



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

The Honorable Jeff Miller
Chairman
Committee on Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

In my June 25, 2015, testimony before the House Committee on Veterans' Affairs, I described the serious challenges to the Department of Veterans Affairs (VA) budget this fiscal year (FY), which are the result of our successful efforts to improve Veterans' access to health care and life-saving pharmaceuticals, and a challenging environment in which to plan and forecast. Veterans are responding to these efforts to increase access by coming to VA for more care, and it is up to us to meet that increased demand. I explained that the Choice Program has not fully absorbed the additional Veteran demand for care, both inside and outside of VA. We are taking actions to streamline and redirect the flow of care to the Choice Program from VA's other Care in the Community programs to mitigate this year's budget shortfall. On June 23, 2015, VA transmitted its request to transfer \$348.5 million of VA funds for Medical Facilities to support community care for Veterans. This request is pending with Congress, and VA urges its expeditious approval.

Adding budget flexibility in FY 2015, in the use of funds appropriated for the Choice Program, is essential to address our budget shortfall and ensure that Veterans receive care in a timely fashion. Draft legislation is enclosed to amend the Choice Act to use up to \$3 billion of Choice Program funds to meet Veterans' demand for Care in the Community, of which no more than \$500 million could be used for Hepatitis C treatment. VA asked for budget flexibility in May 2015 to use a limited amount of Choice Program funding to provide needed care in community. We also proposed this flexibility in February 2015 when testifying before Congress on VA's 2016 Budget. It is essential that Congress pass legislation to provide the requested budget flexibility by the end of July 2015. If Congress does not take action by this date, VA will have no option but to defer all remaining Care in the Community authorizations until October 1, 2015. In addition, it is essential that Congress include in this legislation the provision to allow VA to use the funds to pay for expenses for Care in the Community incurred in the Medical Services account since May 2015. This is necessary to replenish critical operations funding that VA had to reallocate from other Medical Services programs to sustain Care in the Community, after those funds were depleted. The reallocated funds from the other Medical Services programs were for clinical personnel salaries, medical equipment, and other operational requirements. If these program funds are not restored, VA will face shutting down hospital operations during August 2015.

Despite VA's efforts, the Department is unable to keep pace with the extraordinary demands on our resources. As we improve access, even more Veterans are coming to VA for care. Nationally, VA completed more than 56.2 million appointments between June 1, 2014, and May 31, 2015. This represents an increase of 2.6 million more appointments than were completed during the same time period in 2013/2014. VA made over 3 million authorizations for Veterans to receive care in the private sector from June 1, 2014, through June 15, 2015.

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The Honorable Jeff Miller

This represents a 41-percent increase in authorizations, when compared to the same period in the previous years. The enclosure to this letter provides additional detail on the unprecedented increase in Veterans' requirements for health care in FY 2015.

The Hepatitis C treatment is an example of a new health care requirement that is no longer possible to meet within our existing FY 2015 budget. The timing of the approval by the Food and Drug Administration of the new generation of drugs to cure Hepatitis C did not allow for VA to forecast the necessary resources, and they were not included in the FY 2015 budget. To meet the unfunded need in 2015, VA reallocated \$697 million out of other activities to fund Hepatitis C treatments. We now expect the cost of Hepatitis C treatments to be approximately \$1.1 billion in FY 2015. We are currently referring Veterans who need Hepatitis C treatment to the Choice Program; however, this practice is not the best model to provide care that meets both Veterans' needs and taxpayers' interests because of the increased costs, duplication of tests and practices, and requirements for coordination of care. The enclosure provides detail on Veterans' demand for Hepatitis C treatment in FY 2015 and its cost.

These proposals will eliminate our near-term, FY 2015 budget shortfall; however, they will not simplify the confusing array of programs through which VA delivers Care in the Community. Navigating these programs to determine the best fit for a Veteran is challenging and inefficient. Therefore, VA will soon put forward a proposal to Congress that will rationalize these disparate authorities and create a unified, integrated approach to community care. VA is already adjusting its referral patterns to make better use of all available resources. In addition, VA is committed to working closely with Congress to identify any funding issues that may arise in FY 2016. We continue to closely monitor the demand for Hepatitis C treatment and Care in the Community.

The Office of Management and Budget advises that there is no objection to the presentation of this proposed legislation from the standpoint of the Administration's program.

We appreciate your continuing support for our mission and the Nation's Veterans. A copy of this letter is being sent to the Chair and Ranking Members of the House and Senate Committees on Appropriations, Subcommittee on Military Construction and Veterans' Affairs, and Related Agencies.

Sincerely,



Sloan D. Gibson

Enclosure



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
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The Honorable Johnny Isakson
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In my June 25, 2015, testimony before the House Committee on Veterans' Affairs, I described the serious challenges to the Department of Veterans Affairs (VA) budget this fiscal year (FY), which are the result of our successful efforts to improve Veterans' access to health care and life-saving pharmaceuticals, and a challenging environment in which to plan and forecast. Veterans are responding to these efforts to increase access by coming to VA for more care, and it is up to us to meet that increased demand. I explained that the Choice Program has not fully absorbed the additional Veteran demand for care, both inside and outside of VA. We are taking actions to streamline and redirect the flow of care to the Choice Program from VA's other Care in the Community programs to mitigate this year's budget shortfall. On June 23, 2015, VA transmitted its request to transfer \$348.5 million of VA funds for Medical Facilities to support community care for Veterans. This request is pending with Congress, and VA urges its expeditious approval.

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THE DEPUTY SECRETARY OF VETERANS AFFAIRS
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The Honorable Richard Blumenthal
Ranking Member
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Senator Blumenthal:

In my June 25, 2015, testimony before the House Committee on Veterans' Affairs, I described the serious challenges to the Department of Veterans Affairs (VA) budget this fiscal year (FY), which are the result of our successful efforts to improve Veterans' access to health care and life-saving pharmaceuticals, and a challenging environment in which to plan and forecast. Veterans are responding to these efforts to increase access by coming to VA for more care, and it is up to us to meet that increased demand. I explained that the Choice Program has not fully absorbed the additional Veteran demand for care, both inside and outside of VA. We are taking actions to streamline and redirect the flow of care to the Choice Program from VA's other Care in the Community programs to mitigate this year's budget shortfall. On June 23, 2015, VA transmitted its request to transfer \$348.5 million of VA funds for Medical Facilities to support community care for Veterans. This request is pending with Congress, and VA urges its expeditious approval.

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The Honorable Corrine Brown
Ranking Member
Committee on Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Congresswoman Brown:

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