Veterans' Medical Care: FY2015 Appropriations

Sidath Viranga Panangala
Specialist in Veterans Policy

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Summary

The Department of Veterans Affairs (VA) provides benefits to veterans who meet certain eligibility criteria. Benefits to veterans range from disability compensation and pensions to hospital and medical care. The VA provides these benefits through three major operating units: the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA). This report focuses on funding for the VHA. The VHA is primarily a direct service provider of primary care, specialized care, and related medical and social support services to veterans through the nation's largest integrated health care system. Eligibility for VA health care is based primarily on previous military service, disability, and income.

The President's FY2015 budget request was submitted to Congress on March 4, 2014. The President's budget is requesting $158.6 billion in budget authority for the VA as a whole. This includes $93.5 billion in mandatory funding and $65.1 billion in discretionary funding. For FY2015, the Administration is requesting $56.6 billion for VHA. This includes $45.4 billion for the medical services account, $5.9 billion for the medical support and compliance account, $4.7 billion for the medical facilities account, and nearly $589 million for the medical and prosthetic research account. Furthermore, as required by the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81), the President's budget is requesting $58.6 billion in advance appropriations for the three medical care accounts (medical services, medical support and compliance, and medical facilities) for FY2016.

On April 3, 2014, the House Military Construction and Veterans Affairs Subcommittee approved its version of a Military Construction and Veterans Affairs and Related Agencies Appropriations bill for FY2015 (MILCON-VA Appropriations bill). The full House Appropriations Committee approved a draft measure by voice vote on April 9, 2014, and the House passed MILCON-VA Appropriations bill for FY2015 (H.R. 4486; H.Rept. 113-416) on April 30, 2014. The House-passed version of the MILCON-VA Appropriations bill for FY2015 proposes a total of $158.2 billion for the VA as whole. For FY2015, H.R. 4486 proposes $56.2 billion for VHA. This includes $45 billion for the medical services account, $5.9 billion for the medical support and compliance account, $4.7 billion for the medical facilities account, and nearly $589 million for the medical and prosthetic research account. H.R. 4486 (H.Rept. 113-416) includes $58.6 billion in advance FY2016 funding for the medical services, medical support and compliance, and medical facilities accounts—the same level included in the President's request.

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Introduction

The Department of Veterans Affairs (VA) provides a range of benefits and services to veterans[1] who meet certain eligibility rules; these benefits include medical care, disability compensation and pensions,[2] education,[3] vocational rehabilitation and employment services,[4] assistance to homeless veterans,[5] home loan guarantees,[6] administration of life insurance as well as traumatic injury protection insurance for servicemembers,[7] and death benefits that cover burial expenses.[8]

The VA carries out its programs nationwide through three administrations and the Board of Veterans Appeals (BVA).[9] The Veterans Benefits Administration (VBA) is responsible for, among other things, providing compensation, pensions, and education assistance. The National Cemetery Administration (NCA)[10] is responsible for maintaining national veterans' cemeteries; providing grants to states for establishing, expanding, or improving state veterans' cemeteries; and providing headstones and markers for the graves of eligible persons, among other things.

The Veterans Health Administration (VHA) is responsible for health care services and medical and prosthetic research programs.[11] The VHA is primarily a direct service provider of primary care, specialized care, and related medical and social support services to veterans through the nation's largest integrated health care system. Inpatient and outpatient care are also provided in the private sector to eligible dependents of veterans under the Civilian Health and Medical

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[1] In general, payments of benefits made to, or on account of, a beneficiary under any law administered by the VA are exempt from federal taxation. Furthermore, benefits are exempt, in most cases, from "attachment, levy, or seizure by or under any legal or equitable process whatever, either before or after receipt by the beneficiary'' (38 U.S.C. §5301(a)(1)).

[2] For a detailed description of disability compensation and pension programs, see CRS Report R42324, *"Who is a Veteran?"—Basic Eligibility for Veterans' Benefits*, by Umar Moulta-Ali; CRS Report RL34626, *Veterans' Benefits: Disabled Veterans*, by Umar Moulta-Ali et al.; and CRS Report RS22804, *Veterans' Benefits: Pension Benefit Programs*, by Umar Moulta-Ali and Carol D. Davis.

[3] For a discussion of education benefits see, CRS Report R42785, *GI Bills Enacted Prior to 2008 and Related Veterans' Educational Assistance Programs: A Primer*, by Cassandria Dortch; and CRS Report R42755, *The Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill): Primer and Issues*, by Cassandria Dortch.

[4] For details on VA's vocational rehabilitation and employment see, CRS Report RL34627, *Veterans' Benefits: The Vocational Rehabilitation and Employment Program*, by Benjamin Collins; and CRS Report R42790, *Employment for Veterans: Trends and Programs*, coordinated by Benjamin Collins.

[5] For detailed information on homeless veterans programs see, CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.

[6] For details on guaranteed loans, direct loans, and specially adapted housing grants see, CRS Report R42504, *VA Housing: Guaranteed Loans, Direct Loans, and Specially Adapted Housing Grants*, by Libby Perl.

[7] For details on insurance programs see, CRS Report R41435, *Veterans' Benefits: Current Life Insurance Programs*, by Christine Scott.

[8] For details on death benefits, see CRS Report R41386, *Veterans' Benefits: Burial Benefits and National Cemeteries*, by Christine Scott.

[9] The BVA is part of the Department of Veterans Affairs, located in Washington, DC, and makes the final determination on an appeal within the VA. The BVA reviews all appeals for entitlement to veterans' benefits, including claims for service connection, increased disability ratings, pension, insurance benefits, educational benefits, home loan guaranties, vocational rehabilitation, dependency and indemnity compensation, health care services, and fiduciary matters. For more information see CRS Report R42609, *Overview of the Appeal Process for Veterans' Claims*, by Daniel T. Shedd.

[10] Established by the National Cemeteries Act of 1973 (P.L. 93-43).

[11] 38 U.S.C. §7301 and 38 U.S.C. §7303.

Program of the Department of Veterans Affairs (CHAMPVA).[12] The VHA is also a provider of health care education and training for physician residents and other health care trainees.[13] The other statutory missions of VHA are to serve as a contingency backup to the Department of Defense (DOD) medical system during a national security emergency,[14] and to provide support to the National Disaster Medical System and the Department of Health and Human Services as necessary.[15]

In general, eligibility for VA health care is based on previous military service,[16] presence of service-connected disabilities,[17] and/or other factors.[18] Veterans generally must enroll in the VA health care system to receive medical care. Once enrolled, veterans are assigned to one of eight categories (see the **Appendix**).[19] It should be noted that in any given year, not all enrolled veterans obtain their health care services from the VA. While some veterans may rely solely on the VA for their care, others may receive the majority of their health care services from other sources, such as Medicare, Medicaid, private health insurance, and the military health system (TRICARE).[20] VA-enrolled veterans do not pay premiums or enrollment fees to receive care from the VA; however, they may incur out-of-pocket costs for VA care related to conditions that are not service-connected.[21]

The Veteran Patient Population

In FY2014, there were approximately 21.9 million living veterans in the nation whose service ranged from World War II, Korea, Vietnam, the Gulf War (which includes Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND)) and the intervening periods. Of this number approximately 9.1 million were estimated to be enrolled in the VA health

[12] For more information on CHAMPVA see, CRS Report RS22483, *Health Care for Dependents and Survivors of Veterans*, by Sidath Viranga Panangala.

[13] 38 U.S.C. §7302.

[14] 38 U.S.C. §8111A.

[15] 38 U.S.C. §1785.

[16] Veteran status is established by active-duty status in the U.S. Armed Forces and a discharged or released there from under conditions other than dishonorable (38 U.S.C.§ 101(2); 38 C.F.R. § 3.1(d)). Generally, persons enlisting in one of the Armed Forces after September 7, 1980, and officers commissioned after October 16, 1981, must have completed two years of active duty or the full period of their initial service obligation to be eligible for VA health care benefits. An exception may be granted if the servicemember was discharged or released because of an early out or hardship (10 U.S.C. §§ 1171 or 1173); was discharged or released for a service-connected disability directly due to service; or, has a compensable service-connected disability (38 U.S.C. § 5303A; 38 C.F.R. § 3.12a).

[17] A service-connected disability is a disability that was incurred or aggravated in the line of duty in the U.S. Armed Forces (38 U.S.C. §101 (16). VA determines whether veterans have service-connected disabilities, and for those with such disabilities, assigns ratings from 0% to 100% based on the severity of the disability. Percentages are assigned in increments of 10 (38 C.F.R. §§4.1-4.31).

[18] For information on eligibility for VA health care see, CRS Report R42747, *Health Care for Veterans: Answers to Frequently Asked Questions*, by Sidath Viranga Panangala and Erin Bagalman.

[19] Ibid.

[20] TRICARE provides medical care to active duty servicemembers and other eligible beneficiaries (such as military retirees) through a combination of direct care in military clinics and hospitals and civilian-purchased care. For more information on TRICARE see, CRS Report RL33537, *Military Medical Care: Questions and Answers*, by Don J. Jansen.

[21] For more information on VA cost-sharing requirements see, CRS Report R42747, *Health Care for Veterans: Answers to Frequently Asked Questions*, by Sidath Viranga Panangala and Erin Bagalman.

care system (see **Table 1**). From FY2011 through FY2014 the total number of enrollees has increased by 6.3%. Of the total number of enrolled veterans in FY2014, VA anticipated treating approximately 5.9 million unique veteran patients (see **Table 2**).[22] For FY2015, VHA estimates that it will treat about 6 million unique veteran patients, and of these, VA anticipates treating more than 757,000 Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Operation New Dawn (OND) veterans.[23] In FY2015, OEF, OIF, and OND patients would represent approximately 11.2% of the overall patients served by the VA.

VHA also provides medical care to certain non-veterans; in FY2015 this population is expected to increase by more than 14,000 patients over the FY2014 level.[24] In total, including non-veterans, it is estimated the VHA will treat nearly 6.7 million patients in 2015, a slight increase of 1.9% over the number of patients treated in FY2014 (see **Table 2**). Between FY2011 and FY2015, the number of patients treated by VA has grown by 9.3%.

The total number of outpatient visits, including visits to Vet Centers, reached 91.7 million during FY2013 and is projected to increase to approximately 94.6 million in FY2014 and 97.2 million in FY2015.[25]

Table 1. VHA Unique Enrollees, FY2011-FY2015

Priority Groups	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Estimate	FY2015 Estimate
1	1,385,482	1,539,632	1,712,369	1,755,002	1,857,218
2	656,828	680,339	704,737	719,218	736,422
3	1,154,954	1,173,673	1,200.952	1,208,263	1,224,544
4	242,385	241,626	242,257	236,709	234,797
5	2,243,148	2,215,449	2,147,686	2,238,782	2,251,917
6	569,400	593,478	610,414	603,393	603,818
Subtotal Priority Groups 1-6	*6,252,197*	*6,444,197*	*6,618,415*	*6,761,367*	*6,908,717*
7	188,823	171,031	196,593	234,115	242,999
8	2,133,178	2,147,320	2,111,538	2,116,473	2,135,577

[22] In a given year not all enrolled veterans receive care from the VA, either because they are not sick or they have other sources of care such as the private sector.

[23] On September 1, 2010, the combat mission in Iraq (Operation Iraqi Freedom, OIF) formally ended and transitioned to Operation New Dawn (OND), which ended on December 15, 2011. VA considers OND to be part of the same contingency operation that was formerly called OIF. Therefore, VA considers participants in OND to be eligible for health care under the legal authorities pertaining to OIF. OEF/OIF/OND data from Department of Veterans Affairs, *FY2015 Budget Submission, Medical Programs and Information Technology Programs,* Volume 2 of 4, March 2014, p.VHA-7.

[24] Non-veterans include Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) patients (certain dependents of veterans), reimbursable patients in VA affiliated hospitals and clinics, care provided on a humanitarian basis, veterans of World War II allied nations, and employees receiving preventative occupational immunizations such as Hepatitis A&B and flu vaccinations.

[25] Department of Veterans Affairs, *FY2015 Budget Submission, Medical Programs and Information Technology Programs,* Volume 2 of 4, March 2014, p.VHA-33.

Priority Groups	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Estimate	FY2015 Estimate
Subtotal Priority Groups 7-8	*2,322,001*	*2,318,351*	*2,308,131*	*2,350,588*	*2,378,575*
Total Enrollees	**8,574,198**	**8,762,548**	**8,926,546**	**9,111,955**	**9,287,292**

Source: Table prepared by the Congressional Research Service based on data from the Department of Veterans Affairs and data from Department of Veterans Affairs*, FY2015 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, March 2014, pp.VHA-32.

Note: For a description of Priority Groups see the **Appendix**.

Table 2. VHA Unique Patients, FY2011-FY2015

Priority Groups	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Estimate	FY2015 Estimate
1	1,179,333	1,307,750	1,451,707	1,537,467	1,648,369
2	442,665	456,050	473,841	482,363	491,612
3	687,284	697,548	721,576	727,075	735,975
4	191,177	191,521	192,241	189,436	188,883
5	1,487,637	1,464,198	1,409,341	1,407,554	1,390,365
6	266,374	272,043	275,799	272,927	274,137
Subtotal Priority Groups 1-6	*4,254,470*	*4,389,110*	*4,524,505*	*4,616,822*	*4,729,341*
7	170,690	155,093	167,538	180,357	179,561
8	1,157,011	1,136,171	1,111,487	1,110,863	1,109,638
Subtotal Priority Groups 7-8	*1,327,701*	*1,291,264*	*1,279,385*	*1,291,220*	*1,289,119*
Subtotal Unique Veteran Patients	**5,582,171**	**5,680,374**	**5,803,890**	**5,908,042**	**6,018,540**
OEF/OIF/OND veterans included in the above total	*470,755*	*539,970*	*616,487*	*689,974*	*757,674*
Non-veterans[a]	584,020	652,717	680,774	708,921	723,393
Total Unique Veteran and non-Veteran Patients	**6,166,191**	**6,333,091**	**6,484,664**	**6,616,963**	**6,741,933**

Source: Table prepared by the Congressional Research Service based on data from the Department of Veterans Affairs and data from Department of Veterans Affairs*, FY2015 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, March 2014, pp.VHA-32. OEF/OIF/OND data from Department of Veterans Affairs*, FY2015 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, March 2014, p.VHA-7.

Notes: For a description of Priority Groups see the **Appendix**. Unique patients are those that receive at least one episode of care from the VA or whose treatment is paid for by the VA and is counted only once in a given fiscal year.

a. Non-veterans include Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) patients (certain dependents of veterans), reimbursable patients with VA affiliated hospitals and clinics, care provided on a humanitarian basis, veterans of World War II allied nations, and employees receiving preventative occupational immunizations such as Hepatitis A&B and flu vaccinations.

The rest of this report focuses on appropriations for VHA. It begins with a brief overview of VHA's budget formulation, a description of the accounts that fund the VHA, and a summary of the FY2014 VHA budget. The report ends with a section discussing recent legislative developments pertaining to the FY2015 VHA budget.

Advance Appropriations[26]

In order to understand annual appropriations for the Veterans Health Administration (VHA), it is essential to understand the role of advance appropriations. In 2009, Congress enacted the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81) authorizing advance appropriations for three of the four accounts that comprise VHA: medical services, medical support and compliance, and medical facilities.[27] The fourth account, the medical and prosthetic research account, is not funded with an advance appropriation. P.L. 111-81 also required the Department of Veterans Affairs to submit a request for advance appropriations for VHA with its budget request each year. Congress first provided advance appropriations for the three VHA accounts in the FY2010 appropriations cycle; the Consolidated Appropriations Act, 2010 (P.L. 111-117), provided advance appropriations for FY2011. Subsequently, each successive appropriation measure has provided advance appropriations for the VHA accounts: the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), provided advance appropriations for FY2012; the Consolidated Appropriations Act, 2012 (P.L. 112-74), provided advance appropriations for FY2013; the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), provided advance appropriations for FY2014; and the Consolidated Appropriations Act, 2014 (P.L. 113-76) provided advance appropriations for FY2015. The Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill, 2015 (H.R. 4486) as reported by the House Appropriations Committee provides advance appropriations for FY2016.

Under current budget scoring guidelines, advance appropriations of budget authority are scored as new budget authority in the fiscal year in which the funds become newly available for obligation, and not in the fiscal year the appropriations are enacted.[28] Therefore, throughout the funding tables of this report, advance appropriations numbers are shown under the label "memorandum" and in the corresponding fiscal year column. For example, the Consolidated Appropriations Act, 2014 (P.L. 113-76) provided advance appropriations for FY2015. Funding shown for FY2014 does not include advance appropriations provided in FY2014 by P.L. 113-76 for use in FY2015. Instead, the advance appropriation provided in FY2014 for use in FY2015 is shown in the memorandum in the FY2015 column.

[26] In general, an appropriations act makes budget authority available beginning on October 1 of the fiscal year for which the appropriations act is passed ("budget year"). However, there are some types of appropriations that do not follow this pattern; among them are advance appropriations. An advance appropriation means appropriation of new budget authority that becomes available one or more fiscal years beyond the fiscal year for which the appropriations act was passed (i.e., beyond the budget year). For more information on advance appropriations, see CRS Report R43482, *Advance Appropriations, Forward Funding, and Advance Funding: Concepts, Practice, and Budget Process Considerations*, by Jessica Tollestrup

[27] Codified at 38 U.S.C. §117.

[28] Executive Office of the President, Office of Management and Budget (OMB), *Appendix A-Scorekeeping Guidelines*, OMB Circular No. A–11, PART 7, July 2013, p. 2.

Department of Veterans Affairs Budget

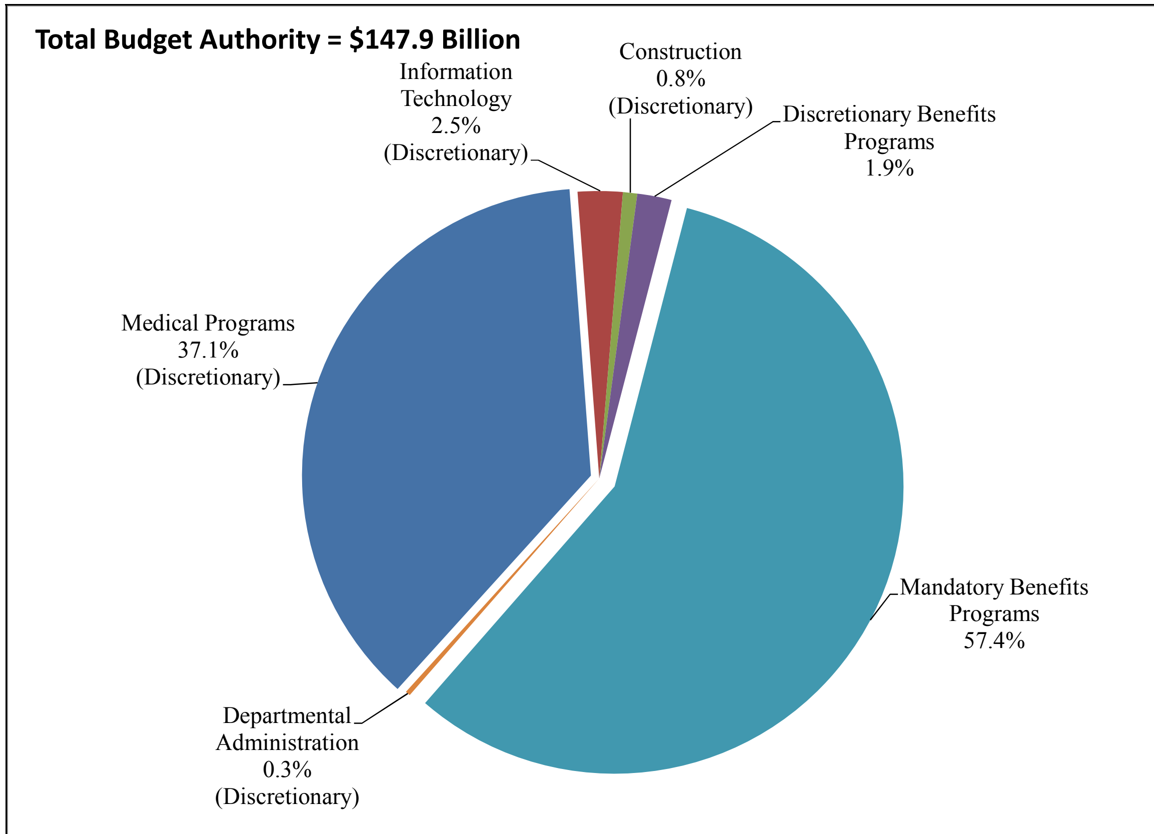
The VA budget includes both mandatory[29] and discretionary funding.[30] Mandatory accounts fund disability compensation, pensions, vocational rehabilitation and employment, education, life insurance, housing, and burial benefits (such as graveliners, outer burial receptacles, and headstones), among other benefits and services. Discretionary accounts fund medical care, medical research, construction programs, information technology, and general operating expenses, among other things.

Figure 1 provides a breakdown of FY2014 budget allocations for both mandatory and discretionary programs. In FY2014, the total VA budget authority was approximately $147.9 billion; discretionary budget authority accounted for about 42.8% ($63.2 billion) of the total, with about 86.9% ($54.9 billion) of this discretionary funding going toward supporting VA health care programs, including medical and prosthetic research. The VA's mandatory budget authority accounted for about 57.4% ($84.7 billion) of the total VA budget authority, with about 84.4% ($71.4 billion) of this mandatory funding going toward disability compensation and pension programs.

[29] Mandatory programs funded through the annual appropriations process are commonly referred to as appropriated entitlements. In general, appropriators have little control over the amounts provided for appropriated entitlements; rather, the authorizing statute establishes the program parameters (e.g., eligibility rules, benefit levels) that entitle certain recipients to payments. If Congress does not appropriate the money necessary to meet these commitments, entitled recipients (e.g., individuals, states, or other entities) may have legal recourse. For an overview of mandatory spending see, CRS Report RL33074, *Mandatory Spending Since 1962*, by Mindy R. Levit and D. Andrew Austin.

[30] Funding for discretionary programs are provided and controlled through the annual appropriations process. For more information see, CRS Report R41726, *Discretionary Budget Authority by Subfunction: An Overview*, by D. Andrew Austin.

Figure 1. FY2014 VA Budget Allocations

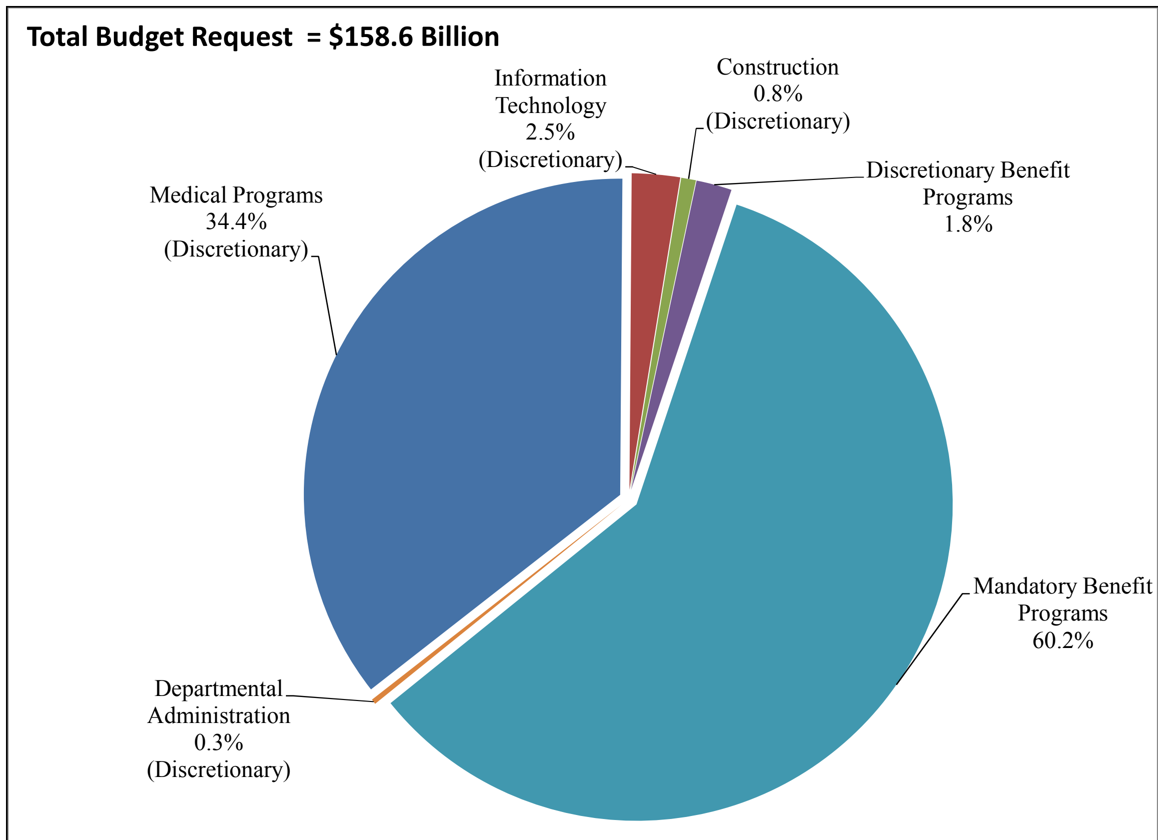


Source: Chart prepared by the Congressional Research Service based on U.S. Congress, House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, *Military Construction, Veterans Affairs, And Related Agencies Appropriations Bill, 2015,* report to accompany H.R. 4486, 113th Congress, 2nd session, April 17, 2014, H.Rept. 113-416, pp. 6-10.

Notes: Discretionary budget authority includes medical programs; information technology; construction; other discretionary benefits, such as operation and maintenance of VA's national cemeteries; and departmental administration. Mandatory benefits include disability compensation, pensions, education, vocational rehabilitation and employment services, among other benefits and services. Totals may not add due to rounding.

Figure 2 provides a breakdown of the FY2015 President's budget request for both mandatory and discretionary programs. For FY2015, the Administration requested approximately $158.6 billion. This includes approximately $65.1 billion in discretionary funding and $93.5 billion in mandatory funding. A major portion of the mandatory benefits will be for compensation and pension benefits for veterans and surviving spouses, dependent children, and dependent parents.

Figure 2. FY2015 VA Budget Request



Source: Chart prepared by the Congressional Research Service based on U.S. Congress, House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, *Military Construction, Veterans Affairs, And Related Agencies Appropriations Bill, 2015,* report to accompany H.R. 4486, 113th Congress, 2nd session, April 17, 2014, H.Rept. 113-416, pp. 6-10.

Notes: Discretionary budget authority includes medical programs; information technology; construction; other discretionary benefits, such as operation and maintenance of VA's national cemeteries; and departmental administration. Mandatory benefits include disability compensation, pensions, education, vocational rehabilitation and employment services, among other benefits and services. Totals may not add due to rounding.

Overview of Veterans Health Administration's Budget Formulation[31]

Similar to most federal agencies, the VA begins formulating its budget request approximately 10 months before the President submits the budget to Congress, generally in early February. VHA's budget request to Congress begins with the formulations of the budget based on the Enrollee

[31] A major part of this discussion was drawn from U.S. Government Accountability Office, *Veterans' Health Care: VA Uses a Projection Model to Develop Most of Its Health Care Budget Estimate to Inform the President's Budget Request*, GAO-11-205, January 2011, pp. 4-8; and U.S. Government Accountability Office, V*eterans' Health Care Budget: Better Labeling of Services and More Detailed Information Could Improve the Congressional Budget Justification*, GAO-12-908, September 2012, pp. 5-6.

Health Care Projection Model (EHCPM), [32] and the Civilian Health and Medical Program Veterans Administration (CHAMPVA) Model. The two models collectively estimate the amount of budgetary resources VHA will need to meet the expected demand for most of the health care services it provides.

The EHCPM's estimates are based on three basic components: the projected number of veterans who will be enrolled in VA health care, the projected utilization of VA's health care services—that is, the quantity of health care services enrollees are expected to use—and the projected unit cost of providing these services. Each component is subject to a number of adjustments to account for the characteristics of VA health care and the veterans who access VA's health care services. The EHCPM makes projections three or four years into the future. Each year, VHA updates the EHCPM estimates to "incorporate the most recent data on health care utilization rates, actual program experience, and other factors, such as economic trends in unemployment and inflation."[33] For instance, in 2013, VHA used data from FY2012 to develop its health care budget estimate for the FY2015 request, including the advance appropriations request for FY2016.[34]

The CHAMPVA Model is a more recent model adopted by VHA in 2010. The CHAMPVA model projects the cost of providing medical coverage to CHAMPVA eligible beneficiaries.[35] The CHAMPVA Model is composed of two major components: the enrollment model and the claims cost model. The enrollment model projects the number of beneficiaries enrolled in CHAMPVA, and the claims cost model projects expenditures for providing care to beneficiaries. According to the VHA, the "2013 CHAMPVA Model was developed using data from fiscal years 2005 to 2012, publically available research, and input from a development team (including subject matter experts from VHA and VHA's CHAMPVA program)."[36]

Table 3 provides a detailed timeline for formulating the FY2015 budget request and the FY2016 advance appropriations request.

[32] The Veterans' Health Care Eligibility Reform Act of 1996 (P.L. 104-262) required the VHA to manage the provision of hospital care and medical services through an enrollment system based on a system of priorities.

[33] Department of Veterans Affairs, *FY2014 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, February 2013, p. 1A-6.

[34] VHA uses methodologies other than the EHCPM to develop estimates of the amount of resources needed for state-based long-term care programs, readjustment counseling, legislation recently enacted, expansions to homeless veterans programs, and care provided to non-veterans patients.

[35] For more information on CHAMPVA see, CRS Report RS22483, *Health Care for Dependents and Survivors of Veterans*, by Sidath Viranga Panangala.

[36] Department of Veterans Affairs, *FY2015 Budget Submission, Medical Programs and Information Technology Programs*, Volume 2 of 4, March 2014, p. VHA-46.

Table 3. Department of Veterans Affairs, Budget Formulation Time Line
(FY2015 budget request)

Month, Year	Activity
April, 2013	VA issues internal call letter for FY2015/FY2016 budget proposals.
May, 2013	VA Administrations (VBA; VHA; and NCA) develop FY2015 budget, program, and legislative proposals; VHA also develops the FY2016 Advance Appropriations request for medical care.
June, 2013	VA construction budget proposals for FY2015 prioritized through Strategic Capital Investment Planning (SCIP) process.
July, 2013	VA leadership considers the FY2015/FY2016 budget proposals.
August, 2013	VA prepares the budget submission to Office of Management and Budget (OMB)
September, 2013	VA submits 2015 budget to OMB and the FY2016 Advance Appropriations request for medical care.
November, 2013	VA receives OMB Passback of 2015/2016 budget decisions.
December, 2013	VA and OMB reach agreement on budget amounts.
January, 2014	VA prepares the FY2015 Congressional Budget Submissions.
February, 2014[a]	President's FY2015 Budget Request and the Advance Appropriations request for medical care for FY2016 Submitted to Congress.

Source: Table prepared by CRS based on U.S. Congress, House Committee on Veterans' Affairs, *U.S. Department of Veterans Affairs Budget Request For Fiscal Year 2013*,112th Congress, 2nd session, February 15, 2012, p. 143.

Note:

a. The President's FY2014 budget request was submitted in March 2014.

Funding for the VHA

As noted previously, VHA is funded through four appropriations accounts. These are supplemented by other sources of revenue. Although the appropriations account structure has been subject to change from year to year, the appropriation accounts used to support the VHA traditionally include medical care, medical and prosthetic research, and medical administration. Congress also appropriates funds for construction of medical facilities through a larger appropriations account for construction for all VA facilities. In FY2004, "to provide better oversight and [to] receive a more accurate accounting of funds," Congress changed the VHA's appropriations structure.[37] Specifically, the Department of Veterans Affairs and Housing and

[37] U.S. Congress, Conference Committees, *Consolidated Appropriations Act, 2004,* conference report to accompany H.R. 2673, 108th Cong., 1st sess., H.Rept. 108-401, p. 1036.

Urban Development and Independent Agencies Appropriations Act, 2004 (P.L. 108-199, H.Rept. 108-401), funded VHA through four accounts: (1) medical services, (2) medical administration (currently known as medical support and compliance), (3) medical facilities, and (4) medical and prosthetic research. Brief descriptions of these accounts are provided below.

Medical Services

The medical services account covers expenses for furnishing inpatient and outpatient care and treatment of veterans and certain dependents, including care and treatment in non-VA facilities; outpatient care on a fee basis; medical supplies and equipment; salaries and expenses of employees hired under Title 38, United States Code (U.S.C.); cost of hospital food service operations;[38] aid to state veterans' homes; and assistance and support services for family caregivers of veterans authorized by the Caregivers and Veterans Omnibus Health Services Act of 2010 (P.L. 111-163). For FY2013, the President's budget request proposed the transfer of funding for biomedical engineering services from the medical facilities account to this account.[39] The Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), approved this transfer. The President's budget request for FY2014 proposed to continue funding for biomedical engineering services in the medical services account. The Military Construction and Veterans Affairs, and Related Agencies Appropriations bill for FY2014 (H.R. 2216; H.Rept. 113-90) that was passed by the House of Representatives June 4, 2013, and the Senate Appropriations Committee reported version of H.R. 2216 (S.Rept. 113-48) continued this transfer for FY2014. The Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill, 2015 (H.R. 4486) continues to fund bioengineering services under the medical services account.

Medical Support and Compliance (Previously Medical Administration)

This account provides for expenses related to the management, security, and administration of the VA health care system through the operation of VA medical centers, and other medical facilities such as community-based outpatient clinics (CBOCs) and Vet Centers.[40] It also funds 21 Veterans Integrated Service Network (VISN)[41] offices and facility director offices; chief of staff operations; public health and environmental hazard programs; quality and performance

[38] In its FY2008 budget request to Congress, the VA requested the transfer of food service operations costs from the medical facilities appropriations to the medical services appropriations. The House and Senate Appropriations Committees concurred with this request. The cost of food service operations support hospital food service workers, provisions, and supplies related to the direct care of patients.

[39] Biomedical engineering services include the maintenance and repair of all medical equipment used in the treatment, monitoring, diagnosis, or therapy of patients.

[40] Vet Centers are community-based counseling centers that provide a wide range of social and psychological services such as professional readjustment counseling to veterans who have served in a combat zone, military sexual trauma (MST) counseling, bereavement counseling for families who experience an active duty death, substance abuse assessments and referral, medical referral, veterans' benefits explanation and referral, and employment counseling, among other services.

[41] VISN offices provide management and oversight to the medical centers and clinics within their assigned geographic areas. Each VISN office is responsible for allocating funds to facilities, clinics, and programs within its region and coordinating the delivery of health care to veterans.

management programs; medical inspection; human research oversight; training programs and continuing education; security; volunteer operations; and human resources management.

Medical Facilities

The medical facilities account funds expenses pertaining to the operations and maintenance of the VHA's capital infrastructure. These expenses include utilities and administrative expenses related to planning, designing, and executing construction or renovation projects at VHA facilities. It also funds leases, laundry services, grounds maintenance, trash removal, housekeeping, fire protection, pest management, and property disposition and acquisition.

Medical and Prosthetic Research

As required by law, the medical and prosthetic research program (medical research) focuses on research into the special health care needs of veterans.[42] This account provides funding for many types of research, such as investigator-initiated research; mentored research; large-scale, multi-site clinical trials; and centers of excellence. VA researchers receive funding not only through this account but also from the Department of Defense (DOD), the National Institutes of Health (NIH), and private sources.

In general, VA's research program is intramural; that is, research is performed by VA investigators at VA facilities and approved off-site locations. Unlike other federal agencies, such as NIH and DOD, VA does not have the statutory authority to make research grants to colleges and universities, cities and states, or any other non-VA entities.

Medical Care Collections Fund (MCCF)

In addition to the appropriations accounts mentioned above, the Committees on Appropriations include medical care cost recovery collections when considering funding for the VHA. Congress has provided VHA the authority to bill some veterans and most health care insurers for nonservice-connected care provided to veterans enrolled in the VA health care system, to help defray the cost of delivering medical services to veterans.[43] Funds collected from first and third party (copayments and insurance) bills are retained by the VA health care facility that provided

[42] 38 U.S.C. §7303(a)(3). The Office of Research and Development (ORD) within the Veterans Health Administration (VHA) manages the medical research program. The medical research program encompasses, among other things, biomedical laboratory research, clinical trials, health services research, and rehabilitation research.

[43] The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), enacted into law in 1986 established means testing for veterans seeking care for nonservice-connected conditions. The Balanced Budget Act of 1997 (P.L. 105-33) established the Department of Veterans Affairs Medical Care Collections Fund (MCCF) and gave the VHA the authority to retain these funds in the MCCF. Instead of returning the funds to the Treasury, the VA can use them, without fiscal year limitations, for medical services for veterans. In FY2004, the Administration's budget requested consolidating several existing medical collections accounts into one MCCF. The conferees of the Consolidated Appropriations Act of 2004 (H.Rept. 108-401) recommended that collections that would otherwise be deposited in the Health Services Improvement Fund (former name), Veterans Extended Care Revolving Fund (former name), Special Therapeutic and Rehabilitation Activities Fund (former name), Medical Facilities Revolving Fund (former name), and the Parking Revolving Fund (former name) should be deposited in MCCF. The Consolidated Appropriations Act of 2005 (P.L. 108-447, H.Rept. 108-792) provided the VA with permanent authority to deposit funds from these five accounts into the MCCF.

the care for the veteran. VA is expecting MCCF total collections to be approximately $2.5 billion in 2015.

FY2014 Budget Summary[44]

Consolidated Appropriations Act, 2014 (P.L. 113-76)

House and Senate Action

Congress was unable to complete action on any of the FY2014 appropriation acts prior to the beginning of the new fiscal year. Lawmakers also failed to agree on language in a FY2014 continuing resolution (CR). With no agreement in place on October 1, 2013, the resulting lapse in funding led to a partial shutdown of government operations. Congress finally reached agreement on a temporary CR on October 16, 2013, and the President signed the Continuing Appropriations Act, 2014 (P.L. 113-46) the following day to reopen the government. That CR (P.L. 113-46) funded most of the VA (excluding the three medical care accounts: medical services, medical support and compliance, and medical facilities) through January 15, 2014. P.L. 113-73 extended the CR through January 18, allowing extra time for legislative consideration of an omnibus appropriation bill. On January 17, 2014, the President signed into law the Consolidated Appropriations Act, 2014 (P.L. 113-76). Division J of this act included the Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2014 (MILCON-VA Appropriations Act, 2014).

In total the MILCON-VA Appropriations Act, 2014 provides a total of $147.9 billion in budget authority for VA programs in FY2014. Of this amount $54.9 billion is provided for VHA which comprises four accounts: medical services, medical support and compliance, medical facilities, and medical and prosthetic research accounts. P.L. 113-76 provides $40 million for FY2014 for the medical services account in addition to the advance appropriation of $43.6 billion which was provided in P.L. 113-6 (see **Table 5**). Furthermore, the MILCON-VA Appropriations Act, 2014 provides $85 million for FY2014 for the medical facilities account in addition to the advance appropriation of $4.9 billion provided in P.L. 113-6. This additional funding will be used to address the backlog of non-recurring maintenance needs at existing VA hospitals and clinics. As required by the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81), the MILCON-VA Appropriations Act, 2014 provides advance appropriations of $55.6 billion for FY2015 for three VHA accounts (medical services, medical support and compliance, and medical facilities). Furthermore, P.L. 113-76 rescinds $229 million from the FY2014 VHA accounts (see **Table 5**).[45]

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[44] For a detailed discussion of the VHA appropriations for FY2014, see CRS Report R43179, *Veterans' Medical Care: FY2014 Appropriations*, by Sidath Viranga Panangala.

[45] Section 226 of Division J of P.L. 113-76 rescinds FY2014 medical account funding and re-appropriates it to be available for two years. The provision rescinds and re-appropriates $1,400,000,000 for the medical services account, rescinds $150,000,000 for the medical support and compliance account and re-appropriates $100,000,000 for that account, and rescinds and re-appropriates $250,000,000 for medical facilities account (Explanatory Statement Regarding the House Amendment to the Senate Amendment on H.R. 3547, Consolidated Appropriations Act, 2014," House, *Congressional Record*, vol. 160, Book II (January 15, 2014), p. H1150.).

FY2015 VHA Budget

President's Request

The President submitted his FY2015 budget request to Congress in March 2014. The FY2015 President's Budget is requesting $158.6 billion for the VA as a whole (see **Table 4**). For VA medical services, the Administration's budget is requesting $367.8 million in additional funding above the FY2015 advance appropriations of $45 billion provided in FY2014. In total, the President is requesting $56.6 billion for VHA for FY2015. This includes $45.4 billion for the medical services account, $5.9 billion for the medical support and compliance account, $4.7 billion for the medical facilities account, and nearly $589 million for the medical and prosthetic research account (see **Table 5**). As required by the Veterans Health Care Budget Reform and Transparency Act of 2009 (P.L. 111-81), the President's budget is requesting $58.6 billion in advance appropriations for the three medical care appropriations (medical services, medical support and compliance, and medical facilities) for FY2016 (see **Table 5**). This request for advance appropriations would provide care for over 6.8 million unique patients in FY2016.

House Action

On April 3, 2014, the House Military Construction and Veterans Affairs Subcommittee approved its version of a Military Construction and Veterans Affairs and Related Agencies Appropriations bill for FY2015 (MILCON-VA Appropriations bill). The full House Appropriations Committee approved a draft version of the measure by voice vote in an April 9, 2014, and the House passed the MILCON-VA Appropriations bill for FY2015 (H.R. 4486; H.Rept. 113-416) on April 30, 2014. H.R. 4486 proposes a total of $158.2 billion for the VA (see **Table 4**). The total includes $93.5 billion for mandatory programs, and $64.7 billion for discretionary programs (see **Table 4**).

H.R. 4486 (H.Rept. 113-416) as passed by the House proposes $56.2 billion for VHA for FY2015(see **Table 5**), which comprises four accounts: medical services, medical support and compliance, medical facilities, and medical and prosthetic research. The House-passed measure does not include the additional funding amount of $367.8 million (above the FY2015 advance appropriations) for the medical services account that was requested by the President for FY2015. According to H.Rept. 113-416, "with $450 million in unobligated, balances expected to be available and a drop of $690 million in projected medical services expenditures, the Committee believes that the identified need can be absorbed within existing resources."[46] H.R. 4486 proposes $58.6 billion in advance FY2016 funding for the medical services, medical support and compliance, and medical facilities accounts—the same level as the President's request (see **Table 5**).

[46] U.S. Congress, House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, *Military Construction, Veterans Affairs, And Related Agencies Appropriations Bill, 2015*, report to accompany H.R. 4486, 113th Cong., 2nd sess., April 17, 2014, H.Rept. 113-416, p. 31.

Table 4. VA and VHA Appropriations, FY2014-FY2015, and Advance Appropriations, FY2016

($ in thousands)

	Consolidated Appropriations Act, 2014 (P.L. 113-76)		President's Request		House (H.R. 4486; H.Rept. 113-416)	
	FY2014	**FY2015**	**FY2015**	**FY2016**	**FY2015**	**FY2016**
Total Department of Veterans Affairs (VA)	$147,934,261	—	$158,639,938	—	$158,220,762	—
Total Mandatory	$84,869,569	—	$93,512,828	—	$93,512,828	—
Total Discretionary	$63,244,692	—	$65,127,110	—	$64,707,934	—
Total Veterans Health Administration (VHA)[a]	$54,943,664	—	$56,591,034	—	$56.223,149	—
Memorandum: [b] Advance appropriations VHA	—	$55,634,227	—	$58,662,202	—	$58,662,202

Source: Table prepared by the Congressional Research Service based on U.S. Congress, House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, *Military Construction, Veterans Affairs, And Related Agencies Appropriations Bill, 2015*, report to accompany H.R. 4486, 113th Congress, 2nd session, April 17, 2014, H.Rept. 113-416, pp. 6-10.

Notes:

a. Includes funding for medical services, medical support and compliance, medical facilities, and medical and prosthetic research accounts, and excludes collections deposited into the Medical Care Collections Fund (MCCF).

b. The Veterans Health Care Budget Reform and Transparency Act 2009 (P.L. 111-81; codified at 38 U.S.C. §117) provided for advance appropriations (appropriations that become available one fiscal year after the fiscal year for which the appropriations act was enacted) for VA's medical services, medical support and compliance,

and medical facilities appropriations accounts, and requires the VA to submit a request for advance appropriation with its annual congressional budget submission. Under current budget scoring guidelines new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table the advance appropriations budget authority for FY2015 is recorded in the FY2015 column. Likewise, the Administration's advance appropriations request for FY2016 and advance appropriations budget authority for FY2016 proposed in the Military Construction and Veterans Affairs, and Related Agencies Appropriations bill, 2015 are recorded in the FY2016 column.

Table 5. VHA Appropriations by Account, FY2014-FY2015, and Advance Appropriations, FY2016

($ in thousands)

Account	Consolidated Appropriations Act, 2014 (P.L. 113-76)		President's Request		House (H.R. 4486; H.Rept. 113-416)	
	FY2014	FY2015	FY2015	FY2016	FY2015	FY2016
Medical Services	$43,557,000	—	$45,015,527	—	$45,015,527	—
Additional funding over FY2014 Advance Appropriation	40,000	—	—	—	—	—
Additional funding over FY2015 Advance Appropriation	—	—	367,885		—	—
Rescission	(179,000)	—	—	—	—	—
Subtotal Medical Services	*43,418,000*	—	*45,383,412*	—	*45,015,527*	—
Medical Support and Compliance	6,033,000	—	5,879,700	—	5,879,700	—
Subtotal Medical Support and Compliance	*6,033,000*	—	5,879,700	—	*5,879,700*	—
Medical Facilities	4,872,000	—	4,739,000	—	4,739,000	—
Additional funding over FY2014 Advance Appropriation	85,000	—	—	—	—	—
Subtotal Medical Facilities	*4,957,000*	—	*4,739,000*	—	*4,739,000*	—
Medical and Prosthetic Research	585,664	—	588,922	—	588,922	—
Subtotal Medical and Prosthetic Research	*585,664*	—	*588,922*	—	*588,922*	—

Account	Consolidated Appropriations Act, 2014 (P.L. 113-76)		President's Request		House (H.R. 4486; H.Rept. 113-416)	
Across-the-Board Administrative Rescission	*(50,000)*	—	—	—	—	—
Total VHA Appropriations (without collections)	**54,943,664**	—	**56,591,034**	—	**56,223,149**	—
Medical Care Collection Fund (MCCF)	2,485,000	—	2,456,000	—	2,456,000	—
Total VHA Appropriations (with collections)	**$57,428,664**	—	**$59,047,034**	—	**$58,679,149**	—
Memorandum:[a]						
Advance Appropriations	**FY2014**	**FY2015**	**FY2015**	**FY2016**	**FY2015**	**FY2016**
Medical Services	—	$45,015,527	—	$47,603,202	—	$47,603,202
Medical Support and Compliance	—	5,879,7000	—	6,144,000	—	6,144,000
Medical Facilities	—	4,739,000	—	4,915,000	—	4,915,000
Total VHA Advance Appropriations	—	**$55,634,227**	—	**$58,662,202**	—	**$58,662,202**

Source: Table prepared by the Congressional Research Service based on U.S. Congress, House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, *Military Construction, Veterans Affairs, And Related Agencies Appropriations Bill, 2015*, report to accompany H.R. 4486, 113th Congress, 2nd session, April 17, 2014, H.Rept. 113-416, pp. 6-10.

Note:

a. The Veterans Health Care Budget Reform and Transparency Act 2009 (P.L. 111-81; codified at 38 U.S.C. §117) provided for advance appropriations (appropriations that become available one fiscal year after the fiscal year for which the appropriations act was enacted) for VA's medical services, medical support and compliance, and medical facilities appropriations accounts, and requires the VA to submit a request for advance appropriation with its annual congressional budget submission. Under current budget scoring guidelines new budget authority for an advance appropriation is scored in the fiscal year in which the funds become available for obligation. Therefore, in this table the advance appropriations budget authority for FY2015 is recorded in the FY2015 column. Likewise, the Administration's advance appropriations request for FY2016 and advance appropriations budget authority for FY2016 proposed in the Military Construction and Veterans Affairs, and Related Agencies Appropriations bill, 2015 are recorded in the FY2016 column.

Appendix. Priority Groups

Table A-1. Priority Groups and Their Eligibility Criteria

Priority Group 1

Veterans with service-connected disabilities rated 50% or more disabling

Veterans determined by VA to be unemployable due to service-connected conditions

Priority Group 2

Veterans with service-connected disabilities rated 30% or 40% disabling

Priority Group 3

Veterans who are former POWs [a]

Veterans awarded the Purple Heart[b]

Veterans in receipt of the Medal of Honor[c]

Veterans whose discharge was for a disability that was incurred or aggravated in the line of duty

Veterans with service-connected disabilities rated 10% or 20% disabling

Veterans awarded special eligibility classification under Title 38, U.S.C., Section 1151, "benefits for individuals disabled by treatment or vocational rehabilitation"

Priority Group 4

Veterans who are receiving aid and attendance or housebound benefits

Veterans who have been determined by VA to be catastrophically disabled

Priority Group 5

Nonservice-connected veterans and noncompensable service-connected veterans rated 0% disabled whose annual income and net worth are below the established VA means test thresholds

Veterans receiving VA pension benefits

Veterans eligible for Medicaid benefits

Priority Group 6

Compensable 0% service-connected veterans

Mexican Border War veterans

Veterans solely seeking care for disorders associated with:

—exposure to herbicides while serving in Vietnam; or

—ionizing radiation during atmospheric testing or during the occupation of Hiroshima and Nagasaki; or

—for disorders associated with service in the Gulf War; or

—for any illness associated with service in combat in a war after the Gulf War or during a period of hostility after November 11, 1998, as follows:

—Veterans discharged from active duty on or after January 28, 2003, who were enrolled as of January 28, 2008, and veterans who apply for enrollment after January 28, 2008, for five years post discharge

—Veterans discharged from active duty before January 28, 2003, who apply for enrollment after January 28, 2008, until January 27, 2011

Veterans who served on active duty at Camp Lejeune in North Carolina for not less than 30 days during the period beginning on January 1, 1957, and ending on December 31, 1987, for any of the 15 medical conditions specified in 38 U.S.C. 1710(e)(1)(F). [d]

Priority Group 7

Veterans who agree to pay specified copayments with income and/or net worth above the VA means test threshold and income below the VA national geographic income thresholds

Priority Group 8

Veterans who agree to pay specified copayments with income and/or net worth above the VA means test threshold and the VA national geographic threshold

Subpriority a: Noncompensable 0% service-connected and enrolled as of January 16, 2003, and who have remained enrolled since that date and/or placed in this subpriority due to changed eligibility status

Subpriority b: Noncompensable 0% service-connected and enrolled on or after June 15, 2009, whose income exceeds the current VA means test threshold or VA national geographic income thresholds by 10% or less

Subpriority c: Nonservice-connected veterans enrolled as of January 16, 2003, and who have remained enrolled since that date and/or placed in this subpriority due to changed eligibility status

Subpriority d: Nonservice-connected veterans enrolled on or after June 15, 2009, whose income exceeds the current VA means test threshold or VA national geographic income thresholds by 10% or less

Subpriority e: Noncompensable 0% service-connected veterans not meeting the above criteria (**Currently not eligible for enrollment**)

Subpriority g: Nonservice-connected veterans not meeting the above criteria (**Currently not eligible for enrollment**)

Source: Department of Veterans Affairs.

Notes: Service-connected disability means, with respect to disability, that such disability was incurred or aggravated in the line of duty in the active military, naval or air service.

a. Veterans who are former Prisoners of War (POWs) are placed in Priority Group 3. This change occurred with the enactment of the Former Prisoner of War Benefits Act of 1981(P.L. 97-37) on August 14, 1981.

b. Veterans in receipt of a Purple Heart are in Priority Group 3. This change occurred with the enactment of the Veterans Millennium Health Care and Benefits Act (P.L. 106-117) on November 30, 1999.

c. Veterans in receipt of the Medal of Honor are in Priority Group 3. This change occurred with the enactment of the Caregiver and Veterans Omnibus Health Services Act of 2010 (P.L. 111-163) on May 5, 2010.

d. Veterans who served on active duty at Camp Lejeune in North Carolina between January 1, 1957 and December 31, 1987 are placed in Priority Group 6. These veterans are eligible to receive free medical care for the following fifteen illnesses or conditions: esophageal cancer; lung cancer; breast cancer; bladder cancer; kidney cancer; leukemia; multiple myeloma; myleodysplasic syndromes; renal toxicity; hepatic steatosis; female infertility; miscarriage; scleroderma; neurobehavioral effects; and non-Hodgkin's lymphoma. This change occurred with the enactment of the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 (P.L. 112-154) on August 6, 2012.

Author Contact Information

Sidath Viranga Panangala
Specialist in Veterans Policy
spanangala@crs.loc.gov, 7-0623