



# WALL ST. CHEAT SHEET

## Will the VA Reform Be the Only Congressional Triumph of 2014?

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Last week, as new legislation languished, Speaker of the House John Boehner — an Ohio Republican — expressed his displeasure that no agreement had been reached to reform the Department of Veterans Affairs, calling Senate Democrats’ refusal to negotiate “shameful.” Dividing the Republicans and Democrats in the Senate was not substantive policy disagreements, but rather the amount of money the federal government should devote to ensuring the agency can actually provide medical care to veterans of the U.S. armed forces. That financial concern is not surprising, as cost concerns derailed a February effort to expand veterans’ benefits and repeal a pension cut for new troops. The problem of how to pay for legislation that could cost \$25 billion to \$30 billion has made the reform of the VA a complex issue, and while the need to improve healthcare for the nation’s veterans is supported across the political spectrum, that cost has made reform another fiscal fight.

Beginning with an April report from *CNN*, it became clear that a shortage of doctors and nurses, unrealistic goals to see patients within 14 days, and a number of systemic problems — including what a White House investigative report termed “corrosive culture” — impeded the agency from providing adequate care. In a number of facilities across the country, VA managers created an elaborate scheme of doctored waiting lists to hide that more than a thousand veterans were forced to wait months to see a physician. Internal documents from the Veterans’ Affairs Department painted a picture of government healthcare bureaucracy that overlooked simple medical screenings, like colonoscopies and endoscopies, that could have prevented a number of deaths.

Pressured by the seriousness of the problems plaguing the department — with neither party wanting to be seen as a barrier to aiding veterans facing unreasonable delays — lawmakers pushed reform closer to reality over the weekend, with representatives and senators reaching a deal to implement changes that will reduce wait times, improve care, and otherwise stabilize the overly bureaucratic VA healthcare system.

### **The Proposal of Senator Bernard Sanders**

The legislation announced Monday has roots in two bills, one originating in the House of Representatives and the other in the Senate. In the wake of the internal report conducted by the inspector general of Veterans Affairs, as well as an audit released by the Secretary of the Department of Veterans Affairs, both the Senate Veterans’ Affairs Committee and the House Committee on Veterans’ Affairs crafted competing legislation meant to both solve the immediate crisis of delayed veteran healthcare and find a long-term solution to the “corrosive culture” of

the department. Vermont's Independent Senator Bernard Sanders, Chair of the Veterans' Affairs Committee, proposed legislation "that would reform the VA and give it the tools to provide quality, timely healthcare to veterans."

His proposals went farther than that of the House bill, proposed by the Republican Chair of the Committee on Veterans Affairs, Jeff Miller of Florida. Both measures would allow veterans to receive care at non-VA medical facilities if they live more than 40 miles from a VA clinic, or if they experienced long appointment delays, and the two bills also required an independent performance assessment of the Veterans Health Administration, which operates the clinics.

While Miller's legislation did not give the VA secretary the authority to fire senior executives for poor performance like the Senate's bill, the lawmaker proposed a "VA firing" bill a month earlier, which was indication that issue would not stand in the way of a compromise between the House and Senate. But, more importantly, the House bill banned bonuses for all employees of the Department of Veterans Affairs, while the Senate legislation included provisions to enable the VA medical facilities to meet demand for healthcare. Specifically, it allowed the agency to lease 26 new medical facilities and allocate \$500 million for the hiring of additional VA staff. That provision for more spending is the key difference between the two plans that threatened, as recently as last week, to derail negotiations.

The original House and Senate proposals were estimated to cost \$44 billion through 2019 and \$35 billion through 2024, respectively, according to an assessment from the Congressional Budget Office. But several weeks later, Sanders amended his version, which was detailed in a July 24 press release from the Senate Veterans Affairs Committee. That new proposal came with a price tag of less than \$25 billion. His revision hinted at the large problem plaguing VA reform: how it would be financed.

Initially, Sanders insisted that funding for the overhaul should be treated as war spending and therefore appropriated as emergency spending. While he made the same claim at a Monday press conference announcing the deal, he did acknowledge last week that "real compromise is about making concessions," and his revised plan conceded "that some of the costs of this bill should be offset," meaning that the federal government must raise additional funds through the normal appropriations process.

## **The Agreement**

Negotiations between Senate and House lawmakers finally produced results this week. If passed by both houses of Congress, the deal Sanders and Miller announced at that Monday press conference will allocate \$17 billion to overhaul the sprawling and malfunctioning Department of Veterans Affairs, including \$12 billion of emergency spending, which will added to the federal deficit. The remainder of the funds will be financed by cuts in other VA programs.

In Monday's press conference, Sanders explained that the "bill makes certain that we address the immediate crisis of veterans being forced onto long waiting lines for healthcare. It strengthens the VA so that it will be able to hire the doctors, nurses, and other medical personnel it needs so that we can put a permanent end to long waiting lists. It address the very serious problems of accountability and makes certain that dishonest and incompetent senior officials at the VA do not remain employed there."

Several details may need to be worked out, but the key provision to ensure veterans receive timely care has been inked; veterans who face long waits of more than 30 days to see doctors at VA facilities will be able get more timely appointments with private physicians, as will patients who live further than 40 miles from a VA facility. This \$10-billion proposal, meant to immediately address the current failings of the healthcare system, is the most expensive piece of the reform. A separate \$5-billion allocation will pay for additional doctors and nurses to bring down appointment wait times, although it should be noted that the hiring process may be slowed by the shortage of doctors and nurses across the country. This new program also acknowledges that the 14-day mandated waiting period, a goal that was linked to many administrator's performance reviews and bonuses, led to manipulations of waiting lists to cover delays. Lastly, \$1.5 billion would be spent on leases for another 27 facilities to expand healthcare accessibility.

Yet, this bill fell short of addressing every needed fix that department officials have identified. Sloan D. Gibson, acting Veterans Affairs secretary, has reported that the department requires \$18 billion for its overhaul, the majority of which would be allocated to hiring additional clinicians and adding space, just to meet current demand. As a department official told *The New York Times* anonymously, the bill announced by Miller and Sanders does not contain funding to upgrade the VA's outdated scheduling system, which Gibson has indicated is critical to reform.

An updated scheduling system would be a key step in transforming the sprawling and malfunction VA into a working healthcare system. But equally key is reforming the corrosive culture at the department. "A corrosive culture has led to personnel problems across the Department that are seriously impacting morale and by extension, the timeliness of healthcare," the White House report stated. "The problems inherent within an agency with an extensive field structure are exacerbated by poor management and communication structures, distrust between some VA employees and management, a history of retaliation toward employees raising issues, and a lack of accountability across all grade levels." To fix that cultural problem, the new legislation would authorize the VA secretary to fire senior executives deemed incompetent or to have committed misconduct, subject to a 21-day appeal period.

### **Will This Legislation Pass the Senate and House of Representatives?**

Now that Sanders and Miller have reached an agreement, the bill must collect signatures from conference committee set up in June to find a compromise between the bills proposed by the Republican Chair of the House Veterans Affairs committee and the Democratic Chair of the Senate panel. The conference committee is under pressure to advance the measure quickly so that it can be put to a vote of the full House and Senate before lawmakers adjourn for the August recess. If the measure passes both houses, the often acrimonious debate between Republican and Democratic lawmakers over how best to reform the VA will be ended.

Given the mission of the Department of Veterans Affairs and the seriousness of its need for reform, the legislation appears to have broad-based support, even if the bill's cost is being debated.

A number of Veterans advocacy groups, even conservative-leaning organizations have given their support of the legislation. Concerned Veterans for America is not "thrilled" with its costs, as the group's issue and legislative campaign manager, Dan Caldwell, told the *Daily Beast*. But the organization does believe the bill is ultimately worth supporting because it included "very important reforms that lay the groundwork ... for transforming the VA."

Cost will also be a major concern for Republicans, and Miller acknowledged during Monday's new conference that his colleagues in the House will need convincing. "I come from a sales background before I came to Congress," he said. "We will be able to sell it to our conference. We will probably not get a unanimous vote ... There will be an education process that will have to take place, and obviously some of our members will need a little more education than others."

But a large majority of lawmakers appear to be in agreement with Sanders, who noted at the conference that "planes and tanks and guns are a cost of war, so is taking care of the men and women who use those weapons and fight those battles." As conservative Republican Representative Jason Chaffetz of Utah commented, the compromise "looks pretty good ... I don't have a problem spending money on veterans," while Republican Senator Lindsey Graham of South Carolina added that the increase to the federal deficit is concerning, but "veterans dying concerns me more."

Lawmakers will now be able to point to the VA reform as important instance of bipartisan compromise.

But some political analysts are not convinced the legislation will do much to reform the Department of Veterans Affairs. According to senior fellow of the libertarian Cato Institute Michael Tanner, the bill will not reshape the VA. "It doesn't fundamentally reform the system. It keeps the same system in place, with minor steps in the right direction at an increased cost," he explained to the *Daily Beast*. "All they've done is take the existing system and make it slightly more expensive. It's good for the beneficiaries but bad for the budget deficit."