

**STATEMENT OF
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OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
SENATE COMMITTEE ON BUDGET
FIELD HEARING BISMARCK, NORTH DAKOTA
MARCH 28, 2008**

Mr. Chairman and other Members of the Committee:

Thank you for inviting the Disabled American Veterans (DAV) to testify at this field hearing concerning our views of the funding levels for Department of Veterans Affairs (VA). DAV is an organization of 1.3 million service-disabled veterans, and devotes its energies to rebuilding the lives of disabled veterans and their families.

Each year DAV along with AMVETS, Paralyzed Veterans of America and the Veterans of Foreign Wars co-author *The Independent Budget*, a comprehensive budget and policy document that represents the true funding needs of the Department. *The Independent Budget* uses commonly accepted estimates of inflation, health care costs and health care demand to reach its recommended funding levels. This year, the document is endorsed by 53 veterans' service organizations, and medical and health care advocacy groups.

Last year proved to be a difficult year for the appropriations process. The year started with a Continuing Resolution for fiscal year (FY) 2007 because the 109th Congress had been unable to pass an appropriations bill. This Congress eventually completed the FY 2007 funding bills in February and while the funding levels provided were very good, the fact that the bill was not completed for nearly five months after the start of that fiscal year presented a number of challenges for VA. Congress then followed that action up by providing more than \$1.8 billion in supplemental funding for the VA.

DAV and the veterans community were extremely elated when, under your leadership, the Senate Budget Committee, as well as the House Budget Committee, developed a budget for VA that exceeded the recommendations of the *Independent Budget*. Collectively, we felt that our government was finally on track to provide VA with a budget that was sufficient, timely and predictable.

Unfortunately, the FY 2008 appropriations process did not go any smoother than it had in prior years. Due to political wrangling over the federal budget, the VA did not receive its appropriation until December. We were very disappointed that the VA was forced to endure this situation for the 17th time in the last 19 years. The appropriations bill was eventually enacted, but the vast majority of the increase was contingent upon the Administration making an emergency funding request for this additional money. Fortunately, the Administration recognized the importance of this critical funding and requested it from Congress. This

emergency request provided the VA with \$3.7 billion more than the Administration requested for FY 2008.

For FY 2009, the Administration requested \$41.2 billion for veterans' health care. This included approximately \$2.5 billion for medical care collections. Although this funding level represented another step forward in achieving adequate funding for the VA, it still falls short of the recommendations of *The Independent Budget*.

For FY 2009, *The Independent Budget* recommends approximately \$42.8 billion for total medical care budget authority, an increase of \$3.7 billion over the FY 2008 operating budget level established by P.L. 110-161, the Omnibus Appropriations bill, and approximately \$1.6 billion above the Administration's FY 2009 request. It is important to note that our budget recommendations reflect a distinct change from past years as it reinforces the long-held policy that medical care collections should be a supplement to—not a substitute for—real dollars. The Administration, year-after-year, chooses to include medical care collections as part of its overall funding authority for Medical Services. However, we believe that the cost of medical care services should be provided for entirely through direct appropriations. In order to develop this recommendation, we used the maximum appropriation amount included in P.L. 110-161 for VA medical care and added the projected medical care collections to that amount to formulate our baseline.

The medical care appropriation in past years has included three separate accounts—Medical Services, Medical Administration, and Medical Facilities—that comprise the total VA health care funding level. However, for FY 2009, the Administration's Budget Request recommends consolidating Medical Services and Medical Administration into a single account. In order to properly reflect this in our recommendations, the separate accounts for Medical Services and Medical Administration must be added together. For FY 2009, *The Independent Budget* recommends approximately \$38.2 billion for Medical Services. Our Medical Services recommendation includes the following recommendations:

Current Services Estimate.....	\$32,574,528,000
Increase in Patient Workload.....	\$1,045,470,000
Policy Initiatives.....	\$1,000,000,000
Medical Administration.....	\$3,625,762,000
Total FY 2007 Medical Services.....	\$38,245,760,000

In order to develop our current services estimate, we first added the estimated collections for FY 2008 to the Medical Services appropriation for FY 2008. This best reflects the total budget authority that the VA will use to provide health care services. This amount was then increased by relevant rates of inflation. We also use the Obligations by Object in the President's Budget submission in order to set the framework for our recommendation. We believe this method allows us to apply more accurate inflation rates to specific accounts within the overall account. Our inflation rates are based on five-year averages of different inflation categories from the Consumer Price Index-All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics every month.