

Overview

The 2018 Budget and 2019 Advance Appropriations (AA) requests for the Department of Veterans Affairs (VA) fulfill the President’s promise to provide America’s Veterans, their families, and Survivors the care and benefits they have earned through their service. The 2018 budget request for discretionary funding totals \$82.1 billion (including medical care collections), of which \$66.4 billion was previously provided as the VA Medical Care 2018 Advance Appropriation. The 2018 budget request for mandatory funding totals \$104.3 billion. Of this amount, \$103.9 billion was previously provided for Veterans benefit programs as 2018 Advance Appropriations, and \$2.9 billion is to continue the Veterans Choice Program. The 2018 request will support 364,134 Full-time Equivalent (FTE) employees. The 2019 AA request includes:

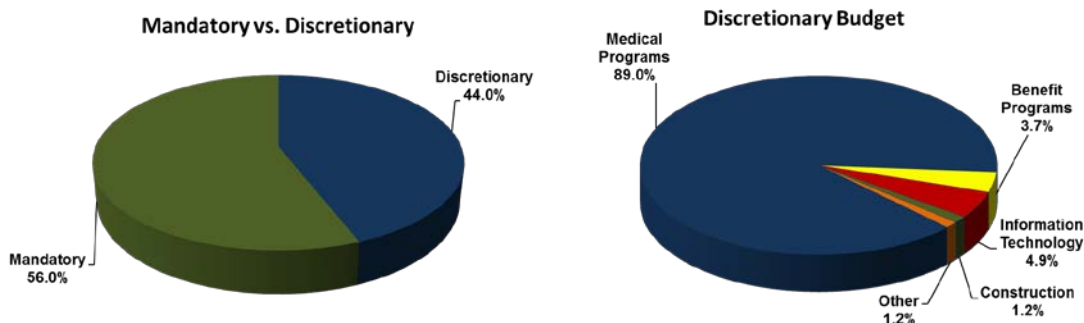
- \$70.7 billion in discretionary funding for Medical Care;
- \$107.7 billion in mandatory funding for Veterans benefits programs (Compensation and Pensions, Readjustment Benefits, and Veterans Insurance and Indemnities accounts).

The budget also requests \$3.5 billion in mandatory funding in 2019 for the Veterans Choice Program, or its successor.

The 2018 request will provide the necessary resources to meet VA’s obligation to provide timely, quality health care and benefits to Veterans. It will allow VA to operate the largest integrated health care system in the country, delivering health care to approximately 9.3 million enrolled Veterans. The Budget will also provide for:

- A disability compensation benefits program for 4.6 million Veterans and 420,000 Survivors;
- A pension benefits program for 289,000 Veterans and 204,000 Survivors;
- The nation’s 13th largest life insurance program, covering Veterans, Service members and their families;
- An education assistance program serving nearly one million students;
- Vocational rehabilitation and employment benefits for over 144,000 Veterans;
- A home mortgage program with a portfolio of over 2.6 million active loans; and
- The largest and highest performing national cemetery system, projected to inter 133,600 Veterans and eligible family members in 2018.

**Department of Veterans Affairs
Discretionary and Mandatory Funding**



*Department of Veterans Affairs
Budget Authority, 2016-2018*

BA/Fund Account	2016	2017	2018
	Actual	Enacted	Request
Federal funds:			
Benefit programs:			
Disability Compensation	\$71,166,598	\$80,153,193	\$83,872,494
Burial Mandatory Benefits	231,000	236,255	243,492
Pensions Mandatory Benefits	5,467,947	5,693,680	6,003,463
Compensation and Pensions - Legislative Proposal 3/	0	0	-3,224,946
Subtotal, Compensation and Pension	76,865,545	86,083,128	86,894,503
Education Mandatory Benefits	12,984,165	14,818,520	12,096,747
Vocational rehabilitation and employment Mandatory Benefits	1,329,192	1,522,308	1,611,901
Vocational rehabilitation loan subsidy (non-add)	31	36	30
Readjustment Benefits - Legislative Proposal 3/	0	0	-42,023
Subtotal, Readjustment Benefits	14,313,357	16,340,828	13,666,625
Insurance Mandatory Benefits	77,160	108,525	120,338
Housing Mandatory Benefits	509,008	80,684	0
Housing Program Original Loan Subsidy	454,598	802,052	384,155
Non-Appropriated Accounts			
Vocational Rehabilitation Upward Reestimate	79	129	0
Native American Veteran Housing	673	1,491	0
Housing Benefit Program fund Liquidating	-10,261	-8,481	-6,404
Trust Funds	822,272	775,847	681,121
General Post Fund	23,144	24,000	24,900
Proprietary receipts	-535,632	-1,995,265	-292,629
Intragovernmental transactions	0	0	0
Total Benefits Mandatory	92,519,943	102,212,938	101,472,609
Veterans Health Administration (VHA):			
Medical and Prosthetic Research	610,535	673,366	640,000
Medical Programs:			
Medical Services 1/	49,711,789	45,171,039	45,704,720
Medical Care Collections Fund (MCCF)	3,485,624	2,455,563	2,999,115
Total Medical Services with MCCF	53,197,413	47,626,602	48,703,835
Medical Community Care	0	7,225,181	9,637,001
Medical Care Collections Fund (MCCF)	0	850,000	255,853
Total Medical Services with MCCF	0	8,075,181	9,892,854
Medical Support and Compliance 1/	6,033,276	6,472,009	6,911,085
Medical Facilities 1/	4,672,787	5,278,002	6,477,607
DoD-VA Health Care Sharing Incentive Fund	0	-10,000	30,000
Joint DoD-VA Medical Facility Demonstration Fund	374,908	395,118	412,656
Medical Care Collections Fund (MCCF)	17,522	15,981	15,783
Total Demonstration Fund with MCCF	392,430	411,099	428,439
Total Medical Programs with MCCF	64,295,906	67,852,893	72,443,820
Total Medical Programs without MCCF	60,792,760	64,531,349	69,173,069
Total VHA with MCCF	64,906,441	68,526,259	73,083,820
Total VHA without MCCF	61,403,295	65,204,715	69,813,069
Veterans Choice Program (New Funding) 3/	0	0	2,874,000
National Cemeteries Administration	271,220	286,193	306,193
Department Administration:			
General Administration	333,050	345,391	346,891
Board of Veterans' Appeals	109,884	155,596	155,596
<i>Credit Reform - General Counsel (non-add)</i>	5,473	2,816	2,626
VBA-GOE	2,703,680	2,844,160	2,844,000
Credit Reform - VBA (non-add)	139,758	170,188	154,943
Subtotal, GOE	3,146,614	3,345,147	3,346,487
Filipino Veterans Equity Compensation Fund	0	0	0
Office of Inspector General	136,766	159,606	159,606
Construction Major	1,221,000	528,110	512,430
Construction Minor	321,491	372,069	342,570
Grants for State Extended Care	140,000	90,000	90,000
Grants for State Cemeteries	46,000	45,000	45,000
Credit Reform	166,090	200,444	180,215
Information Technology 2/	4,050,474	4,262,958	4,047,982
Total Departmental Administration	9,228,435	9,003,334	8,724,290
Total Budget Authority	\$166,926,039	\$180,028,724	\$186,460,912
Total Mandatory	\$92,519,943	\$102,212,938	\$104,346,609
Total Discretionary without MCCF	\$70,902,950	\$74,494,242	\$78,843,552
Total Discretionary with MCCF	\$74,406,096	\$77,815,786	\$82,114,303

1/ Amounts are post-transfer to the two joint VA-DOD accounts.

2/ Amount is post-transfer to the Joint DoD-VA Medical Facility Demonstration Fund.

3/ 2018 amounts include mandatory legislative proposals

As of September 30, 2016, there were an estimated 21.4 million Veterans living in the United States and its territories and other locations. In addition to these Veterans, up to 26.7 million family members and dependents may be eligible for benefits from VA. The resources requested in this budget will allow VA to deliver on the Nation’s promise to Veterans through investments in personnel, efficient business practices, and technology. VA will continue to work with its Federal, state, and local partners, including Veterans Service Organizations (VSOs).

VA Staffing

Each day, more than 364,000 VA employees come to work for America’s Veterans. These employees have a close connection with Veterans – over 33 percent are Veterans themselves. The budget request supports an increase of 7,772 FTE in 2018 above the 2017 estimated level to expand access to health care and improve benefits delivery. This includes new FTE in the Board of Veterans’ Appeals (BVA) to address the growing appeals workload, and more clinical and administrative FTE in the Veterans Health Administration (VHA), including physicians, nurses, and scheduling clerks.

**Department of Veterans Affairs
Full-Time Equivalent Employees
By Administration and Office**

	2016 Actual	2017 Estimate	2018 Request
Veterans Health Administration *	308,015	316,803	323,843
Veterans Benefits Administration	21,558	22,721	22,721
National Cemetery Administration	1,814	1,851	1,881
Office of Information Technology	7,387	7,906	7,899
General Administration	2,559	2,644	3,016
Board of Veterans' Appeals	660	886	1,050
Office of the Inspector General	706	773	820
Supply Funds	1,045	1,150	1,150
Franchise Funds	1,397	1,628	1,754
Total Veterans Affairs	345,141	356,362	364,134

Note: Total VA employees include actual and planned hires under the Veterans Choice Act/Veterans Choice Program.

* VHA FTE includes Medical Care, Medical and Prosthetic Research, Veterans Choice Act/Veterans Choice Program, Canteen, Joint DoD-VA Medical Facility Demonstration Fund (civilian FTE), and DoD-VA Health Care Sharing Incentive Fund.

Secretarial Priorities

Provide Greater Choice for Veterans: Extending the Veterans Choice Program beyond the original expiration date of August 7, 2017, was one of the Secretary's top priorities for quick action. Passage of the Veterans Choice Program Improvement Act (Public Law 115-26) on April 19, 2017 allowed VA to use all of the \$10 billion originally made available for the program. As a result, an estimated \$1.1 billion in unobligated funds can now be used for Choice Program care, enabling eligible Veterans to continue to receive timely care, close to home. It also provides VA and Congress more time to develop a long-term solution for a community care program that is easy to understand, simple to administer, and meets the needs of Veterans.

Since its inception, usage of the Choice Program has consistently increased, as demonstrated by the number of authorizations issued. In addition to increasing the number of Veterans accessing care through the Choice Program, VA is working to increase the number of community providers available through the program. From April 2015 to February 2017, the Choice Program network had grown by more than 125 percent.

Modernize Our System: The Secretary will focus on improving VA's infrastructure in 2018, while transforming our health care system into an integrated network to serve Veterans. The Department is working with private-sector health care experts to design an approach for integrated health care delivery decisions based on Veteran population, demand, internal capacity, and external public and private-sector health care resources and capacity. Once the approach is validated and piloted, a national infrastructure realignment strategy will be developed. This strategy will inform VA's development of a nationwide capital plan to include new investment and divestitures.

VA recognizes that a Veteran's complete health history is critical to providing seamless, high-quality, integrated care and benefits. VA will fully implement the next iteration of the VistA Evolution Program, VistA 4, in 2018. VistA 4 will bring improvements in efficiency and interoperability, and will continue VistA's award-winning legacy of providing a safe, efficient health care platform for providers and Veterans. Whether the path forward is to continue with VistA, shift to a commercial electronic health record (EHR) platform, or some combination of both, these investments will deliver value for Veterans and VA providers.

Focus Resources More Efficiently: VA will focus on its foundational services—those areas in which it can excel—and build community partnerships for complementary services by following these guiding principles: balancing services provided by VA and the community; promoting operational efficiency and simplicity, while supporting VA's clinical care, education, and research missions; and allowing facilities the flexibility to meet the changing needs of Veterans.

VA has proposed legislation to eliminate certain statutory impediments to VA more effectively pursuing joint projects with other Federal agencies. With Congress' help, we will enhance our ability to coordinate with DoD and other Federal agencies to improve the access, quality, and cost effectiveness of health care provided to Veterans. Proposed legislation would provide

authority to transfer funds between VA and other Federal agencies for joint medical facility initiatives in order to improve joint capital asset planning and support capital investments to design, construct, and utilize shared medical facilities.

Employee accountability is another critical area in which VA is making significant changes. Deviation by employees from VA's underlying responsibility to provide the best level of care and services to Veterans will not be tolerated. VA supports Congress' ongoing efforts to provide VA with the tools it needs to take timely action against employees who perform poorly or engage in misconduct. Internally, VA is taking the steps necessary to ensure the Department's workforce is accountable, diverse, inclusive, and upholds the public trust through robust systems for filing and resolution of disclosures of wrongdoing or complaints of discrimination.

Improve Timeliness of Services: VA is committed to delivering timely and high quality health care services and benefits to our Nation's Veterans. Within VHA, Veterans now have same-day services for primary care and mental health care at all VA medical centers across our system. The Secretary is also committed to ensuring that any Veteran who requires urgent care will receive timely care.

VBA is reviewing and implementing new performance standards for its employees to reflect the increased productivity from new processes and technological enhancements within the Veterans Benefits Management System. In 2016, VBA implemented the National Work Queue, which allows VBA to prioritize and quickly distribute claims according to capacity, regardless of the Veteran's place of residence. In addition, VBA is implementing an initiative called Decision Ready Claims (DRC), which offers Veterans and Survivors faster claims decisions. DRC is an expedited claims submission option available to Veterans who have elected VSOs and other accredited representatives to assist them with preparing and submitting their disability claims. VA expects to pilot the program starting in May 2017 at the VA Regional Office in St. Paul, Minnesota.

The current VA claims appeals process undoubtedly needs further improvements for our Nation's Veterans. Without significant legislative reform to modernize the appeals process, Veteran wait times and the cost to taxpayers will only increase. Comprehensive legislative reform is included in the budget to replace the current lengthy, complex, and confusing VA appeals process with a modernized appeals system that will provide timely decisions and makes sense for Veterans, their advocates, VA, and other stakeholders.

Prevent Veteran Suicide– Getting to Zero: VA recognizes that Veterans are at an increased risk for suicide and implemented a national suicide prevention strategy to address this crisis. VA is bringing the best minds in the public and private sectors together to determine the next steps in implementing the Getting to Zero Initiative. VA's suicide prevention program is based on a public health approach that is ongoing, utilizing universal, selective, indicated strategies while recognizing that suicide prevention requires ready access to high-quality mental health services, supplemented by programs that address the risk for suicide directly. VA's strategy for suicide prevention requires ready access to high-quality mental health (and other health care) services supplemented by programs designed to help individuals and families engage in care and to address suicide prevention in high-risk patients.

Budget Highlights

Investments in Information Technology

The 2018 Budget continues VA's investment in technology to improve the lives of Veterans. The planned IT investments prioritize the development of replacements for specific mission critical legacy systems, as well as operations and maintenance of all VA IT infrastructure that are essential for VA to continue to deliver medical care and benefits to Veterans. As shown in the table below, this includes requested funds for new Development (\$358.5 million) to replace four specific mission critical legacy systems and establish an Integrated Project Team to develop the requirements and acquisition strategy for a new enterprise health information platform. The request also includes funds for Operations and Maintenance (\$2,466.7 million) of all VA IT infrastructure that is essential for VA to continue to deliver medical care and benefits to Veterans.

Department of Veterans Affairs IT Investments Supporting Care and Benefits for Veterans (Obligations - \$ in millions)

	2016 Actual	2017 Estimate	2018 Request
Medical Portfolio	193.9	259.4	102.9
Benefits Portfolio	89.1	148.6	67.4
Memorial Affairs Portfolio	8.6	20.9	21.0
Corporate Portfolio	88.8	156.2	138.0
Enterprise Portfolio	10.6	25.1	29.3
Development Subtotal	391.0	610.2	358.5
Medical Portfolio	926.6	850.7	841.4
Benefits Portfolio	252.5	189.0	229.5
Memorial Affairs Portfolio	0.0	2.7	3.5
Corporate Portfolio	102.8	124.8	132.7
Enterprise Portfolio	1,239.2	1,367.4	1,259.6
Operations and Maintenance Subtotal	2,521.1	2,534.6	2,466.7

Note: Funding represents Development and Sustainment obligations by the Office of Information and Technology via the IT Systems Appropriation.

Future of VA Community Care

The 2018 and 2019 Advance Appropriation request represents an inflection point for VA's delivery of health care services. VA is requesting \$69.0 billion and \$70.7 billion in discretionary funding for VA Medical Care in 2018 and 2019, respectively, setting the base for VA health care. VA also requests \$2.9 billion in mandatory funding in 2018 and \$3.5 billion in 2019 to continue the Veterans Choice Program to ensure that every eligible Veteran has the choice to seek care at VA or through a private provider. This mandatory funding is offset by proposed reductions to certain Veterans' benefits programs to provide a more balanced package of benefits to meet the wide range of Veterans' needs.

VA needs a carefully-designed strategic approach to ensure we can fully care for Veterans, which must include a streamlined and consolidated community care program. We believe that a redesigned community care program will not only improve access and provide greater

convenience for Veterans, but will also transform how VA delivers care within our facilities. We believe redesigning community care will result in a strong VA that can meet the special needs of our Veteran population. Where VA excels, we want to make sure that the tools exist to continue performing well in those areas.

**Department of Veterans Affairs
Veterans Choice Act Program Activity ¹
(Obligations - \$ in 000s)**

	2015 Actual	2016 Actual	2017 Estimate	2018 Estimate
Section 801				
Medical Services	609,715	1,378,959	781,994	31,614
Medical Support and Compliance	412	6,554	0	14,386
Medical Facilities	545,461	773,546	138,736	4,000
Subtotal	1,155,588	2,159,059	920,730	50,000
Information Technology	53,567	80,723	138,671	90,459
Minor Construction	97,522	101,234	117,529	0
Section 801 Total	\$1,306,677	\$2,341,016	\$1,176,930	\$140,459
Section 802				
Veterans Choice Program - Administration	322,057	73,081	161,447	0
Veterans Choice Program - Program	412,872	2,644,833	566,790	0
Information Technology Support	17,757	43,844	275,222	0
Emergency Hepatitis C	407,661	714	0	0
Emergency Care in the Community	638,827	470,032	0	0
Total Section 802 Veterans Choice Program	\$1,799,174	\$3,232,504	\$1,003,459	\$0
Proposed Mandatory Funding:				
Veterans Choice Program				\$3,500,000
Total Veterans Choice Program	\$1,799,174	\$3,232,504	\$1,003,459	\$3,500,000

Note 1: P.L. 115-26, enacted on April 19, 2017, extended the Choice Program beyond August 7, 2017, and made Section 802 funding available until expended.

In 2018, VA will use the Choice Act funds in concert with annual appropriations to meet VA staffing and infrastructure needs and provide community care to Veterans who are eligible for the Veterans Choice Program. VA plans to obligate \$3.5 billion in 2018 for the Veterans Choice Program and \$140 million in support of increasing access under Section 801 of the Choice Act.

The following pages outline VA's 2018 budget request by appropriation account.

Veterans Health Administration
Medical Care
Budget Authority - \$ in 000s

	2016 Actual	2017 Enacted	2018 Request	2019 Request
Medical Services	49,972,360	45,371,812	45,918,362	49,161,165
Medical Community Care	0	7,246,181	9,663,118	8,384,704
Medical Support and Compliance	6,144,000	6,498,000	6,938,877	7,239,156
Medical Facilities	5,020,132	5,312,668	6,514,675	5,914,288
Veterans Choice Program	0	0	2,874,000	3,500,000
Medical Care Collections Fund	3,485,624	3,305,563	3,254,968	3,264,616
TOTAL	\$64,622,116	\$67,734,224	\$75,164,000	\$77,463,929

Note: Includes requested Veterans Choice Program funding. Includes all rescissions. Excludes transfers to the two joint Department of Defense (DoD)-VA health care accounts. Excludes the portion of MCCF collections actually, or anticipated to be, transferred to the Joint DOD-VA Medical Facility Demonstration Fund, in support of the Captain James A. Lovell Federal Health Care Center (FHCC).

In 2018, VA will expand Veteran access to medical care by increasing medical and clinical staff, improving its facilities, and expanding care provided in the community. The 2018 Budget requests \$69.0 billion in discretionary funding for Veterans' medical care and \$2.9 billion in mandatory funding for the continuation of the Veterans Choice Program. The 2018 Budget request is \$2.65 billion (4.0 percent) above the previously enacted 2018 AA. The 2018 request will support 314,959 medical care FTE, an increase of 7,025 FTE (2.3 percent) above the 2017 level.

FTE

	2016 Actual	2017 Estimate	2018 Request	2019 Request
Medical Services	224,846	230,838	236,540	238,956
Medical Support and Compliance	50,554	52,222	53,099	53,352
Medical Facilities	23,924	24,743	25,189	25,477
Veterans Choice Program	58	131	131	131
TOTAL	299,382	307,934	314,959	317,916

Note: FTE include staff funded through Sections 801 and 802 of the Veterans Choice Act, as well as staff funded through the proposed Veterans Choice Program resources in 2018 and 2019.

VHA provides a broad range of primary care, specialty care, and related medical and social services. To meet the needs of our currently growing population of enrolled Veterans, including a larger number of women and rural Veterans, VHA is transforming the way it delivers health care. VA estimates it will serve 7.0 million patients in 2018 and 7.1 million in 2019.

Veteran Patient Workload

	2016 Actual	2017 Estimate	2018 Request	2019 Request
Number of Patients	6,804,855	6,913,703	7,028,181	7,131,559
Number of Veterans Enrolled in VA Health Care	9,046,663	9,213,064	9,302,552	9,372,658
Number of Inpatient -Treated	874,061	876,438	878,815	881,192
Number of Outpatient Visits	105,772,000	109,981,000	113,668,000	117,328,000

**Department of Veterans Affairs
Medical Care Facilities**

	2016 Actual	2017 Estimate	2018 Estimate	2019 Estimate
Veteran Integrated Service Networks (VISNs)	19	18	18	18
VA Hospitals	144	145	145	145
Community Living Centers	135	136	136	136
Residential Rehabilitation Care Facilities	115	115	115	117
VA Medical Center-Based Outpatient Care *	168	170	170	170
Health Care Centers	22	23	23	23
Community-Based Outpatient Clinics	738	748	753	753
Other Outpatient Service Sites	310	306	306	306
Dialysis Centers	71	74	74	76
Community Resources and Referral Centers	30	30	30	30
Vet Centers	300	300	300	300
Mobile Vet Centers	80	80	80	80

* *Note: This category includes all VA Hospitals, plus free-standing Community Living Centers and Residential Rehabilitation Care facilities that also provide outpatient care.*

Modeling Health Care Needs

VHA uses the Enrollee Health Care Projection Model (EHCPM), an actuarial model, to support formulation of the majority of the VA health care budget; to conduct strategic and capital planning; and to assess the impact of potential policies and changes in a highly dynamic health care environment.

The EHPCM projects enrollment, utilization, and expenditures for the enrolled Veteran population for 90 categories of health care services 20 years into the future. First, VA uses the Model to determine how many Veterans will be enrolled in VA health care each year and their age, gender, priority, and geographic location. Next, VA uses the Model to project the total health care services needed by those enrollees and then estimates the portion of that care that

those enrollees will demand from VA. Finally, total health care expenditures are developed by multiplying the expected VA utilization by the anticipated cost per service.

The EHPCM takes into account the majority of health care services that have been provided to Veterans, including separate calculations for Long-Term Services and Supports. Activities and programs whose resource levels are not projected by the EHPCM¹ are called “non-modeled,” and can change from year to year. For example, if there are new services that VA is providing to Veterans that were not included in the historical data, those amounts are provided as part of the “non-modeled” request. In other cases, the Administration may alter particular programs from their model-estimated amounts for policy reasons. These two amounts (modeled and non-modeled), make up the total VA Medical Care request.

Change from 2018 Advance Appropriation (AA) and Revised 2018 Request

VA’s EHPCM supports over 90 percent of VA’s Medical Care request and has been extensively validated. Compared to the enacted 2018 advance appropriations level, as requested in the 2017 President’s Budget, this year’s 2018 request for VA health care services is \$2.650 billion higher in discretionary budget authority and \$2.874 billion higher in mandatory budget authority. This request for additional funding is necessary to ensure the delivery of high-quality and timely health care services to veterans and other eligible beneficiaries. VA is requesting an increase above the enacted advance appropriation in all four Medical Care accounts: \$1.032 billion in Medical Services, \$254.0 million in Medical Community Care, \$284.4 million in Medical Support and Compliance, and \$1.080 billion in Medical Facilities. Total estimated obligations for 2018 are \$6.770 billion above the initial estimate for total obligations. This total net increase is due to the following factors:

- **Health Care Services (+\$7.392 billion).** Ongoing health care services estimate increased by \$7.392 billion, driven largely by community care (including the Choice Program), increases in internal VA capacity to deliver health care, infrastructure enhancements, and updated actuarial trends based on the latest actual data.
 - **Non-Recurring Maintenance (+\$1.270 billion).** The total NRM estimate of \$1.87 billion, a \$1.27 billion increase to the advance appropriation level, reflects a focused investment in the program to address VHA’s significant sustainment and infrastructure repair needs. Approximately \$550 million will be used for sustainment projects, and \$1.32 billion for projects that address modernization, repair, and renovation for new building systems.
 - **Veteran Homeless Programs (+\$605.4 million).** VA programs to prevent and treat Veterans’ homelessness increased by \$605.4 million, for a total of \$1.728 billion. The increased estimate allows VA to fully support projected utilization in its homeless programs, including the Supportive Services for Veterans Families (SSVF) program.

¹ VA also utilizes the Civilian Health and Medical Program Veterans Administration (CHAMPVA) actuarial model to project costs for the CHAMPVA program for eligible dependents.

- **Long-Term Services and Supports (-\$302.8 million).** Long-Term Services and Supports estimate has decreased by \$302.8 million, reflecting trends in the most recent actuals and continued investment into non-institutional settings.
- **Other Health Care Programs (-\$239.4 million).** Ongoing health service programs not projected by the EHCPM decreased by \$239.4 million primarily due to Caregivers program cost decline.
- **Proposed Legislation (-\$79.1 million).** The cost of VHA proposed legislation decreased by \$79.1 million.
- **Additional Budgetary Resources (+\$1.246 billion).** Additional budgetary resources increased by \$1.246 billion (collections, reimbursements, transfers, changes in unobligated balances, and prior-year recoveries). The estimate for the Medical Care Collections Fund decreased by \$372.3 million and excludes proposed legislation. Changes in discretionary unobligated balances increased by \$957.2 million, driven largely from changes in Hepatitis C costs. Veterans Choice Act Section 801 net unobligated balances increased by \$50 million and Section 802 by \$626 million.

The 2018 discretionary and mandatory budget request for health care is aligned as follows:

Veterans Medical Care: Funding Changes for 2018
(Obligations - \$ in 000s)

	2018 Advance Appropriation	Revised 2018 Estimate	Difference
Requirements			
Health Care Services Medical Care	57,555,645	64,947,487	7,391,842
<i>Non-Recurring Maintenance (non add)</i>	600,000	1,870,000	1,270,000
<i>Ending Veterans Homelessness (non add)</i>	1,122,398	1,727,784	605,386
<i>Activations (non add)</i>	497,808	862,166	364,358
Long Term Services and Supports	9,124,465	8,821,657	(302,808)
Other Health Care Programs	3,173,413	2,934,042	(239,371)
VA Legislative Proposals	57,997	(21,195)	(79,192)
Total Obligations	\$69,911,520	\$76,681,991	6,770,471
Funding Availability			
Advance Appropriation	66,385,032	66,385,032	0
Transfers	(288,430)	(304,619)	(16,189)
Medical Care Collections Fund	3,627,255	3,254,968	(372,287)
Reimbursements	187,663	189,404	1,741
Change in Unobligated Balance	0	957,206	957,206
Veterans Choice Act, Section 801	0	50,000	50,000
Veterans Choice Act, Section 802	0	626,000	626,000
Total Funding Availability	\$69,911,520	\$71,157,991	\$1,246,471
Discretionary Annual Appropriation Adjustment		\$2,650,000	\$2,650,000
Mandatory Annual Appropriation Adjustment		\$2,874,000	\$2,874,000
Annual Appropriation Adjustment		\$5,524,000	\$5,524,000

Medical Care Areas of Focus

The 2018 Budget and 2019 AA continue to place emphasis on many different areas critical to the health care of Veterans. VA must respond to many emerging areas of need. For example, there is a growing population of women Service members leaving the military and coming into VA's care. There are also a large number of individuals choosing to care for their loved ones through VHA's Caregivers program. The majority of these services are projected by the EHPCM; however, certain programs, such as readjustment counseling, state-based long-term services and support programs, and recently-enacted programs are part of the non-modeled request.

The following table lists modeled and non-modeled Medical Care obligations by program in 2018 and 2019:

Description	2018 Revised Estimate			2019 Advance Appropriation		
	Model	Non-Model	Total	Model	Non-Model	Total
Health Care Services.....	\$60,740,186	\$4,024,212	\$64,764,398	\$63,742,496	\$1,752,476	\$65,494,972
<i>Non-Add Included Above:</i>						
<i>Non Recurring Maintenance.....</i>	\$0	\$1,870,000	\$1,870,000	\$0	\$1,150,000	\$1,150,000
<i>Non Veterans.....</i>	\$0	\$382,616	\$382,616	\$0	\$382,433	\$382,433
Long-Term Care.....	\$7,225,435	\$1,596,222	\$8,821,657	\$7,632,712	\$1,698,804	\$9,331,516
<i>Non-Add Included Above:</i>						
<i>State Home Programs.....</i>	\$0	\$1,345,957	\$1,345,957	\$0	\$1,423,516	\$1,423,516
<u>Other Health Care Programs:</u>						
CHAMPVA.....	\$1,875,192	\$117,231	\$1,992,423	\$2,028,807	\$106,924	\$2,135,731
Foreign Medical Program (includes Foreign C&P Exams)..	\$0	\$33,504	\$33,504	\$0	\$34,996	\$34,996
Spina Bifida Program.....	\$0	\$53,829	\$53,829	\$0	\$56,439	\$56,439
Children of Women Vietnam Veterans.....	\$0	\$200	\$200	\$0	\$200	\$200
Caregivers (Title 1).....	\$0	\$603,939	\$603,939	\$0	\$675,777	\$675,777
Camp Lejeune - Family.....	\$0	\$6,664	\$6,664	\$0	\$7,630	\$7,630
Readjustment Counseling.....	\$0	\$243,483	\$243,483	\$0	\$243,483	\$243,483
<u>New:</u>						
Camp Lejeune - Reserivits.....	\$0	\$77,268	\$77,268	\$0	\$85,885	\$85,885
CARA Act Compliance (P.L. 114-198).....	\$0	\$55,821	\$55,821	\$0	\$46,821	\$46,821
GME expansion (P.L. 114-315).....	\$0	\$50,000	\$50,000	\$0	\$52,633	\$52,633
VA Legislative Proposals.....	\$0	(\$21,195)	(\$21,195)	\$0	(\$23,743)	(\$23,743)
Obligations [Grand Total].....	\$69,840,813	\$6,841,178	\$76,681,991	\$73,404,015	\$4,738,325	\$78,142,340

The following table outlines key areas of VA care. Summary explanatory descriptions of these major programs are also provided. Other areas VHA provides support to include military personnel who served in the Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), Operation New Dawn (OND), and Operation Inherent Resolve (OIR) conflicts, and treatment of traumatic brain injuries and spinal cord injuries.

Veteran Medical Care: Key Focus Areas
(Obligations - \$ in millions)

	2016 Actual	2017 Estimate	2018 Request	2019 Request
Caregivers	493	521	604	676
Hepatitis C (New Drug Treatments)	966	749	751	199
Women Veterans (Gender-Specific Care)	437	471	505	539
Mental Health	7,434	7,880	8,353	8,771
Rural Health Initiative	184	250	250	250
Homeless Programs	1,531	1,662	1,728	1,754
Activations	674	836	862	745

Caregivers. VHA provides support to those individuals that act as a Caregiver for a Veteran. There are several support and service options for the Caregiver. For example, the Caregiver Support Line at 1-855-260-3274, is available to: respond to inquiries about Caregiver services, as well as serve as a resource and referral center for Caregivers, Veterans and others seeking Caregiver information; provide referrals to local VA Medical Center Caregiver Support Coordinators and VA/community resources; and provide emotional support.

The Program of Comprehensive Assistance for Family Caregivers, established in Public Law 111-163, the Caregivers and Veterans Omnibus Health Services Act of 2010, allows VA to provide additional support and services to Caregivers of eligible Veterans injured in the line of duty on or after September 11, 2001. Eligible Veterans include those who sustained a serious injury – including traumatic brain injury, psychological trauma, or other mental disorder – incurred or aggravated in the line of duty, on or after September 11, 2001. Services for this group of Caregivers include: monthly stipend travel expenses (including lodging and per diem while accompanying Veterans undergoing care); access to health care insurance (if the Caregiver is not already entitled to care or services under a health care plan); mental health services and counseling; and Caregiver training. In 2016, 24,555 Primary Family Caregivers were approved for the program with 5,250 Primary Family Caregivers who did not previously have insurance, receiving coverage under VA’s Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). The 2018 Budget requests \$604 million for the Caregivers program to support over 37,100 Caregivers, up from about 33,345 in 2017. Funding requirements for Caregivers are driven by an increase in the eligible Veteran population, with Caregiver enrollment increasing by an average of about 280 each month.

Hepatitis C. In 2014, VA began a ground-breaking system of care for Veterans with the Hepatitis C Virus (HCV). The Food and Drug Administration approved two new, highly-effective drugs – Sofosbuvir and Simeprevir – that work to change the lives of Veterans infected with Hepatitis C. Prior to the introduction of the new high-cost treatment therapies in the VA system in January 2014, treatments for Hepatitis C were often ineffective and presented considerable side effects. By contrast, the new treatment options are considerably more effective at curing patients with HCV, present significantly fewer side effects than earlier options, and are much simpler to administer. Cure of HCV significantly decreases the risk of progression of the disease to cirrhosis, liver failure, liver cancer, and death. VA wants to ensure that all Veterans eligible for these new drugs, based on their clinician’s recommendation, receive the medication.

VA successfully worked with the manufacturers of these drugs to receive a reduced price for their use to treat Veterans. VA estimates the drugs will cost \$748.8 million and provide 31,200 treatments in 2017 and costs increasing to \$751.2 million for 28,000 treatments in 2018.

Women Veterans. In 2016, Women Veterans comprised over 15 percent of active duty military forces and 19 percent of National Guard and Reserves. The needs of a growing number of Women Veterans means that VA must provide more gender-specific services and ensure the availability of appropriate infrastructure facilities in order to safeguard privacy needs and proper consideration of gender-specific conditions and disorders. VA is anticipating and preparing for the increase in the number of women Veterans as well as for the accompanying complexity and longevity of their treatment needs. Security and privacy for women Veterans is a high priority for VA. VA is training providers and other clinical staff, enhancing facilities to meet the needs of women Veterans, and reaching out to inform women Veterans about VA services. VA is redesigning women's health care delivery with models of care that ensure women receive equitable, timely, high-quality primary health care from a single primary care provider and team, thereby decreasing fragmentation and improving quality of care for women Veterans. The 2018 Budget requests \$505 million for gender-specific Women Veterans' health care, an increase of 7.2 percent above the 2017 level.

Mental Health. Mental health services available to Veterans range from treatment of a variety of common mental health conditions in primary care to more intensive interventions in specialty mental health programs for more severe and persisting mental health conditions. In 2016, with resources totaling \$7.4 billion, VA provided specialized mental health treatment to more than 1.6 million Veterans and hired 1,184 Mental Health providers, including 68 Peer Support Specialists. VHA dedicates all the resources necessary to provide care for Veterans with a broad range of conditions such as depression, anxiety, Post-Traumatic Stress Disorder (PTSD), and psychosis. VA provides services through several means, such as: mental health professionals embedded in Patient Aligned Care Teams (PACTs) to help assessment of patients along with primary care doctors and medical staff; intensive recovery-oriented individual and group treatments; and inpatient care for the most serious cases of suicidal or homicidal patients or patients with acute psychosis. VA also specializes in care for Veterans suffering from PTSD and substance use disorders and mental health services for Women and older Veterans. In addition to a great expansion in the available of on-line information, Veterans can call the Crisis Line when any type of help is needed at 1-800-273-8255. The 2018 Budget requests \$8.4 billion for Veterans mental health services, an increase of 6.0 percent above the 2017 level.

Rural Health. As a complement to telehealth, VA is committed to improving the care and access for Veterans in geographically rural areas. Projects funded through the VHA Office of Rural Health (ORH) include home-based primary care, training and education of medical residents in rural clinical setting, equipment for rural Community Based Outpatient Clinics (CBOCs), transportation of rural Veterans, and home-based therapies. Through these and other rural health initiatives, ORH has addressed the unique needs of over three million enrolled Veterans living in rural and highly rural areas, which make up approximately 33 percent of all Veteran enrollees. The 2018 Budget requests \$250 million for rural health projects.

Homeless Programs. VHA's goal is a systematic end to Veteran homelessness. This multi-year program has seen great success – reducing Veterans' homeless from 74,770 in 2010 to less than 40,000 as of the last official “Point in Time” Count in January 2016. This is a nearly 50 percent decline in six years. In 2016, VA assisted over 88,000 homeless or at-risk Veterans and their family members obtain permanent housing and prevented more than 35,000 Veterans and their family members from becoming homeless. Since 2010, over 480,000 Veterans and their family members have been permanently housed, rapidly rehoused, or prevented from falling into homelessness. In 2018, VA will continue to focus on prevention and treatment services. This involves providing a comprehensive continuum of care that addresses the psychosocial factors surrounding homelessness while building the capacity of available residential, rehabilitative, transitional, and permanent housing supply. VHA continues to work closely with the Department of Housing and Urban Development and other Federal and State agencies, VSOs, national advocacy groups, and community-based providers. The request for 2018 of \$1.7 billion is based on a comprehensive analysis that provided VA with the information on the type of resources most needed and where they are needed across the country.

Opioid Therapy and Pain Management Safety. The Opioid Safety Initiative (OSI) by VA aims to reduce over-reliance on opioid analgesics for pain management and to promote safe and effective use of opioid therapy when clinically indicated. The Comprehensive Addiction and Recovery Act of 2016 (CARA) (Public Law 114-198) expands the OSI initiative and includes additional requirements for decreasing Veteran risks associated with long-term opioid use. The Overdose Education and Naloxone Distribution (OEND) initiative targets education and training for opioid overdose (including prevention and recognition) and rescue response (including distribution of naloxone kits). In VHA, over 50,000 naloxone kits have been dispensed as of January 2017, with at least 172 reversals documented.

CARA mandates a designated pain management team of health care professionals at each facility responsible for coordinating and overseeing pain management therapy for patients experiencing acute and chronic pain that is non-cancer related. Each facility director is required to provide a report identifying their pain management teams with related processes and procedures. The VHA National Leadership Council (NLC) has approved guidelines for the composition and function of the pain management teams. Facilities are in the process of creating and implementing teams and pain management and referral structures and processes.

Community Care. In 2018, VA plans to spend \$12.8 billion from various sources, including the Medical Community Care appropriation and the Veterans Choice Program, to support medical care for Veterans delivered in non-VA settings (called Community Care). VA requests an additional \$254 million in the Medical Community Care appropriation above the enacted 2018 advance appropriation of \$9.4 billion and \$2.9 billion in mandatory funding for the Choice Program. The request for mandatory funding is offset that will be offset by proposed reductions to certain Veterans' benefits programs. In 2016, VA obligated a total of \$11.2 billion for Community Care, \$9.1 billion from the Medical Services account and \$2.1 billion from the Veterans Choice Fund.

Medical Community Care
Budget Authority - \$ in 000s

	2017 Estimate	2018 Request	2019 Request
Medical Community Care Appropriation	7,246,181	254,000	0
Advance Appropriation	0	9,409,118	8,384,704
Veterans Choice Program	0	2,874,000	3,500,000
Medical Care Collections Fund	850,000	255,853	262,470
TOTAL	8,096,181	12,792,971	12,147,174

Description: In fiscal year 2017, the Medical Community Care appropriations account was created to consolidate all community care programs under a single appropriation for both Veterans and beneficiaries. This appropriation supports hospital care and medical services delivered in non-VA settings to eligible Veterans through contracts or agreements with certain eligible entities, as well as pays for care for other eligible beneficiaries. In 2016, VA provided 20.6 million community appointments; of this total, the Medical Services account funded 17.3 million appointments and the Veterans Choice Program funded for 3.3 million appointments. In 2017 and 2018, VA expects to exceed those levels. In addition, the Budget requests authority to receive advance appropriations for the Medical Care Community account and to continue the practice of depositing medical care collections in the account.

In addition to the Medical Community Care account, VA will pursue legislative and management improvements that will provide a simplified program that is easy to understand and administer while meeting the needs of Veterans, employees, and community providers. These improvements include delivering personalized, proactive, and patient-driven health care; using metrics and data analytics to drive improvement; using innovative technologies and care models to optimize health outcomes; and maintaining a high-performing network to deliver community care.

Veterans Health Administration
Medical and Prosthetic Research
Budget Authority
(\$ in 000s)

	2016 Actual	2017 Estimate	2018 Request
Research Appropriation	630,735	673,366	640,000
Medical Care Support	526,036	572,361	544,000
Federal and Non-Federal Resources	581,309	595,000	570,000
Reimbursements	35,667	40,000	40,000
TOTAL	\$1,773,747	\$1,880,727	\$1,794,000

FTE

FTE	2016 Actual	2017 Estimate	2018 Request
TOTAL	3,138	3,200	3,155

To provide Veterans with the best technological and medical solutions to their health care needs, VA's robust team of researchers continuously strives to find breakthroughs that will materially improve the lives of Veterans and others. The VA Research and Development (R&D) program plays a key role in advancing the health of Veterans and is uniquely positioned to continue to lead a national transformation of American health care. The 2018 Budget requests an appropriation of \$640 million for Medical Research, a decrease of \$33.6 million (5.0 percent) below the 2017 appropriation of \$673.3 million.

The VA research program is enhanced by private and federal grants awarded to VA investigators. These other Federal and Non-Federal resources, from organizations including NIH, DoD, and CDC, are estimated at \$570 million, a decrease of \$25 million from 2017 estimated levels. VA Medical Care also provides support for VA research by maintaining infrastructure, support dollars for clinical salaries for time assigned to research and other administrative and facility services.

With more than 60 percent of VA researchers also being clinicians who take care of patients, VA is uniquely positioned to move scientific discovery from investigators' laboratories to patients' care. The VA research program plays a critical role in attracting and retaining top-quality physicians in VA. A program evaluation conducted by Abt Associates found that 79 percent of VA clinicians cited the research program as a factor in coming to VA, while over 90 percent cited it as a reason for staying. We believe research will continue to play a vital role in attracting clinicians to the VA healthcare system.

The VA Office of Research and Development (ORD) consists of four main research services that together address the full spectrum of Veterans' health needs. The four services are: Biomedical Laboratory; Clinical Science; Health Services; and Rehabilitation.

VA will support a wide array of research and development in engineering and technology to improve the lives of Veterans with disabilities. Work includes both prosthetic systems that replace lost limbs and those that activate residual or paralyzed nerves, muscles, and limbs. A comprehensive research program supports VA's commitment to the health and care of the increasing number of Veterans. Recent areas of inquiry include the Million Veteran Program (MVP), a groundbreaking genomic research program, seeking to collect samples and general health information from one million Veterans. MVP will use genetic analysis to show how to improve treatments by understanding individual patients, thus improving care for Veterans and the Nation. Research to benefit Gulf War Veterans continues to be priority for VA in 2018. VA supports a range of studies on post-deployment mental health concerns such as PTSD, depression, anxiety, substance abuse, and suicide. These are but a few of the areas that VA will continue to engage in 2018. Other areas include work on chronic diseases, reproductive health,

and preventative care to ensure continued high-quality care for Veterans as they age. VA will build on these studies to advance the precision medicine effort in 2018.

VA Research continually rebalances its portfolio to meet the most significant needs of Veterans. Priorities are set with input from department and administration leadership, clinical leaders, Veterans, Veterans Service Organizations (VSOs), and the President. In 2018, VA will invest resources in the critical areas most impacting to our Veterans to include; Pain Management/Opioid Addiction, Mental Health/Suicide, and the Million Veteran Program. As current projects end, priority of funding will be made available to these critical research areas. The projected investment in various research areas are identified below.

The following table details the major focus areas of Medical Research in 2018. DRAs represent areas of particular importance to our Veteran patient population. Research projects that span multiple areas may be counted in several categories. Thus, amounts depicted within this table total to more than the VA research appropriation and accurately reflect amounts by DRAs

Appropriations by Designated Research Areas					
(dollars in thousands)					
Description	2016 Actual	2017		2018 Request	2017-2018 Inc/Dec
		Budget Estimate	Current Estimate		
Acute & Traumatic Injury.....	\$26,215	\$21,313	\$25,313	\$25,110	(\$203)
Aging.....	\$158,286	\$150,344	\$150,344	\$148,731	(\$1,613)
Autoimmune, Allergic & Hematopoietic Disorders.....	\$28,882	\$28,357	\$28,357	\$27,979	(\$378)
Cancer.....	\$56,641	\$59,500	\$59,500	\$58,851	(\$649)
CNS Injury & Associated Disorders.....	\$108,229	\$91,156	\$105,425	\$104,371	(\$1,054)
Degenerative Diseases of Bones & Joints.....	\$36,620	\$30,960	\$36,580	\$35,993	(\$587)
Dementia & Neuronal Degeneration.....	\$31,702	\$25,428	\$31,240	\$30,654	(\$586)
Diabetes & Major Complications.....	\$36,659	\$35,840	\$35,840	\$35,277	(\$563)
Digestive Diseases.....	\$22,071	\$21,171	\$21,171	\$20,783	(\$388)
Emerging Pathogens/Bio-Terrorism.....	\$1,929	\$982	\$982	\$982	\$0
Gulf War Veterans Illness.....	\$12,990	\$12,188	\$12,188	\$12,188	\$0
Health Systems.....	\$73,308	\$70,850	\$70,850	\$69,883	(\$967)
Heart Disease/Cardiovascular Health.....	\$73,001	\$63,802	\$70,530	\$69,875	(\$655)
Infectious Diseases.....	\$33,480	\$33,827	\$33,827	\$33,445	(\$382)
Kidney Disorders.....	\$19,010	\$21,411	\$21,411	\$21,215	(\$196)
Lung Disorders.....	\$25,635	\$27,632	\$27,632	\$27,248	(\$384)
Mental Illness.....	\$118,242	\$115,826	\$115,826	\$115,826	(\$0)
Military Occupations & Environ. Exposures.....	\$18,494	\$16,217	\$16,217	\$15,638	(\$579)
Other Chronic Diseases.....	\$1,667	\$4,999	\$4,999	\$4,749	(\$250)
Prosthetics.....	\$15,606	\$15,433	\$15,433	\$15,152	(\$281)
Sensory Loss.....	\$19,574	\$17,491	\$17,491	\$17,290	(\$201)
Special Populations.....	\$26,823	\$20,053	\$24,350	\$24,144	(\$206)
Substance Abuse.....	\$30,865	\$30,103	\$30,103	\$30,103	\$0

**Veterans Benefits Administration
Budget Authority
(\$ in thousands)**

Budget Authority \$000s	2016 Actual	2017 Estimate	2018 Request
Compensation and Pensions	\$76,865,545	\$86,083,128	\$86,894,503
Readjustment Benefits	\$14,313,357	\$16,340,828	\$13,666,625
Vocational Rehabilitation Loan Program*	\$464	\$554	\$425
Post-Vietnam Era Veterans' Education Account	\$0	\$0	\$0
Veterans Housing Program*	\$1,125,189	\$1,081,593	\$562,781
Native American Veterans Housing Loan Program*	\$1,807	\$2,644	\$1,163
Insurance Benefits	\$77,160	\$108,525	\$120,338
VA Wide Offsets			
Subtotal, Mandatory**	\$92,383,522	\$103,617,272	\$101,245,835
Discretionary – General Operating Expenses	\$2,703,680	\$2,844,160	\$2,844,000
Total	\$95,087,202	\$106,461,432	\$104,089,835
*2016 and 2017 include upward re-estimates. The 2018 request includes Legislative Proposals, but does not include any re-estimates, which are calculated at the end of the fiscal year. **Includes credit reform administration costs but does not reflect scoring impacts of mandatory trust funds, proprietary receipts, or intragovernmental transactions.			

The 2018 Budget requests \$2.844 billion for VBA General Operating Expenses (GOE). The request will support 22,721 FTE, which is equal to the 2017 estimate. The 2018 Budget Request reflects a sustained commitment to delivering benefits and exceptional service to Veterans, their dependents, and Survivors.

FTE

FTE	2016 Actual	2017 Estimate	2018 Request
Discretionary – General Operating Expenses	21,558	22,721	22,721

VBA continues to serve millions of Veterans across multiple benefit programs. The following chart shows the historical and projected growth across the VBA's primary lines of business.

Number of Beneficiaries

	2016 Actual	2017 Estimate	2018 Request
Compensation Beneficiaries	4,665,491	4,855,506	5,037,849
Pension Beneficiaries	495,675	491,823	493,184
Education Program Trainees	1,000,085	997,888	997,467
Vocational Rehabilitation and Employment Beneficiaries	137,121	139,538	144,594
New Housing Loans	713,041	589,261	518,851
Insured Persons	6,115,127	6,093,766	6,044,600

Disability Compensation Claims Backlog and Appeals Reform

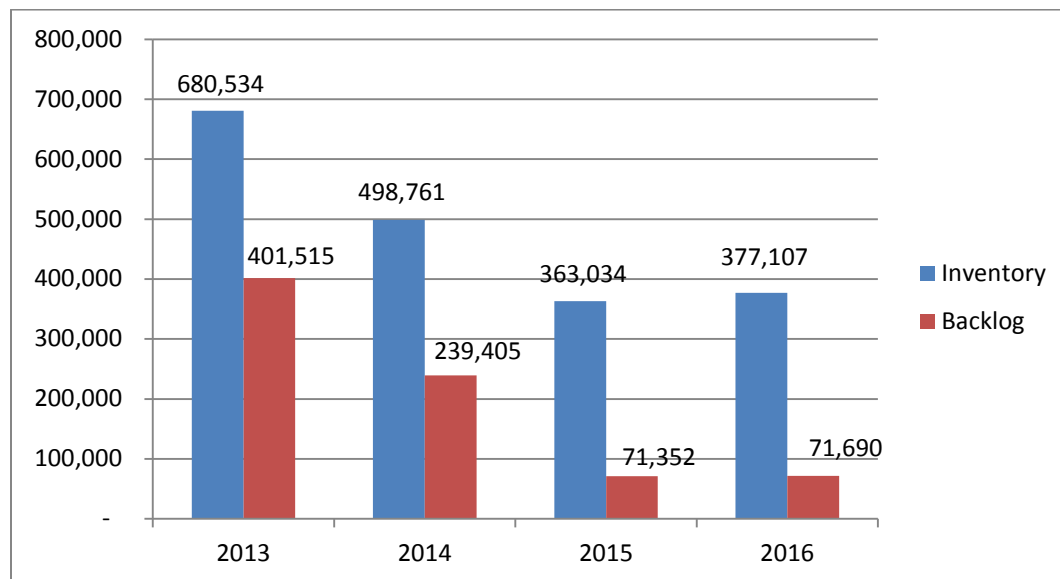
As an outcome of VBA's aggressive efforts towards bringing down the disability claims backlog, VBA completed a record-breaking 1.3 million claims in 2016 and reduced the claims backlog by 88 percent, cumulatively, from a peak of 611,000 claims in March 2013 to 71,690 on September 30, 2016. This means that Veterans waited, on average, 203 fewer days for a decision than four years ago. In 2018, VBA is projected to complete 1.4 million claims, and the number of claims pending longer than 125 days will remain at about 70 thousand claims. This target may change in the future as the volume of claims receipts increases or decreases, and as claims processing becomes more efficient. VBA's success in reducing the rating claims backlog has resulted in a growing appeals inventory.

From 2010 through 2016, VBA completed more than one million disability rating claims annually. Approximately 11 to 12 percent of VBA decisions are appealed, with nearly half of those being formally appealed to the Board of Veterans' Appeals (the Board). While the appeal rate has remained steady over the last two decades, the appeals volume has increased proportionately to the increase in claims decisions. The average processing time for resolving appeals in 2016 was three years. For those appeals that reached the Board, average processing time was six years with thousands of Veterans waiting much longer.

In 2017, VA is currently working with all stakeholders, including Congress and Veteran Service Organizations (VSOs), to enact a new Simplified Appeals Process (SAP). The current appeals process is non-linear, confusing and elongated. The new SAP will have segmented lanes for different levels of review, new duty-to-assist requirements and will be easier for the Veterans to understand their options in the SAP. Reducing the growing appeals inventory is one of VA's highest priorities.

Compensation & Pension Appeals Workload	2015	2016	2017 Estimate	2018 Estimate
Notice of Disagreement Receipts	169,068	173,829	178,590	183,351
Appeals Resolutions by VBA	93,221	110,595	127,436	145,343
Certification of Substantive Appeals to the Board	69,990	88,441	106,892	125,433
Pending Inventory	341,786	344,523	348,260	352,997

**Department of Veterans Affairs
Disability Claims Inventory and Backlog
(End of Year)**



Payments to Veterans and Beneficiaries

The amount of benefits payments is increasing year over year, and 2018 is expected to follow this trend. This is a result of the success of adjudicating claims faster.

**Veterans Benefits: Claims Payments
(\$ in 000s)**

Claims Payments \$000s	2016 Actual	2017 Estimate	2018 Request
Compensation	74,374,415	79,116,160	85,529,872
Pensions	5,467,947	5,693,680	6,003,463
Education Benefits	12,936,069	13,288,615	13,572,807
Vocational Rehabilitation and Employment	1,314,682	1,504,944	1,594,049
Total	94,093,113	99,603,399	106,700,191

Fiduciary Services

VA conducts a field examination prior to initial appointment of a fiduciary, which includes any subsequent new fiduciary. The entire initial appointment process, consisting of the time from finalization of the incompetency rating to the initial appointment, should be completed within 76 days, but took 287 days in 2016. One way VBA is working to resolve wait times has been equipping field examiners with tablets, so that the exam form can be filled out during the interview, eliminating the need to retype the form once the field examiner returns to his or her

work station. In many cases, the appointment of a fiduciary is necessary to release withheld retroactive benefits to the beneficiary.

The Fiduciary Program experienced a 61 percent increase in the number of beneficiaries from 122,271 in 2011 to 197,136 in 2014. Fiduciary Program growth has continued, with almost 223,700 beneficiaries served by the Fiduciary Program in 2015 and almost 233,500 served in 2016. In 2017, VBA has realigned 51 FTE as an initial investment to meet the program’s oversight responsibilities in order to avoid delays in the initial appointment of fiduciaries. These additional FTE are projected to produce nine thousand initial appointments in 2017.

In 2018, the Fiduciary program will continue to address its Veteran population needs in the most compassionate and efficient manner. VBA will continue to monitor medical exam requirements, and future resources may be realigned to support the Fiduciary program, as other competing needs in claims processing gain efficiencies.

Fiduciary Program Workload Completed	2015	2016	2017 Estimate	2018 Estimate
Initial Appointment Field Examinations	38,638	43,406	58,500	53,400
Follow-up Field Examinations	41,597	39,002	27,200	38,900
Follow-up Alternate Field Examinations	4,062	6,845	8,500	12,800
Total Field Examinations	84,297	89,253	94,200	105,100
Accountings	44,693	41,490	45,700	46,800

VBA Investments and Key Priorities

National Call Centers (NCCs): At the end of fiscal year 2015, VBA’s blocked call rate was 59.0 percent. To improve the level of service provided to Veterans, VBA executed a hiring plan in 2016 to add 435 phone agents at various NCC locations across the country, which resulted in answering 4.2 million calls and reducing the blocked call rate to 39.5 percent for the fiscal year—and the blocked call rate in September 2016 was 0.01 percent. The J. D. Power overall customer satisfaction score for 2016 was 796 out of 1,000 index points, which exceeds the J.D. Power Government Benchmark of 754 by 42 points. As of April 2017, VA’s speed to answer a call has improved to 25 seconds. In 2018, VA believes the NCC’s will be able to sustain the average speed of answering in 30 seconds or less, while maintaining customer satisfaction.

National Work Queue (NWQ): Based on the identified need to improve efficiencies in claims processing to increase throughput, eliminate claims over 125 days old, and improve quality processing, VBA has continued to develop its paperless workload management initiative. NWQ is designed to improve the overall production capacity by prioritizing and distributing paperless disability compensation and pension claims in accordance to RO capacity to address Veteran’s claims as quickly as possible.

With the full deployment for the rating claims workload to all 56 ROs in 2016, Veterans are receiving more timely decisions than before as the work is prioritized and distributed based on resources regardless of the Veteran’s place of residence. Claims are moving through the claims

process faster than before NWQ—on average, claims are ready for decision 14 days faster. In 2018, NWQ will include more sophisticated workload management tools and metrics. It will also include mechanisms for other key VBA priorities such as the non-rating and appeals workload distribution.

Claims Processor Availability: One important component of claims production is claims processor availability. This is the percentage of time a claims processor is available to process claims out of the standard 80-hour pay period. This metric is critical because it accurately correlates with claims production; the more time VBA claims processors are available to process claims, the more claims get processed. Between October and April 2017, the availability rate for the two positions having primary claims processing responsibilities was 71 percent. In 2018, the strategic target is 80 percent.

Veterans Claim Intake Program (VCIP) / Centralized Mail: Document conversion provides digital intake and processing services for claims and evidence, which populates VBMS with digital images for upload into Veterans' eFolders. By the end of 2018, VCIP will have completed the Full Service Shipping project, relocating the entire file banks of remaining ROs and converting the documents electronically, which is an integral element of VBA's comprehensive Transformation and Modernization strategy.

Centralized Mail assists VBA in transitioning from a manual, paper-based operation to a fully-digital environment, by converting inbound paper mail into digital images that are then uploaded to the Veteran's file. In 2018, Centralized mail will expand to additional stakeholders to include the Board, VR&E, Fiduciary Service, Support Services Division, Debt Management Center (DMC), and Loan Guaranty.

**National Cemetery Administration
Budget Authority
(\$ in 000s)**

	2016 Actual	2017 Estimate	2018 Request
Operations and Maintenance	\$271,220	\$286,193	\$306,193
Major Construction	155,764	137,000	255,900
Minor Construction	54,705	56,890	97,950
Grants for Construction of Veterans Cemeteries	46,000	45,000	45,000
Facilities Operation Fund *	90	150	150
National Cemetery Gift Fund *	769	1,500	1,500
Compensation and Pensions (Headstones and Markers, Graveliners, Outer Burial Receptacles, Caskets and Urns)	103,531	102,805	104,654
TOTAL	\$632,079	\$629,538	\$811,347

* Facilities Operation Fund and National Cemetery Gift Fund are not appropriated funds

The 2018 Budget requests \$306.2 million for National Cemetery Administration (NCA) operations, an increase of \$20 million (7.0 percent) over 2017. The request will support 1,881 FTE for NCA.

FTE

	2016 Actual	2017 Estimate	2018 Request
Operations and Maintenance Appropriation	1,814	1,851	1,881
TOTAL	1,814	1,851	1,881

VA honors Veterans and their family members with final resting places in National shrines with lasting tributes that commemorate their service and sacrifice to our Nation. Fulfilling its mission, NCA interred 131,620 Veterans and eligible family members in 2016. With the resources in this budget, NCA will maintain occupied graves, developed acreage, historic structures, and cemetery infrastructure in a manner befitting national shrines.

NCA Assets in 2018

National Cemeteries	Soldiers' Lots and Monument Sites
136	33

Veteran and Eligible Family Burials Provided

	2016 Actual	2017 Estimate	2018 Request
Interments	131,620	133,300	133,600

Accomplishments

In 2016, NCA continued the largest expansion of the national cemetery system since the Civil War by dedicating two new national cemeteries at Cape Canaveral, Florida and Omaha, Nebraska. Together, these two national cemeteries provide reasonable burial access to over 280,000 Veterans and their families. NCA plans to open 14 more national cemeteries by 2021.

In October 2016, the Veterans Cemetery Grants Program initiated three new state cemetery projects in Tennessee, Kentucky and Minnesota. The Tennessee State Veterans Cemetery at Parker Roads received a \$5.7 million grant, the Kentucky Southeastern State Veterans Cemetery received a \$6 million grant, and the Minnesota State Cemetery-Duluth an \$8.3 million grant. Combined, these three state cemeteries will serve over 82,000 Veterans.

In March 2016, NCA issued its 100th VA grant. The \$8.9 million grant will establish a new state Veterans Cemetery in Marana, Arizona, which will serve over 105,000 Veterans.

NCA officially launched Pre-Need Eligibility for Veterans on December 8, 2016. NCA developed a Pre-Need Eligibility process for Veterans and their eligible family members to facilitate burial planning by determining eligibility for burial in a national cemetery in advance of need. Through January 2017, the Pre-Need Program has processed 13,631 applications.

NCA also launched the Veterans Legacy Program (VLP) on May 30, 2016. VLP's mission is to increase public awareness of Veteran service and sacrifice. NCA developed lesson plans, interactive maps, and video vignettes at two pilot sites, Riverside National Cemetery in California and Beaufort National Cemetery in South Carolina.

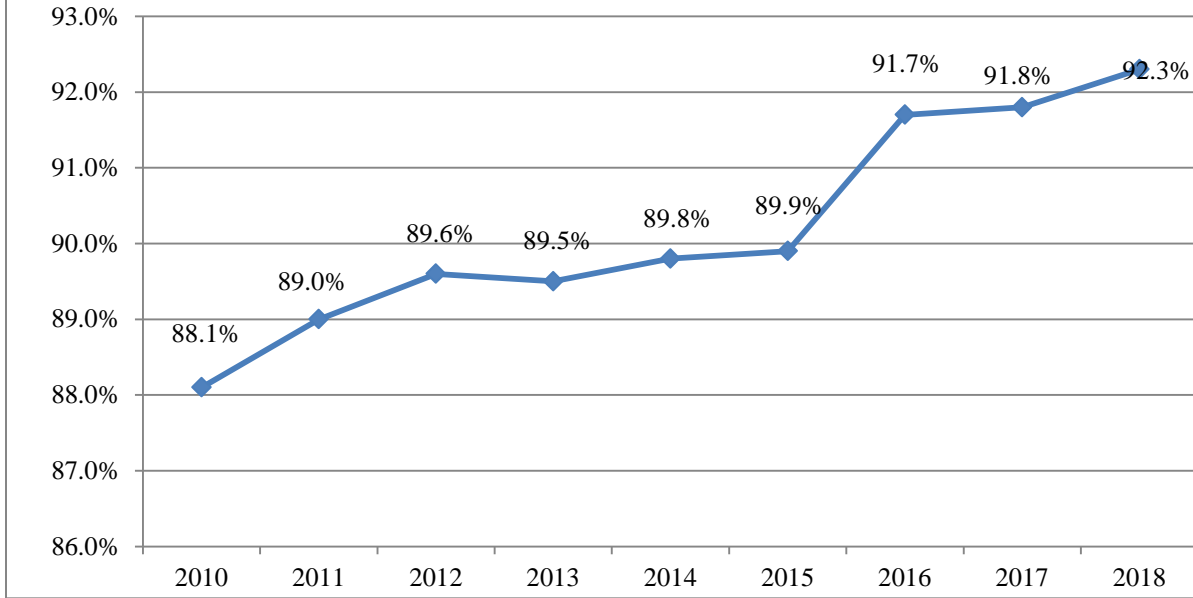
NCA awarded a \$17 million Global Positioning System/Geographic Information System (GPS/GIS) contract to collect data for over 2.5 million gravesites at 85 VA national cemeteries. GPS technology allows NCA to establish a permanently verifiable record of interments. GIS technology is being used to compile the collected GPS data to display cemetery features via interactive mapping.

Expected Results

The 2018 Budget request will allow NCA to:

- Inter approximately 133,600 Veterans and eligible family members, care for over 3.7 million gravesites and maintain 9,400 acres.
- Continue to memorialize Veterans by providing 366,000 headstones and markers, distributing 702,000 Presidential Memorial Certificates and expanding the Veterans Legacy program to communities across the country.
- Increase access to provide 92.3 percent of America's Veterans with a burial option within 75 miles of their residence.
- Have 97 percent of those surveyed rate the quality of service of NCA as excellent.
- Have 99 percent of those surveyed rate national cemetery appearance as excellent.

**Percent of Veterans Served by a Burial Option
Within 75 miles of their Residence**



Board of Veterans' Appeals
Budget Authority
 (\$ in 000s)

	2016 Enacted	2017 Estimate	2018 Request
BVA Budget Authority	109,884	155,596	155,596

FTE

	2016 Actual	2017 Estimate	2018 Request
BVA FTE	660	886	1,050

Mission

The Board of Veterans' Appeals (Board) is the component of the Department of Veterans Affairs (VA) responsible for making final decisions on behalf of the Secretary for claims for Veterans' benefits that are presented to the Board for appellate review. Despite the dynamic environment in which the Board has operated since the advent of judicial review, the mission has remained relatively unchanged. The Board conducts hearings and issues timely, quality decisions for Veterans and other appellants in compliance with the requirements of law.

Appeals Reform

The present legal framework for the VA appeals process is complex, inefficient, and confusing, and Veterans are waiting too long for final resolution of an appeal. For those appeals that were decided by the Board in 2016, on average, Veterans waited approximately 6 years from filing of their Notice of Disagreement until the Board decision issued that year. The status quo is not acceptable for Veterans or for taxpayers.

The pending appeals reform legislation will establish a modern, simple system that focuses on improving the quality of VA's decisions and providing Veterans options for early resolution. The new process provides an understandable process for Veterans, gives Veterans multiple options instead of one, provides improved notice as to which option might be best, eliminates the inefficient churning of appeals that is inherent in the current process, and improves transparency by clearly defining Veterans Benefits Administration (VBA) as the claims agency and the Board as the appeals agency in VA. This new process will also provide quality feedback loops to VBA, workload transparency for better workload and resources projections, and efficient use of resources for long-term savings to the government.

The 2018 Budget proposes a new appeals process – legislation, resources, and technology – that will provide Veterans with a straightforward, fair, and modernized appeals process in which Veterans will experience significant improvement in timeliness of a final decision.

The 2018 request of \$155.6 million is the same level of funding that was enacted for 2017 but a considerable increase from 2016. In combination with carryover resources, it will support a total of 1,050 full-time equivalent employees (FTE), an increase of 164 FTE above the 2017 estimate. This request, coupled with fundamental legislative reform, represents the maintenance of a long-term sustainable plan to provide the best services to Veterans and best policy option to taxpayers.

Office of Information and Technology
Budget Authority
(\$ in 000s)

	2016 Enacted	2017 Enacted	2018 Request
Development	504,743	471,269	358,530
Sustainment	2,512,863	2,534,442	2,466,650
Pay and Administration	1,115,757	1,264,548	1,230,320
TOTAL	4,133,363	4,270,259	4,055,500

FTE

	2016 Actual	2017 Estimate	2018 Request
TOTAL	7,387	7,906	7,899

Note: FTE includes Veterans Choice Act personnel, now included in the 2018 discretionary budget request.

Information technology is critical to VA's success. A continued increase in investment in IT development and support is essential for VA to continue to deliver medical care and benefits to Veterans. The Office of Information & Technology (OI&T) will seek to identify new ways to reduce investment and maintenance costs while modernizing the infrastructure. OI&T has developed a phased approach with several ideas for achieving this goal. Any phase may take up to 24 months to complete with some phases being executed concurrently.

OI&T will focus Development efforts on the replacement of four specific mission critical legacy systems:

- Benefits Delivery Network (BDN),
- Veteran Appeals Control and Locator System (VACOLS),
- Financial Management System (FMS), and
- Memorials Burial Operations Support System (BOSS).

In addition to these four systems, projects that are currently in development that have reached the test or deployment phase by the end of 2017 will be included in the 2018 request until complete. In 2018, VA will establish an Integrated Project Team (IPT) to develop the requirements and acquisition strategy for a new enterprise health information platform. For the near term, VA will continue to focus development resources on the divestiture of legacy systems that are difficult or costly to maintain. This will allow VA to better integrate processes, adopt modern technology solutions, improve security, and reduce long-term sustainment.

Accomplishments

In 2016, VA's OIT had many successes, including:

- Vets.gov launched the single platform, into which existing VA web services and service-related content will be initially linked and eventually subsumed. Vets.gov enables Veterans to discover, apply for, track, and manage the benefits they have earned.
- The Appeals Modernization – BVA effort delivered Caseflow Certification, the first of many tools that will be used to modernize the appeals process. Caseflow Certification is a simple web-app that automatically detects if required documentation has been added to an appeal before it is handed off between VBA and BVA. This simple check helps reduce preventable errors and avoidable delays caused by disjointed, manual processing.
- Organized and established the Account Management Offices, fundamentally changing the way OI&T works with its business partners. Information Technology Account Managers and Customer Relationship Managers customize IT services to meet the needs of OI&T's business partners and establish OI&T as a trusted, valuable ally in serving Veterans.

2018 Investments

The 2018 Budget prioritizes the development of replacements for specific mission critical legacy systems, as well as operations and maintenance of all VA IT infrastructure that are essential for VA to continue to deliver medical care and benefits to Veterans. Major IT initiatives include:

- The requested \$944.2 million for the Medical Portfolio, which provides advanced technology solutions positioned to ensure modern, high quality and efficient medical care delivery capabilities to our Nation's Veterans. In 2018, the Medical Portfolio funding includes \$65.3 million to support the Secretary's priority of replacing the Electronic Health Record (EHR) and \$31.8 million for continued development for Community Care programs.
- The requested \$296.9 million for the Benefits Portfolio, which addresses the technology needs for the lines of business managed by the Veterans Benefits Administration: Compensation, Pension, Loan Guaranty, Insurance, Education, and Vocational Rehabilitation serving over 6 million veterans annually. In 2018, the Benefits Portfolio funding includes \$32.4 million to support the Secretary's priority of replacing the Benefits Delivery Network (BDN) and \$7.5 million for the replacement of the Appeals Modernization System.
- The requested \$24.5 million for the Memorial Affairs Portfolio provides support for modernization of applications and services for National Cemeteries cared for by the National Cemetery Administration (NCA) at 135 locations nationwide. In 2018, the Memorials Affairs Portfolio includes \$22.8 million to support the Secretary's priority of

replacing the Burial Operations Support System (BOSS). This legacy system has been around for many years and no longer fully meets the needs of NCA and Veterans.

- The requested \$270.6 million for the Corporate Portfolio provides support for the back office operations that are major contributors to running the business lines of the Department. In 2018, the Corporate Portfolio includes \$83 million to support the Secretary's priority of replacing the Financial Management System, which no longer meets VA's requirements, cannot adapt to emerging requirements and federal financial regulations, has significant deficiencies, and is extremely difficult to maintain.
- The requested \$1,289 million for the Enterprise Portfolio, which provides the underlying infrastructure necessary to perform business functions and maintain a robust technology infrastructure for the Department. It includes such things as cybersecurity, data centers, Cloud services, telephony, enterprise software, end-user hardware, and data connectivity. In 2018, the Enterprise Portfolio includes \$203.1 million of the total \$340 million for Information Security will support the maintenance of the implementation of cyber security requirements which will evolve the VA cyber posture improving service delivery and collaboration and risk awareness, while improving the security and resiliency of the underlying VA infrastructure facilitating enhanced visibility, access and functionality across the spectrum of VA services for the Veteran.

Construction
Budget Authority
(\$ in 000s)

	2016 Enacted	2017 Enacted	2018 Request
Major Construction	1,283,200 ¹	528,110	512,430
Minor Construction	406,200	372,069	342,570
Grants for State Extended Care Facilities	120,000	90,000	90,000
Grants for State Veterans Cemeteries	46,000	45,000	45,000
TOTAL	1,855,400	1,035,179	990,000

1/ Reflects transfer of \$39 million from Medical Services for Denver (does not reflect unobligated balances transfers)

The Strategic Capital Investment Planning (SCIP) process has served as the basis for prioritizing projects and making VA capital investment funding decisions since the 2012 Budget. Projects prioritized for funding through the SCIP process will correct critical seismic and safety deficiencies, improve access, and address other performance gap issues at VA facilities.

VA's capital requirements are primarily driven by Veterans' need to access care in modern facilities that are safe, secure, sustainable, and accessible. VA's construction budget demonstrates VA's commitment to address the most critical projects that directly affect patient safety and access. The 2018 major construction budget supports a new outpatient clinic as part of the larger campus realignment in Livermore, CA, as well as gravesite expansions at six national cemeteries (Sacramento, CA; Bushnell, FL; Elwood, IL; Calverton, NY; Phoenix, AZ; and Bridgeville, PA).

General Administration
Budget Authority
 (\$ in 000s)

	2016 Enacted	2017 Estimate	2018 Request
Office of the Secretary	10,498	10,545	15,020
Office of General Counsel	92,178	93,117	91,117
Office of Management	44,535	61,354	57,729
Office of Human Resources and Administration	63,555	67,887	67,887
Office of Enterprise Integration	24,743	27,967	27,967
Office of Operations, Security and Preparedness	18,907	20,534	22,034
Office of Public Affairs	21,026	12,663	12,663
Office of Government Relations	7,889	5,900	7,050
Office of Acquisition, Logistics & Construction	53,328	45,424	45,424
Veterans Experience Office 1/
Office of Accountability and Whistleblower Protection 1/
TOTAL 2/	336,659	345,391	346,891

1/ VEO funded through reimbursements. OAWP funded through statutorily supported recoveries of actual costs.

2/ Excludes the transfer of \$3.609 million to the Major Construction account in FY 2016.

Total FTE

	2016 Actual	2017 Estimate	2018 Request
Office of the Secretary	103	109	113
Office of General Counsel	694	702	699
Office of Management	242	281	312
Office of Human Resources and Administration	739	647	381
Office of Enterprise Integration	155	112	132
Office of Operations, Security and Preparedness	109	121	163
Office of Public Affairs	76	75	86
Office of Government Relations	40	47	48
Office of Acquisition, Logistics and Construction	401	411	479
Veterans Experience Office	...	139	182
Office of Accountability and Whistleblower Protection	421
TOTAL	2,559	2,644	3,016

The 2018 Budget requests \$347 million for General Administration. Through the General Administration account, VA Staff Offices provide support for critical operations such as security and emergency preparedness; acquisitions and construction management; legal counsel; financial, budget, and asset management; and legislative review and support to members of Congress and VA's oversight committees. The General Administration account also supports human resources management, project management, corporate-level analysis, public relations and outreach, as well as executive level direction to the Department.

The 2018 Budget supports the creation of a new Office of Accountability and Whistleblower Protection which will promote and protect employee rights by investigating all whistleblower complaints, maintain a toll-free number to anonymously receive complaints, develop training, and serve as the central management point to ensure all requirements of the whistleblower law are fulfilled.

The General Administration request also provides for the following:

- \$10.8 million for dedicated Subject Matter Experts in the Office of Management and contractor support for the business requirements to modernize VA's Financial Management System (FMS). VA has launched a multi-year effort to replace the Department's 30-year old core financial system.
- \$1.5 million which has been realigned from the IT account to the Office of Operations, Security and Preparedness for Spectrum Communications Emergency management.

In addition, 'MyVA' is the initiative that puts the Veterans in control of how, when, and where they wish to be served. To help accomplish this mission, the Veterans Experience Office (VEO) represents the voice and perspective of the Veteran in Department governance. VEO also works to develop customer centric programs that simplify Veterans interactions with VA and help them and their families better understand the services available.

Office of Inspector General
Budget Authority
 (\$ in 000s)

	2016 Enacted	2017 Enacted	2018 Request
Budget Authority	136,766	159,606	159,606

FTE

	2016 Actual	2017 Enacted	2018 Request
Direct	680	760	820
Reimbursement	26	13	0
Total	706	773	820

Over the past year, OIG identified \$4.1 billion in actual and potential monetary benefits, and issued 304 audits, health care inspections, contract reviews, evaluations, and administrative investigative reports. OIG operations provided a return on investment of \$34 in monetary benefits for each \$1 of OIG resources expended.

The FY 2018 request of \$159.6 million is the same level of funding that was enacted for FY 2017. In combination with carryover resources, it will support a total of 60 direct FTE above FY 2017 (including 26 Contract Review FTE previously supported through reimbursements). These additional staff will strengthen and enhance oversight related to patient safety, access to care, mental health care, women's health care, facility inspections, emergent criminal activity such as illicit drug activity, procurement fraud, and identity theft, and audits of construction projects and Choice Act programs.