatic Stress Disorder (NCPTSD) must be expressly authorized and mandated in statute, and that NCPTSD should receive a line item funding directly in the appropriations bill of not less than \$20 million each year. This is necessary in order to ensure that this invaluable national asset remains a viable research, repository, and consultation center for

clinicians at VHA, FEMA, and other clinicians in the public and private sector. This national asset not only benefits combat veterans, but also many others who can benefit from its research into the effects of trauma such as the attacks on September 11 on the physical and emotional health.

Medical Research

The administration has requested \$409 million for the VA research budget in FY 2003, an approximately \$38 million increase from FY 2002. VVA will support this request only if the committee issues report language mandating that VA approve only those research projects that are directly relevant to the specific health concerns or service-related exposures of veterans.

Moreover, new research projects should only be funded if the researchers collect the full military medical history of veteran subjects and patients involved in the study. We believe such prescriptive measures are the only way to begin changing the VA Research and Development Office's corporate culture, which currently seems to view the VA's research mission as one largely dedicated to general medical research, rather than one focused on medical research specific to and relevant for veterans. Despite continuing efforts of VVA leaders to help this section of VHA to understand the vital importance of this refocusing of their efforts, persuasion and intellectual arguments have not worked. Therefore, we ask the Congress to mandate such a proper focus.

Moreover, VVA believes that it is long past time to end the DoD-VA monopoly on the control of funds allocated for military and veteran-related medical research.

As we testified before the Health subcommittee last month, for the last decade, Congress has allowed the agency that most likely created the Gulf War illness problem (DoD), and the agency charged with paying for the problem (i.e., the VA, through health care and disability payments to sick veterans), to investigate Gulf War illnesses and their own role in responding to sick Desert Storm veterans. This is an obvious conflict of interest, one that has prolonged the suffering of veterans, destroyed their trust in the federal government, and resulted in the waste of at least \$150 million over the past five years through OSAGWI, as the Defense Department has "investigated" its own response to Gulf War illnesses. It is also how the Pentagon and the Air Force have managed to squander over \$180 million on Agent Orange-related Ranch Hand research that has produced less than half-a-dozen peer-reviewed scientific papers over the last 15 years.

A National Institute for Veterans Health (NIVH) is needed

To end this conflict of interest and restore integrity to the process of investigating and treating veteran's medical conditions, last year VVA called for the creation of a National Institute of Veterans Health (NIVH) within the NIH. NIVH would not only eliminate the conflict-of-interest problem outlined above, it would provide a vehicle for establishing a medical research corporate culture focused on *veteran health care*, in contrast to the current VA medical corporate culture of "health care that happens to be for veterans."

VVA recognizes that the VA has established a reputation for providing advanced care for blinded veterans and those with severe ambulatory impairments. *However, the VA has never truly developed a corporate culture focused on the diagnosis and treatment of the full range of environmental and occupational hazards that are unique to military service.* This is especially true of the VA's Research and Development Office, where the overwhelming majority of VA-funded research programs are geared towards medical problems found in the general population, not those specific to the veteran patient population or those with military service. Many of the current projects could, at virtually no additional cost, be restructured to benefit veterans specifically, as well as the general population. This is not only proper for the VA's role, but it is also better science, since the impact of toxic exposures of war-related neuropsychiatric conditions may significantly affect both diagnosis and treatment modalities that are being investigated.

We urge this distinguished Committee to work with other jurisdictional elements of the Congress to establish a new section of the National Institutes of Health to be known as NIVH, with veteran advocates serving along with scientists who understand veteran health issues on the peer-review panels that make research funding decisions. VVA believes that by so doing the Congress would be creating a research institute that would be truly focused on the unique medical needs of veterans. Locating the NIVH within NIH would ensure that the full medical resources of the federal government and private sector could be marshaled in a rational, veteran-friendly environment, free of the politicizing and conflict-ridden influences that have for more than 20 years precluded effective research into the unique environmental and occupational hazards that have impacted the health of American veterans.

Additionally, this proposed NIVH must be supplemented by the creation of a Congressionally directed mandatory declassification review panel, whose purpose would be to screen (on both a historical *and* an ongoing basis) and declassify any operational or intelligence records for evidence of data that would have an impact on the health and welfare of American veterans. The need for such an entity—completely independent from the Pentagon and the U.S. intelligence community—is obvious.

Even today, thousands of pages of Gulf War-related records remain classified. In January 1998, the CIA admitted that its own internal review had identified over *one million* classified documents with potential relevance to Gulf War illnesses. Virtually no documents associated with the 1960's era Shipboard Hazard and Defense (SHAD) program have been declassified, and DoD has thus far rebuffed VVA's FOIA requests that the documents be made public. Through the experience of the Kennedy Assassination Review Commission, we have learned that such specialized declassification panels work well. If we are to be certain that *all* data that may affect the health of American veterans is to be available for the veterans and their physicians, Congress must create such a standing declassification review panel immediately. Such a move would also help to restore trust and confidence among veterans in the federal government and its response to veteran's health issues.

Needed: More Funds for Veterans Health Care *and* Greater Accountability

Mr. Chairman, while VVA believes that an increase of at least \$2.7 billion in appropriated dollars must be approved for FY2003 over the current FY2002 budget, there also must be additional steps taken towards assuring greater accountability for how these funds are used. Further, in order to stop further erosion of organizational capacity and prevent further reductions in vitally needed services at the VA, we must have a \$750 million emergency supplemental appropriation immediately.

While Secretary Principi deserves high marks for his initial efforts to better track use of funds within the VA, especially within VHA, much more needs to be done. As one example, there is yet to be a full accounting of what happened to the \$350 million appropriated for screening, testing, and treating hepatitis C, which Congress authorized last spring, of the 80% of veterans who do not use VA veteran health care facilities at all.

Additionally, VVA believes that the VA has a long way to go even to be able to tell who they have at each facility and what their function might be in the care of veterans. We would not tolerate this within the military. We should not tolerate it within the VA. If Secretary Principi needs more funds—in addition to those described above in order to speed his determined effort to develop and implement a viable management information system that will allow top leadership to make better and more timely decisions—then the Congress should provide said funds.

VVA believes that the VA, as well as other executive departments and entities, need additional tools to hold GS14, 15, and Senior Executive Service employees more accountable for both performance and their compliance with the law. VVA National President Tom Corey has written to the President, with copies to Secretary Principi and Director of the Office of Personnel Management, pledging VVA's full support in seeking legislation to allow elected and duly appointed officials to be able to rein in the sometimes rogue fourth branch of government – namely, the permanent most senior civil service and excepted personnel.

In the interim, VVA urges the Congress to require VA to post the criteria they will use to award bonuses at the beginning of each fiscal year in a given area. At the end of the year the amount of the dollar amount of each bonus and the specific reasons for awarding that amount to each recipient should be posted freely for public knowledge. If the size and reasons for these bonuses cannot stand the light of daylight and the sunshine, then said bonuses should not be awarded.

Other Key Veteran Issues

VVA is grateful to all in Congress (but particularly to the distinguished leaders and Members on this Committee) for the increases in the Montgomery GI Bill. These increases will make it possible for many more young veterans to acquire the education that will not only help

them personally as a reward for a job well done in military service, but will greatly benefit our nation's economy in the future. VVA continues to believe strongly that what is called for is a GI Bill modeled on that accorded to World War II veterans, as we are currently engaged in a world wide war against terrorist. The accomplishment of this largest ever increase in the Montgomery GI Bill for educational benefits is something of which all of you can and should be very proud.

To ensure that all of the programs that can be utilized by eligible veterans for furthering their educations are sound and accredited, there must be an increase in the funding for the State Approving Authorities, which have the duty and expertise to accomplish this mission. VVA believes that these agencies need at least \$18 million in appropriated dollars for FY2003, with increases for inflation in every year, as long as the use of these benefits stays at the current volume of usage.

In regard to the Veterans Employment & Training Service at the United States Department of Labor, the Congress should increase the amount requested for the overall activities of this function to approximately \$252 million appropriated dollars for FY2003. No matter where this vital employment function ultimately is housed, additional funds are needed to provide incentives for placement (not "obtained employment") of special disabled veterans, disabled veterans, and veterans who are at risk. Further, the specific line item for the National Veterans Training Institute (NVTI), currently at the University of Colorado at Denver, should be funded at least at the \$3 million mark. NVTI is one of the best elements of this entire operation, where excellence is not only taught but consistently practiced.

The vital role of small business, especially very small businesses and self-employment, must not be overlooked. The President has only asked for \$750,000 for the SBA Office of Veterans Business Development for FY2003. VVA points out that most of the provisions of Public Law 106-50 have yet to be implemented some three and one half years after enactment. The Small Business Administration (SBA) appropriation for this function must be increased to at least \$ 4 million for FY 2003.

While VVA recognizes that the SBA is outside the jurisdiction of this Committee, many of the Members of this panel, as well as staff on both sides of the aisle, played a most key role in formulation and passage of this vital legislation. Proper funding is necessary to ensure that the potential of this law is realized.

VVA also notes that the Center for Veterans Enterprise (CVE), founded last year based on the recommendations of the "Principi Report," has been something of a help in this area. While there is a great deal more that could and should be done by the VA to augment that which is done by the SBA and other entities (such as the National Veterans Business Development Corporation), Secretary Principi is to be congratulated for his work in developing the CVE, and rewarded with additional funds targeted to augment current efforts in this area.

Mr. Chairman, on behalf of Vietnam Veterans of America and our national leadership I thank you for this opportunity to express our views on the vital subject of the President's budget request for veterans services in FY2003.

VIETNAM VETERANS OF AMERICA
Funding Statement
February 13, 2002

Vietnam Veterans of America (VVA) is a national non-profit veterans membership organization registered as a 501(c)(19) with the Internal Revenue Service. VVA is also appropriately registered with the Secretary of the Senate and the Clerk of the House of Representatives in compliance with the Lobbying Disclosure Act of 1995.

VVA is not currently in receipt of any federal grant or contract, other than the routine allocation of office space and associated resources in VA Regional Offices for outreach and direct services through its Veterans Benefits Program (Service Representatives). This is also true of the previous two fiscal years.

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Richard Weidman serves as Director of Government Relations on the National Staff of Vietnam Veterans of America. He served as a 1-A-O Army Medical Corpsman during the Vietnam War, including service with Company C, 23rd Med, AMERICAL Division, located in I Corps of Vietnam in 1969.

Mr. Weidman was part of the staff of VVA from 1979 to 1987, serving variously as Membership Service Director, Agency Liaison, and Director of Government Relations. He left VVA to serve in the Administration of Governor Mario M. Cuomo (NY) as statewide Director of Veterans Employment & Training for the New York State Department of Labor.

He has served as Consultant on Legislative Affairs to the National Coalition for Homeless Veterans (NCHV), and served at various times on the VA Readjustment Advisory Committee, the Secretary of Labor's Advisory Committee on Veterans Employment & Training, the President's Committee on Employment of Persons with Disabilities, Subcommittee on Disabled Veterans, Advisory Committee on veterans' entrepreneurship at the Small Business Administration, and numerous other advocacy posts in veteran affairs.

Mr. Weidman was an instructor and administrator at Johnson State College (Vermont) in the 1970s, where he was also active in community and veterans affairs. He attended Colgate University B.A., (1967), and did graduate study at the University of Vermont.

He is married and has four children.