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PROPOSED RESTRICTIONS ON ACCESS TO VA HEALTH CARE IN ARKANSAS

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EXECUTIVE SUMMARY

In February 2003, President Bush released his proposed budget for the Department of Veterans Affairs for fiscal year 2004. The budget would halt enrollment in VA health care for many veterans, denying them access to any VA care. In addition, the budget would charge other veterans who are currently in the VA system a $250 annual enrollment fee and increase co-payments for doctor's visits and prescription drugs. The budget narrowly passed by the House of Representatives and the Senate on April 11, 2003, adopted these proposals.

At the request of Rep. Marion Berry, who represents Arkansas's 1st Congressional District, this report analyzes the impact of these changes on veterans in Arkansas.

The report finds that the proposed changes would cause over 18,000 Arkansas veterans to be denied VA health care or to drop out of the VA system, while increasing costs for tens of thousands more. Specifically:

- **The budget proposals would deny care to thousands of Arkansas veterans.** The President's budget would freeze VA enrollment for "Priority 8" veterans, preventing almost 3,300 veterans in Arkansas from receiving care.

- **Increased fees would force thousands of Arkansas veterans to drop out of the VA health care system.** Over 15,000 Arkansas veterans, including an estimated 5,200 Arkansas veterans receiving active VA care, are unlikely to be able to afford the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system.

- **Many Arkansas veterans would pay an additional $350 or more each year for VA care.** Other Arkansas veterans would remain in the VA system but be forced to pay more for their health care. Veterans who receive prescription drugs from VA and who fill a typical number of prescriptions each year could face new fees of almost $600.

BACKGROUND

The Department of Veterans Affairs runs the nation's largest health care system, providing care to over four million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. The VA serves as a critical health care resource for tens of thousands of veterans in Arkansas. In 2003, the VA will provide care for an estimated 103,000 veterans in the state at major medical centers in Fayetteville and Little Rock, and at community clinics located in El Dorado, Hot Springs, Mountain Home, and Paragould.

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. Nationwide, there were almost 300,000 veterans in 2002 who were either placed on waiting lists or forced to wait for over six months in order to receive an appointment for necessary care.[1] These problems providing care can be traced to the failure to provide adequate funding for the VA. In 1996, Congress passed the Veterans Health Care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by over 200%, from 2.9 million in 1996 to an estimated 7.0 million in 2003.[2] Funding for the VA, however, increased by less than 60% during this period,[3] leading to shortages of capacity and long waiting times for many veterans.

Under the 1996 legislation, the VA was required to establish several categories for enrollment, with the highest priority given to veterans who have service-related disabilities and low incomes. The lowest priority is given to veterans who do not have service-connected disabilities and have higher incomes.

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1 Memorandum from Department of Veterans Affairs to Chairs and Ranking Members of Senate and House Veterans' Committees and VA-HUD Appropriations Sub-Committees (July 2002).

2 Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996-2001* (2002) (online at http://www.va.gov/vetdata/ProgramStatics/index.htm). *FY 2003 End of Year Enrollment Projection, supra* note 1.

3 Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996-2001* (2002) (online at http://www.va.gov/vetdata/ProgramStatics/index.htm). Department of Veterans Affairs, *FY 2004 Budget Submission* (Feb. 2003).

The two veterans groups with the lowest priority are known as Priority 7 and Priority 8 veterans. Priority 8 veterans are veterans who do not have service-related disabilities and who have incomes that exceed the Department of Housing and Urban Development's cutoff level for eligibility for public housing programs. This is a geographically-based income level, set at 80% of the median income level for a given community. In Arkansas, for a single veteran, this annual income level varies by county, from a low of $21,550 to a high of $32,100 (for a veteran with a single dependent, this income level varies from $24,650 to $36,650).[4] Priority 7 veterans are those who do not have service-related disabilities and who have incomes that are below the HUD cutoff level, but above a VA-established threshold of $24,644 for a single veteran ($29,576 for a veteran with a single dependent).

PRESIDENT BUSH'S VA PROPOSALS

President Bush's VA budget contains several provisions that would either restrict access to care for veterans or increase the cost of VA care for Priority 7 and Priority 8 veterans.[5] These provisions were included in the FY 2004 budget agreement that narrowly passed the House of Representatives and the Senate on

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4 Department of Housing and Urban Development, *FY 2003 Income Limits* (Feb. 2003) (online at: http://www.huduser.org/datasets/il/fmr03/index.html).

5 Overall, the President proposed a budget of $27.5 billion for VA health care, an increase of 7.7%. Most of this increase is offset by medical inflation, which was 4.7% last year, Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (2003), and new enrolment, which is expected to increase by 8% this year, *supra* note 4. Some of the increase would pay for decreasing pharmacy co-pays for some low-income veterans (those with incomes between $9,690 and $16,169) and for reducing the backlog for care. The Administration's own figures indicate that the proposed budget is less than is needed to provide adequate health care to veterans. Department of Veterans Affairs, *Veterans Health Care Enrollment and Expenditure Projections* (Sep. 2002). Leading veterans groups have also indicated that the budget is inadequate to provide all necessary care. Disabled American Veterans, Paralyzed Veterans of America, VFW of the United States, AMVETS, *The Independent Budget for Fiscal Year 2004: A Comprehensive Budget and Policy Document Created by Veterans for Veterans* (2003).

April 11, 2003. This budget agreement also made additional cuts in the VA budget in future years.[6]

The first provision would halt enrollment of new Priority 8 veterans, denying them access to any VA care. Under this proposal, all Priority 8 veterans who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

The second provision would charge all Priority 7 and Priority 8 veterans who are in the VA system a $250 annual enrollment fee in order to receive care. This would represent a new policy for VA, which to this date has never charged veterans an enrollment fee for care. Finally, a third set of provisions would increase co-payments for Priority 7 and Priority 8 veterans who are receiving VA care. The co-payments for primary care payments would increase by 33%, from $15 per visit to $20 per visit. The co-payments for prescription drugs would more than double, increasing from $7 to $15 per 30-day prescription.[7]

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6 Fiscal Year 2004 Budget Resolution (April 11, 2003). In the House, the budget resolution passed by 5 votes, 216 to 211, with 216 Republicans supporting the resolution and 204 Democrats opposing it, while in the Senate the budget resolution passed 51 to 50 after Vice President Cheney cast the tie-breaking vote. The final budget resolution reconciled differences in funding approved by the House and the Senate. Initially, the Senate approved $30 billion in spending authority for VA health care and other discretionary programs for FY 2004, while the House approved $28.1 billion. The final agreement provided the FY 2004 funding level approved by the Senate, $30 billion, of which $29 billion is for VA health care. This funding level assumes that the President's proposal to increase fees for Priority 7 and Priority 8 veterans will be put into effect. The final budget resolution also approved less spending than requested by the President in FY 2005 - FY 2008. Joint Explanatory Statement of the Committee of Conference, *Fiscal Year 2004 Budget Resolution* (Apr. 11, 2003) (online at www.house.gov/budget/04stmntmngrs.pdf).

7 These provisions were endorsed by the congressional conference committee that negotiated the final FY 2004 budget agreement. According to the conferees, the Senate funding level, which the conferees accepted, "assumes the enactment of legislation to establish the President's proposed $250 enrollment fee for priority level 7 and 8 veterans. . . . The Senate amendment also assumes legislation will be enacted to increase the insurance and prescription drug co-payments for Priority 7 and 8 veterans to $20 and $15, respectively." Joint Explanatory Statement of the Committee of Conference, *Fiscal Year 2004 Budget Resolution* (Apr. 11, 2003) (online at www.house.gov/budget/04stmntmngrs.pdf).

FINDINGS

Thousands of Arkansas Veterans Will Be Forced Out of VA Health Care

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of Arkansas veterans. First, it will mean that veterans who otherwise would have received care will no longer be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will deny care to 173,000 veterans nationwide.[8] Of these 173,000 veterans who will be denied care, an estimated 3,270 reside in Arkansas.[9]

In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of $250. The VA estimates that the new fee will force an estimated 55% of enrolled Priority 7 and 8 veterans — over half — to drop out of the VA system.[10] Overall, VA estimates that 1.25 million enrolled veterans in the United States, including 425,000 active patients, will be forced out of the VA health care system because of the increased costs.[11]

Thousands of these veterans will be Arkansas residents. Presently, there are an estimated 3,543 Priority 7 and an estimated 24,254 Priority 8 veterans enrolled in the VA health care system in Arkansas.[12] If 55% of these veterans are forced to drop out of the VA system, it will mean that almost 15,200 additional Arkansas

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8 Department of Veterans Affairs, *Impact of Suspending Enrollment of Priority 8 Veterans by State for FY 2003* (2003).

9 *Id.*

10 *FY 2004 Budget Submission, supra* note 4.

11 At any given time, not all enrolled veterans are actively receiving care from VA. VA estimates that approximately half of all enrolled Priority 7 and Priority 8 veterans are active patients. VA estimates that 34% of all Priority 7 and Priority 8 veterans who drop out of the VA healthcare system will be veterans that are actively receiving care. *Id.*

12 *FY 2003 End of Year Enrollment Projection, supra note 1.*

veterans will no longer have access to VA care. This includes an estimated total of almost 5,200 active patients.

Overall, including veterans who are excluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, over 18,000 Arkansas veterans will lose access to VA health care under the President's proposal.

Arkansas Veterans Who Continue to Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs

For many Arkansas veterans who do stay enrolled in the VA program, there will be significant new costs. Not only will Priority 7 and Priority 8 veterans be forced to pay the annual $250 enrollment fee, but they will also have to pay increased copays for physician visits and prescription drug fees. The increased fees are anticipated to cost veterans in the program an average of $97 annually.[13] Overall, between the increased copays and the $250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program will pay a total average increase of $347 annually.

Many veterans will pay even more. A recent report by the General Accounting Office found that among Priority 7 veterans who use VA outpatient prescription drug services, the average veteran uses 38 monthly prescriptions per year.[14] A Priority 7 veteran that fills this many prescriptions will pay an additional $304 annually just for prescription drugs, plus increased fees for doctors visits, plus the $250 annual enrollment fee. Total increased costs for these veterans would be almost $600 annually.

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[13] Based on VA estimates that the increased copays will impact approximately 750,000 veterans and will cost veterans a total of $73 million. *FY 2003 End of Year Enrollment Projection, supra note 1.*

[14] General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).

If the President's proposal does go into effect, an estimated 12,500 Priority 7 and Priority 8 veterans in Arkansas are likely to remain in the VA health care system in the state. These veterans will pay an estimated $4.3 million annually in increased costs for VA care.

CONCLUSION

This report analyzes the impact of President Bush's proposed budget on VA health care in Arkansas. The budget proposes restricting access to care for many veterans and increasing the cost of care for others. These proposals would deny care to almost 3,300 veterans in the state and force over 15,000 enrolled Arkansas veterans, including almost 5,200 active patients, to drop out of the VA health care system. The proposals would also increase the cost of health care for many veterans who remain in the program by an average of $350 annually and would cost many veterans as much as $600 or more annually.