



**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF
SPECIAL INVESTIGATIONS DIVISION
AUGUST 2006**

**THE IMPACT OF PRESIDENT BUSH'S BUDGET ON
VETERANS' HEALTH CARE IN
CALIFORNIA'S 32ND CONGRESSIONAL DISTRICT**

PREPARED FOR REP. HILDA L. SOLIS

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EXECUTIVE SUMMARY

On February 8, 2006, President Bush proposed a \$31.5 billion budget for the Department of Veterans Affairs. Veterans groups have indicated that this budget falls over \$1 billion short of meeting veterans' healthcare needs. To make up a significant part of the shortfall, the Administration proposes to deny care to hundreds of thousands of veterans and to charge millions more a \$250 annual enrollment fee while doubling copayments for prescription drugs.

At the request of Rep. Hilda L. Solis, this report analyzes the impact these proposals would have on veterans in California's 32nd Congressional District. The report finds that the proposed changes would cause almost 100,000 California veterans, including almost 1,000 veterans in Rep. Solis's district, to be denied VA health care or to drop out of the VA system, while increasing costs for thousands more. Specifically:

- **The budget proposals would deny care to hundreds of veterans in the 32nd Congressional District.** The President's budget would continue to freeze VA enrollment for "Priority 8" veterans, preventing an estimated 30,000 veterans in California from enrolling to receive care. Locally, this provision would prevent an estimated 250 veterans in Rep. Solis's district from enrolling in the VA health care system.
- **The increased fees would force hundreds of veterans in California's 32nd Congressional District to drop out of the VA health care system.** An estimated 89,000 veterans in California would be unable to pay the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. Locally, an estimated 725 veterans in Rep. Solis's district would be forced drop their VA enrollment.
- **The increased fees would cost veterans in California millions of dollars.** Many veterans in California would remain in the VA system but be forced to pay more for their health care. These veterans would face average cost increases of over \$500 annually. The total additional cost for veterans in California would be \$47 million annually. Increased costs for veterans in Rep. Solis's district would be almost \$400,000 annually.

Because the House and Senate have yet to agree on final legislation to fund VA healthcare, it remains unclear if the President's proposals will become law. The findings of this report indicate that if these proposals receive congressional approval and are signed into law by President Bush, hundreds of veterans in Rep. Solis' district will be denied VA care or forced to drop their VA enrollment.

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BACKGROUND

The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. Statewide, the VA provides care to approximately 620,000 veterans.¹ Another 1.7 million veterans in the state are eligible to receive care.² In Rep. Solis's district, VA provides care to approximately 5,500 veterans, and another 19,000 veterans in the district are eligible to receive care.³

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. 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 almost 300%, from 2.9 million in 1996 to an estimated 7.5 million in 2003.⁴ Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.⁵

The President submitted his fiscal year 2007 budget to Congress on February 8, 2006. This budget proposed spending \$31.5 billion for veterans health care in fiscal year 2007.⁶ According to veterans groups, the budget proposal was over \$1 billion short of the funding necessary to meet veterans' needs.⁷

Leading veterans groups have described the budget as "coming up short of what's needed to honor America's commitment to veterans" and failing to "guarantee that sick and disabled veterans have timely access to quality medical care."⁸ Democrats in Congress said that the budget "clearly does not deliver the

¹ Department of Veterans Affairs, *FY 2004 Enrollment* (Feb. 2005).

² *Id.*

³ *Id.*

⁴ *Id.* Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁵ Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>).

⁶ Department of Veterans Affairs, *FY 2007 Budget Submission* (Feb. 2006).

⁷ The Independent Budget, *White House Budget Proposal Close, But Not A Winner* (Feb. 10, 2006).

⁸ Paralyzed Veterans of America, *Paralyzed Veterans of America Calls Administration's Budget Proposal Woefully Inadequate, Forcing Some Veterans to Pay for the Health Care of Others by Increasing Fees and Co-Payments* (Feb. 8, 2006).

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necessary resources to provide veterans with the health care and benefits they have earned.”⁹

As part of its budget proposal, the Administration requested that Congress raise almost \$3 billion over the next ten years from veterans receiving VA health care. The Administration proposal would do this by denying care or increasing fees for care paid by two large classes of veterans: the so-called “Priority 7” and “Priority 8” veterans.¹⁰

Priority 7 veterans are veterans whose injuries are not service-related and whose income is more than \$24,644 (\$29,576 for a veteran with a dependent) but less than 80% of the community's median income.¹¹ Priority 8 veterans are veterans whose injuries are not service-related and whose incomes are higher than Priority 7 veterans.¹² Together, these two classes of veterans represent 41% of the veterans currently receiving VA health care.¹³

One provision proposed by the Administration would continue to halt enrollment of new Priority 8 veterans, denying them access to any VA care.¹⁴ Under this proposal, which continues a policy started in January 2003, 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.

A second provision proposed by Administration 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.¹⁵ This would represent a new policy for the VA, which to date has never charged veterans an enrollment fee. A final provision would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.¹⁶ Taken together, these provisions would raise over \$3 billion in new revenues over the next ten years.¹⁷

⁹ Rep. Lane Evans, Press Release, *VA Budget Greeted Skeptically* (Feb. 8, 2006).

¹⁰ Department of Veterans Affairs, *supra* note 6.

¹¹ Department of Veterans Affairs, *Health Benefits Eligibility* (2005).

¹² *Id.*

¹³ Department of Veterans Affairs, *supra* note 6, at Volume 4, 3B-5.

¹⁴ *Id.*, at Volume 4, 3B-5.

¹⁵ *Id.*, at Volume 1, 8-2.

¹⁶ *Id.*, at Volume 1, 8-4.

¹⁷ *Id.*, at Volume 1, 8-2 – 8-4.

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The final status of these proposals in Congress is uncertain. On May 19, 2006, the House of Representatives passed H.R. 5385, the FY 2007 Military Construction, Military Quality of Life and Veterans Affairs Appropriations Act. Although this legislation did not include the copays and fees proposed by the Bush Administration, it provided less funding than requested by the President's budget for VA Medical Services and fell hundreds of millions of dollars short of meeting VA's budgetary needs in this area.¹⁸ Although the Senate Appropriations Committee has also approved VA healthcare legislation that does not include these copays and premium increases, the full Senate has not yet approved this legislation.¹⁹ It thus remains unclear if the final appropriations legislation passed by the Congress will include adequate funding or the Bush Administration proposals for increased fees and copays.

FINDINGS

Hundreds of Veterans in California's 32nd Congressional District Would 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 veterans in Rep. Solis's district. First, it will mean that veterans who otherwise would have been able to receive care will not 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 over 500,000 veterans nationwide.²⁰ Of these 500,000 veterans who will be denied care, an estimated 30,000 reside in California.²¹ This includes an estimated 250 Priority 8 veterans who would have enrolled at VA facilities in the 32nd Congressional District.²²

¹⁸ The President's budget called for a funding level of \$25.5 million for VA Medicare Services, while H.R. 5385 called for a funding level of \$25.4 billion. According to budget experts, the true funding need in this area is \$26 billion. The Independent Budget, *The Independent Budget for the Department of Veterans Affairs, Fiscal Year 2007* (2006).

¹⁹ FY 2007 Military Construction, Military Quality of Life and Veterans Affairs Appropriations Act, S. Rept. 109-286 (July 20, 2006).

²⁰ Committee on Veterans Affairs, Democratic Staff, *Priority 8 Veterans Barred from Enrolling for VA Health Care by State as a Result of the Administration's Continuing Policy to Prohibit New Enrollment* (2005).

²¹ *Id.*

²² VA data indicate that 0.8% of Priority 7 and Priority 8 veterans receiving care in California reside in the 32nd Congressional District. Department of Veterans Affairs, *FY 2004 Enrollment* (2005). The analysis assumes that the same percentage of Priority 8 veterans who are denied care live in the 32nd District.

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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. Nationwide, VA estimates that 1.1 million veterans, 49% of all Priority 7 and Priority 8 veterans, would be forced to drop out of the VA system because of these fees.²³

Thousands of these veterans are California residents. Presently, there are an estimated 181,000 Priority 7 and Priority 8 veterans enrolled in the VA health care system in California.²⁴ If 49% of these veterans were forced to drop out of the VA system, an estimated 88,600 enrolled California veterans would no longer have access to VA care.

Within California, many of these veterans are from the 32nd Congressional District. Locally, an estimated 725 veterans enrolled at VA facilities in the district would be forced to drop VA enrollment due to the new fees.

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, an estimated 210,000 California veterans, including almost 1,000 veterans in Rep. Solis's district, would lose access to the VA health care system.

Veterans in California's 32nd Congressional District Who Continue to Receive VA Care Would Pay Hundreds of Dollars in Increased Costs Annually

For thousands of veterans in California who remain enrolled in the VA program, there would be significant new costs under the Administration's proposal. Not only would Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they would also have to pay increased copays for prescription drug fees. The Bush Administration estimates that the increased copays would cost veterans in the program an average of \$260 annually.²⁵ 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 would pay a total average increase of \$510 annually.

Statewide, if the President's proposal goes into effect, an estimated 92,000 Priority 7 and Priority 8 veterans in California would likely remain in the VA

²³ Department of Veterans Affairs, *supra* note 6, at Volume 4, 3B-5.

²⁴ Department of Veterans Affairs, *supra* note 1.

²⁵ The VA estimates that the increased copays will impact approximately 1.1 million veterans and that the VA will collect approximately \$288 million in copays from these veterans. Department of Veterans Affairs, *supra* note 6, at 8-4.

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health care system in the state. Collectively, these veterans would pay an estimated \$47 million annually in increased costs for VA care.

In Rep. Solis's district, if the President's proposal goes into effect, an estimated 750 Priority 7 and Priority 8 veterans would be likely to remain in the VA health care system in the state. Collectively, these veterans would pay an estimated \$385,000 annually in increased costs for VA care.

CONCLUSION

This report analyzes the impact of cutbacks in VA health care proposed in President Bush's budget. If approved, the proposals would deny care to approximately 1,500 veterans at VA facilities in Rep. Solis's district, and force an estimated 700 veterans in the district to drop their VA enrollment. The proposals would also increase the cost of health care for many veterans who remain in the program by an annual average of \$510 per veteran, costing veterans in the district almost \$400,000 dollars annually.