

**PROSTHETIC AND SENSORY AIDS SERVICE SPECIFIC
PURPOSE FUNDING**

- 1. REASON FOR ISSUE:** This Veterans Health Administration (VHA) Directive provides the policy for the specific purpose funding for Prosthetic and Sensory Aids Service.
- 2. SUMMARY OF CONTENTS:** This VHA Directive clarifies the authority and responsibilities of Department of Veterans Affairs (VA) programs for administration of the specific purpose funding for Prosthetic and Sensory Aids Services for VHA.
- 3. RELATED ISSUES:** None.
- 4. RESPONSIBLE OFFICE:** Rehabilitation and Prosthetic Services (10P4R) is responsible for the contents of this Directive. Questions relating to the technical and programmatic aspects of this Directive may be directed to the Prosthetic and Sensory Aids Service national program Director at 202-461-7444.
- 5. RESCISSIONS:** VHA Directive 2006-029, dated May 15, 2006 is rescinded.
- 6. RECERTIFICATION:** This VHA Directive is scheduled for recertification on or before the last working day of July, 2019.

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PROSTHETIC AND SENSORY AIDS SERVICE SPECIFIC PURPOSE FUNDING

1. PURPOSE: This Veterans Health Administration (VHA) Directive provides the policy for the specific purpose funding for Prosthetic and Sensory Aids Service (PSAS). **AUTHORITY:** 38 U.S.C. 7301(b); Public Law 111-81, Veterans Health Care Budget and Transparency Act of 2009.

2. BACKGROUND: The Prosthetic and Sensory Aids Service (PSAS) is a VHA special emphasis program that serves approximately half of the Veterans that receive health care services in VHA. Since enactment of the Veterans Health Care Eligibility Reform Act in 1996, PSAS workload and expenditures have increased each year. Funding for the prosthetic program was originally designated as specific purpose. It was later moved under general purpose funds for a period of time, resulting in a significant decrease in the level of care and timely delivery of prosthetic appliances and services to Veterans. For this reason, the Under Secretary for Health directed that funding for this program be placed under specific purpose funding where it has remained since Fiscal Year 2001. Specific purpose funding is used in the provision of prosthetic devices and services to Veterans. The PSAS specific purpose funding methodology can be found in Appendix A.

3. POLICY: It is VHA policy that funding for prosthetic items, devices, and sensory aids should be allocated through specific purpose funds and not through general purpose funds.

4. RESPONSIBILITIES:

a. **VHA Chief Financial Officer.** The VHA Chief Financial Officer, Office of Finance, is responsible for:

(1) Ensuring provision of adequate specific purpose funding for PSAS during the budget formulation process.

(2) Providing prosthetic obligations and expenditures to the PSAS national program office throughout the course of the year and reviewing the summation of these financial measures for each Veterans Integrated Service Network (VISN).

(3) Transferring funds between VISNs when such action is determined to be necessary through analysis and coordination with the PSAS national program office.

b. **VHA Prosthetic and Sensory Aids Service Office National Program Director.** The PSAS national program director is responsible for:

(1) Collaborating with the VHA Office of Finance to:

(a) Assist with the budget formulation process for specific purpose funding for PSAS to ensure provision of funding for PSAS and to monitor budget execution.

(b) Obtain input from each VISN Chief Fiscal Officer (CFO) and VISN Prosthetic Representative (VPR) for the initial VISN PSAS budget request, and subsequent requirements from each VISN for additional funding, or availability of excess funding.

(c) Review VISN PSAS budget requests and identify system-wide prosthetic funding needs for the PSAS program after receiving budget request information from the VISNs.

(d) Develop and distribute the national PSAS budget distribution plan to VISN CFOs and VPRs.

(2) Utilizing the PSAS Finance Advisory Board (FAB) to help develop, support, monitor, and oversee the execution of the PSAS specific purpose funding for VHA, while working in collaboration with the VHA CFO to provide the FAB with needed data or reports.

(3) In conjunction with the VHA CFO, Office of Finance, provide a quarterly PSAS financial report to the VHA National Resource Committee.

(4) Completing reviews and analyses for each VISN throughout the year as described in the Budget Execution Schedule, Appendix A.

(5) Serving as authority in the distribution or redistribution of funds, and facilitating transfer of funds between VISNs when collaborative analysis with the CFO determines such action is needed.

(6) Reviewing and finalizing reports of the PSAS Finance Advisory Board, and briefing the Chief Consultant for Rehabilitation and Prosthetic Services.

c. **Prosthetics and Sensory Aids Service Finance Advisory Board.** The PSAS FAB is responsible for:

(1) Serving in an advisory capacity supporting the PSAS national program to effectively manage the PSAS specific purpose funds. The FAB will include representation from Department of Veterans Affairs Central Office (VACO) PSAS, VHA Office of Finance (Resource Management), VISN CFOs, and VPRs.

(2) Reviewing and validating PSAS Specific Purpose Funding budget requests submitted annually from VISNs to VHA PSAS national program office.

(3) Meeting quarterly, or as needed, to review status of PSAS financial data and related reports.

(4) Providing a quarterly financial status report and recommendations for the PSAS specific purpose funding to the PSAS national program director. Data for the quarterly financial status report is derived from reports provided by the PSAS national program office.

d. **Veterans Integrated Service Network Directors.** VISN Directors are responsible for ensuring that processes and guidance for administering the PSAS budget are adhered to within their networks.

e. **VISN Chief Fiscal Officers and Prosthetics Representatives.** VISN CFOs and VPRs share responsibility for:

(1) Establishing necessary standard obligations and fund control points for PSAS for which specific purpose funding can be utilized. If specific purpose funding is inadequate to meet facility needs, then VISN CFOs will request additional specific purpose funds from the PSAS national program office. If those funds are not available, VISNs will use general purpose funds as needed to address Veteran requirements. Prosthetic prescriptions and services for Veterans will not be delayed due to a lack of funds.

(2) Ensuring VISNs and medical facilities do not process allowance transfer (AT) transactions into the Financial Management System, moving funding into or out of program code SPR0.

(3) Ensuring that medical facilities only process sub-allowance (SA) transactions to transfer funds to their intended subspecialty based on the Automatic Allotment Control System mnemonic, or within the last eighth and ninth characters of the Account Classification Codes (ACC) (i.e., SPR0QP1A1 to SPR0QP1P1 would be acceptable).

(a) SA transactions will not be allowable for otherwise moving funds, among other specific purpose subspecialties or first seven characters of the ACC within the ledger notation (i.e., SPR0QP1A1 to SPR0Q00A1 would not be acceptable).

(b) Transfer of disbursing authority (TDA) requests must be submitted to the facility budget analyst in the Resource Management Office (10A3B) to move the funds.

(4) Ensuring that PSAS orders are being accurately posted in the National Prosthetic Patient Database (NPPD).

(5) Ensuring that proper and accurate prosthetic cost centers, budget object codes, and accounting cost codes are used as outlined in the prosthetic funding guidance.

(6) Developing and submitting VISN PSAS specific purpose funding budget requests to VHA PSAS national program office annually.

(7) Developing facility-level distributions based upon the VISN budget allocation and providing necessary training to prosthetic and fiscal staffs on the use of fiscal accounts for PSAS.

(8) Monitoring and reviewing the VISN PSAS budget including, but not limited to:

(a) VISN obligations versus budget allocation and end of year obligations projection,

(b) Facility costing of PSAS funding to inappropriate cost centers and budget object codes,

(c) The 830 Monthly Report (Cost and Full Time Employee Equivalent (FTEE) by Budget Object Code) and the 887 Obligations Report (by Organizations/Program Report) which are used to monitor the variance between NPPD costs and Integrated Funds Distribution Control Point Activity, Accounting, and Procurement (IFCAP) obligations.

(d) Quarterly compliance reports for national contracts.

(e) Monitoring variance between NPPD and obligations to ensure that obligation data used in budget requests accurately reflects need.

(f) Conducting reviews and analyses for additional funding or availability of excess funding, and providing related reports PSAS national program director in accordance with the budget execution schedule (in Appendix A).

(g) Ensuring that prosthetic appliances are provided from the VA medical facility that generates the prescription, regardless of where the Veteran resides, unless other arrangements have been made between the VISNs that serve the Veteran.

APPENDIX A

PSAS SPECIFIC PURPOSE FUNDING METHODOLOGY

1. ALLOCATION / DISTRIBUTION:

a. Background.

(1) Congress determines the amount of funding that Department of Veterans Affairs (VA) receives through the annual appropriations process.

(2) VA Office of Budget is responsible for overseeing the budget formulation process for the department on behalf of the Secretary and submitting VA's budget request to the Office of Management and Budget for review and consideration in developing the President's Budget.

(3) Veterans Health Administration (VHA) Office of Finance is responsible for policy and operational issues relating to budget formulation for all VHA services. That office works with the Assistant Deputy Under Secretary for Policy and Planning, who has responsibilities for managing knowledge and data related to VHA's policies and strategic planning. Additionally, national programs (including Prosthetic and Sensory Aids Service (PSAS)) are included for providing specific health care services and providing information to support the budget formulation process and for setting policies.

(4) VA uses the Enrollee Health Care Projection Model (EHCPM), a comprehensive enrollment, utilization, and expenditure projection model that produces multi-year budget projections. The EHCPM estimates are based on three basic components: projected enrollment in VA health care, projected use of VA's health care services, and projected costs of providing these services. Adjustments to the model are made to account for characteristics of VA health care and the Veterans who access VA health care services.

(5) Veterans Equitable Resource Allocation (VERA) Prosthetic Projection. For Preliminary VERA, Central Office initially allocates the budget fiscal year prosthetic projected by taking the total budget year prosthetic funding level and applying the previous year total obligation percentage by Veterans Integrated Service Network (VISN) to allocate the available funding by VISN. Beginning in June, the PSAS Finance Advisory Board (FAB) reviews the VISN Prosthetic budget submissions and makes a final recommended VISN allocation to PSAS Program Director for approval. The PSAS FAB can only allocate the total available funding for Prosthetics for that fiscal year.

b. Prosthetic Budget Methodology.

(1) During the 3rd quarter of each fiscal year (FY), the PSAS national program office requests a budget projection for the following FY from each VISN Prosthetics Representative (VPR) as approved by the VISN Chief Fiscal Officer (CFO) and the VISN Director. The budget request is due to PSAS national program by the last Friday in June using the format provided by the national office. If a VISN projects a significant increase in obligations from the preceding year above the percentage increase or decrease of the national PSAS budget, then justification explaining the increase must be provided with the budget request (e.g., new medical programs, expansions of prior programs, new community based outpatient clinics, etc.).

(2) The PSAS national program office and FAB will review proposed PSAS specific purpose funding submissions for each VISN and work to determine allocation/distribution of PSAS Specific Purpose Funding to each VISN. Prior year obligation data from the National Prosthetic Patient Database (NPPD) will be used to establish a baseline for the VISN allocation/distribution, and two projections will be considered:

(a) VISN Request/Projection. This request is the budget projection developed by the VISN.

(b) Straight-line Projection. This projection takes the VISN’s prior year obligations and multiplies it by the percentage increase or decrease of the national PSAS budget from prior year to present year. For example, if the national budget increases 5 percent, this calculation would increase the VISN projection by 5 percent.

(3) If the VISN cannot adequately justify their Prosthetic Budget for the next fiscal year, the PSAS FAB will recommend that the VISN be funded using the straight-line model projection.

(4) The PSAS FAB can allocate the available total Prosthetic funding to the VISNs. However, if requirements are less than the total available, the PSAS Program Director will return those funds to the National Reserve for use for other national priorities.

(5) Approval: The National PSAS Program Director will coordinate with the Chief Consultant and Office of Finance to approve a final budget allocation.

(6) Field Notification: Within 30 days of receiving an approved annual budget from VHA, VHA Office of Finance, in collaboration with PSAS national program, will communicate the VISN allocations to the VISN Directors, VISN CFOs, and VPRs. This will be done no later than 30 July of each year for the next fiscal year.

(7) Distribution: In accordance with existing policy and procedures VHA Office of Finance will distribute the funds to the VISNs. The VISN CFO in collaboration with the VISN Prosthetic Representatives will disburse funds to their facilities.

2. BUDGET EXECUTION SCHEDULE:

NOTE: All timetables are dependent upon VA receiving budget on time from Congress.

Quarter	Month	Office	Action
First	Within 30-days of notification of approved Budget	VACO PSAS & VHA Finance	Distribute funding to VISNs
Second	2 nd Friday, January	VISN (VPR & CFO)	Provide Review and Analysis report to VACO PSAS
	4 th Friday, January	VACO PSAS & VHA Finance	Determine funds to redistribute and/or return to VHA Finance

Quarter	Month	Office	Action
Third	2 nd Friday, April	VISN (VPR & CFO)	Provide Review and Analysis report to VACO PSAS
	4 th Friday, April	VACO PSAS & VHA Finance	Determine funds to redistribute and/or return to VHA Finance
	4 th Friday, June	VISN (VPR & CFO)	Provide budget request for next FY to VACO PSAS
Fourth	2 nd Friday, July	VISN (VPR & CFO)	Provide Review and Analysis report to VACO PSAS**
	4 th Friday, July	VACO PSAS & VHA Finance	Determine funds to redistribute and/or return to VHA Finance
	August/September	VHA Finance	Determine last day VACO Program Offices may transfer funds

**If VHA Finance deadlines permit, an additional needs/excess call may be scheduled in August. All needs and excess after the day set by VHA Finance must be coordinated directly between the VISN CFO and VHA Finance.

3. MONITORING / REPORTING:

a. PSAS national program office will provide the following monthly reports and data (in consultation/collaboration with VHA Office of Finance) to the PSAS Finance Advisory Board, the VISN CFOs, and the VPRs for VISN level review:

- (1) VISN obligations versus budget allocation, and end-of-year obligations projection,
- (2) Facility costing of PSAS funding to inappropriate cost centers and budget object codes, and,
- (3) Obligations provided by VHA Office of Finance versus costs reported in the NPPD.

b. The PSAS Finance Advisory Board will review the aforementioned reports, trends, and other necessary data. Recommendations will be made, at least quarterly, to PSAS national program and VHA Office of Finance by the 2nd Friday of the month following each quarter (January, April, July, and October).

c. PSAS national program, in collaboration with VHA Office of Finance, will provide a quarterly PSAS financial report to the National Resource Committee.

4. REVIEW AND ANALYSIS:

a. PSAS national program will request review and analysis by the VISNs periodically throughout the fiscal year (see budget execution schedule above) to assess needs and excess.

b. As part of the review and analysis process, it is necessary that VISNs review and address the report that compares the expected end of year obligations versus budget allocation. The VISN response to PSAS national program office will include:

(1) Data provided from VA Central Office (VACO) identifying VISN expected end-of-year obligations versus budget allocation,

(2) Amount that VISN has available to excess, or needs as a supplement, and

(3) Justification for the difference between VACO projection and VISN excess/needs.

NOTE: The default for VACO is to pull funds that exceed a 2 percent threshold. If the end-of-year projection shows excess funding of 2 percent or more and the VISN does not agree with the excess being pulled by VACO, the VISN needs to provide justification explaining why the excess funds are needed and how they will be utilized during the fiscal year.

c. Upon receipt of the VISN review and analysis responses, PSAS national program will work closely with VHA Finance to complete a budget analysis and make recommendations consistent with advisory guidance provided by the Prosthetic Finance Advisory Board. This review will include VISN expected end-of-year obligation versus budget allocation. Excess funding will be returned to VHA Office of Finance and, if adequate funds are available, will be redistributed to those VISNs that have justified the need for additional resources.

(1) For VISNs reporting excess funds: PSAS national program office will notify VISN CFOs and VPRs of intent to pull funds, the amount, and anticipated date (providing at least 3-business days notice when possible). PSAS national program office will submit a Transfer of Disbursing Authority (TDA) to VHA Office of Finance to pull back funds.

(2) For VISNs requesting supplemental funds: PSAS national program office will notify VISN CFOs and VPRs of VISNs requesting supplemental funds regarding availability of additional funds, and will provide additional funds as available. PSAS national program office will submit a TDA to VHA Finance to provide the supplemental funds.

d. No TDA will be processed or accepted after the established end of fiscal year cutoff date. However, VISN CFOs may work directly with VHA Office of Finance to address any additional requests.