

President Ronald Reagan signed legislation in 1988 creating the Department of Veterans Affairs (VA), which assumed responsibility from the Veterans Administration. The mission, as inscribed over the entrance to VA headquarters in Washington, is simple and sweeping: "To care for him who shall have borne the battle, and for his widow, and his orphan." VA carries out its health care mission through the Veterans Health Administration (VHA).

At the end of FY 2003, the VA had more than 230,000 employees; only the Pentagon had a larger federal work force, and the Veterans Health Administration (VHA) accounted for more than 90 percent of those workers. VHA has 158 hospitals, 698 community-based outpatient clinics, 133 nursing homes and 42 domiciliary homes, with some facilities in every state, Puerto Rico and the District of Columbia.

VHA is divided into 21 Veterans Integrated Service Networks (VISNs) that provide its basic management structure. VISNs are a product of a late-1990s restructuring designed to transform veterans' care into a patient-centered, primary-care oriented model.

MEDICAL CARE

The veteran population was approximately 25.2 million at the end of FY 2003. Of that number, 7.1 million had enrolled for VA health care, and services had been provided during the year to some 4.5 million patients.

In 2003, with about 19,000 acute hospital beds, the VA treated 604,000 inpatients, 93,000 veterans in nursing home care units or in community nursing facilities at VA expense, and 24,000 veterans in home care and other community-based programs sponsored by the VA. Veterans recorded over 46 million visits at the department's outpatient clinics in 2003.

The VA is currently affiliated with 107 medical schools, 54 dental schools, and over 2,400 other schools offering students allied and associated education degrees or certificates in over 40 health profession disciplines. More than one-half of all practicing physicians in the United States received at least part of their clinical education in the VA system. In 2003, approximately 83,000 health care professionals received training in VA medical centers. About 20,000 medical students and 30,000 residents rotate through its facilities each year. The VA is the largest employer of registered nurses in the United States, with more than 38,000 nurses on its rolls in 2003.

For the past 25 years, the VA has been operating community-based Outreach Centers or Vet Centers to provide readjustment counseling to veterans. Originally, these centers provided treatment to Vietnam veterans. However, eligibility has gradually been expanded to include veterans who served in other conflicts. VA's 206 Vet Centers accommodated over 990,000 visits in FY 2003.

MEDICAL AND PROSTHETIC RESEARCH

VA conducts research programs in areas including aging, chronic diseases, mental illnesses, substance-use disorders, sensory losses, trauma-related illnesses, rehabilitation, and health systems and services. The first kidney transplant in the United States was performed at a VA medical center. VA researchers pioneered the first successful drug treatments for high blood pressure and schizophrenia. VA scientists have won many prestigious awards, including six Lasker Awards and three Nobel Prizes.

VHA AND OUTPATIENT PRESCRIPTION DRUGS

One of the factors most cited in the growth of veterans registering for VA health benefits is that the VA offers an

outpatient prescription drug benefit. Medicare does not, at least not until the drug plans authorized in last year's Medicare modernization law (the Medicare Prescription Drug, Improvement and Modernization Act of 2003) become effective. Even when the Medicare drug benefit becomes fully available in 2006, some veterans may choose to retain their VA benefit instead, in part because of the low out-of-pocket costs. Current per-prescription copays are typically \$7, far more generous for many than the new Medicare benefit.

The VA acquires the pharmaceuticals it makes available to veterans at prices substantially lower than other purchasers. It uses a variety of tools. For example, the VA is the lead negotiator for pharmaceuticals purchased under the Federal Supply Schedule, negotiations that recognize how much vendors charge their commercial customers. The VA and the Department of Defense have access to other mandatory federal discounts. The VA also negotiates contracts with manufacturers based on a promise of guaranteed purchase. These contracts achieve the greatest discounts.

SOME CURRENT ISSUES

The VA is facing a number of high-profile challenges. Among them:

Aging of eligible population

The number of the oldest eligible veterans, those 85 and over, has quadrupled since 1990. This puts pressure on the VA to deal with more illness generally, and more problems involving chronic illness and long-term care.

Location of facilities vs. location of patients

Following a General Accounting Office recommendation, the VA began a study in 2002 to assess how the geographic distribution of VA facilities and resources matches up to the current and projected needs of veterans. The study, called Capital Assets Realignment for Enhanced Services, or CARES, has yielded a series of recommendations from an independent commission about the fate of many VA facilities. Its recommendations, including the closure of three hospitals, evoked sharp reactions from affected parties and politicians. VA Secretary Anthony Principi announced a plan in May 2004 to build two new VA hospitals, close two others, and open 156 outpatient clinics over the next eight years.

CANDIDATES' VIEWS

Both President Bush and Senator Kerry have shown an interest in veterans' health care.

President Bush points out that spending for veterans' medical care has increased each year of his administration. Under the president's FY 2005 budget, spending for veterans' health needs would increase by 41 percent over the 2000 figure.¹ The administration has reduced waiting times for eligible veterans at VA facilities, in part by ending eligibility starting in 2003 for new applicants among some middle and upper income veterans with no service-connected disability.²

To reduce costs, the administration announced plans to close several VA hospitals, converting these hospitals to outpatient clinics. The VA opened 194 new clinics between 2001 and August 2004. Other proposed cost reduction measures are an annual user fee and an increase in copayments for prescription drugs for veterans not considered to be "core mission" patients - disabled during military service, lower income and those with special needs such as spinal cord injuries.

Senator Kerry has proposed making VA medical care available to all veterans, including those denied eligibility in the administration's 2003 directive. He would also make funding of veterans' health care mandatory to avoid annual fights over appropriations.³

Quality and safety issues

Partly in response to a series of media reports in the late 1990s about preventable deaths and other incidents at VA hospitals, the VA began a multi-pronged campaign to improve quality and patient satisfaction levels. In the years since, VHA has been recognized by the Institute of Medicine, the National Forum for Healthcare Quality and Reporting, among others, for its quality improvement. The VHA bar coding system for dispensing pharmaceuticals has been in place since 2000, long before the Food and Drug Administration's 2004 attempt to put a similar system in place in the broader health care system.

Funding levels

The \$29.5 billion requested by the Bush administration for the FY 2005 veterans' health care budget represents a 4.1 percent increase over 2004 levels. The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans took note in its 2003 report of the

"mismatch between funding for the VA health system and the demand for services from enrolled veterans..." The veterans service organizations have called for making VA health care funding secure — that is, making such spending mandatory and removing it from the annual struggles over appropriations.

Given the high profile of the veterans' health care system among policy makers, these and other issues will be the subject of spirited debate in the months and years ahead.

RESOURCES

General Accounting Office, "Department of Veterans Affairs: Performance and Accountability." Highlights of GAO-03-110, January 2003. (<http://www.gao.gov/pas/2003/d03110high.pdf>)

General Accounting Office, "Veterans at Risk from Inconsistent Screening of Practitioners." Testimony by Cynthia A. Bascetta to the House Committee on Veterans' Affairs, March 31, 2004. (<http://veterans.house.gov/hearings/schedule108/mar04/3-31-04/gao.pdf>)

National Health Policy Forum, "Veterans' Health Care: Balancing Resources and Responsibilities," Issue Brief No. 796, April 1, 2004. (http://www.nhpf.org/pdfs_ib/IB796_VA.pdf)

Washington Post, "VA to Close Some Hospitals, Build Others," May 8, 2004, p. A4.

ENDNOTES

- ¹ Office of Management and Budget (2004). "Department of Veterans Affairs." (www.whitehouse.gov/omb/budget/fy2005/va/html). Retrieved August 26, 2004.
- ² Washington Post (2004). "VA Funding Dispute Not a Simple Matter." (www.nexis.com). Retrieved August 30, 2004.
- ³ Kerry-Edwards (2004). "Keeping Faith with Our Veterans." (<http://www.johnkerry.com/issues/veterans/>). Retrieved August 26, 2004.

