



# Veterans' Medical Care: FY2012 Appropriations

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## Summary

The Department of Veterans Affairs (VA) provides benefits to veterans who meet certain eligibility criteria. Benefits to veterans range from disability compensation and pensions to hospital and medical care. The VA provides these benefits through three major operating units: the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA).

This report focuses on the VHA. The VHA is primarily a direct service provider of primary care, specialized care, and related medical and social support services to veterans through the nation's largest integrated health care system. Veterans generally must enroll in the VA health care system to receive medical care. Eligibility for enrollment is based primarily on previous military service, disability, and income. VA provides free inpatient and outpatient medical care to veterans for service-connected conditions and to low-income veterans for nonservice-connected conditions.

The President submitted his FY2012 budget request to Congress on February 14, 2011. The Administration's FY2012 budget request for VHA (medical services, medical support and compliance, medical facilities, and medical and prosthetic research) is \$51.4 billion. The President's budget is proposing to set up a \$953 million contingency fund that would provide additional funds up to \$953 million to become available for obligation if the Administration determines that additional funds are required due to changes in economic conditions in 2012. Furthermore, as required by the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81), the President's budget is requesting \$52.5 billion in advance appropriations for the three medical care appropriations (medical services, medical support and compliance, and medical facilities) for FY2013.

On June 14, the House passed the Military Construction and Veterans Affairs and Related Agencies Appropriations bill (MILCON-VA appropriations bill) for FY2012 (H.R. 2055; H.Rept. 112-94). The House-passed measure provides \$51.1 billion for VHA for FY2012. This is an increase of 5.2% over the FY2011-enacted amount and \$218 million less than the President's request. Additionally, H.R. 2055, as passed by the House, provides \$52.5 billion in advance appropriations for FY2013 for three of the four accounts—medical services, medical support and compliance, and medical facilities—that make up VHA, same as the Administration's request. The bill provides \$531 million for the medical and prosthetic research account. This is a 4.3% increase over the President's request of \$509 million.

The Senate passed its version of the MILCON-VA Appropriations bill for FY2012 (H.R. 2055; S.Rept. 112-29) on July 20. The Senate-passed version of H.R. 2055 provides a total of \$51.2 billion for VHA. This is a 5.3% increase over the FY2011-enacted amount and \$168 million less than the President's request. Similar to the House-passed version, the Senate-passed version of the MILCON-VA appropriations bill for FY2012 provides \$52.5 billion in advance appropriations for FY2013. The measure provides \$581 million of the medical and prosthetic research account. This is a 14.1% increase over the President's request and a 9.4% increase over the House-passed amount for this account. Both the House and Senate versions of the MILCON-VA appropriations bill for FY2012 (H.Rept. 112-94; S.Rept. 112-29) did not approve the President's proposal to set up a \$953 million contingency fund.

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## Introduction

The Department of Veterans Affairs (VA) provides a range of benefits and services to veterans<sup>1</sup> who meet certain eligibility rules; these benefits include medical care, disability compensation and pensions,<sup>2</sup> education,<sup>3</sup> vocational rehabilitation and employment services,<sup>4</sup> assistance to homeless veterans,<sup>5</sup> home loan guarantees,<sup>6</sup> administration of life insurance as well as traumatic injury protection insurance for servicemembers,<sup>7</sup> and death benefits that cover burial expenses.<sup>8</sup>

The department carries out its programs nationwide through three administrations and the Board of Veterans Appeals (BVA). The Veterans Benefits Administration (VBA) is responsible for, among other things, providing compensation, pensions, and education assistance. The National Cemetery Administration (NCA)<sup>9</sup> is responsible for maintaining national veterans' cemeteries; providing grants to states for establishing, expanding, or improving state veterans' cemeteries; and providing headstones and markers for the graves of eligible persons, among other things. The Veterans Health Administration (VHA) is responsible for health care services and medical and prosthetic research programs. The VHA is primarily a direct service provider of primary care, specialized care, and related medical and social support services to veterans through the nation's largest integrated health care system. Veterans generally must enroll in the VA health care system to receive medical care. Eligibility for enrollment is based primarily on previous military service, disability, and income. Once enrolled, veterans are assigned to one of eight categories (see the **Appendix**). The VA provides free inpatient and outpatient medical care to veterans for service-connected conditions and to low-income veterans for nonservice-connected conditions.<sup>10</sup>

This report focuses on appropriations for VHA. It begins with a brief overview of the VA's budget for FY2011 (the current fiscal year) as a whole. It then presents a brief overview of VHA's budget formulation, description of the accounts that fund the VHA, and a summary of the FY2011 VHA

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<sup>1</sup> In general, payments of benefits made to, or on account of, a beneficiary under any law administered by the VA are exempt from federal taxation (38 U.S.C. § 5301).

<sup>2</sup> For a detailed description of disability compensation and pension programs, see CRS Report RL34626, *Veterans' Benefits: Benefits Available for Disabled Veterans*, by Christine Scott and Carol D. Davis; CRS Report RL33323, *Veterans Affairs: Benefits for Service-Connected Disabilities*, by Douglas Reid Weimer; and CRS Report RS22804, *Veterans' Benefits: Pension Benefit Programs*, by Christine Scott and Carol D. Davis.

<sup>3</sup> For a discussion of education benefits, see CRS Report R40723, *Educational Assistance Programs Administered by the U.S. Department of Veterans Affairs*, by Cassandra Dortch.

<sup>4</sup> For details on VA's vocational rehabilitation and employment, see CRS Report RL34627, *Veterans' Benefits: The Vocational Rehabilitation and Employment Program*, by Christine Scott and Carol D. Davis.

<sup>5</sup> For detailed information on homeless veterans programs, see CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.

<sup>6</sup> For details on the home loan guarantee program, see CRS Report RS20533, *VA-Home Loan Guaranty Program: An Overview*, by Bruce E. Foote.

<sup>7</sup> For details on insurance programs, see CRS Report R41435, *Veterans' Benefits: Current Life Insurance Programs*, by Christine Scott.

<sup>8</sup> For details on death benefits, see CRS Report R41386, *Veterans' Benefits: Burial Benefits and National Cemeteries*, by Christine Scott.

<sup>9</sup> Established by the National Cemeteries Act of 1973 (P.L. 93-43).

<sup>10</sup> The term "service-connected" means, with respect to disability or death, that such disability was incurred or aggravated, or that the death resulted from a disability incurred or aggravated, in the line of duty in the active military, naval, or air service (38 U.S.C. § 101).

budget. The report ends with a section discussing recent legislative developments pertaining to the FY2012 VHA budget.

## **Advance Appropriations<sup>11</sup>**

In order to understand annual appropriations for the Veterans Health Administration (VHA), it is essential to briefly discuss the role of advance appropriations. In 2009, Congress enacted the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81) authorizing advance appropriations for three of the four accounts that make up VHA: medical services, medical support and compliance, and medical facilities.<sup>12</sup> The fourth account, the medical and prosthetic research account, is not funded as an advance appropriation. P.L. 111-81 also required the Department of Veterans Affairs to submit a request for advance appropriations for VHA with its budget request each year. Congress first provided advance appropriations for the three VHA accounts in the FY2010 appropriations cycle. The Consolidated Appropriations Act, 2010 (P.L. 111-117), provided advance appropriations for FY2011, and the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), provided advance appropriations for FY2012.

Under current budget scoring guidelines, new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, throughout the funding tables of this report, advance appropriations numbers are shown under the label “memorandum” and in the corresponding fiscal year column. For example, advance appropriations for FY2012 authorized by the Department of Defense and Full-Year Continuing Appropriations Act, FY2011 (P.L. 112-10), are shown under a separate memorandum and in the FY2012 column. However, it should be noted that budget authority for FY2012 refers to the budget authority authorized in P.L. 112-10 and any additional funding provided by the Military Construction and Veterans Affairs and Related Agencies Appropriations bill for FY2012 (H.R. 2055; H.Rept. 112-94; S.Rept. 112-29) that includes funding for the medical and prosthetic research account (the account that is not funded as an advance appropriation).

## **Department of Veterans Affairs Budget**

The VA's budget includes both mandatory and discretionary spending accounts. Mandatory funding supports disability compensation, pension benefits, education, vocational rehabilitation, and life insurance, among other benefits and services. Discretionary funding supports a broad array of benefits and services, including medical care. **Figure 1** provides a breakdown of FY2011 budget allocations for both mandatory and discretionary programs. In FY2011, the total VA budget authority was approximately \$120.6 billion; discretionary budget authority accounted for about 47% (\$56.3 billion) of the total, with about 86.3% of this discretionary funding going toward supporting VA health care programs, including medical and prosthetic research. The VA's

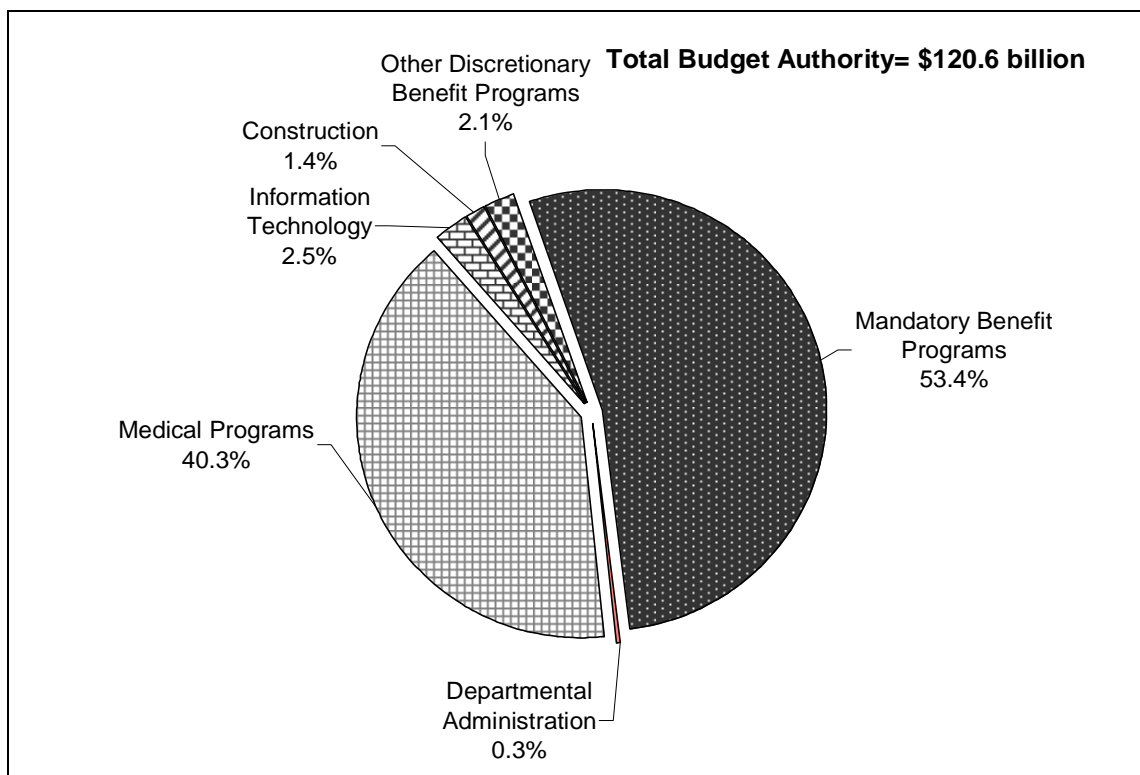
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<sup>11</sup> In general, an appropriations act makes budget authority available beginning on October 1 of the fiscal year for which the appropriations act is passed (“budget year”). However, some types of appropriations do not follow this pattern; among them are advance appropriations. An advance appropriation means appropriation of new budget authority that becomes available one or more fiscal years beyond the fiscal year for which the appropriations act was passed (that is, beyond the budget year).

<sup>12</sup> Codified at 38 U.S.C. § 117.

mandatory budget authority accounted for about 53% of the total VA budget authority, with about 81% of this mandatory funding going toward disability compensation and pension programs.

**Figure I. FY2011 VA Budget Allocations**



**Source:** Chart prepared by the Congressional Research Service based on H.Rept. 112-94 and S.Rept. 112-29.

**Notes:** Discretionary budget authority includes medical programs; information technology; construction; other discretionary benefits, such as operation and maintenance of VA's national cemeteries; and departmental administration.

## Overview of Veterans Health Administration's Budget Formulation<sup>13</sup>

Similar to most federal agencies, the VA begins formulating its budget request approximately 10 months before the President submits the budget to Congress in early February. VHA's budget request to Congress begins with the formulations of the budget based on the Enrollee Health Care Projection Model (EHCPM).<sup>14</sup> The model estimates the amount of budgetary resources VHA will need to meet the expected demand for most of the health care services it provides.

<sup>13</sup> A major part of this discussion was drawn from U.S. Government Accountability Office, *Veterans' Health Care: VA Uses a Projection Model to Develop Most of Its Health Care Budget Estimate to Inform the President's Budget Request*, GAO-11-205, January 2011, pp. 4-8.

<sup>14</sup> The Veterans' Health Care Eligibility Reform Act of 1996 (P.L. 104-262) required the VHA to manage the provision of hospital care and medical services through an enrollment system based on a system of priorities.

The EHCPM's estimates are based on three basic components: the projected number of veterans who will be enrolled in VA health care, the projected utilization of VA's health care services—that is, the quantity of health care services enrollees are expected to use—and the projected unit cost of providing these services. Each component is subject to a number of adjustments to account for the characteristics of VA health care and the veterans who access VA's health care services. The EHCPM makes projections three or four years into the future based on data from the most recent fiscal year. For instance, in 2010, VHA used data from FY2009 to develop its health care budget estimate for the FY2012 request, including the advance appropriations request for FY2013.<sup>15</sup>

## **Funding for the VHA**

As noted previously, VHA is funded through four appropriations accounts. These are supplemented by other sources of revenue. Although the appropriations account structure has been subject to change from year to year, the appropriation accounts used to support the VHA traditionally include medical care, medical and prosthetic research, and medical administration. Congress also appropriates funds for construction of medical facilities through a larger appropriations account for construction for all VA facilities. In FY2004, “to provide better oversight and [to] receive a more accurate accounting of funds,” Congress changed the VHA's appropriations structure.<sup>16</sup> Specifically, the Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 2004 (P.L. 108-199, H.Rept. 108-401), funded VHA through four accounts: (1) medical services, (2) medical administration (currently known as medical support and compliance), (3) medical facilities, and (4) medical and prosthetic research. Brief descriptions of these accounts are provided below.

### **Medical Services**

The medical services account covers expenses for furnishing inpatient and outpatient care and treatment of veterans and certain dependents, including care and treatment in non-VA facilities; outpatient care on a fee basis; medical supplies and equipment; salaries and expenses of employees hired under Title 38, United States Code; cost of hospital food service operations;<sup>17</sup> and aid to state veterans' homes.

### **Medical Support and Compliance (Previously Medical Administration)**

The medical support and compliance account provides funds for the expenses related to the administration of hospitals, nursing homes, and domiciliaries; billing and coding activities; public health and environmental hazard programs; quality and performance management; medical

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<sup>15</sup> VHA uses methodologies other than the EHCPM to develop estimates of the amount of resources needed for long-term care services, and various legislative and health care related initiatives that may change from year to year.

<sup>16</sup> U.S. Congress, Conference Committees, *Consolidated Appropriations Act, 2004*, conference report to accompany H.R. 2673, 108<sup>th</sup> Cong., 1<sup>st</sup> sess., H.Rept. 108-401, p. 1036.

<sup>17</sup> In its FY2008 budget request to Congress, the VA requested the transfer of food service operations costs from the medical facilities appropriations to the medical services appropriations. The House and Senate Appropriations Committees concurred with this request. The cost of food service operations support hospital food service workers, provisions, and supplies related to the direct care of patients.



inspection; human research oversight; training programs and continuing education; security; volunteer operations; and human resources management.

## **Medical Facilities**

The medical facilities account covers, among other things, expenses for the maintenance and operation of VHA facilities; administrative expenses related to planning, design, project management, real property acquisition and disposition, construction, and renovation of any VHA facility; leases of facilities; and laundry services.

## **Medical and Prosthetic Research**

As required by law, the medical and prosthetic research program (medical research) focuses on research into the special health care needs of veterans.<sup>18</sup> This account provides funding for many types of research, such as investigator-initiated research; mentored research; large-scale, multi-site clinical trials; and centers of excellence. VA researchers receive funding not only through this account but also from the Department of Defense (DOD), the National Institutes of Health (NIH), and private sources.

In general, VA's research program is intramural; that is, research is performed by VA investigators at VA facilities and approved off-site locations. Unlike other federal agencies, such as NIH and DOD, VA does not have the statutory authority to make research grants to colleges and universities, cities and states, or any other non-VA entities.

## **Medical Care Collections Fund (MCCF)**

In addition to direct appropriations accounts mentioned above, the Committees on Appropriations include medical care cost recovery collections when considering funding for the VHA. Congress has provided VHA the authority to bill some veterans and most health care insurers for nonservice-connected care provided to veterans enrolled in the VA health care system, to help defray the cost of delivering medical services to veterans.<sup>19</sup> Funds collected from First and Third Party (copayments and insurance) bills are retained by the VA health care facility that provided the care for the veteran.

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<sup>18</sup> 38 U.S.C. § 7303(a)(3). The Office of Research and Development (ORD) within the Veterans Health Administration (VHA) manages the medical research program. The medical research program encompasses, among other things, biomedical laboratory research, clinical trials, health services research, and rehabilitation research.

<sup>19</sup> The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), enacted into law in 1986. This law also established means testing for veterans seeking care for nonservice-connected conditions. The Balanced Budget Act of 1997 (P.L. 105-33) gave the VHA the authority to retain these funds in the Medical Care Collections Fund (MCCF). Instead of returning the funds to the Treasury, the VA can use them, without fiscal year limitations, for medical services for veterans. In FY2004, the Administration's budget requested consolidating several existing medical collections accounts into one MCCF. The conferees of the Consolidated Appropriations Act of 2004 (H.Rept. 108-401) recommended that collections that would otherwise be deposited in the Health Services Improvement Fund (former name), Veterans Extended Care Revolving Fund (former name), Special Therapeutic and Rehabilitation Activities Fund (former name), Medical Facilities Revolving Fund (former name), and the Parking Revolving Fund (former name) should be deposited in MCCF. The Consolidated Appropriations Act of 2005 (P.L. 108-447, H.Rept. 108-792) provided the VA with permanent authority to deposit funds from these five accounts into the MCCF.

As shown in **Table 1**, MCCF collections increased from \$1.7 billion in FY2004 to \$2.8 billion in FY2010. During this same period, first-party collections (for pharmacy, inpatient and outpatient, and long-term care copayments) increased by 17%, from \$742 million to \$870 million. In FY2004, first-party collections represented 42% of MCCF collections, and in FY2010, first-party collections represented approximately 31% of total collections. Furthermore, from FY2004 to FY2010, third-party collections increased by 98%, from \$960 million in FY2004 to \$1.9 billion in FY2010. In FY2004, third-party collections accounted for 55% of total collections, and in FY2010, third-party collections accounted for 67% of total MCCF collections.

**Table 1. Medical Care Collections, FY2004-FY2010**

(\$ in thousands)

	<b>FY2004 Actual</b>	<b>FY2005 Actual</b>	<b>FY2006 Actual</b>	<b>FY2007 Actual</b>	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>
First-party pharmacy copayments <sup>a</sup>	\$623,215	\$648,204	\$723,027	\$760,616	\$749,685	\$720,238	\$698,325
First-party copayments for inpatient and outpatient care	113,878	118,626	135,575	150,964	168,274	168,092	168,519
First-party long-term care copayments <sup>b</sup>	5,077	5,411	4,347	3,699	3,751	3,419	3,092
<i>Subtotal first-party copayments</i>	<i>742,170</i>	<i>772,241</i>	<i>862,949</i>	<i>915,279</i>	<i>921,710</i>	<i>891,749</i>	<i>869,936</i>
Third-party insurance collections	960,176	1,055,597	1,095,810	1,261,346	1,497,449	1,843,202	1,904,032
Enhanced use leasing revenue <sup>c</sup>	459	26,861	3,379	1,692	1,422	1,601	1,694
Compensated work therapy collections <sup>d</sup>	40,488	36,516	40,081	43,296	52,372	56,106	57,108
Parking fees <sup>e</sup>	3,349	3,443	3,083	3,136	3,355	3,585	3,611
Compensation and pension living expenses <sup>f</sup>	634	2,431	2,075	1,904	1,572	1,952	1,523
<b>MCCF Total</b>	<b>\$1,747,276</b>	<b>\$1,897,089</b>	<b>\$2,007,377</b>	<b>\$2,226,653</b>	<b>\$2,477,880</b>	<b>\$2,798,195</b>	<b>2,837,904</b>

**Source:** Department of Veterans Affairs, *FY2012 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, February 2011, pp. 1B-15.

**Notes:** The following accounts were not consolidated into the MCCF until FY2004: enhanced use leasing revenue, compensated work therapy collections, parking fees, and compensation and pension living expenses. Collection figures for these accounts for FY2003 are provided for comparison purposes.

- a. In FY2002, Congress created the Health Services Improvement Fund (HSIF) to collect increases in pharmacy copayments (from \$2 to \$7 for a 30-day supply of outpatient medication; currently \$8 for Priority Groups 2-6 veterans and \$9 for Priority Groups 7 and 8 veterans), which went into effect on February 4, 2002. The Consolidated Appropriations Resolution, 2003 (P.L. 108-7) granted the VA the authority to consolidate the HSIF with the MCCF and granted permanent authority to recover copayments for outpatient medications.
- b. Authority to collect long-term care copayments was established by the Millennium Health Care and Benefits Act (P.L. 106-117). Certain veteran patients receiving extended care services from VA providers or outside contractors are charged copayments.
- c. Under the enhanced-use lease authority, the VA may lease land or buildings to the private sector for up to 75 years. In return the VA receives fair consideration in cash and/or in-kind. Funds received as monetary considerations may be used to provide care for veterans.
- d. The compensated work therapy program is a comprehensive rehabilitation program that prepares veterans for competitive employment and independent living. As part of their work therapy, veterans produce items for sale or undertake subcontracts to provide certain products and/or services, such as providing temporary staffing to a private firm. Funds collected from the sale of these products and/or services are deposited into the MCCF.

- e. The Parking program provides funds for construction and acquisition of parking garages at VA medical facilities. The VA collects fees for use of these parking facilities.
- f. Under the compensation and pension living expenses program, veterans who do not have either a spouse or child would have their monthly pension reduced to \$90 after the third month a veteran is admitted for nursing home care. The difference between the veteran's pension and the \$90 is used for the operation of the VA medical facility.

## **FY2011 Budget Summary**

### **President's Request**

The Obama Administration released its FY2011 budget on February 1, 2010. The Administration's FY2011 budget request for three of the four accounts of VHA (medical services, medical support and compliance, medical facilities) was the same as the funding amounts provided in the MILCON-VA Appropriations Act of 2010 (P.L. 111-117), which was \$48.1 billion. In addition, the President's request included \$590 million for the medical and prosthetic research account. In total, the FY2011 budget request for VHA was \$48.8 billion, excluding medical care collections. For FY2011, the Administration estimated that it will obtain \$3.4 billion in medical collections, for a total VHA funding level of \$52.1 billion. This is \$4.1 billion, or 8.6%, above FY2010 levels (**Table 2**).

Furthermore, the President's budget requested \$50.6 billion in advance appropriations for the three medical care accounts for FY2012. Specifically, the Administration's FY2011 budget request would have provided advance appropriations for FY2012 in the amount of \$39.6 billion for the medical services account, \$5.5 billion for medical support and compliance account, and \$5.4 billion for the medical facilities account (**Table 2**).

### **House Action**

On July 28, 2010, the House passed its version of the FY2011 Military Construction and Veterans Affairs and Related Agencies Appropriations bill (MILCON-VA appropriations bill for FY2011, H.R. 5822; H.Rept. 111-559). The House-passed bill provided a total of \$48.8 billion for the Veterans Health Administration (VHA) for FY2011, which included \$48.1 billion authorized in the FY2010 Military Construction and Veterans Affairs and Related Agencies Appropriations Act (P.L. 111-117) and \$590 million for the medical and prosthetic research account. H.R. 5822 provided advance appropriations of \$50.6 billion for the medical services, medical support and compliance, and medical facilities accounts to be available in FY2012. This is the same as the Administration's request and 5.0% above the FY2011 total amount for the same three accounts (**Table 2**).

### **Senate Committee Action**

On July 15, 2010, the Senate Committee on Appropriations marked up its version of the MILCON-VA appropriations bill for FY2011 (S. 3615; S.Rept. 111-226). The Senate Appropriations Committee version of the bill provided \$48.9 billion for VHA for FY2011. This amount includes \$48.1 billion authorized in FY2010, an additional \$120 million for the medical services and medical facilities accounts, and \$590 million for the medical and prosthetic research account. The Senate Appropriations Committee-recommended amount was thus \$120 million

more than the President's request for VHA for FY2011. S. 3615 also provided an advance appropriation in the amount of \$50.6 billion for medical services, medical support and compliance, and medical facilities accounts to be available in FY2012 (**Table 2**).

## **Full-Year Continuing Appropriations Act, 2011**

At the beginning of the fiscal year, on October 1, 2010, FY2011 funding levels for most VA accounts had not been enacted by Congress. The three VHA accounts with advance appropriations were an exception. Although the budget debate continued six months into the new fiscal year, funding for the medical services, medical support and compliance, and medical facilities accounts of VA had already been appropriated by the Consolidated Appropriations Act (P.L. 111-117, H.Rept. 111-366), which provided advance appropriations for these accounts. Therefore, these accounts were not affected by the series of continuing resolutions (CRs) passed by Congress.

On April 15, 2011, the President signed into law the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (H.R. 1473, P.L. 112-10). This act provided a total of \$52.0 billion for VHA for FY2011. This includes \$48.6 billion in new budget authority and \$3.4 billion in medical care collections (MCCF). Additionally, P.L. 112-10 provided \$50.6 billion in advance appropriations for FY2012 (**Table 2**).

Table 2.VHA Appropriations by Account, FY2010-FY2011, and Advance Appropriations, FY2012

(\$ in thousands)

Account	Enacted (P.L. 111-117)		Request		House (H.R. 5822; H.Rept. 111-559)		Senate Committee (S. 3615; S.Rept. 111-226)		Full Year Continuing Resolution (H.R. 1473; P.L. 112-10) <sup>a</sup>	
	FY2010	FY2011	FY2011 <sup>b</sup>	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012
Medical Services	\$34,707,500	—	\$37,136,000	—	\$37,136,000	—	\$37,136,000	—	\$37,061,728	—
Additional Funding over FY2011 Advance Appropriation	—	—	—	—	—	—	100,000	—	—	—
<i>Subtotal Medical Services</i>	<i>34,707,500</i>	—	<i>37,136,000</i>	—	<i>37,136,000</i>	—	<i>37,236,000</i>	—	<i>37,061,728</i>	—
Medical Support and Compliance (Previously Medical Administration)	4,930,000	—	5,307,000	—	5,307,000	—	5,307,000	—	5,296,454	—
Pay Freeze Rescission (P.L. 112-10)	—	—	—	—	—	—	—	—	-34,000	—
<i>Subtotal Medical Support and Compliance (Previously Medical Administration)</i>	<i>4,930,000</i>	—	<i>5,307,000</i>	—	<i>5,307,000</i>	—	<i>5,307,000</i>	—	<i>5,262,454</i>	—
Medical Facilities	4,859,000	—	5,740,000	—	5,740,000	—	5,740,000	—	5,728,550	—
Additional Funding over FY2011 Advance Appropriation	—	—	—	—	—	—	20,000	—	—	—
Pay Freeze Rescission (P.L. 112-10)	—	—	—	—	—	—	—	—	-15,000	—

Account	Enacted (P.L. 111-117)		Request		House (H.R. 5822; H.Rept. 111-559)		Senate Committee (S. 3615; S.Rept. 111-226)		Full Year Continuing Resolution (H.R. 1473; P.L. 112-10) <sup>a</sup>	
	FY2010	FY2011	FY2011 <sup>b</sup>	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012
<i>Subtotal Medical Facilities</i>	4,859,000	—	5,740,000	—	5,740,000	—	5,760,000	—	5,713,550	—
Medical and Prosthetic Research	581,000	—	590,000	—	590,000	—	590,000	—	579,838	—
<i>Subtotal Medical and Prosthetic Research</i>	581,000	—	590,000	—	590,000	—	590,000	—	579,838	—
<b>Total VHA Appropriations (without collections)</b>	<b>45,077,500</b>	—	<b>48,773,000</b>	—	<b>48,773,000</b>	—	<b>48,893,000</b>	—	<b>48,617,570</b>	—
Medical Care Cost Collections (MCCF)	2,954,000	—	3,393,000	—	3,393,000	—	3,393,000	—	3,393,000	—
<b>Total VHA Appropriations (with collections)</b>	<b>\$48,031,500</b>	—	<b>\$52,166,000</b>	—	<b>\$52,166,000</b>	—	<b>\$52,286,000</b>	—	<b>\$52,010,570</b>	—
<b>Memorandum: Advance Appropriations<sup>c</sup></b>										
Medical Services	—	\$37,136,000	—	\$39,649,985	—	\$39,649,985	—	\$39,649,985	—	\$39,649,985
Medical Support and Compliance (Previously Medical Administration)	—	5,307,000	—	5,535,000	—	5,535,000	—	5,535,000	—	5,535,000
Medical Facilities	—	5,740,000	—	5,426,000	—	5,426,000	—	5,426,000	—	5,426,000

Account	Enacted (P.L. 111-117)		Request		House (H.R. 5822; H.Rept. 111-559)		Senate Committee (S. 3615; S.Rept. 111-226)		Full Year Continuing Resolution (H.R. 1473; P.L. 112-10) <sup>a</sup>	
	FY2010	FY2011	FY2011 <sup>b</sup>	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012
<b>Total VHA Advance Appropriations (without collections)</b>	—	\$48,183,000	—	\$50,610,985	—	\$50,610,985	—	\$50,610,985	—	\$50,610,985

**Source:** Prepared by the Congressional Research Service, based on figures from the Congressional Record, vol.171 (November 18, 2009), pp. S11503-S11508, Division E of H.Rept. 111-366; H.Rept. 111-559, and S.Rept. 111-226. FY2011 enacted figures based on information from the House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies.

- a. FY2011 enacted funding amounts reflects the 0.2% government-wide rescission required by Division B, Section 1119(a) of the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (H.R. 1473, P.L. 112-10).
- b. The President's Budget request for FY2011 reflects the same amounts appropriated for 2011 in the MILCON-VA Appropriations Act of 2010 (P.L. 111-117) as an advance appropriation.
- c. The Veterans Health Care Budget Reform and Transparency Act 2009 (P.L. 111-81; codified at 38 U.S.C. §117) provided for advance appropriations (appropriations that become available one fiscal year after the fiscal year for which the appropriations act was enacted ) for VA's medical services, medical support and compliance, and medical facilities appropriations accounts, and requires the VA to submit a request for advance appropriation with its budget submission year.

## FY2012 VHA Budget

### President's Request

The President submitted his FY2012 budget request to Congress on February 14, 2011. The Administration requested a total of \$128.3 billion for the VA as a whole. This includes \$69.5 billion in mandatory spending and \$58.8 billion in discretionary spending (**Table 3**). The Administration's FY2012 budget request for VHA (medical services, medical support and compliance, medical facilities and medical and prosthetic research) is \$51.4 billion. In total, the FY2012 budget request for VHA is \$54.6 billion, including medical care collections (**Table 4**). The President's budget is also proposing to set up a \$953 million contingency fund that would provide additional funds up to \$953 million to become available for obligation if the Administration determines that additional funds are required due to changes in economic conditions in 2012. Funding for this contingency fund would be derived by revising the FY2012 advance appropriations request—included in the FY2011 President's budget request—by lowering the advance appropriations by \$713 million to reflect the 2011 and 2012 estimated civilian pay freeze<sup>20</sup> and by requesting an additional \$240 million for the medical services account in FY2012 (**Table 4**). Furthermore, the President's budget is requesting \$52.5 billion in advance appropriations for FY2013 for the three medical care accounts (medical services, medical support and compliance, and medical facilities). The President's budget request would provide \$41.4 billion for the medical services account, \$5.7 billion for the medical support and compliance account, and \$5.4 billion for the medical facilities account (**Table 4**).

### House Budget Resolution

The House Budget Committee reported a concurrent resolution on the FY2012 budget (H.Con.Res. 34 ; H.Rept. 112-58) on April 11, 2011. The House passed H.Con.Res. 34 on April 15. According to the committee report accompanying H.Con.Res. 34 for veterans programs:

The resolution calls for \$128.3 billion in budget authority and \$127.1 billion in outlays in fiscal year 2012. Discretionary spending, mainly veterans' health care, is \$59.0 billion in budget authority and \$57.9 billion in outlays in fiscal year 2012. This resolution also provides for up to \$52.5 billion in advance appropriations consistent with the Veterans Health Care Budget and Reform Transparency Act of 2009. Mandatory spending in 2012 is \$69.4 billion in budget authority and \$69.3 billion in outlays.<sup>21</sup>

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<sup>20</sup> On November 29, 2010, the President proposed a freeze in civilian pay for federal employees for 2011 and 2012. The White House, Office of the Press Secretary, "Fact Sheet: Cutting the Deficit by Freezing Federal Employee Pay," November 29, 2010, <http://www.whitehouse.gov/the-press-office/2010/11/29/fact-sheet-cutting-deficit-freezing-federal-employee-pay>.

<sup>21</sup> U.S. Congress, House Committee on the Budget, *Concurrent Resolution on the Budget-FY2012*, report to accompany H.Con.Res. 34, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., April 11, 2011 (Washington: GPO, 2011), p. 115.



## House Action

The House Military Construction and Veterans Affairs Appropriations Subcommittee approved a draft FY2012 Military Construction and Veterans Affairs and Related Agencies Appropriations Act (MILCON-VA Appropriations Act) on May 13, 2011. On May 24, the full House Appropriations Committee voted to report the measure. On June 14, the House passed the MILCON-VA Appropriations Act for FY2012 (H.R. 2055; H.Rept. 112-94). The House-passed bill provides a total of approximately \$127.8 billion for the VA. This amount is 5.9% above the FY2011-enacted amount and \$476 million below the FY2012 President's request (**Table 3**). The House-passed measure provides \$51.1 billion for VHA for FY2012 (see **Table 4**). This is an increase of 5.2% over the FY2011-enacted amount and \$218 million less than the President's request. Additionally, H.R. 2055, as passed by the House, provides \$52.5 billion in advance appropriations for FY2013 for three relevant accounts (medical services, medical support and compliance, and medical facilities), the same amount as the Administration's request. The bill also provides \$531 million for the medical and prosthetic research account, a 4.3% increase over the President's request of \$509 million (**Table 4**). The House-passed measure did not provide the additional \$240 million requested by the President. According to the committee report accompanying H.R. 2055:

The Committee does not provide this additional FY 2012 funding. As the economy begins to recover, it seems unlikely that economic conditions will generate unmet medical services needs, particularly since the account has weathered the worst of the recession without budget shortfalls. The Committee's recommendation does not include rescission of \$664,000,000 of FY 2011 and FY 2012 funding that remains in the medical care accounts from the cancelled pay raises. Rather, the Committee permits the funding to remain in the account to cover any unanticipated medical service costs. The bill includes language indicating that the \$664,000,000 will be available only in the fourth quarter of the fiscal year upon approval of the Appropriations Committees of a request from the VA to release the funding due to unanticipated needs related to economic conditions.<sup>22</sup>

During floor debate of the MILCON-VA Appropriations Act, FY2012, Representative John Culberson offered H.Amdt. 409, which was agreed upon by the House. This amendment set aside \$20 million from the medical services account for FY2012 for suicide prevention outreach.

## Senate Action

On June 28, the Senate Appropriations Committee, Subcommittee on Military Construction, Veterans Affairs and Related Agencies marked up the FY2012 Military Construction, Veterans Affairs (VA) and Related Agencies Appropriations Act (MILCON-VA Appropriations Act, FY2012) and the full committee reported the measure with an amendment in the form of a substitute on June 30 (H.R. 2055; S.Rept. 112-29). The Senate passed the bill on July 20. The Senate-passed version of the MILCON-VA appropriations bill for FY2012 provides a total of approximately \$128.1 billion for the Department of Veterans Affairs (VA) as a whole. This amount is 6.2% above the FY2011-enacted amount of \$120.6 billion, and \$182 million below the President's budget request of \$128.3 billion (**Table 3**). The Senate-passed version of H.R. 2055 provides a total of \$51.2 billion for VHA. This is a 5.3% increase over the FY2011-enacted

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<sup>22</sup> U.S. Congress, House Committee on Appropriations, *Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill 2012*, report to accompany H.R. 2055, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., May 31, 2011, H.Rept. 112-94, p. 37.

amount and \$168 million less than the President's request (**Table 4**). Similar to the House-passed version, the Senate-passed version of the MILCON-VA Appropriations Act, FY2012, provides \$52.5 billion in advance appropriations for FY2013 for the three relevant accounts, the same as the Administration's request. The measure also provides \$581 million for the medical and prosthetic research account, a 14.1% increase over the President's request and 9.4% increase over the House-passed amount for this account (**Table 4**). As was the case with the House-passed measure, the Senate bill did not provide the additional funding of \$240 million or the \$953 million contingency fund requested by the President. According to the Senate Appropriations Committee report:

In addition to funding for VHA's regular Medical services programs, the Administration's budget submission requested a separate \$953,000,000 contingency fund within the Medical services account in the event that the current economic climate results in a spike in veterans turning to the VA for their medical care. The request was partially offset by a rescission of \$713,000,000 which was the cumulative 2011 and 2012 pay freeze. The balance, \$240,000,000, was requested above the advance appropriation provided to the Department for fiscal year 2012. Under the proposal, the contingency funds would become available for obligation only if the Administration determined that additional funds were required due to unanticipated demand for VA medical services, and only if the Office of Management and Budget [OMB] approved the request. The Committee remains committed to providing the Department with every resource it requires to meet the needs of veterans, but it does not believe that the creation of a contingency fund, which takes control of medical resources out of the hands of the Department and places it within the jurisdiction of OMB, is prudent policy. Further, the Department's fiscal year 2013 request assumes that the VA will carry \$500,000,000 over from fiscal year 2012. The Committee believes that before requesting a contingency fund the VA should utilize funding that is available to the Department. Toward this end, the Committee recommendation does not rescind \$664,000,000 which remains in the medical care accounts from the cancelled pay raises, and rather leaves the funding within the Medical services account for use by the Department to address unanticipated demand, should it materialize.<sup>23</sup>

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<sup>23</sup> U.S. Congress, Senate Committee on Appropriations, *Military Construction and Veterans Affairs, and Related Agencies Appropriations Bill, 2012*, report to accompany H.R. 2055, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., June 30, 2011, S.Rept. 112-29, p. 41.

**Table 3.VA Appropriations, FY2011-FY2012, and Advance Appropriations, FY2013**

(\$ in thousands)

	Full Year Continuing Resolution (H.R. 1473; P.L. 112-10)		Request		House (H.R. 2055; H.Rept. 112-94)		Senate (H.R. 2055; S.Rept. 112-29)	
	FY2011 <sup>a</sup>	FY2012	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013
Total Department of Veterans Affairs (VA)	\$120,641,583	—	\$128,272,589	—	\$127,796,852	—	\$128,090,847	—
Total Mandatory	64,305,912	—	69,497,269	—	69,497,269	—	69,497,269	—
Total Discretionary	56,335,671	—	58,775,320	—	58,299,583	—	58,593,578	—
Total Veterans Health Administration (VHA) <sup>b</sup>	\$48,617,570	—	\$51,359,759	—	\$51,141,759	—	\$51,191,985	—
<b>Memorandum:</b>								
Advance appropriations VHA <sup>c</sup>	—	\$50,610,985	—	\$52,541,000	—	\$52,541,000	—	\$52,541,000

**Source:** Prepared by the Congressional Research Service. FY2011 enacted figures based on information from the House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, and S.Rept. 112-29. The FY2012 request and House and Senate figures are based on H.Rept. 112-94, and S.Rept. 112-29.

a. This amount also reflects the 0.2% government-wide rescission required by Division B, Section 1119(a) of the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), and the FY2011 pay freeze rescission.

b. Includes funding for medical services, medical support and compliance, medical facilities, and medical and prosthetic research accounts, and excludes collections deposited into the Medical Care Collections Fund (MCCF).

c. The Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10) provided budget authority for FY2012 for the following accounts: medical services, medical support and compliance, and medical facilities. Under current budget scoring guidelines new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table the budget authority is recorded in the FY2012 column. Likewise, H.R. 2055 (H.Rept. 112-94; S.Rept. 112-29) provided advance appropriations budget authority for FY2013 for those same accounts. Under current budget scoring guidelines, new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table this budget authority is recorded in the FY2013 column.

**Table 4.VHA Appropriations by Account, FY2011-FY2012, and Advance Appropriations, FY2013**

(\$ in thousands)

Account	Full-Year Continuing Appropriations Act, 2011 (H.R. 1473; P.L. 112-10)		President's Budget Request		House (H.R. 2055; H.Rept. 112-94)		Senate (H.R. 2055; S.Rept. 112-29)	
	FY2011 <sup>a</sup>	FY2012	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013
Medical Services	\$37,061,728	—	\$39,649,985	—	\$39,649,985	—	\$39,649,985	—
Additional Funding over FY2012	—	—	\$240,000	—	—	—	—	—
Advance Appropriation	—	—	—	—	—	—	—	—
<i>Subtotal Medical Services</i>	<i>37,061,728</i>	<i>—</i>	<i>39,889,985</i>	<i>—</i>	<i>39,649,985</i>	<i>—</i>	<i>39,649,985</i>	<i>—</i>
Medical Support and Compliance (Previously Medical Administration)	5,296,454	—	5,535,000	—	5,535,000	—	5,535,000	—
Pay Freeze Rescission (P.L. 112-10)	-34,000	—	—	—	—	—	—	—
<i>Subtotal Medical Support and Compliance (Previously Medical Administration)</i>	<i>5,262,454</i>	<i>—</i>	<i>5,535,000</i>	<i>—</i>	<i>5,535,000</i>	<i>—</i>	<i>5,535,000</i>	<i>—</i>
Medical Facilities	5,728,550	—	5,426,000	—	5,426,000	—	5,426,000	—
Pay Freeze Rescission (P.L. 112-10)	-15,000	—	—	—	—	—	—	—
<i>Subtotal Medical Facilities</i>	<i>5,713,550</i>	<i>—</i>	<i>5,426,000</i>	<i>—</i>	<i>5,426,000</i>	<i>—</i>	<i>5,426,000</i>	<i>—</i>
Medical and Prosthetic Research	579,838	—	508,774	—	530,774	—	581,000	—
<i>Subtotal Medical and Prosthetic Research</i>	<i>579,838</i>	<i>—</i>	<i>508,774</i>	<i>—</i>	<i>530,774</i>	<i>—</i>	<i>581,000</i>	<i>—</i>

	Full-Year Continuing Appropriations Act, 2011 (H.R. 1473; P.L. 112-10)		President's Budget Request		House (H.R. 2055; H.Rept. 112-94)		Senate (H.R. 2055; S.Rept. 112-29)	
<b>Total VHA Appropriations (without collections)</b>	<b>48,617,570</b>	—	<b>51,359,759</b>	—	<b>51,141,759</b>	—	<b>51,191,985</b>	—
Medical Care Cost Collections (MCCF)	3,393,000	—	\$3,326,000	—	3,326,000	—	3,326,000	—
<b>Total VHA Appropriations (with collections)</b>	<b>\$52,010,570</b>	—	<b>\$54,685,759</b>	—	<b>\$54,467,759</b>	—	<b>\$54,517,985</b>	—
<b>Memorandum: Advance Appropriations<sup>b</sup></b>								
Medical Services	—	\$39,649,985	—	\$41,354,000	—	\$41,354,000	—	\$41,354,000
Medical Support and Compliance (Previously Medical Administration)	—	5,535,000	—	\$5,746,000	—	5,746,000	—	5,746,000
Medical Facilities	—	5,426,000	—	\$5,441,000	—	5,441,000	—	5,441,000
<b>Total VHA Appropriations</b>	—	<b>\$50,610,985</b>	—	<b>\$52,541,000</b>	—	<b>\$52,541,000</b>	—	<b>\$52,541,000</b>

**Source:** : Prepared by the Congressional Research Service. FY2011 enacted figures based on information from the House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, and S.Rept. 112-29. FY2012 request and House and Senate figures based on H.Rept. 112-94, and S.Rept. 112-29.

a. This amount also reflects the 0.2% government-wide rescission required by Division B, Section 1119(a) of the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), and the FY2011 pay freeze rescission.

b. The Veterans Health Care Budget Reform and Transparency Act 2009 (P.L. 111-81; codified at 38 U.S.C. §117) provided for advance appropriations (appropriations that become available one fiscal year after the fiscal year for which the appropriations act was enacted) for VA's medical services, medical support and compliance, and medical facilities appropriations accounts, and requires the VA to submit a request for advance appropriation with its budget submission year. The Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10) provided budget authority for FY2012 for the following accounts: medical services, medical support and compliance, and medical facilities. Under current budget scoring guidelines new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table the budget authority is recorded in the FY2012 column. Likewise, H.R. 2055 (H.Rept. 112-94; S.Rept. 112-29) provided advance appropriations budget authority for FY2013 for those same accounts. Under current budget scoring guidelines, new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table this budget authority is recorded in the FY2013 column.

## Appendix. VA Priority Groups and Their Eligibility Criteria

**Table A-1. VA Priority Groups and Their Eligibility Criteria**

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**Priority Group 1**

Veterans with service-connected disabilities rated 50% or more disabling

Veterans determined by VA to be unemployable due to service-connected conditions

**Priority Group 2**

Veterans with service-connected disabilities rated 30% or 40% disabling

**Priority Group 3**

Veterans who are former POWs

Veterans awarded the Purple Heart<sup>a</sup>

Veterans whose discharge was for a disability that was incurred or aggravated in the line of duty

Veterans with service-connected disabilities rated 10% or 20% disabling

Veterans awarded special eligibility classification under Title 38, U.S.C., Section 1151, "benefits for individuals disabled by treatment or vocational rehabilitation"

**Priority Group 4**

Veterans who are receiving aid and attendance or housebound benefits

Veterans who have been determined by VA to be catastrophically disabled

**Priority Group 5**

Nonservice-connected veterans and noncompensable service-connected veterans rated 0% disabled whose annual income and net worth are below the established VA means test thresholds

Veterans receiving VA pension benefits

Veterans eligible for Medicaid benefits

**Priority Group 6**

Compensable 0% service-connected veterans

World War I veterans

Mexican Border War veterans

Veterans solely seeking care for disorders associated with

—exposure to herbicides while serving in Vietnam; or

—ionizing radiation during atmospheric testing or during the occupation of Hiroshima and Nagasaki; or

—for disorders associated with service in the Gulf War; or

—for any illness associated with service in combat in a war after the Gulf War or during a period of hostility after November 11, 1998 as follows:

- Veterans discharged from active duty on or after January 28, 2003, who were enrolled as of January 28, 2008, and veterans who apply for enrollment after January 28, 2008, for five years post discharge

- Veterans discharged from active duty before January 28, 2003, who apply for enrollment after January 28, 2008, until January 27, 2011

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**Priority Group 7**

Veterans who agree to pay specified copayments with income and/or net worth *above* the VA means test threshold and income *below* the VA national geographic income thresholds

**Priority Group 8**

Veterans who agree to pay specified copayments with income and/or net worth *above* the VA means test threshold and the VA national geographic threshold

Subpriority a: Noncompensable 0% service-connected and enrolled as of January 16, 2003, and who have remained enrolled since that date and/or placed in this subpriority due to changed eligibility status

Subpriority b: Noncompensable 0% service-connected and enrolled on or after June 15, 2009, whose income exceeds the current VA means test threshold or VA national geographic income thresholds by 10% or less

Subpriority c: Nonservice-connected veterans enrolled as of January 16, 2003, and who have remained enrolled since that date and/or placed in this subpriority due to changed eligibility status

Subpriority d: Nonservice-connected veterans enrolled on or after June 15, 2009, whose income exceeds the current VA means test threshold or VA national geographic income thresholds by 10% or less

Subpriority e: Noncompensable 0% service-connected veterans not meeting the above criteria

Subpriority g: Nonservice-connected veterans not meeting the above criteria

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**Source:** Department of Veterans Affairs.

**Notes:** Service-connected disability means with respect to disability, that such disability was incurred or aggravated in the line of duty in the active military, naval or air service.

a. Veterans in receipt of a Purple Heart are in Priority Group 3. This change occurred with the enactment of the Veterans Millennium Health Care and Benefits Act (P.L. 106-117) on November 30, 1999.

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