DEPARTMENT OF VETERANS AFFAIRS

Since 2001, the Administration:

- Increased the medical care budget (including collections) by 69.1 percent, an average of 9.2 percent a year, and the number of patients treated by 1.1 million;
- Expanded the national cemetery system to ensure that more veterans will have a burial option within 75 miles of their residence;
- Kept its promise to award disability claims faster;
- Expanded and improved seamless transition from active duty to civilian status and access to Department benefits; and
- Provided medical care to almost 100,000 returning Operation Iraqi Freedom and Operation Enduring Freedom servicemembers in 2005.

The President's Budget:

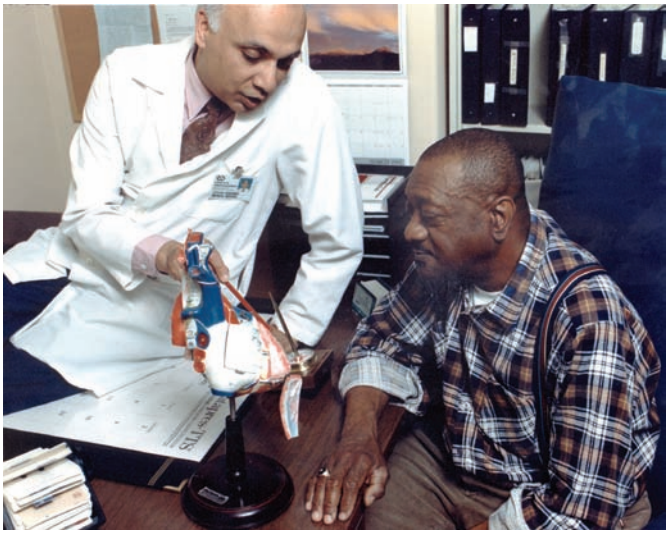
- Meets the growing challenge of health care costs and needs of our Nation's veterans;
- Continues the collaboration between the Department of Veterans Affairs and the Department of Defense to better serve veterans and returning Operation Iraqi Freedom and Operation Enduring Freedom servicemembers;
- Continues improving the electronic medical record system, which has been recognized nationally for increasing patient safety; and
- Supports continued restructuring of the veterans' medical care system to ensure that health care services are available where veterans live.

FOCUSING ON THE NATION'S PRIORITIES

Refocusing Medical Care to Current Combat Veterans and Veterans Who Have Service Disabilities, Lower Incomes, or Special Needs

The Department of Veterans Affairs (VA) operates the largest direct health care delivery system in the country, providing care at over 800 locations to about five million veterans—one in five veterans receives medical care from VA. As the veteran population continues to age over the next 20 years, the total number of veterans will decline from 25 million to 17 million. While the number of patients has grown in the last five years, the annual increase is now slowing down and is expected to continue to do so as the overall veteran population declines.

VA is also meeting the needs of veterans returning from Afghanistan and Iraq. In 2007, VA will provide medical care to over 100,000 combat veterans returning from Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). Veterans deployed to combat zones are entitled to two years of eligibility for VA health care services following their separation from active duty, even if they are not immediately otherwise eligible to enroll in VA.



As health care costs continue to rise and the amount and intensity of care provided to patients increases, VA's cost per patient will continue to grow. VA patients are increasingly older and sicker and are receiving improved, more costly treatments. At the same time, patients with other health-care alternatives who have traditionally used VA for only part of their medical care needs are relying more heavily on VA as quality and access have improved and alternatives have become costly. In addition, VA is providing more mental health and prosthetics services for all veterans.

The 2007 Budget provides an 11.3-percent increase in funding for medical care over last year (including collections), and a 69.1-percent increase since President Bush took office. This funding level will provide needed resources to ensure that VA continues to provide a high level quality of care to veterans.

Resources are focused on VA's core medical care mission—to serve current combat veterans and veterans who have service disabilities, lower incomes, or special needs. Other veterans (higher-income and non-disabled) were unable to receive VA medical care at all or on a case-by-case space-available basis until 1999, when a new law allowed these veterans to enroll for care in any year that the Secretary determined enough resources were available. In 1999 through 2002, the Secretary determined each year that all categories of veterans were able to enroll. However, the rapid growth in the number of higher-income and non-disabled veterans (lower-priority veterans) threatened VA's ability to deliver quality and timely care to service-disabled and lower-income veterans. As a result, in 2003 enrollment of lower-priority veterans was stopped, a move supported by the Congress in all appropriations bills since. Those lower-priority veterans who were already enrolled in the system before 2003 retained their eligibility and today comprise 27 percent of all enrollees.

The Budget continues the priority of providing timely and accessible medical care that sets a national standard of excellence for the health care industry. As President Bush took office, the number of new enrollees unable to get an appointment peaked at 176,000 and has dropped to 22,494 in 2005. To ensure timely care, VA now monitors the percentage of appointments scheduled within 30 days of the desired date and reports this measure to be 93.7 percent.

The VA medical care system is recognized as a leader in using high standards and technology to improve the quality of health care. Over the past seven years, the Institute of Medicine has lauded VA's use of performance measures to improve quality as one of the best in the Nation. It particularly praised VA's use of performance measures, reports, self-assessment tools, site visits, and best practices in the surgical area where their impact reduced the number of deaths within 30 days after surgery by 27 percent over nine years. VA's electronic medical record system and bar coding program are key components in improving health care quality and patient safety and have been recognized for advancing the profession as a whole in the United States. VA's programs have been adopted in other countries, such as Australia, Japan, and Denmark. VA's research program continues to address health care problems that impact veterans and the general population. In fact, the research Program Assessment Rating Tool (PART) score improved this year due to the increased use of performance measures and data.

VA Cemeteries Honor Veterans with a Final Resting Place

VA operates 125 national cemeteries and 33 other facilities with the goal of providing compassionate burial services in settings that are maintained as national shrines. The 2007 Budget continues to fund the next phases of construction for the six new cemeteries announced by the President in November 2003. These new cemeteries will assist in the goal of ensuring that most veterans have a national or State veterans' cemetery within 75 miles of their home. VA has begun opening gravesite sections in new cemeteries under construction rather than waiting for the entire cemetery to be completed, providing services to families in the area up to two years earlier. The program's PART assessment determined that it provides a valuable service to veterans and their families.

The State Cemetery Grants Program was established in 1979 to complement VA's system of national cemeteries. Grants are provided to the States for the establishment, expansion, or improvement of State veterans' cemeteries. They cover the total cost of construction as well as certain equipment costs. The States are responsible for continued operations and maintenance. State veterans' cemeteries can provide access to a burial option for veterans residing in geographic areas not served by a national cemetery.

Reducing the Processing Times for Disability Claims

The Veterans Disability Compensation Program provides financial benefits for income loss due to service-related disabilities. It is the worker's compensation program for military members and complements retirement pay and disability annuities provided by the Department of Defense (DOD). In 2007, 3.7 million veterans and beneficiaries will receive approximately $38 billion of tax-free disability benefits.

FOCUSING ON THE NATION'S PRIORITIES—Continued

The number of days to process a disability claim has dropped from a high of 230 days when the President took office to approximately 167 days in 2005. Recently enacted statutory outreach requirements will increase the number of claims by nearly 100,000, so the average number of days to complete a claim is expected to temporarily rise to 185 days in 2006 and 182 days in 2007. Despite this temporary increase, VA remains committed to bringing this processing time down to its ultimate target of 125 days by continually improving processing methods and focusing on ways to improve the system. In response to its prior PART rating, the program is improving its ability to measure performance using new measures.

VA has sought to reduce processing times by increasing the use of electronic, centralized operations and the latest technology. Working closely with the military Services, VA provides briefings to servicemembers prior to their separation from Service. By meeting with members before separation, all required tests and forms are collected and rating decisions are made prior to separation. The goal of the program, which is currently used at 140 military installations, is to process claims within 30 days.

VA also improves timeliness by moving work between Regional Offices when regional backlogs develop in one area and can be processed in another. For example, in the wake of Hurricane Katrina, the New Orleans Regional Office was unable to process claims for the veterans of Louisiana. Rather than waiting for the office to reopen, VA moved claims to neighboring States to ensure that claims were processed in a timely manner.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Capital Asset Realignment for Enhanced Services (CARES)

In 1999, the Government Accountability Office reported that VA was wasting $1 million a day on underused or unneeded health facilities. VA entered the 21st Century with an infrastructure system largely designed and built to provide medical care as it was practiced in the middle of the 20th Century, i.e., centered around hospital inpatient care. American medicine has transformed itself from a hospital-based system to one centered on outpatient and home services. VA medicine has kept up with, and sometimes led, these innovations, leaving many hospitals and their associated medical staff underutilized. As a result, VA implemented and completed the CARES process—the most comprehensive evaluation of the Department's capital assets and service needs ever conducted.

In addition to the clinical changes in the how and where we treat patients today, there is a migration of the population to warmer climates. Many veterans have moved to the South and Southwest, and VA has been maintaining older underused hospitals in areas losing population. The CARES process will bring health care closer to where most of VA's enrolled veterans live, while eliminating or downsizing underused facilities. VA is continuing to convert many of its older, massive hospitals to more efficient clinics, while at the same time building hospitals in more populated areas. This reconfiguration will increase access to care for many veterans, and improve the efficiency of operations in all sections of the country.

It will take time to implement the nationwide changes that were recommended in the 2004 CARES Commission's final report. In the last three enacted Budgets (2004–2006), a total of $2.2 billion was allocated to this effort. The 2007 Budget includes $457 million for CARES—and an additional $293 million was enacted in the Hurricane Katrina emergency funding package in late December 2005, to fund a CARES project—bringing the total CARES funding between 2004 and 2007 to almost $3 billion. The Administration continues to fully support this initiative and will request funding that aligns this activity with other Administration priorities.

Proposed New and Expanded User Fees for Higher-income Non-disabled Veterans

The Administration is reproposing two user-fee proposals for lower-priority veterans in the system (Priority Level 7/8 veterans) who do not have service disabilities or lower incomes. The proposals include a $250 annual enrollment fee and an increase in the drug copay from $8 to $15 for a 30-day supply of prescription drugs. The accompanying chart shows that these fees align veterans' payments for care more closely with other public and private health care plans.

Typical Patient Cost Sharing

	Priority Level 7/8 Current	Priority Level 7/8 Proposed	Federal Employee Health Benefits Program*
Drug Copays	$8	$15	25 to 45 percent
Primary Doctor Copay	$15	$15	$15 up to 25 percent
Specialty Doctor Copay	$50	$50	$15 up to 25 percent
Deductible	$0	$0	$250
Annual Premium	$0	$250	$1,510

*Based on the Individual rates for the most popular Federal Employee Health Benefits Program (2006)

Similar proposals are included in the DOD budget for career military retirees under the age of 65. In addition to these proposals, the Budget includes a legislative provision to correct an inequity in the administration of existing copays. Today, if a veteran has another source of health insurance the copay requirement is eliminated if the insurance payment is equal to or greater than the copay. The proposal would charge copays to all eligible veterans equally.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

These proposals do not pertain to veterans who are considered among VA's core mission and our highest priority—those with service disabilities, lower incomes, or special needs. The President is committed to ensuring that their care is not jeopardized in any way. These proposals will save taxpayers $795 million in 2007.

Seamless Transition from Active Duty Status to Civilian Status

Since 2001, the Administration has emphasized increased collaboration between VA and DOD in providing care to the military community. President Bush identified this activity as one of the 14 key management priorities for his Administration, and these efforts have already resulted in a more efficient delivery of services and benefits to active and separated servicemembers and their families.

DOD and VA have been working closely to ensure that returning servicemembers transition from active duty to civilian status in a seamless manner. VA outreach programs are ensuring that returning combat veterans of OIF/OEF are receiving medical care and other services from VA quickly and with minimal paperwork. Servicemembers who become disabled and need to separate from active duty because they can no longer fulfill their duties are assigned to a DOD case manager and linked to a VA benefits counselor while still in the Service. They also receive transition assistance through various assistance centers and offices. VA and DOD are working together to establish a cooperative separation exam process so that departing servicemembers only need to have one exam that meets the needs of both Departments.

VA and DOD are also identifying departing servicemembers who may be at risk for Post Traumatic Stress Disorder, and have implemented an aggressive plan to determine the appropriate care best suited to each veteran. VA is assisting DOD with dental examinations and care for demobilized reservists, and is providing prosthetics care to veterans after separation. In addition, VA has assigned full-time counselors in seven major military medical centers to work closely with DOD staff to ensure that returning servicemembers receive information and counseling about VA benefits and services. To date, VA staff have facilitated transfers of more than 2,900 OIF/OEF returning servicemembers from military medical facilities to VA medical centers.

During 2005, VA established the Seamless Transition Office to improve communication and cooperation with DOD, and ensure that transition to civilian life is as trouble-free as possible for all veterans and not just those disabled in combat. For example, the Departments have worked to educate servicemembers on all VA benefits and assist them in applying for these benefits prior to separation from active duty. The program that allows servicemembers to begin the VA disability application process 180 days prior to separation was expanded to 140 military installations in the United States, Germany, and Korea. These applications are now processed at two locations to speed up the processing time.

Other VA/DOD Collaboration Efforts

VA and DOD are expediting the two-way transfer of medical records between the two Departments, largely using state-of-the-art new electronic medical records systems. This sharing of electronic health information is necessary to ensure that when patients are seen at one facility, their information will be available to doctors and nurses at other facilities where they may seek care in the future. Because the information is available more rapidly, patients can receive needed care without extensive waits and unnecessary duplication of tests.

The Departments have been working together for a number of years to increase their joint purchasing of drugs, medical supplies, and equipment. This has been accomplished, in part, through the development of joint standards, allowing for purchase of larger quantities by both agencies. VA and DOD expect that this collaboration will continue to grow—resulting in significant savings to the Government.

Servicemember using therapeutic equipment at a joint VA/DOD facility.

Both VA and DOD conduct training programs for their medical staff (physicians, nurses, and others). These post-graduate training and continuing education programs help maintain a highly qualified Federal workforce and contribute significantly to the medical training of providers for the Nation. In order to reduce duplication and increase efficiency, VA and DOD are expanding the use of joint training programs.

VA and DOD have continued to expand the sharing of medical services and facilities. Both Departments jointly examine construction plans for sharing when possible and cost effective. For example, VA and DOD are working on a shared solution to the damage caused by Hurricane Katrina to the Keesler Air Force Medical Center, the VA Biloxi Medical Center, and the VA Gulfport hospital in Mississippi. VA's nationwide infrastructure plan (CARES) assumed that the Gulfport hospital would be demolished, and the Biloxi hospital would be expanded to cover Gulfport veterans. While this particular CARES project was originally planned to begin several years from now, it will now be started in 2006. While VA and DOD were already sharing some services before the hurricane, they are examining even greater sharing opportunities at this critical and unique point in time as they rebuild their Gulf presence.

Update on the President's Management Agenda

The table that follows provides an update on VA's implementation of the President's Management Agenda as of December 31, 2005.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

VA continues to make progress on many aspects of each of the initiatives, but its overall status in implementing the President's Management Agenda has for the most part remained unchanged over the past year. VA is coming close to finishing its development of a human capital workforce and succession planning training program; has completed its annual Human Resources Accountability Report; and has begun the final review process. VA's competitive sourcing progress was delayed by legal decisions that prohibit VA from conducting cost comparisons on VA positions, unless the Congress provides specific funding for the competitions. VA has also completed corrective actions on its payroll system material weakness, but remains red in status for financial performance because of limitations in its financial management and data systems. For E-Government, VA has provided a remediation plan for its failed financial management information technology system, but still needs to develop acceptable business cases for its major systems that align with the resource levels in the Budget. VA has also implemented the online use of the Presidential initiative e-QIP for all clearance investigations in VA's central office and is completing implementation nationwide. VA plans to enhance its health care actuarial model to include VA-specific trend assumptions and better link model output with monthly reports.

Initiative	Status	Progress
Coordination of VA and DOD Programs and Systems		
Real Property Asset Management		
Eliminating Improper Payments		
Faith-Based and Community Initiative		

Arrow indicates change in status rating since the prior evaluation as of September 30, 2005.

Coordination of VA and DOD programs and systems has resulted in impressive improvement in the seamless transition programs of active duty members transferring to the VA for medical care. For example, VA counselors are now stationed at major DOD medical centers to provide assistance to injured returning servicemembers. However, the agencies have not reached agreement upon goals for some joint initiatives, such as how to share DOD data with VA in order to streamline access to VA services. VA is making progress in managing real property, and within the last fiscal year vacant space at VA declined 15 percent, and 16 non-mission critical properties were disposed of or demolished. VA completed consolidation of improper payment and recovery auditing data for all risk susceptible programs. It is working to simplify regulations for disability determinations, which will decrease improper payments by improving accuracy of beneficiaries and payment amounts. VA has established strong faith-based data collection and pilot programs. The President's 2007 Budget introduces a new initiative to improve the management of the Federal Government's credit portfolios. VA is included in this initiative because it has a portfolio of $1.3 billion in outstanding direct loans, $202 billion in outstanding loan guarantees, and $496 million in delinquent debt. This initiative will be included in the scorecard beginning in the second quarter of 2006.

Department of Veterans Affairs

(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Medical Programs	27,949	28,772	31,462
Medical Services	21,376	22,547	24,716
Medical Services Collections (non-add):			
Existing law	*1,868*	*2,054*	*2,289*
Legislative proposal	—	—	*544*
Medical Administration	3,310	2,927	3,177
Medical Facilities	3,263	3,298	3,569
Medical Research	390	412	399
Information Technology	1,284	1,214	1,257
Construction	820	923	714
Construction, Major	455	607	399
Construction, Minor	229	199	198
Grants for State Extended Care	104	85	85
Grants for State Cemeteries	32	32	32
General Operating Expenses	1,299	1,350	1,481
Veterans Benefits Administration	1,033	1,054	1,168
General Administration	267	296	313
Other	364	373	384
Housing	153	154	153
Other Credit	1	1	1
National Cemetery Administration	142	150	161
Office of Inspector General	68	69	69
DOD/VA health care sharing incentive fund (HCSIF), DOD contribution	15	15	—
Supply Fund/Franchise Fund	−75	—	—
Other funds and transactions	−4	−2	—
Subtotal, Discretionary budget authority (without collections)	32,043	33,057	35,697
DOD/VA HCSIF adjustment	15	−13	—
Total, Discretionary budget authority (without collections)	32,058	33,044	35,697
Total, Discretionary budget authority (with collections)	33,975	35,097	38,530
Total, Discretionary outlays	30,374	32,595	34,632
Mandatory Outlays:			
Medical Programs	31	32	31
Benefit Programs and Receipts:			
Disability Compensation and Pension	34,693	35,010	34,979
Readjustment Benefits	2,940	3,265	3,409
Housing	1,889	60	43
Insurance	1,281	1,299	1,302
Other Receipts and Transactions	−1,605	−1,851	−552
Supply Fund/Franchise Fund	392	—	—

Department of Veterans Affairs—Continued

(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Total, Mandatory outlays	39,621	37,815	39,212
Total, Outlays	69,995	70,410	73,844
Credit activity			
Direct Loan Disbursements:			
Vocational Rehabilitation Loans	3	3	3
Native American Transitional Housing Loans	7	10	20
Vendee and Acquired Loans	155	369	590
Total, Direct loan disbursements	165	382	613
Guaranteed Loan Commitments:			
Veterans Home Loans	22,544	36,110	37,189
Total, Guaranteed loan commitments	22,544	36,110	37,189