Questions and Answers on the VA Budget for FY 1996

- **What level of VA funding was requested by President Clinton for the current fiscal year?**

  The President asked for an additional $1 billion in discretionary funding -- primarily for health care.

- **How did the Congress respond?**

  Congress reduced the President's request by $915 million.

- **Both the Congress and the President now have seven-year budget plans. Does one treat veterans differently than the other?**

  Congress' seven-year plan provides for $7 billion in savings in VA's mandatory programs. The President's plan calls for just $4 billion in savings in those programs. Moreover, the President's savings come from overturning the Gardner decision and by extending already implemented savings measures.

- **Since the President and the Congress seven-year budgets for medical care are nearly the same, what difference does it make which one is approved?**

  The congressional plan is focused strictly on the bottom line. The health care budget is essentially flatlined, and that total is set firmly in law. This flatlining over seven years would eliminate health care for one million veterans who use VA for their health care.

  President Clinton has set a seven-year goal for health care spending, but has committed to a yearly review of the health care budget, because he understands that veterans' needs must be considered before firm budget figures are set.

- **Does Congress have a commitment to review VA funding each year for the next 7 years?**

  No.

- **If the overall veteran population is declining, why can't VA's health care budget begin to decline?**

  The most important thing to remember about the VA patient population is that it is actually growing every year. In addition to that, these veterans are aging. The veterans who come to VA for their care are primarily the World War II and Korean War veterans the health care system was built to serve. These veterans need more frequent and more expensive care. If that fact is ignored, VA will be able to do less and less for fewer veterans each year.

- **Why should veterans be concerned about changes in the Medicare program?**

  The congressional plan will cut Medicare by $270 billion over seven years. That means that 8.8 million veterans receiving Medicare will spend more on out-of-pocket expenses.

  For veterans who can afford those expenses, and whose income is above $20,000, that might be an inconvenience, but it does not mean they will lose access to the health care they choose.

  But, 45% of Medicare-eligible veterans have incomes of less than $20,000 per year. More troubling is the fact that 27% of the veterans over 65-years-old have no private health insurance at all.

  If a veteran must choose between regular living expenses and higher Medicare expenses, he or she might choose to come to VA for care. If VA's budgets are not permitted to grow, that veteran might be turned away.

  More important is that CBO data show that private sector per capita health care spending will grow at the rate of 7.1 percent per year for seven years. The growth in Medicare spending will be 5.5 percent

- **Is it really likely that Medicare eligible veterans will seek their health care from VA?**

  VA records show that 400,000 Medicare eligible veterans who currently have not private health insurance have come to VA for at least some of their health care. Any increase in the Medicare premiums and co-payments will encourage them to seek their health care from VA.

- **Will cuts in the Medicaid budget affect veterans?**

  The congressional plan repeals the Medicaid program's guarantee of health care coverage for sick, elderly and poor Americans. Instead, states would receive block grants instead of Medicaid entitlements. This plan would cut Medicaid spending by $163 billion over seven years. The growth in spending would fall from about 7 percent per year to 1.6 percent, which is far below the rate of inflation.

  Currently, more than 600,000 veterans depend on Medicaid for their health care. The reduction in federal support for Medicaid could force states to deny coverage to nearly 8 million Americans by 2002, including 147,500 veterans. Of those veterans, as many as 129,000 would not be able to obtain treatment from VA.

U.S. Department of Veterans Affairs
Fact Sheet

VA Budget

The President asked for $1 billion in additional discretionary spending, primarily for veterans health care--the Congress undercut the President's request by $915 million. In other words, he asked for a dollar and they gave him less than a dime--8.5 cents.

President Clinton's budget would have enabled VA to treat an additional 43,000 veterans in FY 1996. The Congressional budget will deny 88,000 veterans, currently using VA, access to VA health care.

The Congressional 7-year balanced budget plan would impose a $7 billion "savings" in veterans mandatory programs. The President has proposed his own 7 year plan for balancing the budget which recommends $4 billion in savings in veterans' mandatory programs. He does this by overturning the Gardner decision and extending already implemented savings measures.

Congress proposes flatlining the veterans health care budget for 7 years; while the President is committed to an annual assessment of veterans health care needs and providing an adequate budget. Flatlining VA's budget over 7 years would eliminate health care for one million veterans currently using VA.

The Congress' sole focus has been the decreasing veteran population and its plan reduces resources for veterans' health care accordingly. Despite the slight drop in the total number of veterans, this Administration recognizes that growth in the number of older veterans means more veterans are coming to VA for care and they require more frequent and expensive care.

In addition to Congressional cuts in veterans' health care spending, the nation's veterans must also be concerned about dramatic reductions in Medicare and Medicaid spending. The Congressional budget cuts Medicare and Medicaid combined by $433 billion over 7 years.

Medicare

The Congressional budget plan cuts Medicare by $270 billion over 7 years. These cuts would require the 8.8 million veterans on Medicare to spend more on out-of-pocket expenses.

The Congressional budget reduces Medicare spending growth per beneficiary far below projected private sector growth rate. Based on CBO data, private sector per capita health care spending is projected to increase 7.1% per year over the next 7 years, but the Congressional budget reduces Medicare spending growth per beneficiary to 5.5%, on average. Federal Medicare spending per beneficiary would be $1,700 less than under current law in 2002.

Medicare cuts are especially problematic for the veteran population -- 45% of Medicare-eligible veterans have incomes of less than $20,000, and 27% of Medicare-eligible veterans have no private health care insurance.

VA projects that 400,000 Medicare-eligible veterans, who currently have no private health insurance, may find it financially necessary to seek medical care in VA hospitals.

Medicaid

The Congressional plan repeals the Medicaid Program's guarantee of health care coverage for Americans who are sick, elderly, poor, blind or disabled in other ways. The Congressional budget would replace Medicaid entitlements with block grants to states and cut Medicaid spending by $163 billion in 7 years. This means that spending growth per beneficiary would fall from the current 7 percent to 1.6 percent annually -- far below the rate of inflation.

States cannot sustain coverage when federal funds are increasing at only 1.6 percent per beneficiary. States will be forced to reduce benefits and/or provider payments and eliminate coverage for millions of people on Medicaid.

The reduction in Federal support under the Congressional budget plan could force States to deny coverage to nearly 8 million Americans in 2002, including 3.8 million children, 1.3 million people with disabilities, 850,000 elderly, 330,000 nursing home residents and 147,500 veterans.

More than 600,000 veterans currently depend on Medicaid for their health care. Under the Congressional budget plan, as many as 147,500 veterans could lose Medicaid coverage in 2002, including: 89,700 elderly veterans--29,900 of whom will require nursing home care and 57,900 disabled veterans under the age of 65.

Few of those veterans denied Medicaid coverage would be able to obtain or afford private health insurance. More than three-quarters (78%) of the Medicaid-eligible veterans have incomes below $20,000.

As many as 129,000 veterans denied Medicaid coverage, including 48,000 disabled veterans, would be unable to obtain treatment in VA facilities. Given current spending constraints, the VA estimates that it would not be able to accommodate some 129,000 of the 147,500 veterans who could lose Medicaid coverage in 2002.

Conclusion

The Congressional budget plan proposes deep cuts in VA health care, Medicare and Medicaid programs that provide vital medical support to our nation's veterans. Taken together, these cuts threaten to trigger a health care crisis for America's veterans. This would be especially harmful for our World War II and Korean War veterans who have limited incomes and no opportunity to adjust to these cuts.

Prepared by the U.S. Department of Veterans Affairs, Office of Public Affairs
December 13, 1995

BUDGET WORKING GROUP

ROUTING SLIP

DATE: 11/1/95

SUBJECT: Press Conferences/Statements on the Effect of Medicaid Cuts on Veterans

FROM: Emily Bromberg
Intergovernmental Affairs

Name	Room		Name	Room	
John Angell	178	___	Lorrie McHugh	166	✓
Don Baer	196	___	Joseph Minarik	244	___
Michael Barr	TREAS	___	Nancy-Ann Min	262	✓
Jeremy Ben-Ami	218	___	Julia Moffett	169	___
Erskine Bowles	1/WW	✓	Tom O'Donnell	2/WW	___
Jack Quinn	276	___	Susan Brophy	2/WW	✓
Bruce Reed	216	___	Alan Cohen	TREAS	___
Alice Rivlin	252	___	Barbara Chow	107/EW	___
Jake Siewert	169	___	Bill Curry	164	___
Stephen Silverman	160	✓	Paul Diamond	225	___
Greg Simon	228	___	David Dreyer	TREAS	___
Doug Sosnik	G/WW	✓	Rahm Emanuel	1/WW	___
Gene Sperling	2/WW	___	Martha Foley	178	___
Jason Goldberg	160	✓	George Stephanopoulos	1/WW	___
Todd Stern	G/WW	___	Robert Gordon	223	___
Leslie Thornton	EDUC	___	Mary Ellen Glynn	LP/WW	___
Barry Toiv	178	___	Larry Haas	253	✓
Laura Tyson	2/WW	✓	Karen Hancox	G/WW	✓
Loretta Ucelli	EPA	___	Kitty Higgins	160	___
Michael Waldman	214	___	Harold Ickes	1/WW	✓
Anne Walley	184	___	Chris Jennings	212	✓
Marilyn Yager	116	✓	Michele Jolin	314	___
Jennifer Klein	2/WW	✓	FAX to Treasury: 622-0073		
David Lane	231	___	FAX to Education: 401-2098		
Jack Lew	243	___	FAX to EPA: 260-0279		
Mark Mazur	318	___			

State by State
The Effect of Medicaid Cuts on Veterans

Florida
State wide officials:
Senate Minority Leader Kenneth Jenne
Speaker of the House Wallace
Governor Lawton Chiles
Lt. Governor Buddy MacKay

Mayors:
Mayor of Panama City Girard Clemons

County Officials:
Co. Commissioner Kate Barnes

California
State Wide Officials:
Senate President Pro Tem Bill Lockyer
Senate Majority Ldr Henry Mello

Mayors:
Mayor of Sacramento Joseph Serna

New York
State Officials:
Senate Minority Leader Martin Conner
Speaker of the House Sheldon Silver

Pennsylvania
State Officials:
Senate Minority Leader Mellow
House Minority Leader DeWeese

Washington
State Officials:
Senate Pres. Pro Tem Lorraine Wojahn
Senate Minority Leader Gaspard
Governor Mike Lowry

Mayors:
Mayor of Seattle Norman B. Rice

National Effects of Medicaid Cuts on Vetrans

Arkansas
Senate President Pro Tem Stanley Russ
Speaker of the House Bobby Hogue
Governor Guy Tucker

Connecticut
Senate Minority Leader William DiBella
Speaker of the House Thomas Ritter

Iowa
President of the Senate Boswell
Senate Majority Leader Horn

Michigan
Senate Demoncratic Leader Arthur J. Miller
House Minority Leader Curtis Hertel

Minnesota
President of the Senate Spear
Speaker of the House Irv Anderson

New Hampshire
House Minority Leader Trombly
Senate Democratic Leader King

New Mexico
Senate Majority Leader Lopez
Speaker of the House Sanchez

Ohio
Senate Minority Leader Boggs
House Minority Leader Sweeney
Joseph Savarice - press

Oregon
Senate Minority Leader Dick Springer
House Minority Leader Peter Courtney
Governor John Kitzhaber

Tennessee
Speaker of the House Naifeh
Speaker Pro Tem DeBerry

Virginia
Senate President Pro Tem Walker
Speaker of the House Moss

Wisconsin
Senate Minority Leader Chuck Chvala
House Minority Leader Kunicki

West Virginia
President of the Senate Tomblin
Speaker of the House Robert Chambers
Governor Gaston Caperton