



## DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs (VA) was created to provide a variety of benefits to Americans who have served in the military. These range from health care, disability payments, education benefits, job training, and many others. Some benefits are available to veterans injured as a result of their military service, while others are available to all veterans.

The mission of the VA has become more difficult in recent years, both because of the increase in injured veterans from the conflicts in Iraq and Afghanistan, and the aging of veterans from prior wars. The Veterans Health Administration plans to treat 5.6 million veterans in 2012, a 1.4 percent increase over 2011. Inpatient treatment of veterans (around one million veterans) will increase by over three percent from last year.<sup>1</sup> At the same time, all of these new additions have put a strain on the Department's budget. Funding for the VA has increased dramatically from \$67.3 billion in 2005 to \$126.9 billion in 2010, even as the total number of veterans has declined.<sup>2</sup>

Unfortunately, significant funding increases have not always translated into better service for our veterans in need. One of the lingering issues plaguing the VA in recent years is the backlog of disability claims from veterans. Some veterans have been forced to wait months or even years for the VA to determine their level of disability so payments can begin. During that time, many of these same disabled veterans are separated from the military and may not be receiving a paycheck. Despite adding more money and staff, the number of disability claims requiring more than 125 days to process has more than doubled.<sup>3</sup> According to some veterans' advocates, the backlog on decisions pending is 800,000 initial disability claims and 200,000 appeals.<sup>4</sup>

The proposals for savings in the Department of Veterans Affairs are appropriately modest given our military's continued involvement in hostilities around the world and the sacrifices made by these brave men and women. If Congress adopted these proposals, which do not affect service-

<sup>1</sup> CRS Report R41688, "Veterans Affairs: A Preliminary Analysis of the FY2012 Appropriations Request," Congressional Research Service, March 15, 2011. [http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#\\_Toc287955347](http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#_Toc287955347).

<sup>2</sup> CRS Report RL 33017, "Military Quality of Life/VA (House) and Military Construction/VA (Senate): FY2006 Appropriations, Congressional Research Service, January 10, 2006.

[http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33017&Source=author#\\_Toc227049230](http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33017&Source=author#_Toc227049230); CRS Report R41688, "Veterans Affairs: A Preliminary Analysis of the FY2012 Appropriations Request," Congressional Research Service, March 15, 2011. [http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#\\_Toc287955347](http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#_Toc287955347); National Center for Veterans Analysis and Statistics, "Veteran Population Projections: FY2000 to FY2036," Department of Veterans Affairs, December 2010, <http://www.va.gov/vetdata/docs/quickfacts/Population-slideshow.pdf>.

<sup>3</sup> Zoroya, Gregg, "Backlog buries veterans' claims," USA Today, April 7, 2011, [http://www.usatoday.com/news/military/2011-04-07-1Abacklog07\\_ST\\_N.htm](http://www.usatoday.com/news/military/2011-04-07-1Abacklog07_ST_N.htm).

<sup>4</sup> Leys, Tony, "Veteran trapped, like many, in disability paperwork backlog," The Des Moines Register, June 27, 2011, [http://www.usatoday.com/news/military/2011-06-19-veteran-disability-backlog\\_n.htm](http://www.usatoday.com/news/military/2011-06-19-veteran-disability-backlog_n.htm).

connected disabled veterans, they would reduce spending by approximately \$13.6 billion, approximately two percent, over the next ten years

### **Require the Departments of Defense and Veterans Affairs to Jointly Buy Brand Name Prescription Drugs - \$7.3 billion**

Ten years ago, the Government Accountability Office (GAO) recommended the Department of Defense and Department of Veterans Affairs jointly purchase brand-name and generic prescription drugs in all cases where it saved money to do so.<sup>5</sup> Together the two agencies spend over \$11 billion per year on prescription drugs. DOD and VA agreed with the recommendation and began to do so in a significant way until 2005. In 2005, during the highest year of joint purchasing between the VA and DOD, the VA claims it saved around \$660 million.

However, DOD and VA appear to have reverted to previous buying practices, as the dollar amount they have spent on joint contracts has fallen from a high of \$560 million per year in 2005, to less than \$200 million per year in 2009. This represents five percent of prescription drug spending at the VA and around one percent of the prescription drug spending at DOD.<sup>6</sup>

This option would direct the VA and DOD to return to or exceed the 2005 levels of joint contracting for prescription drugs in order to achieve long term savings of over \$7 billion.

### **Change Copayment and Annual Fees for Non-Service Connected Disabled Veterans Receiving Health Care at the VA - \$6.3 billion**

The Veterans Health Administration makes direct medical care available to nearly all veterans, which is subsidized on a sliding scale to increase benefits for those with the biggest need. To determine each veteran's level of assistance, the VA places each individual in one of eight "Priority Groups," based primarily on the severity of their disability or injury as a result of their military service.<sup>7</sup> Priority Group 1 consists of veterans with a disability rating of 50 percent or greater. Priority Groups 2 through 6 consist of lower levels of service-connected disabilities, certain Vietnam and Gulf War veterans, and veterans that are catastrophically disabled by events outside of service.<sup>8</sup>

Priority Groups 7 and 8 consist of veterans that are not disabled from an injury from their military service, and whose income is well above the poverty level.<sup>9, 10</sup>

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<sup>5</sup> GAO 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," March 2011, Government Accountability Office, <http://www.gao.gov/new.items/d11318sp.pdf>.

<sup>6</sup> GAO 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," March 2011, Government Accountability Office, <http://www.gao.gov/new.items/d11318sp.pdf>.

<sup>7</sup> CRS RL32548, "Veterans' Medical Care Appropriations and Funding Process," December 27, 2004, Congressional Research Service, <http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32548>.

<sup>8</sup> Catastrophically disabled veterans are those that cannot carry out activities of daily living, require constant supervision, and require assistance (either through manual or medical devices) to leave home or bed.

<sup>9</sup> These categories also include veterans with a "zero-percent disability rating." A zero-percent disability rating means that the veteran sustained some impact on their health from their military service, but not enough to warrant a disability rating which begins at 10%. However, a zero-percent rating allows the veteran to come back at a later date in case their health deteriorates as a result of this impact on their health and have the condition upgraded to 10% disability or higher.

This proposal would implement an annual user fee of \$250 for all Priority Group 7 and 8 veterans receiving care at the VA. This proposal would also increase pharmacy copayments for Priority Group 7 and 8 veterans from seven dollars for a 30-day supply of prescription drugs to fifteen dollars for the same supply.

The annual fee and higher copayment for prescription drugs would apply only for years in which the veteran received care through the VA – it would not be assessed during years that the veteran did not receive care. If at any point a Priority Group 7 or 8 veterans had their income fall due to unemployment or due to a deterioration of their health care, that veteran would then be upgraded to a higher Priority Group and not subject to the \$250 annual fee or the higher prescription drug copayment.

If these options were adopted, the VA previously calculated that it could save over \$600 million per year through reduced appropriations and revenue generated from copayments.<sup>11</sup> Over ten years this could result in more than \$6.3 billion in deficit reduction.

**DEPARTMENT OF VETERANS AFFAIRS TEN YEAR SAVINGS**

Discretionary: \$13.5 billion

Total: \$13.5 billion

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<sup>10</sup> “VA National Income Thresholds,” December 2010, VA Health Care, <http://www.va.gov/healtheligibility/Library/pubs/VAINcomeThresholds/VAINcomeThresholds.pdf>.

<sup>11</sup> CRS RL32548, “Veterans’ Medical Care Appropriations and Funding Process,” December 27, 2004, Congressional Research Service, <http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32548>.