

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 (PSAS).

2. SUMMARY OF MAJOR CHANGES: This VHA directive:

a. Clarifies the authority and funding methodology for PSAS Specific Purpose funding in paragraphs 1 and 2.

b. Identifies responsibilities for the PSAS Finance Advisory Board in paragraph 4.

c. Updates the responsibilities for the VHA Chief Financial Officer (CFO), the PSAS National Director, the Veterans Integrated Service Network (VISN) CFOs, and VISN Prosthetic Representatives (VPRs) in paragraph 4.

d. Simplifies funding execution schedule and removed the single line projection methodology procedures in Appendix A.

e. Identifies suggested training courses in paragraph 5.

3. RELATED ISSUES: VHA Directive 1081, Procurement Process for Individual Prosthetic Appliances and Sensory Aids Devices Above the Micro-Purchase Threshold, dated March 25, 2014; VHA Directive 1081.01(1), Procurement of Surgical Implants Under 38 U.S.C. 8123, dated October 29, 2018; VHA Directive 1173, Prosthetic and Sensory Aids Service, dated June 27, 2008; Veterans Equitable Resource Allocation (VERA) Book; Department of Veterans Affairs (VA) Financial Policy Volumes; and VHA Annual Funding Guidance.

4. RESPONSIBLE OFFICE: The Office of Rehabilitation and Prosthetic Services (10P4R) is responsible for the contents of this directive. Questions relating to this directive may be directed to the PSAS National Director at 202-461-0389.

5. RESCISSIONS: VHA Directive 1048, Prosthetic and Sensory Aids Service Specific Purpose Funding, dated July 30, 2014, is rescinded.

6. RECERTIFICATION: This VHA directive is scheduled for recertification on or before the last working day of March 2025. This VHA directive will continue to serve as national policy until it is recertified or rescinded.

March 17, 2020

VHA DIRECTIVE 1048

**BY DIRECTION OF THE OFFICE OF
THE UNDER SECRETARY FOR HEALTH:**

/s/ Lucille B. Beck, PhD.
Deputy Under Secretary for Health
for Policy and Services

NOTE: *All references herein to VA and VHA documents incorporate by reference subsequent VA and VHA documents on the same or similar subject matter.*

DISTRIBUTION: Emailed to the VHA Publications Distribution List on March 24, 2020.

CONTENTS

PROSTHETIC AND SENSORY AIDS SERVICE SPECIFIC PURPOSE FUNDING

1. PURPOSE..... 1

2. BACKGROUND..... 1

3. POLICY 1

4. RESPONSIBILITIES 2

5. TRAINING 6

6. RECORDS MANAGEMENT..... 7

7. REFERENCES..... 7

APPENDIX A

PROSTHETIC AND SENSORY AIDS SERVICE SPECIFIC PURPOSE FUNDING
METHODOLOGYA-1

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: Title 38 United States Code (U.S.C). 7301(b).

2. BACKGROUND

a. PSAS serves approximately half of the Veterans who receive health care services in VHA. Since enactment of the Veterans' Health Care Eligibility Reform Act of 1996 (Public Law 104-262), PSAS transactions and expenditures have increased each year. Funding for PSAS was originally designated as Specific Purpose then later moved under General Purpose funding. During the General Purpose funding period, delays presented in the timely delivery of prosthetic items, devices, sensory aids, and services to Veterans; hence the Under Secretary for Health directed that PSAS funding be placed under Specific Purpose funding. Funding for all PSAS prosthetics items, devices, sensory aids, and services, referenced in VHA Directive 1173, Prosthetic and Sensory Aids Service, dated June 27, 2008, has remained under Specific Purpose funding since fiscal year (FY) 2001.

b. Funding for medical care is divided into General Purpose Funds allocated based on patients treated and Specific Purpose funds allocated based on special legal or programmatic requirements, national support functions, and projects where economies of scale can be achieved at a national level. The PSAS Specific Purpose funding methodology can be found in Appendix A.

c. PSAS Funding Guidance is available at <https://dvagov.sharepoint.com/sites/VHAProsthetics/Prosthetics%20Budget/Forms/AllItems.aspx?sortField=Modified&isAscending=false&viewid=fa3accb9%2D8074%2D4fe1%2D9596%2D24d0b0bb21d2>. **NOTE:** *This is an internal VA Web site that is not available to the public.*

3. POLICY

It is VHA policy to provide timely delivery of prosthetic items, devices, sensory aids, and services to Veterans by allocations through Specific Purpose funding, and that Specific Purpose funds which are under the control of PSAS must be used for the intended purpose designated by PSAS, as referenced in the VHA Chief Financial Officer (CFO) Annual Funding Memo and PSAS Annual Funding Guidance. Any excess funds are to be returned to the VHA CFO's Office through the program office before they may be utilized for other purposes.

4. RESPONSIBILITIES

a. **Under Secretary for Health.** The Under Secretary for Health is responsible for ensuring overall VHA compliance with this directive.

b. **Deputy Under Secretary for Health for Operations and Management.** The Deputy Under Secretary for Health for Operations and Management is responsible for:

(1) Communicating the contents of this directive to each of the Veterans Integrated Service Networks (VISNs).

(2) Ensuring that each VISN Director has sufficient resources to implement this directive in all Department of Veterans Affairs (VA) medical facilities within that VISN.

(3) Providing oversight of VISNs to assure compliance with this directive, relevant standards, and applicable regulations.

c. **Deputy Under Secretary for Health for Policy and Services.** The Deputy Under Secretary for Health for Policy and Services is responsible for supporting the implementation and oversight of this directive across VHA.

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

(1) Ensuring Specific Purpose funds are properly designated and made available to the responsible program office.

(2) Ensuring monthly PSAS obligations and expenditure reports are accessible to the PSAS National Director and reviewing the summation of these financial measures for each VISN.

(3) Appointing members to the PSAS Finance Advisory Board (FAB) based on financial management expertise and in collaboration with the VHA PSAS National Director, appointing a representative from the Office of Finance (Resource Management) to co-chair the PSAS FAB, and providing financial consultation to the PSAS FAB.

(4) Distributing PSAS funds to VISNs, in accordance with current VHA financial policy and procedures and the distribution plan developed by the PSAS National Director (see paragraph 4.e.).

(5) Executing the transfer of funds between VISNs when such action is determined to be necessary (see Appendix A).

e. **VHA Prosthetic and Sensory Aids Service National Director.** The PSAS National Director is responsible for:

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

(a) Develop the funding formulation process for Specific Purpose funding for PSAS to ensure provision of funding for PSAS, including:

1. Obtain input from each VISN CFO and VISN Prosthetic Representative (VPR) for the initial VISN PSAS funding request;

2. Review VISN PSAS funding requests and identify system-wide funding needs for PSAS; and

3. Develop the national PSAS funding distribution plan, and communicate the VISN allocations to the VISN Directors, VISN CFOs, and VPRs within 30 business days of receiving approved annual funding from VHA CFO.

(b) Monitor funding execution via VHA CFO reports on monthly PSAS obligations and expenditures and the Financial Management System (FMS), and provide the following reports and data to the PSAS FAB, VISN CFOs, and VPRs for VISN-level review:

1. Monthly VISN obligations versus funding allocation and end-of-year obligations projection;

2. Monthly VA medical facility costing of PSAS funding to inappropriate cost centers and budget object codes; and

3. Monthly obligations provided by the VHA CFO versus costs reported in the National Prosthetic Patient Database (NPPD).

(c) Obtain review and analysis from each VISN CFO and VPR to assess subsequent requirements from each VISN for additional funding, or availability of excess funding needs, as indicated in the Funding Execution Schedule (see Appendix A).

(d) Complete collaborative funding analysis with the VHA CFO for transfer of funds between VISNs and make final recommendations consistent with guidance of the PSAS FAB, as indicated in the Funding Execution Schedule (see Appendix A).

(2) Authorizing the distribution, redistribution and transfer of funds between VISNs when collaborative analysis with the VHA CFO determines such action is needed.

(a) For VISNs reporting excess funds:

1. Notifying the VISN CFOs and VPRs of intent to pull funds, the amount, and anticipated date (see Appendix A); and

2. Submitting a Transfer of Disbursing Authority (TDA) to VHA CFO to pull back funds.

(b) For VISNs requesting supplemental funds:

1. Notifying the VISN CFOs and VPRs of availability of additional funds and providing additional funds as available; and

2. Submitting a TDA to the VHA CFO to provide the supplemental funds.

(3) Returning excess PSAS funds to the VHA CFO.

(4) Co-chairing the PSAS FAB and appointing members to the PSAS FAB based on financial management expertise and in collaboration with the VHA CFO.

(5) Consulting the PSAS FAB to help develop, support, monitor, and oversee the execution of PSAS Specific Purpose funding for VHA, including, but not limited to, determining allocation and distribution of PSAS Specific Purpose funding to each VISN.

f. **Prosthetic and Sensory Aids Service Finance Advisory Board.** The PSAS FAB is chaired by the PSAS National Director and a representative from the VHA CFO. The PSAS FAB must include representation from PSAS National Program Office, VHA Office of Finance (Resource Management), VISN CFOs, and VPRs. The PSAS FAB is responsible for:

(1) Serving in an advisory capacity to the PSAS National Director to help develop, support, monitor, and oversee the execution of PSAS Specific Purpose funding.

(2) Meeting at least quarterly to review and advise the PSAS National Director and VHA CFO on PSAS financial data and related reports, to include excess/needs requests, submitted by the PSAS National Director (see paragraph 4.e.1.(b)).

(3) Reviewing PSAS Specific Purpose funding requests submitted annually from VISNs to the PSAS National Director (see Appendix A for methodology).

(4) Providing recommendation for VISN funding to the PSAS National Director. The PSAS FAB can only recommend the total available funding for PSAS for that FY. If the VISN cannot adequately justify the VISN's PSAS funds for the next FY, the PSAS FAB must recommend that the VISN be funded using the variance report projection rather than the VISN's request (see Appendix A for details).

g. **Veterans Integrated Service Network Directors.** VISN Directors are responsible for:

(1) Ensuring that processes and guidance to administer the PSAS Specific Purpose funding are adhered to within their networks.

(2) Approving funding projections provided by the VPRs before submission to the PSAS National Director, in consultation with VISN CFOs.

h. **Veterans Integrated Service Network Chief Financial Officers.** VISN CFOs are responsible for:

(1) Reviewing and providing concurrence to the VPR on the following:

(a) The initial VISN PSAS Specific Purpose funding requests, as indicated in the annual Funding Execution Schedule and in consultation with the VISN Director (see Appendix A);

(b) Annual VA medical facility-level distributions based on the VISN funding allocation; and

(c) Analysis of additional funding or availability of excess funding, and related reports to PSAS National Director in accordance with the annual Funding Execution Schedule (see Appendix A).

(2) Establishing necessary fund control points for PSAS, for which Specific Purpose funding can be utilized. If Specific Purpose funds outside of the initial funding distribution from the PSAS National Director are not available, VISN CFOs must use general purpose funds, as needed to address Veterans' needs. PSAS prescriptions and services for Veterans must not be delayed due to insufficient funds.

(3) Disbursing allocated PSAS funds to VA medical facilities, in collaboration with the VPR (see Appendix A).

(4) Ensuring VISNs and VA medical facilities do not process allowance transfer (AT) transactions to move Specific Purpose funding into General Purpose funding.

(5) Establishing procedures to support the processing of sub-allowance (SA) transactions to transfer funds to the intended subspecialty, based on the funding mnemonic or within the last eighth and ninth characters of the Account Classification Codes (ACC) (i.e., SPR0QP1A1 to SPR0QP1P1 is acceptable). SA transactions are not allowed 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 is not acceptable).

(6) Providing training to local fiscal staff on the use of fiscal accounts for PSAS.

i. **Veterans Integrated Service Network Prosthetics Representatives.** VISN VPRs are responsible for:

(1) Establishing necessary standard obligations for PSAS funding. If Specific Purpose funding is inadequate to meet VA medical facility needs, then VPRs, with VISN CFO concurrence, must request additional Specific Purpose funds from the PSAS National Director (see Appendix A).

(2) Providing oversight to VA medical facilities to ensure that VA medical facility staff accurately post PSAS orders in NPPD utilizing PSAS Consult Management Business Practice Guidelines, available at <https://dvagov.sharepoint.com/sites/VHAProsthetics/Business%20Practice%20Guidelines/Forms/AllItems.aspx>. **NOTE:** This is an internal VA Web site that is not available to

the public.

(3) Ensuring proper and accurate PSAS cost centers, budget object codes, and accounting cost codes are used by PSAS staff, as outlined in the PSAS funding guidance.

(4) Developing and submitting initial VISN PSAS Specific Purpose funding requests and quarterly reviews and analyses for additional funding or availability of excess funding and related reports, with VISN CFO concurrence, to the PSAS National Director, as indicated in the annual Funding Execution Schedule (see Appendix A).

(5) Developing annual VA medical facility-level distributions, in concurrence with the VISN CFO, based on the VISN funding allocation.

(6) Monitoring and reviewing the VISN PSAS funding for discrepancies, including, but not limited to:

(a) VISN obligations versus funding allocation and end-of-year obligations projection reports provided monthly by the PSAS National Director;

(b) VA medical facility costing of PSAS funding to inappropriate cost centers and budget object codes provided monthly by the PSAS National Director;

(c) The 830 Monthly Report (Expenditures and Full Time Employee) and the 887 Obligations Report (by Organizations/Program Report) provided by the VHA CFO, which are both used to monitor the variance between FMS and Integrated Funds Distribution Control Point Activity, Accounting, and Procurement (IFCAP) obligations; and

(d) Quarterly contract compliance reports provided by PSAS National Director.

(7) Utilizing the VHA consult report to ensure that PSAS appliances are provided from the VA medical facility that generates the prescription, regardless of the Veteran's residence, unless other arrangements have been made between VISNs that serve the Veteran.

(8) Providing training to local VISN and VA medical facility PSAS staff on the use of fiscal accounts for PSAS.

5. TRAINING

a. There are no formal training requirements associated with this directive.

b. The following training is ***recommended***:

(1) Local fund control point training and budget training from VISN or VA medical facility Chief Financial Officer and/or Prosthetic Representative annually or as needed for fiscal and PSAS staff with PSAS specific purpose funding budget responsibilities.

(2) VA Talent Management System (TMS) # 5863. VA Online Purchase Card Training, available at: <http://www.tms.va.gov>, for fiscal or PSAS Staff, as indicated by their local purchase card program.

6. RECORDS MANAGEMENT

All records regardless of format (e.g., paper, electronic, electronic systems) created by this directive shall be managed per the National Archives and Records Administration (NARA) approved records schedules found in VA Records Control Schedule 10-1. Questions regarding any aspect of records management should be addressed to the appropriate Records Manager or Records Liaison.

7. REFERENCES

- a. Pub. L. 104-262.
- b. 38 U.S.C. 7301 (b).
- c. VHA Directive 1173, Prosthetic and Sensory Aids Service, dated June 27, 2008.
- d. PSAS Consult Management Business Practice Guidelines, available at <https://dvagov.sharepoint.com/sites/VHAProsthetics/Business%20Practice%20Guidelines/Forms/AllItems.aspx>. **NOTE:** *This is an internal VA Web site that is not available to the public.*
- e. PSAS Funding Guidance, available at <https://dvagov.sharepoint.com/sites/VHAProsthetics/Prosthetics%20Budget/Forms/AllItems.aspx?sortField=Modified&isAscending=false&viewid=fa3accb9%2D8074%2D4fe1%2D9596%2D24d0b0bb21d2>. **NOTE:** *This is an internal VA Web site that is not available to the public.*

**PROSTHETIC AND SENSORY AIDS SERVICE SPECIFIC PURPOSE FUNDING
METHODOLOGY****1. ALLOCATION AND DISTRIBUTION****a. Background.**

(1) Veterans Health Administration (VHA) Office of Finance oversees policy and operational issues relating to funding formulation for all VHA services. That office works with the Assistant Deputy Under Secretary for Health for Policy and Planning, who manages 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 funding formulation process and for setting policies.

(2) The Department of Veterans Affairs (VA) uses the Enrollee Health Care Projection Model (EHCPM), a comprehensive enrollment, utilization, and expenditure projection model that produces multi-year funding projections. 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.

(3) **Veterans Equitable Resource Allocation Prosthetic Projection.** For Preliminary Veterans Equitable Resource Allocation (VERA), the PSAS National Program Office initially allocates the projected fiscal year (FY) PSAS funding for each Veterans Integrated Service Network (VISN) by applying the previous year(s) total obligation percentage by VISN to the total funding year prosthetic funding level. In accordance with the Funding Execution Schedule, the PSAS Finance Advisory Board (FAB) reviews the VISN Prosthetic funding submissions and makes a recommendation for VISN allocation to the PSAS National Director. The PSAS FAB can only recommend the total available funding for PSAS for that FY.

b. Prosthetic Funding Methodology.

(1) During the third quarter of each FY, the PSAS National Program Office requests a funding 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 VISN funding request is due to the PSAS National Director, in accordance with the Funding Execution schedule and in the format provided by PSAS National Director. If a VISN projects a significant increase in obligations from the preceding year above the percentage increase or decrease of the national PSAS funding, the funding request must contain justification to explain the increase (e.g., new medical programs, expansions of prior programs, or new community-based outpatient clinics).

(2) The PSAS National Director and PSAS FAB will review proposed PSAS Specific

Purpose funding submissions for each VISN and work to determine allocation of PSAS Specific Purpose funding for distribution by VHA CFO to each VISN. Prior year obligation data from the Financial Management System (FMS) is used to establish a baseline Variance Report Projection for the VISN allocation/distribution in comparison to the VISN Request/Projection.

(3) If the VISN cannot adequately justify the requested funding for the next FY and it exceeds congressional appropriations, the PSAS FAB will recommend the VISN funding be adjusted.

(4) The PSAS FAB reviews the recommended allocated PSAS funding to the VISNs. However, if requirements are less than the total available, the PSAS National Director will notify the VHA CFO and return excess funds.

(5) **Funding Distribution.** The PSAS National Director will coordinate with the VHA CFO to develop the national PSAS funding distribution plan with initial funding allocation and authorizes the distribution, redistribution, and transfer of funds between VISNs, when needed.

(6) **Field Notification.** Within 30 business days of receiving approved annual funding, the PSAS National Director will communicate the VISN allocations to VISN Directors, VISN CFOs, and VPRs.

(7) **Distribution.** The VHA CFO will distribute the funds to the VISNs. The VISN CFO, in collaboration with VPRs, will disburse funds to their facilities.

2. FUNDING EXECUTION SCHEDULE

The table below identifies the timeframes and actions of the PSAS funding execution schedule and identifies the responsible offices. **NOTE:** All timeframes are dependent upon VA receiving funding on time from Congress.

PSAS Funding Execution Schedule

PSAS Funding Execution Schedule		
Timeframe	Office	Action
Within 30 business days of notification of approved PSAS funding	PSAS National Program Office and VHA Finance	Distribute funding to VISNs
2 nd , 3 rd , & 4 th Quarters	PSAS National Program Office	Requests needs/excess status from VPR

PSAS Funding Execution Schedule		
Timeframe	Office	Action
2 nd , 3 rd , & 4 th Quarters	VPR and VISN CFO	Provide requested needs/excess reports to PSAS National Program Office
2 nd , 3 rd , & 4 th Quarters	PSAS National Program Office and VHA Finance	Redistribute and/or return funds to VHA Finance
2 nd , 3 rd , & 4 th Quarters	PSAS National Program Office and VHA CFO	Determine last day VACO Program Offices may transfer funds

NOTE: *If VHA CFO deadlines permit, an additional needs/excess call may be scheduled in the 4th Quarter. All needs and excess requests after the day set by VHA CFO Finance must be coordinated directly between the VISN CFO and VHA CFO.*

3. MONITORING AND REPORTING

a. The PSAS National Director will provide the following monthly reports and data (in consultation and collaboration with VHA CFO) to the PSAS FAB, the VISN CFOs, and the VPRs for VISN level review:

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

b. The PSAS FAB will review the aforementioned reports, trends, and other necessary data. If appropriate, recommendations will be made to PSAS National Director and VHA CFO.

4. REVIEW AND ANALYSIS

a. PSAS National Program Director will request review and analysis by the VPRs periodically throughout the FY (see PSAS Funding Execution Schedule above) to assess needs and excess.

b. As part of the review and analysis process, it is necessary that VPRs, in concurrence with VISN CFOs, review and address the funding report that compares the expected end of year obligations versus funding allocation. The VPR response to the

PSAS National Program Director must include:

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

(2) Justification for the difference between Variance Report PSAS National Program Office Projection and VISN excess/needs.

c. Upon receipt of the VISN review and analysis responses, the PSAS National Director will complete a funding analysis, in collaboration with the VHA CFO, and make recommendations consistent with advisory guidance provided by the PSAS FAB. This review will include VISN expected end-of-year obligation versus funding allocation. Excess funding will be redistributed to VISNs that have justified the need for additional resources and/or returned to VHA CFO.

(1) For VISNs reporting excess funds: In accordance with Funding Execution Schedule, the PSAS National Program Office will notify VISN CFOs and VPRs of intent to pull funds, the amount, and anticipated date. PSAS National Director will submit a Transfer of Disbursing Authority (TDA) to VHA CFO to pull back funds.

(2) For VISNs requesting supplemental funds: The PSAS National Director will notify VISN CFOs and VPRs of VISNs requesting supplemental funds regarding availability of additional funds and will provide additional funds, as available. The PSAS National Director will submit a TDA to the VHA CFO to provide the supplemental funds.

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