

Estimating Costs for Veterans Health

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● Slides developed by the Commission on Care
unless noted ●

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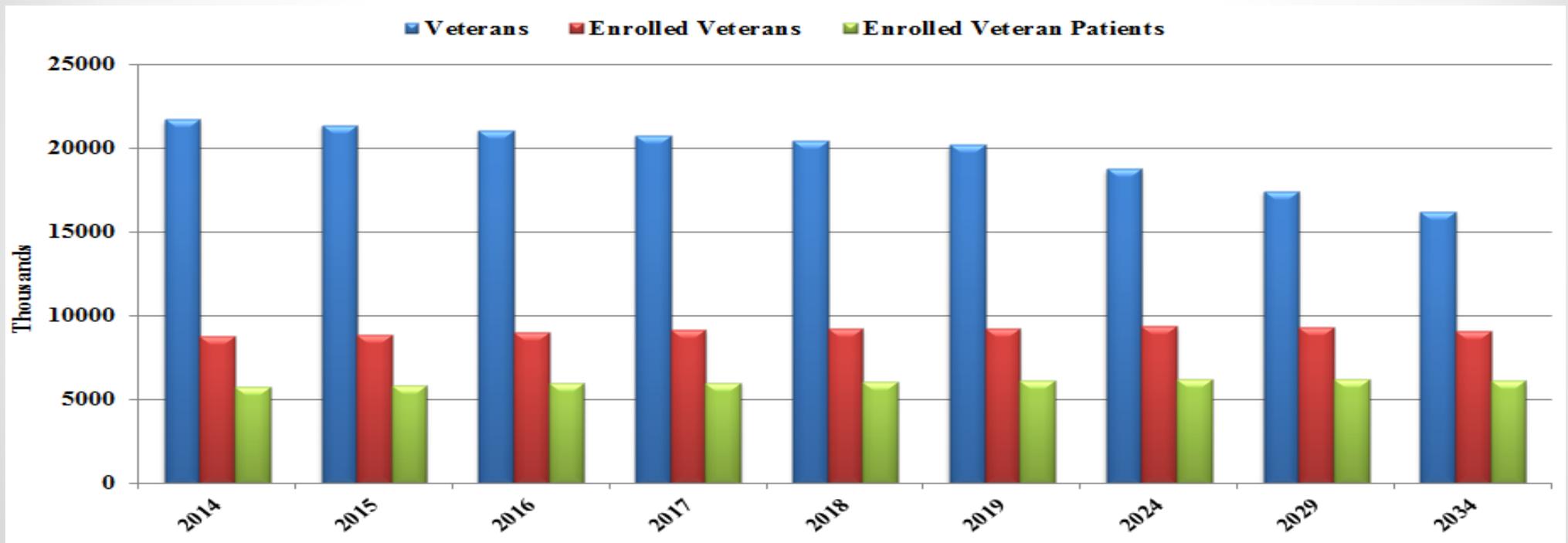
1. Projections

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Veterans, Enrollees, and Patients

FY 2014-2034



2015 VA Enrollee Health Care Projection Model

● Analysis developed by Milliman for VHA ADUSH
for Policy and Planning

Risk Associated with Changes in Veteran Enrollment and Reliance on VA Health Care*



Current Enrollees (9 million)

All Non-Enrolled Eligible Veterans Enroll (7 million) All Enrollees at 100% Reliance**

\$240 B

**Current Enrollees (9 million)
100% Reliance**

\$144 B

**Current Enrollees (9 million)
Current Reliance (34%)**

\$53 B

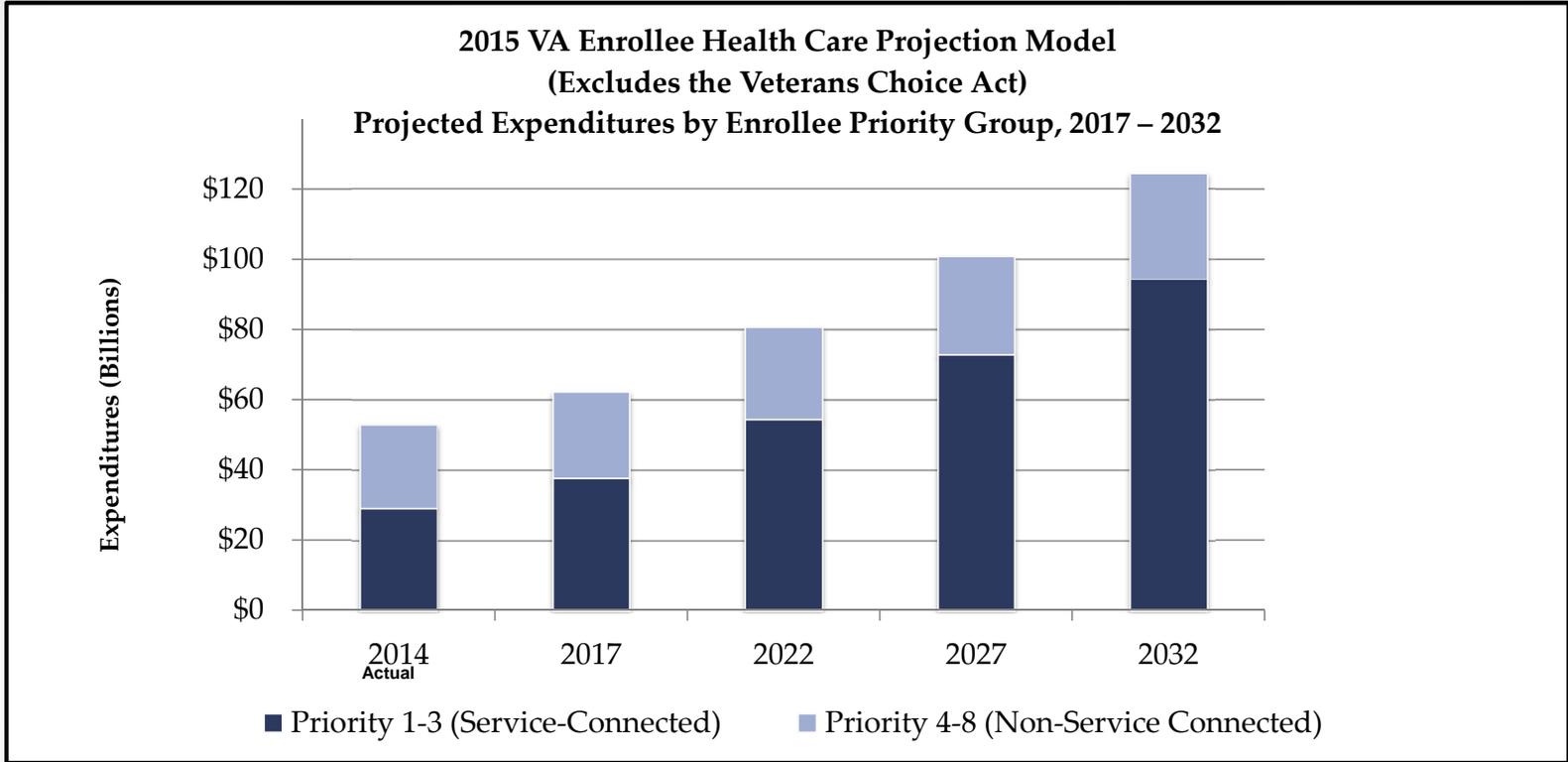
Potential Cost

*FY 2014 actual and projected expenditures from the 2015 VA Enrollee Health Care Projection Model for modeled services; excludes readjustment counseling, Caregivers, CHAMPVA and capital expenditures.

**Note, approximately 6 million of the 22 million Veterans in 2014 were not eligible to enroll in VA health care due to income.

Key Assumptions Supporting the Expenditure Projections for VA Health Care

- The projections reflect current policy with regard to enrollment eligibility and the VA health care benefit, with the exception of The Choice Act
 - The Choice Act expanded access to care in the community for enrolled Veterans. VA's *Plan to Consolidate the Programs of Department of Veterans Affairs to Improve Access to Care* was submitted to Congress in November 2015 and will facilitate decisions regarding the implementation of the New Veterans Choice Program
- The projections are based on assumptions about inflation and how changes in health care practice are expected to impact the cost of VA health care in the next 20 years
- New military conflicts, policies, legislation, regulations, and external factors, such as the economic recession, can occur and change projected demand for VA health care over this time
- The projections do not include requirements for several activities/programs that are not projected by the VA Enrollee Health Care Projection Model, including non-recurring maintenance, readjustment counseling, state-based long term services and support programs, and some components of the CHAMPVA program



See next slide for details on the key assumptions supporting the expenditure projections

2. Examples of Cost Estimates

- CBO Estimates for Two Sets of Assumptions (CBO 2010)
- CBO Estimates for Veterans Choice Program (CBO 2014)
- 40 Mile Estimates Developed by VA
- Private Health Insurance and Medicare for Veterans Developed by VA

CBO Potential Costs of Veterans Health Care October 2010

- Projects costs of Veterans Health Care for 10 years (2010-2020) under two scenarios
- Scenario 1:
 - Eligibility and cost sharing the same as in 2010
 - Number of troops deployed in OCO drops to 30,000 by 2013 and remains there throughout the decade
 - Medical expenditures per enrollee grow in nominal terms at slightly more than 5% per enrollee, about the same as the general population
 - Cost is **69 billion** dollars in 2020 (in 2010 dollars)
- Scenario 2:
 - Eligibility changes to allow those with no service connected disability and 30% higher income to enroll
 - Number of troops deployed in OCO drops to 60,000 by 2013 and remains there throughout the decade
 - Medical expenditures per enrollee grow at about 30% higher than the general population
 - Cost is nearly **85 billion** dollars in 2020 (in 2010 dollars)

CBO July 2014 estimate of H.R. 3230 (Precursor to VACAA)

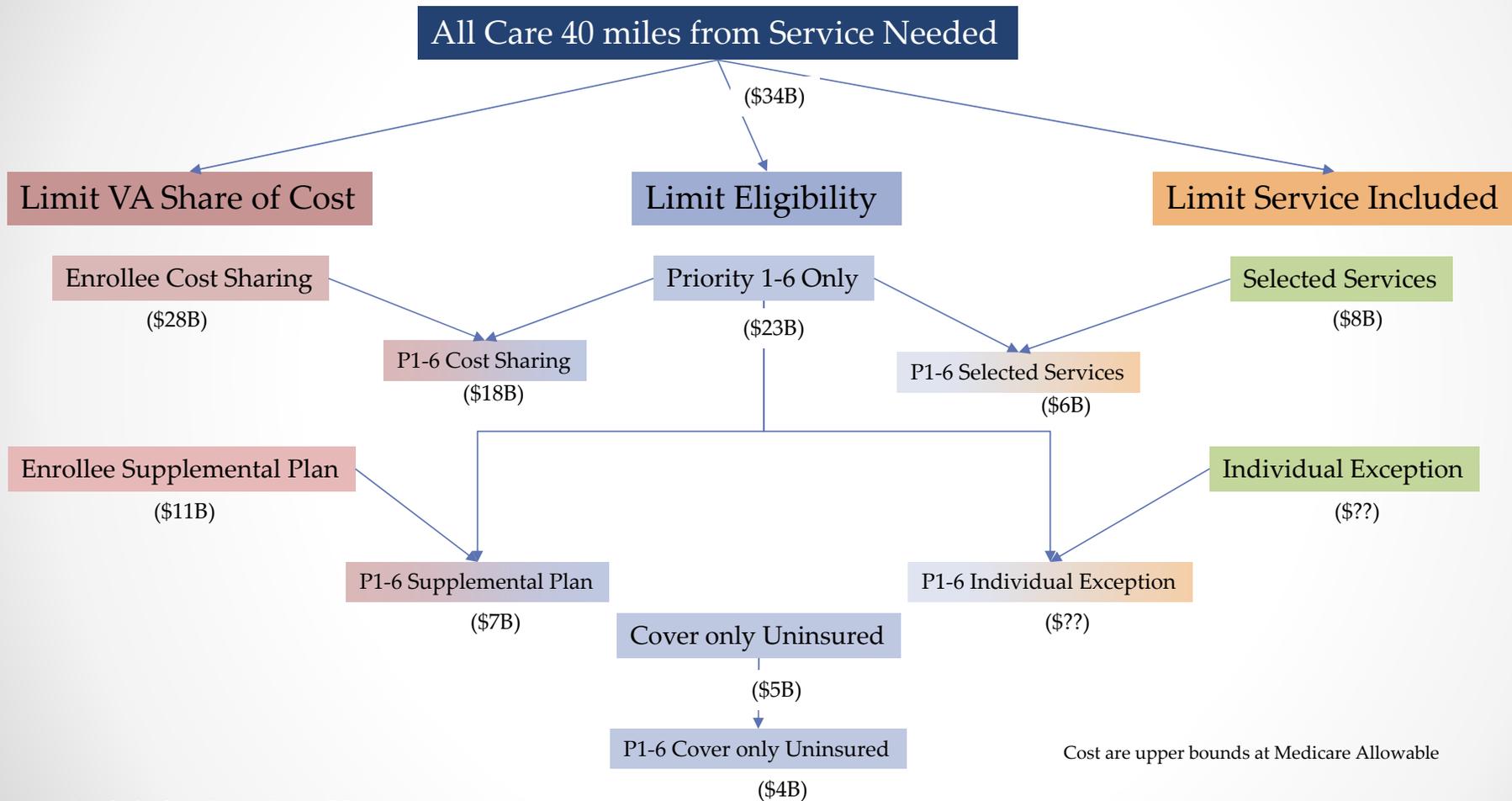
- Policy: Two years of contracted care for 1) vets living more than 40 miles from a VA facility; and 2) vets waiting more than 30 days for an appointment
- Key Assumptions:
 - 1) reliance increases from 33% to 55% due to greater access
 - 2) utilization increases by 20% due to lower OOP expenses (\$26b including reliance increases)
 - 3) enrollment increases by 0.9 million (\$7b)
 - 4) ramp up: 30% of eventual effect in 2015; 60% in 2016
 - 5) admin costs of \$300 per year per Veteran receiving contracted care (\$2.3b)
 - 6) higher tax revenues due to less employment-based HI (-\$2.5b)
- Cost: \$32b over two years



Potential Impact of VA Providing Private Health Insurance to Veterans

- Examines impact of providing health care to Veterans through private health insurance and Medicare
- Cost is **\$64 billion** for the current enrollee population and \$138 billion for the total Veteran population (only 7/13 of unenrolled Veterans are currently eligible so costs would be lower for all eligible Veterans).
- VA provides services and products that are not available in the private sector or Medicare and/or are tailored to the special needs of Veterans. The cost for these services, which are not included under this scenario, is approximately \$20 billion annually with the current VA system.
- Private coverage for those under 65 (second lowest cost silver plan): \$18 billion for current enrollees and 49 billion for all Veterans. This leaves approximately 30% of the costs for the enrollee, significantly higher than VA. The cost to subsidize Veterans is \$7 billion for enrollees and \$18 billion for all Veterans.
- For those over 65, Medicare premiums cost \$7 billion for enrollees and \$16 billion for all Veterans. This leaves approximately 20% of the costs for the enrollee, significantly higher than VA. The cost to subsidize Veterans is \$17 billion for enrollees and \$40 billion for all Veterans.

Options to Reduce Risk



● Analysis developed by Milliman for VHA ADUSH for Policy and Planning



3. General Overview of the Enrollee Health Care Projection Model

Health Care Actuarial Model

- The VA Enrollee Health Care Projection Model (EHCPM) is a sophisticated health care demand projection model and uses actuarial methods and approaches to project Veteran enrollment, utilization of VA health care, and the associated expenditures
 - These approaches are consistent with the actuarial methods employed by the nation's insurers and public providers, such as Medicare and Medicaid
- Since 1998, VA has partnered with Milliman to develop and enhance the EHCPM
- Projections are supported by over 15 years of extensive research and analyses of the Veteran enrollee population and drivers of demand for VA health care
- VA uses the EHCPM projections to support the development of the VA health care budget and strategic, capital, and workforce planning
- The EHCPM has been reviewed by the Government Accountability Office, the Office of Management and Budget, the Congressional Budget Office, and many Veterans service organizations

EHCPM Strengths

- Range of expertise devoted to the EHCPM
 - Milliman provides actuarial and analytical expertise and access to leading experts on health care trends, management efficiencies, and issues related to changes in the broader health care environment
 - VA staff provides expertise on VA programs, enrollee population, and health care system
- Milliman's required peer review process provides assurance that the highest quality standards are maintained
 - Includes a review of data sources, methodology, assumptions, and results, written communication, compliance with Actuarial Standards of Practice and other established rules and guidelines, and internal documentation
- Milliman's Health Cost Guidelines enable the EHCPM to project enrollees' total health care needs for services that VA provides that are also provided in the private sector

VA Enrollee Health Care Projection Model

- The EHCPM projects Veteran demand for VA health care for 20 years. For each year, the model projects
 - Number of Veterans expected to be enrolled, their priority, age, and geographic location
 - Enrollees' total health care needs for over 90 services
 - The portion of their total health care that care enrollees are expected to receive through VA versus other health care providers (Medicare, Medicaid, commercial providers)
 - In 2014, enrollees received only 34% of their total health care through VA
 - Expenditures associated with the projected utilization
- Projections include all care that VA provides to enrolled Veterans whether provided in VA facilities or purchased in the community

EHCPM Scenarios

- EHCPM can be used to project the impact of alternative approaches to providing or paying for Veteran access to health care
- To do so, involves defining the benefit characteristics. These are some things to think about:
 - What is the benefit approach, e.g., expansion of care in the community? purchasing insurance?
 - Who is eligible, e.g., all enrollment priorities? all Veterans? all currently eligible Veterans?
 - What is the enrollee's cost sharing, e.g., current VA cost sharing levels? higher levels? (Medicare cost sharing is 20%)
 - Does the benefit include open access, e.g., VA coordinates the enrollee's access to care? enrollee has a "card" that allows unlimited access to care without a gatekeeper?
 - What is the reimbursement level for Care in the Community? 100% Medicare Allowable? 100%-plus?