



Federal Health Matters

Congress Responds to VA Budget Shortfall

In late June, both the House of Representatives and the Senate unanimously passed supplemental spending bills to alleviate the nearly \$1 billion shortfall in the VA's health care budget, which was discovered during a routine midyear budget review. In order to meet immediate needs, the VA already has diverted \$600 million from its capital infrastructure funds and \$400 million intended to be carried over to next year's budget. Although VA officials initially said they could continue reallocating funds to address the problem, Congress felt this strategy might result in an erosion of health care services by year's end. "This Congress will tolerate no diminution of services or reduced quality of care for our nation's veterans in this time of war," said James Walsh (R-NY), chair of the House Military Quality of Life Appropriations Subcommittee.

Prior to voting on the emergency funds, both houses of Congress held hearings to investigate why this problem arose and how to prevent it in the future. At the hearings, VA officials testified to unexpected increases in health care demand from veterans of all combat eras, as well as an underestimation of the number of wounded soldiers returning from Iraq and Afghanistan. Because federal budgets must be formulated far in

advance, VA Secretary R. James Nicholson explained, they are based on data that are more than two years old by the time the budget year arrives. When developing the fiscal year 2005 VA health care budget, Nicholson said the most recent complete data available was from 2002, before the United States became "a nation with large numbers of service members deployed to combat zones."

Nevertheless, as Nicholson acknowledged, the increased number of new combat vets was only part of the problem. The VA's actuarial model for forecasting health care demand projected a 2.3% annual growth for 2005—which by April 2005 had soared to 5.2%. Other witnesses implicated errors in calculations of the need for VA long-term care services and a bureaucratic budgetary process that, according to Steve A. Robertson, director of the American Legion's National Legislation Commission, "waters down" the VA's original need-based calculations.

The low projections seem to have affected the proposed fiscal year 2006 budget as well. Congress recently approved \$71 billion for the VA in 2006. But while this budget represents \$1.2 billion more than the 2005 budget, the most recent projections have it falling short by nearly \$2 billion.

At the Senate hearing, VA Committee Chair Larry Craig (R-ID) emphasized the need to develop a new VA budget model to ensure the

availability of timely information about future VA resource needs. Similarly, House VA Committee Chair Steve Buyer (R-IN) called for a budgetary process that produces accurate forecasts rather than estimates. Nicholson contends that the current systems are fundamentally sound and just need some enhancement. Improvements to the VA's actuarial model that are underway or planned for the future include incorporating more detailed and robust data adjustments; adding new data sources; expanding the number of services modeled (to include, for instance, dental and long-term care); and gaining access to data on enrollees' use of Medicaid, TRICARE, and military treatment facilities.

In the meantime, the House and Senate must settle the \$525 million discrepancy between the emergency spending bills they have passed. While the House approved the \$975 million the VA says it needs for 2005, the Senate's \$1.5 billion includes funds that would carry over into 2006. Sen. Robert Byrd (D-WV) criticized the White House for requesting no more than the amount the VA projects it needs to meet immediate 2005 expenses. Until House and Senate figures are reconciled, the VA won't receive any new funds.

One thing on which all parties agree is that veterans should see no interruption in health care services. While the House and Senate work out their differences, the VA

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intends to shift money from other accounts to cover current expenses. "No veteran is going to be refused service," Craig told the press. "Nothing has been shut down."

New Evidence on Link Between Agent Orange and Diabetes

On July 8, the DoD released the latest report of the Air Force Health Study (AFHS), a 20-year epidemiologic investigation into the health effects of exposure to herbicides used during the Vietnam War—primarily Agent Orange. In 1978, Congress directed the air force to

evaluate health, survival, and reproductive outcomes of pilots and ground crews involved in Operation Ranch Hand (ORH), the unit responsible for the aerial spraying of herbicides between 1962 and 1971 to deny cover and destroy crops of the North Vietnamese Army. In response, the AFHS recruited a cohort of ORH veterans and a matched comparison group of non-ORH Vietnam veterans for a series of six physical examinations beginning in 1982. The new report summarizes data from the final examinations conducted in 2002.

The report includes the strongest evidence to date that Agent Orange and its contaminant, 2,3,7,8-tetrachlorodibenzo-p-dioxin

(dioxin), are associated with type 2 diabetes. The data suggest that as dioxin levels rise, the incidence and severity of type 2 diabetes increase and the time to disease onset decreases. Furthermore, researchers observed a 166% increase in diabetes requiring insulin control in veterans with the highest dioxin levels. These findings are consistent with those from the 1987, 1992, and 1997 AFHS examinations.

The National Academy of Sciences will review the report, along with other relevant published studies. The results of this review may be used by the VA when requesting new health care and disability compensation legislation from Congress. ●