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**PROPOSED RESTRICTIONS ON ACCESS TO VA HEALTH CARE
IN NEW YORK CITY**

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Proposed Restrictions on Access to VA Health Care in New York City

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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 copayments 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 Reps. Charles B. Rangel, Major R. Owens, Edolphus Towns and Carolyn B. Maloney, who represent the 15th, 11th, 10th, and 14th Congressional Districts in New York, respectively, this report analyzes the impact of these changes on veterans in New York City.

The report finds that the proposed changes would cause over 130,000 New York veterans, including over 24,000 veterans from New York City, 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 over two thousand veterans in New York City.** The President's budget would freeze VA enrollment for "Priority 8" veterans, preventing an estimated 13,300 veterans in New York from enrolling to receiving care. Locally, this provision would prevent an estimated 2,400 veterans from enrolling in New York City VA facilities.
- **Increased fees would force thousands of New York City veterans to drop out of the VA health care system.** An estimated 120,000 New York veterans, including over 41,000 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. Locally, the proposals would force an estimated 21,700 veterans enrolled in New York City VA facilities, including an estimated 7,400 active patients, to drop out of the VA health care system.
- **Many veterans in New York City would pay an additional \$350 or more each year for VA care.** Other veterans in New York City would remain in the VA system but be forced to pay more for their health care. Veterans who receive prescription drugs from the VA and who fill a typical number of prescriptions each year could face new fees of almost \$600.

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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 veterans in New York. In 2003, the VA will provide care for an estimated 487,000 veterans in the state.¹ In New York City, veterans receive care at the New York Harbor VA medical center and at other clinics throughout New York City.

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.² 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 2003.³ Funding for the VA, however, increased by less than 60% during this period,⁴ 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 who have higher incomes.

¹ Department of Veterans Affairs, *FY 2003 End of Year Enrollment Projection* (Mar. 2003).

² 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).

³ 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.

⁴ 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).

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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 New York City, for a single veteran, this annual income level is \$35,150 (for a veteran with a single dependent, this income level is \$40,200).⁵ Priority 7 veterans are those who do not have service-related disabilities and who have incomes that are below the HUD means test income, 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 BUDGET 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.⁶ These provisions were included in the FY 2004 budget agreement that narrowly passed the House of Representatives and the Senate on

⁵ Department of Housing and Urban Development, *FY 2003 Income Limits* (Feb. 2003) (online at: <http://www.huduser.org/datasets/il/fmr03/index.html>).

⁶ 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 enrollment, which is expected to increase by 8% this year. *Supra* note 4. Some of the increase would pay for decreasing pharmacy copays 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* (Sept. 2002). Leading veterans groups have also indicated that the budget is inadequate to provide all necessary care. Disabled American Veterans et al., *The Independent Budget for Fiscal Year 2004: A Comprehensive Budget and Policy Document Created by Veterans for Veterans* (2003).

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April 11, 2003. This budget agreement also made additional cuts in the VA budget in future years.⁷

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 the VA, which to this date has never charged veterans an enrollment fee for care. Finally, a third set of provisions would increase copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for primary care payments would increase by 33%, from \$15 per visit to \$20 per visit. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.⁸

⁷ *Fiscal Year 2004 Budget Resolution* (Apr. 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/04stmntmgrs.pdf).

⁸ 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 copayments for Priority 7 and 8 veterans to \$20 and \$15, respectively.” Joint Explanatory Statement of the Committee of Conference, *supra* note 7.

FINDINGS

Thousands of Veterans in New York City 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 veterans in New York City. 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.⁹ Of these 173,000 veterans who will be denied care, an estimated 13,300 reside in New York.¹⁰ This includes an estimated 2,400 Priority 8 veterans who would have enrolled at VA facilities in New York City.¹¹

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.¹² 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 care because of the increased costs.¹³

⁹ Department of Veterans Affairs, *Impact of Suspending Enrollment of Priority 8 Veterans by State for FY 2003* (2003).

¹⁰ *Id.*

¹¹ Based on VA data indicating that approximately 18% of Priority 7 and Priority 8 veterans in New York received care at VA facilities in New York City. Department of Veterans Affairs, *VHA Priority 7 Patients: Fiscal Year 2002* (Feb. 2003). Prior to FY 2003, there were no Priority 8 veterans; all veterans now classified as Priority 8 veterans were instead placed in the Priority 7 category.

¹² *FY 2004 Budget Submission, supra* note 4.

¹³ 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, and that 34% of all Priority 7 and Priority 8 veterans who will drop enrollment because of increased fees are active patients. *Id.*

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Thousands of these veterans will be New York residents. Presently, there are an estimated 103,881 Priority 7 and an estimated 115,579 Priority 8 veterans enrolled in the VA health care system in New York.¹⁴ If 55% of these veterans are forced to drop out of the VA system, it will mean that over 120,000 New York veterans will no longer have access to VA care. This includes an estimated 41,000 New York veterans who are active patients.¹⁵

Many of these veterans would receive care at VA facilities in New York City. Locally, an estimated 21,700 veterans enrolled at New York City VA facilities would be forced to drop VA enrollment due to the new fees. This includes an estimated 7,400 veterans who are active patients.

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, over 133,000 New York veterans, including an estimated 24,000 veterans in New York City, will lose access to VA health care under the President's proposal.

Veterans in New York City Who Continue To Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs

For many veterans in New York City 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.¹⁶ Overall, between the increased copays and the \$250 annual

¹⁴ Department of Veterans Affairs, *supra* note 1.

¹⁵ *See* note 11.

¹⁶ VA estimates that the increased copays will impact approximately 750,000 veterans and will cost veterans a total of \$73 million. Department of Veterans Affairs, *supra* note 1.

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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.¹⁷ A Priority 7 veteran who fills this many prescriptions will pay an additional \$304 annually just for prescription drugs, plus the increased fees for doctor visits, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be almost \$600 annually.

Statewide, if the President's proposal does go into effect, almost 99,000 Priority 7 and Priority 8 veterans in New York are likely to remain in the VA health care system in the state. These veterans will pay an estimated \$34.3 million annually in increased costs for VA care. Approximately 17,800 Priority 7 and Priority 8 veterans enrolled at VA healthcare facilities in New York City are likely to remain in the VA health care system. These veterans will pay almost \$6.2 million dollars annually in increased costs for VA care.

CONCLUSION

This report analyzes the impact of President Bush's proposed budget on VA health care in New York City. The budget proposes restricting access to care for many veterans and increasing the cost of care for others. These proposals would deny care to an estimated 13,300 veterans in the state and force an additional 120,000 enrolled New York veterans, including over 41,000 active patients, to drop out of the VA health care system. Locally, the proposals would deny care to almost 2,400 veterans at New York City VA facilities and force an estimated 21,700 veterans enrolled in New York City VA facilities, including an estimated 7,400 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.

¹⁷ General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).