

**THE WHITE HOUSE
OFFICE OF THE VICE PRESIDENT**

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**VICE PRESIDENT, SECRETARY BROWN UNVEIL VA REINVENTION INITIATIVES,
Reform of Eligibility Criteria, Treatment Rules Top List of Improved Services, Reduced Costs**

WASHINGTON -- Unveiling the results of the second phase of reinvention at the Department of Veterans Affairs, Vice President Al Gore and Veterans Secretary Jesse Brown today (5/25) announced changes that will reduce unnecessary bureaucracy and improve the care provided to men and women who have served this country, including reform of complex medical care eligibility criteria and treatment rules for veterans.

"Today's announcement continues the march toward a reinvented government that cares more about results than red tape, a government that values common sense, a government that puts people first," the Vice President said. "The people we are putting first today are the most deserving men and women in America -- our veterans of military service."

Designed to improve services to veterans while reducing costs and eliminating unnecessary bureaucracy, today's announcement comprises 12 initiatives, including proposals that will simplify veterans' claims for education assistance and facilitate access to medical treatment for veterans.

Brown said, "These changes will improve and expand the services we provide to the nation's 26.5 million veterans. We are doing it the *right* way by improving services without increasing costs. And the money saved from these changes will be reinvested in critical areas such as benefits claims processing and medical treatment to better serve our veterans."

Specifically, the department proposes legislation that will reform complex medical care eligibility criteria and treatment rules for veterans. Three different sets of rules currently exist for inpatient, outpatient and nursing home care eligibility, and some veterans may be treated in one mode of care but not another. For example, a veteran whose leg is broken may be treated on an outpatient basis unless the veteran needs crutches, and then the veteran must be hospitalized overnight. The department proposes to eliminate such complicated and irrational rules to ensure that veterans receive medical care based on their clinical needs, not on government rules and regulations.

In addition, the department proposes to eliminate through legislation the extensive 93-question means test currently administered to veterans who do not have injuries or illnesses related to military service. In its place, the Department of Veterans Affairs would gain permission to access Internal Revenue Service records to verify income.

(MORE)

Other initiatives include:

- Creating pilot programs that would allow veterans otherwise not entitled to VA care to use their Medicare benefits to obtain treatment at a VA facility and permitting VA to retain the Medicare reimbursement;
- Allowing VA to retain a greater portion of collections from third-party insurers for treating veterans' nonservice-connected conditions. Currently, VA retains only that portion which covers the operating costs of collections;
- Studying the expansion of VA and Defense Department health-care sharing agreements, including integrating facilities, and sharing labs and pharmacies;
- Exploring the possibility of consolidating, integrating and automating support services in the following areas: laundry, housekeeping, food preparation, transportation, canteens, VA police, construction management and cemetery headstone application processing;
- Transferring veterans education benefits payments electronically;
- Terminating the manufactured (mobile) home loan guaranty program, which has limited use (only 24 were guaranteed last year);
- Studying the privatization of VA's insurance activities. Six insurance programs are currently administered directly by VA, covering 2.8 million veterans;
- Consolidating VA's insurance operation in St. Paul, Minnesota, with the Philadelphia Regional Office and Insurance Center;
- Studying current policies for acquiring and disposing of properties as a result of foreclosure on VA-guaranteed loans;
- Contracting out the servicing and accounting of VA's portfolio of loans, most of which are direct loans made to enable the department to sell foreclosed properties.

These initiatives are expected to shift about 20 percent of VA's inpatient workload to outpatient care over a period of two years. They also are expected to save \$209 million in discretionary funds and 9,310 full-time equivalent positions (FTEs) over the next five years.

Today's announcement is part of the second phase of the National Performance Review (NPR), which already has saved more than \$63 billion of NPR's \$108 billion in proposed savings, and resulted in the reduction of more than 102,000 FTEs of 272,000 FTEs targeted over five years.

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Participants in the Veterans Affairs Announcement

Dr. Linda Morris is the Associate Chief of Staff for Ambulatory Care at the Washington VA Medical Center. She shares the frustration of many VA employees who are prevented by laws and regulations from giving their patients all the medical care they need.

Mr. Jerry Hollaway is an Army veteran. He has chronic pain in his wrist, interfering with work as a computer operator. His VA doctor thinks a simple brace might correct the problem, but giving him one is against VA's current rules.

Mr. Henry Glover, also an Army veteran, fell and broke his back. Since the surgery was performed at the Washington Hospital Center (just across the street from the VA Medical Center), and not at a VA hospital, the VA doctors weren't allowed to equip him with shoe lifts to reduce the strain on his back during his recovery.

Mr. Austin Smith works for the Veterans of Foreign Wars, helping veterans and their families. His experience is that VA employees want to do a good job for America's veterans, but they are trapped in red tape that keeps them from doing their best.

Administration Accomplishments Serving Veterans



National Performance Review

Persian Gulf Veterans Assistance

- President Clinton ordered the National Performance Review of the federal government. This intensive study by the Vice President is making the federal government work better and cost less.
- NPR initiatives will improve services to veterans, simplify complex veterans' health-care eligibility rules so VA physicians can provide a full range of medical care to every patient in the appropriate setting, and save \$209 million over five years.
- The Administration sent to Congress a plan to reorganize VA's national health-care system under 22 patient-centered service networks. This decentralization of decision making and resource allocation will deliver more care more efficiently to veterans and position VA for full integration into a reformed, 21st century health-care environment.
- A related proposal will simplify current means testing used to determine access to and cost of VA care for nonservice-connected veterans. A 93-question form, for example, will be replaced by direct verification of income against Internal Revenue Service records.
- NPR initiatives propose that veterans otherwise not entitled to VA care use their Medicare benefits to reimburse VA and that VA be allowed to retain a greater portion of the money collected from third-party insurers for treating nonservice-connected veterans.
- Through NPR reinvention efforts, VA will step up consolidation, automation and competition in obtaining services such as laundry, housekeeping, food preparation, transportation, canteen, security police, construction management and cemetery headstone application processing.
- The Administration is seeking a \$1.3 billion increase in VA's fiscal 1996 budget, \$1 billion of which is targeted to VA's health-care system, which will enable VA to provide medical treatment to an additional 43,000 veterans, construct two new hospitals and three nursing homes, and make a number of facility improvements.
- President Clinton established a Persian Gulf Advisory Committee, which will review the hazardous elements in the Gulf region and all governmentwide activities to respond to the needs and concerns of Persian Gulf veterans.
- The President fought for a law that permits VA to pay compensation benefits, pending research results, to chronically disabled Persian Gulf War veterans with undiagnosed illnesses. The first checks have already been presented to Persian Gulf veterans.
- Environmental hazards research centers were established at three VA medical centers with an initial focus on the possible health effects of environmental exposures of Persian Gulf veterans. The centers supplement other research VA is conducting on the possible health effects of Gulf service.

Women Veterans Care

- VA established a toll-free number for Persian Gulf veterans and their families who have health concerns: 1-800-PGW-VETS.
- The National Academy of Sciences was awarded a contract for an independent review of possible environmentally related health effects from military service in the Persian Gulf. The contract is jointly funded by VA and the Defense Department.
- A series of VA health-care initiatives for women veterans was implemented, including establishing four comprehensive health centers and four stress-disorder treatment teams, as well as hiring counselors in 69 locations to treat the aftereffects of sexual harassment and assault.
- A Women Veterans Division was established at VA's National Center for Post-Traumatic Stress Disorder in Boston.
- VA established a new Women Veterans Program Office and appointed a director.

Homelessness Among Veterans

- VA awarded the first-ever grants to public and private nonprofit groups under a program to develop new homeless veterans assistance programs.
- 44 new or expanded programs were approved for homeless veterans at VA facilities nationwide. Some \$70 million was directed to VA's specialized homeless assistance programs in fiscal year 1994.
- VA Secretary Jesse Brown called for the first National Summit on Homelessness Among Veterans, which was held in Washington, D.C., Feb. 24-25, 1994.
- The first Center of Excellence in Substance Abuse Treatment and Education was established at the Seattle VA Medical Center, which will serve as a resource for the VA health-care system, develop treatment programs and provide consultation.

Veterans Benefits

- Secretary Brown executed a performance agreement with President Clinton which resulted in the creation of customer service standards, improvements in the quality and timeliness of its services, and empowered VA employees to meet veterans' needs creatively.
- 34 new or expanded post-traumatic stress disorder treatment programs were initiated at VA medical centers, bringing to 110 the number of such specialized VA programs nationwide.
- VA guaranteed the 14 millionth home loan almost 50 years after the signing of the original GI Bill. The 50th anniversary of the signing was celebrated in June 1994.
- VA implemented a number of measures to provide relief or protection to VA benefit recipients, GI Bill homeowners and insured veterans affected by the Jan. 17, 1994, earthquake in the Los Angeles area.

Agent Orange and Radiation

- Secretary Brown announced the appointment of the executive director, Chief Minority Affairs Officer staff, with the goal of assessing VA's delivery of services to minority-group veterans.

- A toll-free number was established for veterans and their dependents to inquire about VA's headstone and grave marker program.

- Secretary Brown issued a decision, on behalf of the Administration, that Vietnam veterans suffering from respiratory cancers (lung, larynx and trachea) and multiple myeloma (a cancer involving the bone marrow) should be awarded disability payments based on presumed exposure to Agent Orange and other herbicides.

- Presumptive service-connection for disability compensation was established for veterans who experienced full-body exposure to mustard gas and Lewisite.

- VA plans to undertake a survey of the health status of submariners and airmen who may have received radium treatments in military service.

- VA is providing information on radiation research that may have involved human subjects to the Advisory Committee on Human Radiation Experiments, a committee established by the White House and made up of non-government scientists, physicians and ethicists. VA Secretary Jesse Brown had ordered a nationwide medical records search on nuclear medicine and radiation research that may have been conducted in VA facilities years ago.

- The Administration supported enactment of a law extending disability compensation to U.S. veterans who suffer from conditions that may have resulted from radiation exposure in atmospheric nuclear weapons tests conducted by other countries.

- VA published rules in the Federal Register that establish presumptive service-connection for Hodgkin's disease and porphyria cutanea tarda (PCT), a liver disorder, based on exposure to Agent Orange and other herbicides.

- The White House has conducted extensive outreach to the veterans service organizations, resulting in greater access to the Administration on a broad range of domestic policy and foreign policy issues. Veterans service organizations have participated in more than 80 significant White House activities and meetings on such subjects as POWs/MIAs, health-care reform, the reaffirmation of veterans' preference, Vietnam, Haiti, employment of people with disabilities and VA's budget. VA also has involved veterans service organizations in the department's decision-making process at an unprecedented level.

VSO Visibility on Issues

May 1995

DEPARTMENT OF VETERANS AFFAIRS REINVENTING GOVERNMENT PHASE II

SUMMARY

The Department's mission is to serve America's 26.5 million veterans and their families with dignity and compassion and to be their principal advocate in ensuring that they receive the care, support, and recognition they earned in service to this Nation. A wide variety of VA programs have been created, each intended to meet specific veteran needs. They include compensation for disabilities incurred in service, education, guaranteed home loans, burial benefits, and life insurance. In addition to providing direct health care, VA's medical missions include research, education and training, and emergency preparedness. National cemeteries provide burial services and are shrines to the heroes of the past.

VA examined its basic missions, reviewed all of its major programs, and concluded that benefits and services for veterans are inherently the responsibility of the Federal government. Veterans wore the uniforms of the United States and the United States is responsible for providing the benefits and services that are due them. It would not be possible to devolve this responsibility on any large scale to states or local governments, although VA has for many years offered grant programs to states for veterans cemeteries and veterans homes. Although veterans' programs, by and large, cannot be terminated or devolved, significant improvements can, and should, be made. VA is proposing twelve specific initiatives. These include one program elimination and significant privatizations, consolidations, and reengineering.

VA's initiatives will reaffirm the viability of the VA health care system, provide better health care to veterans, and improve service overall. Even in a period of reassessment of the proper role of the Federal government, the American public's commitment to veterans and veterans programs remains very strong. VA has searched for ways to improve service, maintain high quality of care, and become more efficient. The savings identified are an important measure of VA's resolve.

INITIATIVES

1. Reforming VA Health Care Eligibility and Treatment

Currently, the process required for a veteran to receive care from VA can be confusing and frustrating. Some examples of the problems caused by complicated and irrational statutory eligibility rules are absurd, such as veterans whose broken legs may be cast on an outpatient basis but who must be hospitalized in order to be provided crutches. To ensure that veterans are treated in the most clinically appropriate setting, the need for change and streamlining is evident. Existing law makes it impossible for VA to effectively manage care and promotes the use of more expensive and often unnecessary inpatient care. VA is forced to provide care

in a manner that provides few incentives for cost containment. VA proposes legislative changes to fix prosthetics eligibility, to permit care to be provided in the most appropriate setting as clinically determined, and to manage that care across all settings. VA estimates that there will be a shift of approximately 20 percent of its inpatient workload to outpatient care over a two-year period resulting in a potential cost avoidance of \$761 million. The resulting increased outpatient workload could increase outpatient costs by \$533 million. Improved access to outpatient care may also result in savings of \$39 million in beneficiary travel and contract fee care. The overall result of this shift would be to provide \$268 million for new outpatient workload (and concomitant inpatient workload), new non-institutional care, and greater access to primary care. Therefore, VA expects this proposal to be budget neutral.

2. Studying Medicare Reimbursement for VA

VA will work with Health Care Financing Administration and OMB to develop Medicare reimbursement demonstration project alternatives. Currently, veterans who may wish to choose VA as their health care provider do not have that option because VA's medical care appropriation is insufficient to allow the VA health care delivery system to provide services to all veterans. Only those with service-connected disabilities and low-income veterans are generally covered by the appropriation. Higher-income, nonservice-connected veterans with Medicare eligibility should be able to choose VA and bring their Medicare reimbursement to VA to cover the cost of their care. To ensure that these veterans have this choice available to them, VA proposes to recover and retain revenues from Medicare for designated categories of veterans. By permitting VA access to these revenues, VA will be able to expand the choices of veterans and potentially offer some savings to Medicare which is now paying for the health care needs of these veterans in what VA believes are more expensive settings. The study will serve to identify a range of detailed pilot options with defined parameters and cost impacts for consideration.

3. Allowing VA to Retain a Portion of Medical Collections

VA is proposing to use "gain sharing" as an incentive to collect additional funds from third-party payers. VA currently has authority to collect from third-party insurers for treatment of nonservice-connected conditions. However, all recoveries in excess of collection operating costs are returned to the Treasury. Under this proposal, VA would retain 25 percent of the funds collected that exceed the budget baseline while continuing the current practice of covering all collection operating expenses from the funds collected. Over the five-year period, the Treasury could receive an additional \$244.1 million and VA would retain an additional \$81.3 million. This would implement an NPR Phase I recommendation; therefore, savings for this initiative are not included in Phase II savings.

4. Simplifying Means Testing

VA is required by current law to assess the "means" of a veteran to pay for health care in the context of determining eligibility. Currently, that process involves an extensive interview process once each year or each time the veteran seeks care at

a different VA medical center. A verification matching program with income records of the Internal Revenue Service (IRS) and Social Security Administration is also performed after the fact. A simplification of the means testing process is proposed which, executed in partnership with IRS, would substantially improve customer service and would reduce the human time and effort committed to the effort. The veteran would be asked for permission to access his or her IRS information and would affirm that current income is below established limits and that no significant changes in income had occurred. Five-year savings of \$46.0 million and 280 FTE are expected.

5. Studying VA/DoD Health Care Sharing

VA and the Department of Defense both provide direct medical care to a variety of beneficiaries throughout the U.S. DoD operates three direct care systems (Army, Navy and Air Force) as well as the CHAMPUS system for retirees and dependents who receive care at locations other than military medical treatment facilities. The Vice President will task the Secretaries of Defense and Veterans Affairs to investigate and report on the feasibility of greatly increasing sharing and integration of the VA and DoD health care systems. A review of policy issues, development of principles to establish a long-range vision of the VA and DoD health care systems, and recommendation of a process with effective incentives to encourage maximum cooperation, sharing, and integration at the local levels would be completed and reported to the Vice President within three months. Operational issues will also be addressed and approaches developed to communicate the Secretaries' strong support for innovation and interagency cooperation to overcome traditional interests in maintaining separate systems. An initial report on operational improvements will be completed within six months with periodic progress reports to the Vice President thereafter. Potential savings and program improvements are expected from reductions in overhead, infrastructure, personnel needs, common administrative systems, and uniform health benefits packages. Savings cannot be estimated at this time, but considering that the combined VA and DoD health care budgets are approximately \$30 billion, the possible savings could be very significant.

6. Exploring the Possibility of Improving Support Services

In support of restructuring efforts to improve the delivery of health care services to eligible veterans, VA has been proceeding with efforts involving facility integrations, service (program) consolidations and mergers, delegations of authority, consolidated contracting, and procurement streamlining. In addition to these ongoing efforts, VA is proposing several initiatives with potential for greater efficiencies and savings by consolidating or privatizing support services. These include laundry and housekeeping services, VA Police, food preparation, grounds' maintenance, transportation, painting and drafting services, canteen, medical third-party collections, and construction project management. Automating the processing of headstone and marker applications for the National Cemetery System is also proposed. Five-year savings of \$106.0 million and a reduction of 8,603 FTE could be realized.

7. Using Electronic Benefits Transfer (EBT) for Education Benefits

VA will reengineer the administration of the GI Bill Education Program by replacing the current paper-based claims processing with an expert system. Enrollment information from training facilities will be transmitted to VA electronically, automatically compared to the veteran's record, and upon successful processing, educational assistance funds will be transferred to the student's bank account. The expert system should be in place by FY 1999, reducing education processing staff by up to 40 percent in FY 2000. This will also improve customer service by improving accessibility, timeliness, and quality. Five-year savings will be \$21.6 million and 240 FTE.

8. Studying Privatizing Insurance Activities

Some veterans life insurance programs are administered directly by VA. These programs cover 2.8 million veterans and coverage amounts to \$25.7 billion. In many ways these programs operate as a mutual life insurance company. Administrative costs are paid from appropriated funds by legal contract, not from premiums or dividends. VA is proposing to conduct a feasibility study of contracting out the administrative functions of these programs. The study will be completed by the end of FY 1995.

9. Consolidating VA Insurance Activities

Savings can be achieved through consolidation of all VA Insurance activities at Philadelphia. Currently, 86 percent of VA insurance staffing is located at Philadelphia with the remainder at St. Paul, Minnesota. Relocations costs and the effect on St. Paul employees, will be minimized by phasing the consolidation over three years, FY 1997 to 1999. The estimated five-year savings will be \$2.2 million and 16 FTE.

10. Terminating the Manufactured Housing Program

The number of veterans obtaining VA guaranteed loans for manufactured homes (mobile homes or trailers) has declined significantly over the years, from a high of 13,502 in FY 1983 to only 24 in FY 1994. Manufactured home loan foreclosure rates are significantly higher than those for loans for site-built homes (a cumulative rate of 38.7 percent compared to 5.58 percent) with no sign of improvement. Due to the low volume, there is virtually no lender interest in using the VA manufactured home loan program; however, VA must maintain expertise in consumer installment finance, which differs in many respects from traditional real estate finance. If the VA manufactured home loan program were eliminated, veterans would still be able to purchase and finance such homes under the FHA Title 1 program or through conventional loans which have similar terms as VA manufactured home loans, including a 5 percent downpayment requirement. Veterans would still be able to purchase permanently sited units (considered real estate) with traditional no downpayment, 30-year VA guaranteed loans. Five-year savings of \$0.6 million would be realized by avoiding future foreclosures. Due to the very low volume, no FTE savings can be expected.

11. Studying Home Foreclosure and Property Disposition Policies

Currently, VA acquires properties from mortgage lenders following foreclosure of defaulted guaranteed home loans when, following a statutorily-based formula, VA determines that it is cost-beneficial to the Government to do so. These properties are then repaired and resold to the general public to recover the Government's investment. To facilitate the sales, VA offers direct financing to buyers at terms which are competitive with those available in the conventional mortgage market. A feasibility study will be conducted to determine (1) if it would be cost-beneficial to discontinue acquiring foreclosed properties, instead paying the VA guaranty and requiring lenders to retain and dispose of the properties themselves, and (2) if VA should no longer offer direct financing to buyers of its existing property inventory. The study will be available by June 30, 1995.

12. Contracting Out Home Loan Servicing

VA runs a complete mortgage servicing operation for a portfolio of approximately 29,000 loans with a value of \$1.1 billion. Most of these loans were made to finance the sale of property which VA acquired through the operation of the Loan Guaranty Program. VA normally sells loans every four months, however the bulk of the loans in this portfolio are ones that cannot be sold because they are in default, have a bad payment history, or are otherwise unsalable. In the private sector, loan holders often hire subcontractors to service their mortgages because these companies have more current equipment, more experienced staff and, because of economies of scale, can do so at a lower cost. By following this example, and subcontracting servicing, estimated five-year savings will be \$14.9 million and 171 FTE (\$34.3 million discretionary savings and \$19.2 million in mandatory outlays). It would also mean that a new information system, necessary in order to comply with new legal requirements regarding tax and escrow accounts, would not be required.

REGO II

Elig Reform

- 93-questions → ^{1-stop} IRS verification
- eliminate assets from consideration
- save \$46 M & elim 280 positions over 5 yrs

Medicare

today, VA hosps: admin comm, low-inl

FYI Jen

**Department of
Veterans Affairs****Memorandum**

Date: March 15, 1995
From: VA Reinvention Coordinator (OORG)
Subject: Reinventing Government Phase II
To: See Address List Below

The next meeting with the Advisory Group will take place on Thursday, March 16 at 4:00 p.m. The subject of this meeting will be the attached four papers on Reforming VA Health Care, Managed Care and Medicare Reimbursement, Third-Party Reimbursement, and Enhancing VA/DoD Health Care Sharing and Integration. Because the agenda is limited to medical issues, attendance by VBA and NCS is not required.


Ray Wilburn

Attachments**Addressees:**

Under Secretary for Health (10)
Under Secretary for Benefits (20)
Director, National Cemetery System (40)
General Counsel (02)
Assistant Secretary for Management (004)
Assistant Secretary for Congressional Affairs (009)
Deputy Assistant Secretary for Congressional Affairs (60C)
Assistant Secretary for Human Resources and Administration (006)
Chief of Staff (00A)
Veteran Service Organization Liaison (00C)

**VETERANS HEALTH ADMINISTRATION
REINVENTING GOVERNMENT, PHASE II**

**PROGRAM RECOMMENDATIONS WITH RESPECT TO
ELIGIBILITY REFORM
(Program Option 7)**

1. VA'S ELIGIBILITY REFORM OBJECTIVE:

The VA's principal goal in seeking eligibility reform is to ensure that the treatment given to any individual is determined by what is medically appropriate, yet at the same time have a means of prioritizing who will be treated at VA facilities.

2. ASSUMPTIONS:

For purposes of discussion, the following assumptions are made:

- There will be no immediate change in available VA facilities/services. (Over time, there will probably be a decrease in operating beds.)
- There will be no change in eligibility for institutional long term care, fee or contract care, or dental services.
- Potentially, all outpatient modalities will be impacted including hospital-based home care, home health, adult day health, psychiatric day hospital and day treatment programs, mental hygiene clinics, etc.
- Greater emphasis will be placed on primary care. (This includes a greater emphasis on health promotion and disease prevention interventions.)
- Savings ("efficiencies") will result from shifting acute inpatient care to ambulatory and other less expensive settings.
- Utilization management provisions will need to be instituted to control distribution of certain prosthetics (e.g., eyeglasses, hearing aids) and potentially for workload control.

3. COST/BUDGET NEUTRALITY ISSUE:

If VA care is made more "rational", then there is a potential that utilization of the system by both current and new users would increase, causing attendant budget concerns. However, this is predicated on assumptions that are not entirely clear. Further, if one

believes (as GAO and VAOIG have suggested) that current eligibility rules are not widely enforced, then the only expected outcomes to reform might be to improve customer (i.e., current) relations, bring some consistency in practice to the system, and "legalize" current practice viewed as suspect under current statute.

In support of the latter position is the fact that only marginal changes in workload were observed when VA implemented the means test, or when outpatient eligibility was expanded from greater than/equal to 80% service-connected to greater than/equal to 50% service-connected.

4. CONTROLLING UTILIZATION AND WORKLOAD:

In order to ensure that VA implements eligibility reform (in whatever guise it occurs) within current budgetary limits, a variety of management practices, clinical and others, can be applied. For example, various utilization management practices could be employed to defer certain medical and surgical interventions of a non-emergent or elective nature. Likewise, provider profiling and practice guidelines would be implemented early in an effort to enhance productivity and efficiency.

Alternatively, OMB has suggested that control of potential workload increases could be achieved by maintaining the currently restrictive eligibility criteria for care of the higher-income, non-service connected group of veterans (i.e., Category Cs) and correct the criteria for the veteran population perceived to be VA's primary responsibility, the service-connected and lower income veterans (i.e., Category As). VA views this approach as illogical: it suggests that the more cumbersome and more expensive system be maintained for less than 5% of the system users, and it continues a condition that is difficult to uniformly enforce.

5. CONCLUSION -- VA'S POSITION:

VA does not believe that draconian efforts will be necessary to control workload in order to control costs if eligibility rules were changed as noted above. In VA's judgment, the savings achieved from shifting from inpatient to outpatient care would be sufficient to cover the cost of new or increased utilization. However, this would require diligent attention to utilization management.

VA believes that eligibility reform be pursued because it is rational, it will improve care, and should result in administrative efficiencies.

VETERANS HEALTH ADMINISTRATION
REINVENTING GOVERNMENT, PHASE II

PROGRAM RECOMMENDATION

With Respect to Managed Care and Medicare Reimbursement
(Program Options 7C and 8A)

1. **ISSUE:** This paper provides an expanded discussion of VA's recommendation regarding managed care program flexibilities and authorities (*RIGO II Option 7C*) and Medicare reimbursement (*RIGO II Options 8A1-4*).

2. **VA'S OBJECTIVE:**

VA needs to be able to structure and offer health plans, enroll veterans, and charge premiums, copays and deductibles when appropriate. VA needs substantial flexibility in areas such as contracting and human resources to enable it to function more like a private sector managed care health plan and to ensure that care is available in the most cost-effective and desirable setting for veterans. Further, VA medical centers should be able to structure agreements with health plans (e.g., Blue Cross/Blue Shield) that will include VA among the provider options for veterans enrolling in that health plan.

Most veterans over age 65 are covered by the Medicare program. Many of the higher-income, non-service connected veterans who have contributed to the Medicare fund and earned an entitlement cannot use that entitlement to gain entry into the VA health care system. VA believes that these veterans should be able to use their Medicare entitlement to obtain services from the VA if that is their choice. VA should be reimbursed by the Medicare program for care provided to these veterans that is not covered by the scope of the VA appropriation. We believe that there are potential benefits in savings to the Medicare Trust Fund by permitting designated categories of veterans to bring their Medicare entitlement to the VA. Further, we believe that by permitting VA to function as a managed care risk contractor for Medicare we can further the Medicare goal of enrolling more beneficiaries in managed care plans, particularly those who are the oldest and sickest and who generally are continuing to rely on fee-for-service care.

Given the lack of VA and Health Care Financing Administration (HCFA) experience and/or specific data in this area, VA acknowledges that a tentative approach to its goal

Material on this page was developed in response to requirements of the Vice President's Reinventing Government Initiative. As such, it is for discussion purposes only, and shall not be construed to represent the views or the policy of the Department of Veterans Affairs.

may be most appropriate and more tenable. Further, VA believes that much can be learned by permitting VA to conduct appropriate demonstration projects, similar to the advantages HCFA enjoys from the demonstration projects it is authorized to conduct.

Therefore, in the short term, the VA goal is to obtain statutory demonstration authority that would permit VA to conduct certain pilots (in cooperation with OMB and HCFA) to develop information and experience with respect to managed care, enrollment, capitation, risk adjustment, and Medicare reimbursement.

3. DEMONSTRATION AUTHORITY

Generally, VA seeks authority to waive various requirements currently applicable to VA health care delivery as well as to Medicare reimbursement. This waiver authority would be applicable under limited, proscribed conditions and would waive restrictive contracting, personnel, sharing and joint acquisition requirements. It would permit flexibility with respect to banking and financial systems. The authority might be exercised for internal managed care application, e.g., incentivizing providers, or it might be exercised to permit VA to serve as a preferred provider to a non-VA health plan.

With respect to Medicare reimbursement, the authority would provide a basis for VA and HCFA to agree to permit VA to participate as a Medicare provider with certain negotiated participation requirements waived under the authority. It could provide an opportunity to demonstrate the effect of a VA location serving as a Center of Excellence for Medicare beneficiaries or the benefits of VA serving as a manager of services for HCFA in such things as prosthetics, home oxygen, and durable medical equipment (as examples).

4. CONCLUSION - VA'S POSITION

VA believes that this demonstration authority would present significant learning opportunities for VA and HCFA and, more importantly, for the beneficiaries of the two programs. VA has the advantages of an existing integrated delivery system, quality care, economies of scale, and substantial experience with an elderly and chronically-ill patient population. Medicare has the potential for broadening use of managed care, learning more about risk adjusting for this population and about managing long-term care, and lessening costs. Eventually, more veterans may have the opportunity to choose VA health care and use their earned Medicare entitlement and substantive issues that plague the Medicare Trust Fund may be addressed and even ameliorated to some degree.

**VETERANS HEALTH ADMINISTRATION
REINVENTING GOVERNMENT, PHASE II**

PROGRAM RECOMMENDATION

**With Respect to Third-Party Reimbursement
(Program Options 8B)**

1. ISSUE/OBJECTIVE:

VA requests the authority to retain a percentage of collections from third-party insurers for treatment of non-service connected conditions. Currently, approximately \$550 million per year is recovered by the Medical Care Cost Recovery (MCCR) program, but all recoveries in excess of operating costs are returned to the Treasury. If it were not for "paygo" requirements, VA would retain and reinvest its third-party recoveries. VA now seeks to retain some percentage level of its collections.

2. VA RECOMMENDATION:

In order to provide a financial incentive to the VA to increase collection of third party payment for non-service connected conditions, VA seeks a "gainsharing" opportunity whereby some percentage of recoveries would be returned to VA. The VA would determine appropriate allocation among and within the VISNs for patient care and improvement of collection operations.

Collections exceeding the budget baseline would be retained by VA. At the time of the first phase of the National Performance Review (NPR I), it was proposed that VA retain 25% of the funds exceeding the baseline. VA would like to retain a greater portion than 25%, but recognizes its responsibility to and the national gains from some percentage of those funds benefiting the U.S. Treasury. Therefore, VA recommends that the revenue received above the baseline be split 50/50 between VA and the Treasury and that the percentage split be revisited annually based on an assessment of the successes of gainsharing investments.

VETERANS HEALTH ADMINISTRATION REINVENTING GOVERNMENT, PHASE II

PROGRAM OPTIONS

1. Issue: Enhancing VA/DoD Health Care Sharing and Integration

2. Background: VA is a single health care system composed of 173 medical centers and numerous other facilities. The FY 1994 medical care budget was \$15.6 billion, and VA had approximately 891,000 discharges and 24 million outpatient visits. VA has a number of programs not found in the DoD system (i.e., nursing home care units, blind rehabilitation, SCI, readjustment counseling, etc.). Most VAMCs have significant medical school affiliations.

DoD's medical system is in reality four systems - Army, Navy, Air Force and CHAMPUS (Civilian Health and Medical Program for the Uniformed Services). Taken together, DoD's FY 94 health care budget was \$9.6 billion for direct care, and another \$3.3 billion for CHAMPUS. DoD provided 771,000 discharges and 46 million outpatient visits (clinic stops) in FY 1994. There is evidence to suggest that (1) DoD's budget is understated by approximately \$1 billion (due to indirect support from the rest of the DoD budget) and (2) the DoD direct care system is as much as 50 percent larger than required in order to meet its readiness mission. Taken together, the VA/DoD expenditures for health care approach almost \$30 billion.

The mission of VA's Veterans Health Administration is to provide quality health care to veterans, conduct education and training programs to enhance the quality of care to veterans, conduct medical research programs in connection with providing health care to veterans, and to serve as the primary contingency back-up to DoD of time or war or national emergency. DoD's primary mission is the security and defense of the country. In support of that, DoD's has a medical role to maintain the health and readiness of the active duty forces, and to provide immediate care to those injured in combat. Its associated mission is to provide health care to dependents of active duty personnel, retirees, and dependents of retirees. Both health care systems serve the military retiree population, although VA's eligibility criteria screen out many non-service connected retirees because of their income.

VA's 173 medical centers and DoD's 132 hospitals have many cooperative arrangements, but operate independently of each other. During FY 1994, 144 VA Medical Centers had 670 agreements with 140 DoD hospitals and clinics covering 4,170 shared services. VA's reimbursable earnings in FY 1994 from DoD from these agreements were \$29.7 million while VA purchased \$9.8 million from DoD. VA and DoD are operating joint venture hospitals at Albuquerque, New Mexico, and Las Vegas, Nevada, and six other joint ventures are in various stages of development.

Material on this page was developed in response to requirements of the Vice President's Reinventing Government initiative. As such, it is for discussion purposes only, and shall not be construed to represent the views or the policy of the Department of Veterans Affairs.

DoD is moving aggressively to implement its TRICARE program. This program will move DoD in the direction of becoming a managed care system by (1) coordinating care among its three branches and CHAMPUS, and (2) offering beneficiaries a choice among fee-for-service, PPO, and HMO options. Under the HMO option, DoD will have both a well defined benefit and an enrolled population.

3. Discussion:

DoD and VA provide direct health care to their beneficiaries, including some, e.g. retirees, who are eligible for care under both systems. Although a limited amount of resource sharing is taking place, it is relatively small. The potential exists for greatly expanded sharing and cooperation between the two systems with the goal of improved service to the customer - through improved access and enhanced quality - while at the same time maximizing cost efficiency.

As a first step in this initiative, the Vice President should task the Secretary of Veterans Affairs and the Secretary of Defense to identify ways the two systems could best work together, and assess the potential for achieving substantial improvements through this effort. The results would have to show either a net savings, or be revenue-neutral with improved access and services.

To accomplish this, a small task force made up of senior representatives including some appointed by VA's Under Secretary for Health and the Assistant Secretary of Defense for Health Affairs, will explore a limited number of policy issues to determine which have the potential for savings and/or improved access to and quality of care. The task force would consist of three to five representatives from each Department. Examples of policy issues to be explored include:

- Allowing DoD beneficiaries (including CHAMPUS beneficiaries) to use VA Medical Centers and permit VA to bill either the fiscal intermediaries or TRICARE managed care support contractors for care provided
- Allowing VA beneficiaries to have access to DoD health care facilities, or to networks established by the TRICARE contractors
- Having VA and DoD test the concept of offering uniform HMO-type benefits to their customers

The review of policy issues would be completed within three months and a report presented from the Secretaries of Veterans Affairs and Defense to OMB, along with any recommendations for legislation required for implementation.

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An important issue that has been raised is whether the group should address facility closures or mission changes. At this time this will not be part of the charter for the work group. DoD has closed 19 hospitals and clinics through the Base Realignment and Closure (BRAC) process, and is in the process of closing six more. Four additional hospitals and two clinics have been recommended for closure via BRAC 95. The implementation of VA's new network-based field structure, known as Veterans Integrated Service Networks, will involve a review of facility missions with probable mission changes for some individual medical centers. Previously VA had considered a comprehensive review of individual medical centers with a possible outcome of mission changes and perhaps recommended closures. The resulting Commission on the Future Structure of VA Health Care (the "Mission Commission"), however, did not examine individual facility missions or closures due in large part to external pressure.

The task force will also be tasked to explore certain operational issues to assure VA and DoD facilities are currently making the most effective utilization of Federal health care resources. Operational issues will ultimately be the responsibility of TRICARE Lead Agents and VISN Directors to jointly explore. Information will be sought to use in determining potential opportunities for economic savings and improved services by

- Joint contracting for services to provide benefits and savings to both systems
- Evaluating high cost/high volume services, such as radiology, laboratory, and pharmacy services, for increased sharing and minimization of expensive contracting
- Sharing services in centers for excellence in specialized areas of expertise
- Eliminating duplicative services in proximate facilities

The operational review (done primarily at the TRICARE and VISN levels) will continue as the new organizations come on-line. An initial report will be submitted within 3-6 months. Based on the recommendations contained in this report, the review and implementation will then become ongoing. Lead Agents and VISN Directors will be surveyed to determine best practices and recommended changes in policy, regulation, and law.

4. Advantages:

The advantages of significantly improved co-ordination between the two systems would accrue primarily to the beneficiaries - more access points, less confusion over dual eligibility, and perhaps a more standardized federal benefits package. Other theoretical advantages would be better utilization of direct federal health care resources (i.e., providing more care within a given level of resources), and potential savings in contracting

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for care (i.e., one large contract could bring a better price than two smaller contracts). Depending on what arrangements were made, improved DoD access to VA's medical school affiliates might also be a potential benefit.

Disadvantages:

If significant changes are recommended, concerns could be expected from both beneficiary populations, from the Congress, and probably from within both VA and DoD. Concerns would include dilution of mission, reduced benefits, reduced funding, and "mainstreaming." Concerns might also be expressed that improved services to beneficiaries might be very limited, and that limited, if any, savings would be achieved from reducing the bureaucratic structures which lead and manage the two health care systems. Finally there are significant challenges associated with requiring two large organizations with very different cultures to work closely together.

5. **Resource Implications (\$/FTEE – Cost/Savings):** Savings in dollars and FTEE would depend on the actual recommendations. Benefits would come from improved service delivery, which does, in fact, have a high value for our customers.

6. **Other Information:** Other issues to consider include:

- the relationship of VA's "eligibility reform" efforts on this proposal
- the continued downsizing of the military health care systems

REINVENTING THE DEPARTMENT OF VETERANS AFFAIRS (VA)

The second phase of the VA's National Performance Review -- an outgrowth of the Vice President effort to reinvent government -- focuses on twelve initiatives to improve services to veterans, revamp VA's complex medical care eligibility rules, and save money by streamlining or consolidating unnecessary or duplicative activities. The initiatives, some of which require legislation, are expected to save \$209 million in discretionary funds and reduce the size of the Department by at least 9,310 FTE over the next five years.

The department is proposing to reform eligibility criteria and treatment rules that will allow VA physicians to provide veterans with the full range of medical care in all treatment settings. Currently, three different sets of rules exist for inpatient, outpatient, and nursing home care eligibility, and some veterans may be treated in one mode of care but not another. Under the new rules, treating low-income and service-connected disabled veterans will still remain the department's top priority.

The existing means test currently used to determine both the nonservice-connected veterans' priority for health care and whether a co-payment is required will also be simplified. Assets will be eliminated from consideration in determining a veteran's net worth and Internal Revenue Service records will be accessed to verify income. This initiative will mean that veterans who do not have injuries or illnesses related to military service will no longer have to complete a 93-question annual form complemented by an interview each time the veteran seeks care at a different VA facility.

Other initiatives include:

- Developing pilots to allow veterans otherwise not eligible for VA health care to use their Medicare benefits to obtain treatment at certain VA facilities and permitting VA to retain the Medicare reimbursements.
- Allowing VA to retain a greater portion of collections from third-party insurers for treating veterans' nonservice-connected conditions. Currently, VA retains only that portion needed to cover the operating cost of collections.
- Studying the expansion of VA and Defense department health-care sharing agreements, including integrating facilities, and sharing labs and pharmacies.
- Consolidating, integrating and privatizing ~~contracting out~~ services in the following areas: laundry, housekeeping, food preparation, grounds maintenance, transportation, painting and drafting services, canteens, VA police, construction management, third-party health insurance collections, and cemetery headstone application processing.
- Transferring veterans' education benefits electronically.

+VSOs
? Mil Combi

VA doesn't have mcd care system so we don't know how much will cost.
- study will bring together experts from HCFR, VA, CMB
- 3-mos study to determine what a pilot will look like
⇒ no cost - Medicare reimb for ppl currently not in the system (high inc)

- Terminating the manufactured (mobile) home loan guaranty program, which has limited use (only 24 loans were guaranteed in 1994).
- Studying the privatization of VA's insurance activities (six insurance programs are currently administered directly by VA, covering 2.8 million veterans).
- Consolidating VA's insurance operation in St. Paul, Minn., with the Philadelphia Regional Office and Insurance Center.
- Studying current policies for acquiring defaulted properties on VA-guaranteed loans and issuing subsidized loans on these properties to non-veteran buyers.
- Contracting out the servicing and accounting of VA's portfolio of loans, most of which are direct loans made to enable the department to sell foreclosed properties.

Facsimile Cover Sheet

To: Jeremy Ben-Ami
Company: Domestic Policy Council
Phone: 456-5566
Fax: 456-7028

From: Ray Wilburn
Company: VA Reinvention Coordinator (00RG)
Phone: 202-273-7509
Fax: 202-273-5993

Date: 05/12/95
**Pages including this
cover page:** 6

Comments:



**THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON**

MAY 12 1995

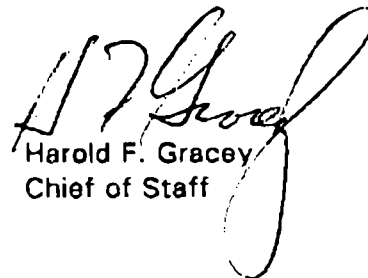
Mr. Jeremy Ben-Ami
Domestic Policy Council
The White House

Dear Mr. Ben-Ami:

The President is tentatively scheduled to meet with the editors of the various Veterans Organizations publications on May 26, 1995, to discuss veterans issues. VA has also discussed with White House staff the possibility of combining this event with a rollout of VA's Reinventing Government Phase II initiatives.

I understand that we are scheduled to meet with you on Monday, May 15 to discuss this matter. Enclosed is a proposed rollout and a draft press release for your consideration. Please contact Mr. Ray Wilburn, VA Reinvention Coordinator on 273-7509, if you have any questions prior to our meeting.

Sincerely yours,



Harold F. Gracey
Chief of Staff

Enclosures



Putting Veterans First



Department of
Veterans Affairs

Office of Public Affairs
News Service

Washington, D.C. 20420
(202) 273-5700

News Release

DRAFT

FOR IMMEDIATE RELEASE

BROWN ANNOUNCES NEW VA REINVENTION INITIATIVES

Washington, _____ -- Secretary of Veterans Affairs Jesse Brown today announced a slate of initiatives under Phase II of Vice President Gore's National Performance Review designed to improve services to veterans, revamp VA's complex medical care eligibility rules and save money.

Said Brown, "These twelve initiatives, most of which require legislation, are expected to save \$437 million over the next five years -- money that we will reinvest in critical areas such as veterans benefits claims processing and medical treatment."

The department is proposing to reform eligibility criteria and treatment rules that will permit VA physicians to provide veterans with the full range of medical care in all treatment settings. Currently, three different sets of rules exist for inpatient, outpatient and nursing home care eligibility, and some veterans may be treated in one mode of care but not another.

The existing means test currently used to determine nonservice-connected veterans' priority for care and whether a co-payment is required also will be simplified by eliminating assets from consideration in determining a veteran's net worth and accessing Internal Revenue Service records to verify income. This initiative would eliminate a 93-question means test currently administered to high-income veterans who do not have injuries or illnesses related to military service.

Other initiatives include:

¶ Allowing veterans otherwise not entitled to VA care to use their Medicare benefits to obtain treatment at a VA facility and permitting VA to retain the Medicare reimbursement.

¶ Allowing VA to retain a greater portion of collections from third-party insurers for treating veterans' nonservice-connected conditions. Currently, VA retains only that portion which covers the operating cost of collections.

-more-

Reinventing Government -- Page 2

¶ Studying the expansion of VA and Defense Department health-care sharing agreements, including integrating facilities, and sharing labs and pharmacies.

¶ Consolidating, automating and contracting out services in the following areas: laundry, housekeeping, food preparation, transportation, canteens, VA police, construction management and cemetery headstone application processing.

¶ Transferring veterans' education benefits payments electronically.

¶ Terminating the manufactured (mobile) home loan guaranty program, which has limited use (only 24 were guaranteed last year).

¶ Studying the privatization of VA's insurance activities (six insurance programs are currently administered directly by VA, covering 2.8 million veterans).

¶ Consolidating VA's insurance operation in St. Paul, Minn., with the Philadelphia Regional Office and Insurance Center.

¶ Studying current policies for disposing properties acquired as a result of foreclosure on VA-guaranteed loans.

¶ Contracting out the servicing and accounting of VA's portfolio of loans, most of which are direct loans made to enable the department to sell foreclosed properties.

###

8600 FTEs
Privatized

REINVENTING GOVERNMENT PHASE II**PROPOSED ROLLOUT FOR DEPARTMENT OF VETERANS AFFAIRS INITIATIVES****Friday, May 26****Duration****1 hour**

President, Secretary Brown, Deputy Secretary Gober, and Under Secretaries Kizer and Vogel meet with Veterans Service Organization Executive Directors/National Commanders and Veterans Publications editors in Roosevelt Room. President will make opening remarks on REGO II (VA health care eligibility reform) followed by Q & A's.

30 minutes

President (accompanied by Secretary Brown, Deputy Secretary Gober, and Under Secretaries Kizer and Vogel) makes brief remarks regarding VA REGO II initiatives for White House Press Corps in White Press Briefing Room. President departs after remarks. Secretary Brown, et al, remain to answer press questions.

1 hour

Deputy Secretary Gober (accompanied by Under Secretaries Kizer and Vogel) introduces detailed briefing at VA headquarters for VSO Executive Directors/National Commanders and Congressional Staff.

Monday, May 29**South Lawn**

President emphasizes VA health care eligibility reform in the context of his Memorial Day message.

VA will issue a national news release highlighting VA's 12 initiatives, focusing on health care eligibility reform; quotes from President/Vice President and Secretary Brown.

VA will also issue slotted news releases for local distribution by VA public affairs with quotes by facility directors and President/Vice President and Secretary Brown.

Radio interviews with Secretary Brown, Deputy Secretary Gober, Under Secretary for Health Kizer, and Under Secretary for Benefits Vogel will be held in various locations around the country to announce the REGO II initiatives.

VA Point of Contact: Ray Willburn, VA Reinvention Coordinator
(273-7509, FAX 273-5993)



Deputy Assistant Secretary
for Public Affairs
Washington DC 20420

Please feed quote from
President / Vice President
to Jim Holley at
Ph. 273-5712
FAX 273-5719

OK H



THE VICE PRESIDENT
WASHINGTON

April 13, 1995

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Nancy-Ann Min, OMB *NAM*
Norman Bowles, NPR *NB*

SUBJECT: National Performance Review: Phase II Proposals
Department of Veterans Affairs (VA)

The second phase of the Department of Veterans Affairs' National Performance Review focused on initiatives to streamline or consolidate unnecessary or duplicative operations. The NPR Team, comprised of VA, OMB and NPR, produced these initiatives through extensive negotiations and a thorough discussion of the issues. There are no outstanding issues.

In total, these recommendations will yield \$209 million in discretionary savings over five years and 9,310 FTE. You should know that the FY 96 budget projects \$10.8 billion in savings to the discretionary baseline that were to have been achieved by VA through NPR II in the FY 1996-2000 period. The proposals largely improve services to veterans by:

Reforming VA Health Care Eligibility and Treatment. VA's existing medical care laws define the types of treatment which veterans are eligible to receive based on medical condition and priority status. These eligibility criteria encourage VA to hospitalize patients who might otherwise be treated on an outpatient basis, and limit VA's ability to provide comprehensive care needed by veterans. This proposal would reform VA's medical care eligibility requirements, allowing VA to expand the range of outpatient services and replace unnecessary and more expensive inpatient hospital care with more appropriate and less expensive ambulatory care. Low-income and service-connected disabled veterans would remain VA's top priority. The savings from reduced hospitalizations would offset the cost of expanded outpatient services. Legislation was introduced in the House this year which would create pilot projects involving reformed eligibility criteria. (Savings: budget neutral)

Studying Medicare Reimbursement for VA. At present, higher-income, non-service connected veterans who are eligible for Medicare do not have the option of using their Medicare benefits to gain entry to the VA health care system. VA would like to be able to accept Medicare reimbursements, thereby enabling it to cover the cost of expanding its health care to lower-priority veterans. There is uncertainty, however, about how this would affect VA health care and Medicare costs in that it could induce more veterans to come into the VA health care system. The NPR team proposes a study to develop a range of VA/Medicare

pilot projects. In three months, a team of experts from VA, HCFA and OMB will produce a report which details pilot options, their defined parameters, and projected cost impacts. Concurrently with the study, all legislative changes necessary to conduct the pilots would be pursued. (Savings: none because it is a study)

Allowing VA to Retain a Portion of Medical Collections. Under existing law, VA has authority to bill third-party providers for treatment of non-service connected disabilities. All third-party collections, less administrative costs, are deposited in the Treasury's General Fund. NPR proposes authorizing a gainsharing program whereby VA would retain 25% of increased collections with the remaining 75% going to the Treasury. This creates an incentive for VA facilities to increase collections above the baseline. This was an NPR I recommendation which did not get implemented. (Savings: Already credited to NPR I)

Simplifying Means Testing. In determining a veteran's eligibility for health care, VA is required by law to assess the veteran's "means" to pay. Means testing currently involves a lengthy annual interview involving 93 questions, and another interview each time the veteran seeks care at a different VA facility. In addition, VA matches the veteran's income records against those of the IRS and Social Security. This proposal would simplify the means-testing process for VA health care by replacing it with a simple check of IRS records to determine whether a veteran's reported taxable income qualifies him or her for free medical care. (Savings: \$46 million and 280 FTE)

Studying VA/DoD Health Care Sharing. Both VA and DoD provide direct health care to their beneficiaries, some of whom are eligible for care under both systems. Resource sharing between the two systems currently occurs on a limited basis. For example, DoD reimbursements to VA account for slightly less than 0.2 percent of VA's health care budget. The potential exists for significantly expanding sharing between the DoD and VA systems. This could allow improved access and enhanced quality while increasing cost efficiency. Utilization levels of VA facilities have been raised in recent Congressional hearings. Currently, one out of seven VA hospitals has an average occupancy rate of less than 65 percent. Under this proposal, the Secretary of Veterans Affairs and the Secretary of Defense would establish a joint task force to conduct an 18-month study of ways to increase sharing and integration of DoD and VA facilities. (Savings: none because it is a study)

Integrating, Consolidating and Privatizing Ancillary Services. VA delivers many different support services to its medical facilities, benefits offices and cemeteries using in-house resources. These services include food preparation, housekeeping, laundry, engineering and maintenance, police, applications processing, transportation, etc. Under this proposal, VA will integrate, consolidate, and privatize some of these ancillary support services. (Savings: \$106 million and 8,603 FTE)

Using Electronic Benefits Transfer (EBT) for Education Benefits. VA's Montgomery GI Bill Education program relies on a paper-based system for processing claims and paying benefits. VA would replace this system with an expert rule-based system to determine

eligibility and an Electronic Benefit Transfer (EBT) system. Legislation will be needed.
(Savings: \$21 million and 240 FTE)

Studying Privatizing Insurance Activities. VA currently uses 425 FTE to administer seven life insurance programs providing about \$25.7 billion in insurance coverage to approximately 2.8 million veterans. In many respects these programs operate the same as any private sector mutual life insurance company, except that administrative costs are covered by Federal funds. This initiative involves a feasibility study, to be completed by the end of July 1995, of contracting out the administration of these programs. (Savings: none because it is a study)

Consolidating Insurance operations. VA's insurance operations are located in two field offices in Philadelphia, PA, and St. Paul, MN. This results in unnecessary overlap and duplication between the two operations. This proposal involves consolidating the operations in Philadelphia which currently houses 86 percent of all insurance staff. To minimize the disruption, this transition would be phased in over three years and be completed in 1999.
(Savings: \$2 million and 16 FTE)

Terminating Manufactured Housing Program. In addition to its regular mortgage guarantee program, VA guarantees loans for manufactured homes (e.g. trailer homes). Use of this program by military personnel and veterans has declined from 13,110 loans in 1984 to 24 in 1994. VA would terminate this program under this proposal. Even without this program, veterans would still be able to find manufactured home loans through VA's regular mortgage program if the housing were permanently sited, or through FHA's Title I program.
(Savings: Less than \$1 million and no FTE)

Studying Home Foreclosure and Property Disposition Policies. When a loan is foreclosed, current law requires VA to take title to the home under certain circumstances. VA then repairs the home if necessary, and tries to sell it. Often the sale of the home involves VA providing financing. In 1994 VA acquired 21,042 homes and sold 23,544 homes, most financed with \$1.5 billion in VA loans. This may not be the most cost-beneficial use of Federal funds. Under this proposal, VA will undertake a quantitative, two-part study due by June 30, 1995, of the costs and benefits of 1) acquiring defaulted properties, and 2) issuing subsidized loans to non-veteran buyers. (Savings: none because it is a study)

Contracting Out Home Loan Servicing. VA sells most of the direct loans that it makes. However, the VA holds about 29,000 loans worth \$1.1 billion that it could not sell for a variety of reasons, including poor credit histories, low interest rates, poor documentation, etc. VA services these loans with in-house personnel (171 FTE). Loan servicing, however, is a specialized activity that the private sector does more efficiently with its modern technology and much larger economies of scale. Under this proposal the VA would privatize the servicing and processing of VA-held home loans. This will result in more efficient service and eliminate VA's need to invest in a modern financial management system to meet new escrow regulations. (Savings: \$15 million and 171 FTE)

SUMMARY

5-Year Savings:	\$209 Million (discretionary)
FTE Savings:	9,310
Office Closings:	None

Approve _____

Other _____

Attachment -- NPR Fact Sheet: Department of Veterans Affairs Phase II Proposals

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA01 : Reform VA Health Care Eligibility and Treatment

THEME: Other
ACTION: Legislative

Five Year Impacts (Relative to Baseline)
Impacts shown as zero.

Comments:

VA's existing medical care laws define the types of treatment which veterans are eligible to receive based on medical condition and priority status. These eligibility criteria encourage VA to hospitalize patients that otherwise could be treated on an outpatient basis and limit VA's ability to provide comprehensive care to veterans suffering from chronic conditions, like hypertension or diabetes.

The NPR Team recommends reforming VA's medical care eligibility requirements to allow VA's health care professionals to treat veterans in the most appropriate care setting and with the most appropriate protocol. Under these simplified criteria, treating low-income and service-connected disabled veterans would remain VA's top priority, with care provided to higher-income, non-disabled veterans as resources permit. This proposal would allow VA to expand the range of outpatient services, and to replace unnecessary and more expensive hospital care with more appropriate and less expensive ambulatory care. The savings from reduced hospitalizations would offset the cost of expanded outpatient services and necessary construction, making this reform budget-neutral.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA02 : Study Medicare Reimbursement for VA

Cross-cutting Issue

THEME: Other

ACTION: Legislative

Five Year Impacts (Relative to Baseline)

Impacts shown as zero.

Comments:

VA believes that higher-income, non-service connected veterans who have contributed to the Medicare fund should have the option of using their Medicare benefits to gain entry to the VA health care system. VA is interested in pilot projects which would allow it to test the feasibility of Medicare reimbursement for providing quality care to these non-core veterans at a reduced cost to Medicare.

The NPR Team recommends a study to develop a range of VA/Medicare pilots. A team of experts from VA, HCFA and OMB will produce a report in three months containing a range of detailed options with defined parameters and cost estimates of the impact of implementation. All statutory authorities necessary to allow VA to conduct pilots and be reimbursed for care provided by such pilots will, to the extent possible, be pursued simultaneously with the conduct of the study.

STATUS: DONE.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA03 : Allow VA to Retain Portion of Medical Collections

THEME: Other
ACTION: Legislative

Five Year Impacts (Relative to Baseline)
OL (Mandatory)..... -244

Comments:

Under existing law, VA has authority to bill third party providers for treatment of non-service connected disabilities. All third party collections, less administrative costs, are deposited in the general fund of the Treasury.

The NPR Team recommends authorizing a gainsharing program in which VA would retain 25% of collections above the baseline (with the remaining 75% going to Treasury). The gainsharing mechanism offers VA medical facilities an incentive to increase collections. The same proposal was recommended in NPR1.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA04 : Simplify Means Testing

THEME: Other
ACTION: Administrative

Five Year Impacts (Relative to Baseline)

Budget Authority.....	-46
OL (Discretionary)....	-46

FTE.....	-280
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Comments:

In determining a veteran's eligibility for health care, VA is required by law to assess the veteran's "means" to pay. Means testing currently involves a 93-question interview with the veteran once a year, or each time the veteran seeks care at a different VA facility. In addition, VA matches the veteran's income records against those of the IRS and Social Security.

The NPR Team recommends a substantial simplification of the means testing process. In lieu of the current long and detailed interview, VA, in partnership with the IRS, would ask veterans for permission to access their tax records and confirm that no significant changes in income or net worth had occurred.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA05 : Study VA/DOD Health Care Sharing

Cross-cutting Issue

THEME: Consolidations
ACTION: Administrative

Five Year Impacts (Relative to Baseline)

Impacts shown as zero.

Comments:

DoD and VA provide direct health care to their beneficiaries, including some who are eligible for care under both systems. Although some resource sharing already takes place, it is small. VA's reimbursements from DoD account for less than 0.2 percent of VA's health care budget. The potential exists for greatly expanded sharing and cooperation between the two systems with the goal of improved service to the customer -- through improved access and enhanced quality -- while at the same time increasing cost efficiency.

The NPR Team recommends that the Vice President ask the Secretaries of VA and DoD to establish a joint task force to study and report on the feasibility of enhanced sharing and integration of medical services between the two agencies. When appropriate, initiatives should be approved and implemented during the study period.

STATUS: DONE.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA06 : Integrate, Consolidate and Privatize Ancillary Services

THEME: Privatizations
ACTION: Administrative

Five Year Impacts (Relative to Baseline)

Budget Authority.....	-106
OL (Discretionary)....	-106

FTE.....	-8,603
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Comments:

VA is proposing several initiatives with potential for greater efficiencies and savings by consolidating or contracting out services. These include laundry and housekeeping services, VA Police, food preparation, grounds maintenance, transportation, painting and drafting services, construction project management, Medical Care Cost Recovery, and Canteen. Contracting the processing of headstone and marker applications for the National Cemetery System is also proposed.

The NPR Team recommends that VA take advantage of savings opportunities from integrating, consolidating and privatizing ancillary support services.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA07 : Use EBT for Education Benefits

THEME: Other
ACTION: Legislative

Five Year Impacts (Relative to Baseline)

Budget Authority.....	-21
OL (Discretionary)....	-21
FTE.....	-240

Comments:

VA's Montgomery GI Bill Education program relies on a paper-based system for processing claims and paying benefits. This out-dated system takes almost 600 FTE to operate, yet it cannot ensure the timely and accurate delivery of benefits to veterans, who must meet often widely varying eligibility requirements.

The NPR Team recommends replacing this system with an expert rule-based system to determine eligibility and an Electronic Benefit Transfer (EBT) system. This technology would enable VA to: (1) process electronic transmissions from training facilities to VA; and (2) transfer payments electronically from VA to education facilities and student bank accounts. This change will not only enable VA to realize staff savings but also help VA improve customer service by increasing the speed and accuracy of claims processing and benefits payments. Legislation will be needed to ease the computer matching burden for participating schools and clarify signature requirements for electronically submitted applications.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA08 : Study Privatizing Insurance Activities

THEME: Privatizations
ACTION: Administrative

Five Year Impacts (Relative to Baseline)
Impacts shown as zero.

Comments:

VA currently uses 425 FTE to administer seven life insurance programs, providing about \$25.7 billion in insurance coverage to approximately 2.8 million veterans. In many ways, these programs operate the same as any private-sector mutual life insurance company, with the exception that administrative costs are paid from appropriated funds not from premiums or dividends.

The NPR Team recommends that VA study the feasibility of contracting out the administration of these programs. VA expects this study to be completed by the end of July 1995.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA09 : Consolidate Insurance Operations

THEME: Consolidations
ACTION: Administrative

Five Year Impacts (Relative to Baseline)

Budget Authority.....	-2
OL (Discretionary)....	-2
FTE.....	-16

Comments:

VA divides its insurance operations between two field offices, one in Philadelphia, PA, and the other in St. Paul, MN. This division causes unnecessary duplication in certain functions, especially supervisory.

The NPR Team recommends consolidating all VA insurance activities in the Philadelphia field office, which already houses 86 percent of all insurance staff. To minimize dislocation at the St. Paul field office, the merger would be phased in over three years, from FYs1997 to 1999.

4/12/95
16.53.53
(MAX-RG96FACT)

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA10 : Terminate Manufactured Housing Program

THEME: Terminations
ACTION: Legislative

Five Year Impacts (Relative to Baseline)
OL (Mandatory)..... -1

Comments:

In addition to its regular mortgage guarantee program, VA guarantees loans for eligible veterans and military personnel to acquire manufactured homes. Historically, the risks of these loans have been quite high. Recent program changes have reduced these risks but made program administration more complicated. At the same time, fewer lenders and veterans are participating in the program. In 1994, VA guaranteed only 24 loans for \$400 thousand. Without this program, veterans would still be able to find manufactured home loans through VA's regular mortgage program, if the housing were permanently sited, or through FHA's Title I program.

The NPR Team recommends terminating this complicated but little-used program. Because of the size of the program, savings would be small.

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA11 : Study Home Foreclosure and Property Disposition Policies

THEME: Other
ACTION: Administrative

Five Year Impacts (Relative to Baseline)
Impacts shown as zero.

Comments:

When a loan is foreclosed, current law requires VA to take title to the home if the foreclosure bid is below the price which VA has determined would minimize its claim payment. Property acquisition occurs in over 85 percent of all VA loan foreclosures and, according to VA, helps the Government reduce its losses.

Once VA has acquired a home through foreclosure, it must repair and try to sell the home. VA currently disposes of about 20 percent of its properties through cash sales. The other 80 percent are sold with seller financing. These direct VA loans are offered to the general public (non-veterans and veterans) at market rates, which are too low to cover VA's expected losses. VA claims that subsidized seller financing facilitates the disposition of homes acquired through foreclosure and thereby saves the Government money.

NPR took issue with VA both for acquiring foreclosed property and for using seller financing to dispose of this property. In 1994, VA acquired 21,042 homes and sold 23,544 homes, most financed with \$1.5 billion in loans. Property acquisition, management and sales absorb about 300 FTE in VA's home loan programs. Although VA believes these policies more than pay for their costs, it has not completed a recent full-scale cost-benefit analysis.

The NPR Team recommends that VA undertake a quantitative, two-part study due by June 30, 1995, of the costs and benefits of: (1) acquiring defaulted properties, and (2) issuing subsidized loans to non-veteran buyers of these properties.

OFFICE OF MANAGEMENT AND BUDGET
REGO PHASE II PROPOSALS
(in millions of dollars)

AGENCY: Department of Veterans Affairs

VA12 : Contract Out Home Loan Servicing

THEME: Privatizations
ACTION: Administrative

Five Year Impacts (Relative to Baseline)

Budget Authority.....	-34
OL (Discretionary)....	-34
OL (Mandatory).....	19
Net (OL & Rcpts)...	-15
FTE.....	-171

Comments:

VA often makes direct loans when it sells acquired property. VA currently sells most of these home loans soon after they are made, through its mortgage-backed securities program. However, a certain portion of these loans is never sold each year because of low interest rates, high loan-to-value ratios, poor documentation, or other reasons. In addition, VA directly acquires some guaranteed loans when they default. These loans are hard to sell because of their bad credit histories. VA has accumulated \$1.1 billion worth of 29,000 hard-to-sell loans, which it services in-house with 171 FTE.

VA is not an efficient loan servicer. Not only does it lack private sector incentives but it lacks the economies of scale usually found in this highly specialized industry. Moreover, VA expects its loan servicing burden to increase, as new escrow regulations go into effect for home mortgages.

The NPR Team recommends that VA contract out the servicing on its direct home loans. Outside contracting should be both efficient and easy. Because most of these loans are to non-veterans, servicing requirements are no different than for conventional mortgages. Outside contracting will also obviate the need for VA to invest in a modern financial management system to meet new escrow requirements.

VA Offers Proposal To Save \$209 Million

Gore, Brown Slap GOP Plan for Veterans

By Spencer Rich
Washington Post Staff Writer

Vice President Gore and Veterans Affairs Secretary Jesse Brown yesterday said a new round of "reinventing government" proposals for the Department of Veterans Affairs would save \$209 million.

The plan would eliminate the need for 9,310 existing jobs over the next five years through greater efficiency and shift 20 percent of the patient load in veterans' hospitals to less costly outpatient care.

A VA official said some of the savings and job slots might be used to provide added services.

Taking a slap at Republican budget plans for veterans' programs, Gore, speaking at the VA medical center here, said, "There is a wrong way" to make savings.

"The wrong way would be to close VA hospitals and deny care to veterans as some on Capitol Hill are proposing," Brown called the GOP proposals "just plain mean."

"The right way to change government" and save, Gore said, is the way the Clinton administration "reinventing" plan goes about it: coordinate services better; eliminate archaic rules that require a veteran to be admitted to costly hospital care for services that can be handled easily at an outpatient clinic.

Also consider allowing the department to charge Medicare for health services to certain Medicare-eligible veterans, and eliminate paperwork monstrosities like the "93-question hour-long interview that many veterans have to endure each year to establish eligibility for free health care.

"The first change is to get rid of the rule that often forces VA doctors to hospitalize veterans who only need outpatient care," Gore said. "Doctors can't treat a veteran's high blood pressure or diabetes without putting him or her into a hospital bed" even when "hospitalization isn't needed medically. It just drives up the cost and disrupts the veteran's life. ... Suppose you break a leg and need a cast and crutches. ... The VA outpatient clinic can put your leg in a cast, but under the old rule they can't give

you crutches unless they put you in the hospital."

So the first change is to abolish such rules and establish that every patient will be treated in the simplest, most appropriate and economical setting, Gore declared.

A second change would allow the VA to experiment with projects in which it could bill Medicare for the

Veterans Secretary Brown called GOP proposals "just plain mean."

health care of Medicare-eligible veterans who are not poor and do not have service-connected disabilities but wish to receive care in VA facilities.

Such veterans normally cannot get VA health care because the department's appropriations are large enough only for those who are poor or have service-connected disabilities.

In addition, under the reinventing plan, the department would be allowed to keep a larger portion of the money it collects from other third-party insurers when it cares for veterans who have such coverage. It would simplify the means-test for free services for low-income veterans by eliminating the 93-question interview.

The plan would experiment with consolidating VA and Defense Department medical facilities so there are fewer unused beds, fewer duplicative labs and pharmacies and the like.

It would explore consolidating and privatizing a variety of laundry, housekeeping, food preparation and maintenance services at veterans' facilities.

Other changes proposed included transferring veterans' education payments electronically; studying whether to turn administration of six veterans' insurance programs over to private insurers; terminating the mobile-home loan guarantee program, since only 24 were guaranteed last year; and other changes involving management of loans and of properties obtained through foreclosures.

PHOTOCOPY
PRESERVATION

CLINTON LIBRARY PHOTOCOPY

17 May

VA Press/Media/REGOII Issues

15 May 95

4:00 pm

Daniel Neal.	NPR	632.0150 x147
Peggy Lewis	media affairs	456-5673
LeeAnn Inadomi	Cabinet Affairs	62572
Ginny Terzano	Press	x62580
Steve Ailton	OPL	x62157
Flo McAfee	OPL	x67701
* Diana Zuckerman	First Lady's Office/OSTP	6-6266
message & on voice mail Molly Brostrom	DPC	6-5561
Jeremy Ben Ami	DPC	6-5584
Toni Husted	OMB	54500
* HAROLD GRACEY	VA	273-4808 fax 273-4877
Holly Carner	VP scheduling	6-7936
* 12:00 Wed		
Hidi Kukis	VP Press	x67035
Wendy New	UP/REGO	x69008
* Noam Bow	NPR	632-0150 x142
Julia Moffett	Comm.	

- Please call starred individuals to tell them about Monday Mtg & ^{then} fax attached memo.

-thx - Molly 6-5561

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

18-May-1995 11:56am

TO: (See Below)

FROM: Molly Brostrom
Economic and Domestic Policy

SUBJECT: Mon. Vets Mtg

At 2:00 Monday, Rm. 211, we will be meeting to discuss details of the week's veterans events.

At this point, the events are:

Ongoing VA Budget Briefings

Wednesday, May 24, 1-2:30 -- Interagency Veterans Policy Group (chairs of group) meeting with veterans service organizations (VSOs) to present report of IVPG work. ** This meeting will include an oral briefing of the REGO initiatives.

Thurs, May 25, 11-12:30 -- same meeting with Military Coalition Groups.

Thurs, May 25 -- VP REGO Announcement

Friday, May 26 -- POTUS VA Press Roundtable

Monday, May 29 -- Memorial Day

Please let me know if you are aware of additional events that should be coordinated with these. Thanks.

Distribution:

TO: Peggy A. Lewis
TO: LeeAnn Inadomi
TO: Virginia M. Terzano
TO: Steven M. Hilton
TO: Floydetta McAfee
TO: Toni S. Hustead
TO: Carver, Holly D.
TO: Heidi Kukis
TO: New, Wendy C.
TO: Julia Moffett

TO: Kamarock, Elaine C.

CC: Jeremy D. Benami

VA Press/Media/REGOII Issues

15 May 95

4:00 pm

Daniel Neal.	NPR	632.0150 x147
Peggy Lewis	media office	456-5673
LeeAnn Inadomi	Cabinet Affairs	62572
Ginny Terzano	Press	x62380
Steve Hilton	OPL	x62157
Flo McAfee	OPL	x67701
Diana Zuckerman	First Lady's Office/OSTP	6-6266
Molly Brostrom	DPC	6-5561
Jeremy Ben-Ami	DPC	6-5584
Toni Husted	OMB	x54500

*1200 Wed

17 May

VA Press/Media/REGOZI Issues

15 May 95

4:00 pm

Daniel Neal.	NPR	632.0150 x147
Peggy Lewis	Media Affairs	456-5673
LeeAnn Inadomi	Cabinet Affairs	62572
Ginny Terzano	Press	x62580
Steve Hilton	OPL	x62157
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Jeremy Ben-Ami	DPC	6-5584
Toni Hustead	OMB	x54500
HAROLD GRACEY	VA	273-4808
Holly Carner	VP scheduling	6-7936
*1200 Wed		
Hidi Kukis	VP Press	x67035
Wendy New	UP/REGO	x69008
NoamAD Bowles	NPR	632-0150 x142
Julia Moffett	Comm.	

415 - Pros & VA /
Vets

Tues or Th → VP, Jesse Brown
announc-
+ press

**May Veterans Events
Planning/Coordination Meeting
Thursday, May 15, 4-5:00 pm, Rm. 211**

Agenda

1. Quick Review of Upcoming/Past Veterans Events

-Budget Consultations - Toni → which gps

5/24-5 - IVPG Meeting with VSOs, Military Coalition

5/26 - POTUS Press Roundtable / REGO → need stuff leading up to Memorial Day
- way to get info out to rank & file - Ginny, Flo

-Others (Memorial Day, Korean War Memorial, WWII Commemoration...) May 28 7/26-27

1. Wreath Laying → B.C., ROK Pres Kim
2. Dedication of Mon'

2. Discussion of Event Details, including how to integrate Budget consultations, REGO announcement, and IVPG Report

-IVPG Meeting with VSOs, Military Coalition (~~to be announced~~)

-POTUS Press Roundtable

-Others (Memorial Day, Korean War Memorial, WWII Commemoration...)
500 person - stamp rally

1) Refining Eligib
- already pilot intro'd by Sonny Montgomery
- in Ind. Budget (VSOs)

2) Studying Medicare needs
- also, in Ind Budget

3) Allow VA

Budget: In out yrs, Pres budget took out as much as House Budget

Q&A's
11:45-12:30
12:30-1:15
12:00 → call him
4 August → Vets
Conventions

* Announc of Pers:
Gulf Adv Comm
923 # DOD → \$5M vsrd
grants on Persian
Gulf

EXECUTIVE OFFICE OF THE PRESIDENT

15-May-1995 12:34pm

TO: (See Below)

FROM: Molly Brostrom
Economic and Domestic Policy

SUBJECT: 4:00 Vets Mtg

Attached is a draft agenda for today's 4:00 pm meeting on veterans events in the coming weeks. We would like to use this meeting to coordinate activities internally prior to a planning meeting with the Agency. The meeting will be held in Rm. 211 OEOB. Please let me know if you cannot make it.

Agenda
Planning/Coordinating Meeting
Veterans Events
Thursday, May 15, 4:00 - 5:00 pm, Rm. 211

- 1) Quick Review of Upcoming/Past Veterans Events
 - 2) Discussion of Event Details, including how to integrate Budget Consultations, REGO announcement, and IVPG Report
- IVPG Meeting with VSOs, Military Coalition Groups
 - POTUS Roundtable
 - Others (Korean War Memorial, WWII Commemoration...)

Distribution:

Daniel O'Neal

TO: Steven M. Hilton
TO: Floydetta McAfee
TO: Nancy-Ann E. Min
TO: Toni S. Hustead
TO: LeeAnn Inadomi
TO: Peggy A. Lewis
TO: Virginia M. Terzano
TO: Kamarck, Elaine C.

CC: Jeremy D. Benami



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 1, 1995

MEMORANDUM FOR ALICE RIVLIN
JOHN KOSKINEN
ELAINE KAMARCK
BOB STONE
ED DESEVE
JOHN KAMENSKY

FROM: Nancy-Ann Min and Dorothy Berry *NAM*
Co-chairs, NPR Advisory Team

SUBJECT: Department of Veterans Affairs NPR-II Briefing

Attached is a copy of the Department of Veterans Affairs' (VA) presentation to the NPR-II Steering Committee which includes a summary of the proposals recommended and considered by VA and the NPR Advisory Team (Tab A). Additionally, I am including a brief item-by-item assessment of the options to assist you during the session with VA (Tab B). The presentation is currently scheduled for Thursday, March 2nd, at 3:00 in Room 248. VA attendees will include:

Deputy Secretary Hershel Gober
Deputy Chief of Staff Rich Pell
VA Reinvention Coordinator Ray Wilburn
Under Secretary for Health Ken Kizer
Under Secretary for Benefits John Vogel
Director, Loan Guaranty Service Keith Pedigo
General Counsel Mary Lou Keener
Assistant Secretary for Finance Information & Resource Management Mark Catlett
Assistant Secretary for Congressional Affairs Ed Scott
Director, National Cemetery System Jerry Bowen

VA's FY 1996 total discretionary budget authority is \$19.2 billion. The Veterans Health Administration (VHA) portion totals \$17.3 billion, and includes the operation of 174 hospitals, 370 out-patient clinics, 133 nursing homes, and 39 domiciliaries. The Veterans Benefit Administration (VBA) discretionary budget is \$0.132 billion and it includes 58 regional claims processing offices and 204 VetsNet outreach offices. The construction budget is \$0.787 billion, and other VA governmental operating expenses total \$1.024 billion.

Section 1102 of the Veterans' Benefits Improvements Act of 1994 established an FTE floor for VA of 224,377, effective through the end of FY 1999. This floor does not include the approximately 5,400 FTE paid for out of unappropriated funds. This law precludes VA from reducing its FTE below the floor unless (1) VA has insufficient funds to support this number of FTE, or (2) another law overrides the floor. VA is currently at this floor. Thus, any proposal or set of proposals intended to streamline VA must address this provision. For example, in cases where we are suggesting privatization, it could actually cost money if we are paying a contractor and must hire elsewhere in the Department to maintain the floor.

The NPR Advisory Team agrees with the VA that much of what the Department does to serve veterans should be viewed as an inherently federal function. The VA has offered to move forward with privatizing in some areas (such as food service in hospitals) where it is not essential that the Federal government be providing the service. In other areas, such as the home loan program, we have encouraged them to go further: *why is it essential for the VA to be in the real estate business by holding foreclosed properties and then providing subsidized loans to the general public to purchase these properties?*

In the critical area of VA health care, we would observe that VA has had 172 hospitals for 4 years, while total available beds have dropped 24% and utilization of these beds is dropping still. Most of the health care recommendations submitted to NPR-II by VA try to solve the problem by *expanding* the system to fill these hospitals. Another approach might be to begin to tackle the difficult problems of downsizing and moving away from inpatient hospital care.

VA's FY 1996 budget incorporates \$4.4 billion in budget authority reductions below the FY 1996 level for FY 1997 - FY 2000. The VA NPR-II proposals total \$104 million. As requested, the Advisory Team identified some additional options to assist in meeting the FY 1997 - FY 2000 targets for budget authority reductions. These options are outlined in the Attachment 1 table to Tab B.

cc: Bill Halter