

Estimating Costs for Veterans Health, Part 2

Day 1

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Agenda

DAY ONE

1. Introduction and Outline of Presentation [Commission on Care]
2. Veteran Enrollment, Morbidity, and Reliance [Milliman]
3. Baseline Scenario [Milliman]
4. Cost per Patient [Commission on Care]
5. Other than Honorable Discharges [Commission on Care]

DAY TWO

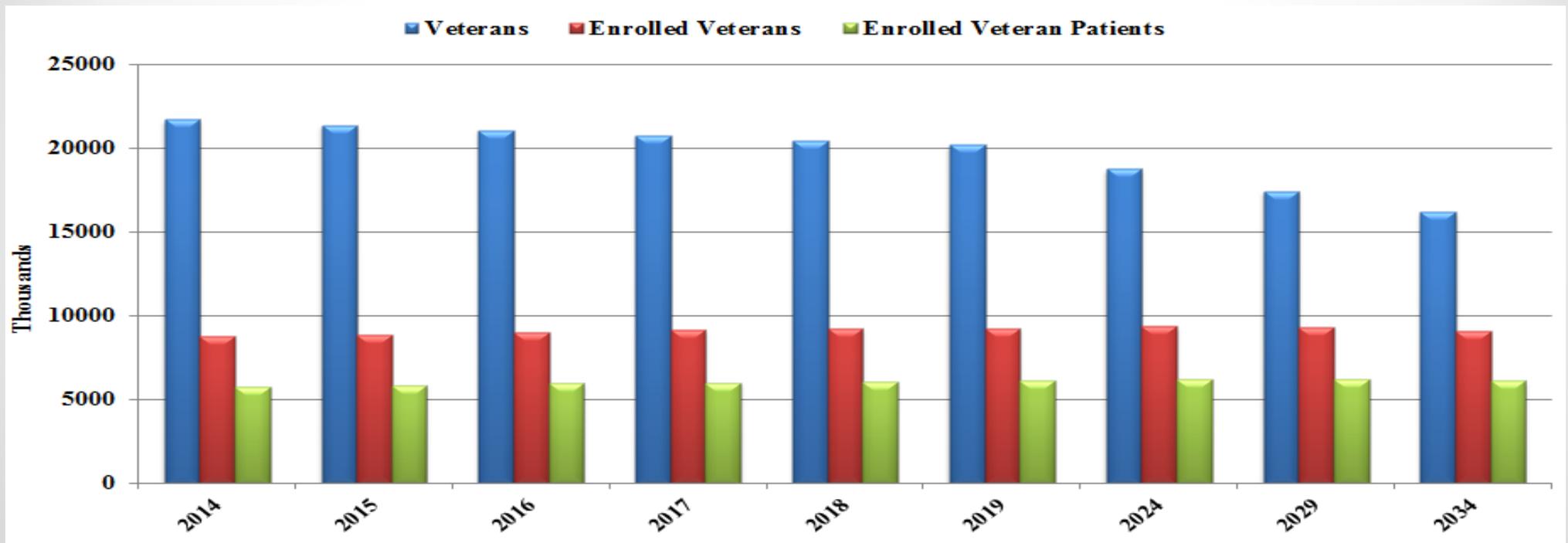
1. Overview of Scenarios [Milliman]
2. Scenario: Close Select Facilities [Milliman]
3. Scenario: Keep Select Services [Commission on Care]
4. Scenario: VA Purchases Insurance and Subsidizes Cost Sharing [Milliman]
5. Scenario: Enrollees Must Choose VA Care or a Subsidized Insurance Premium [Milliman]
6. Scenario: VA Opens Eligibility to all Priority 8 Veterans [Milliman]

Veteran Enrollment, Morbidity, and Reliance

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Veterans, Enrollees, and Patients

FY 2014-2034

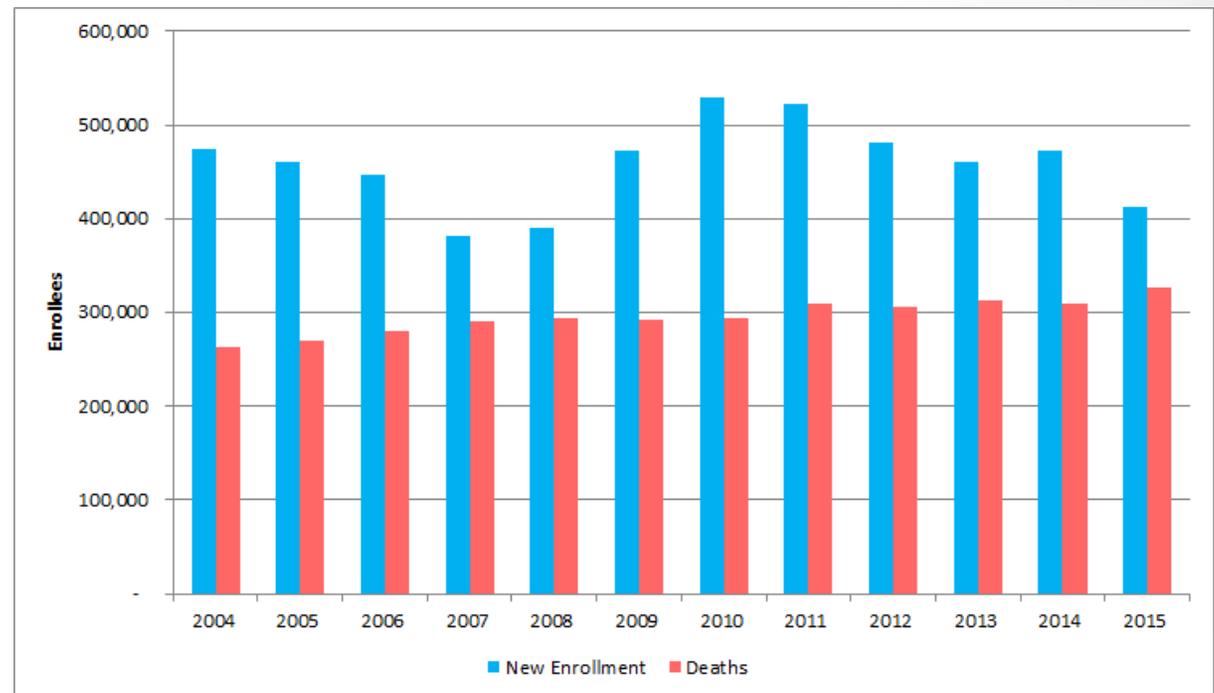


2015 VA Enrollee Health Care Projection Model

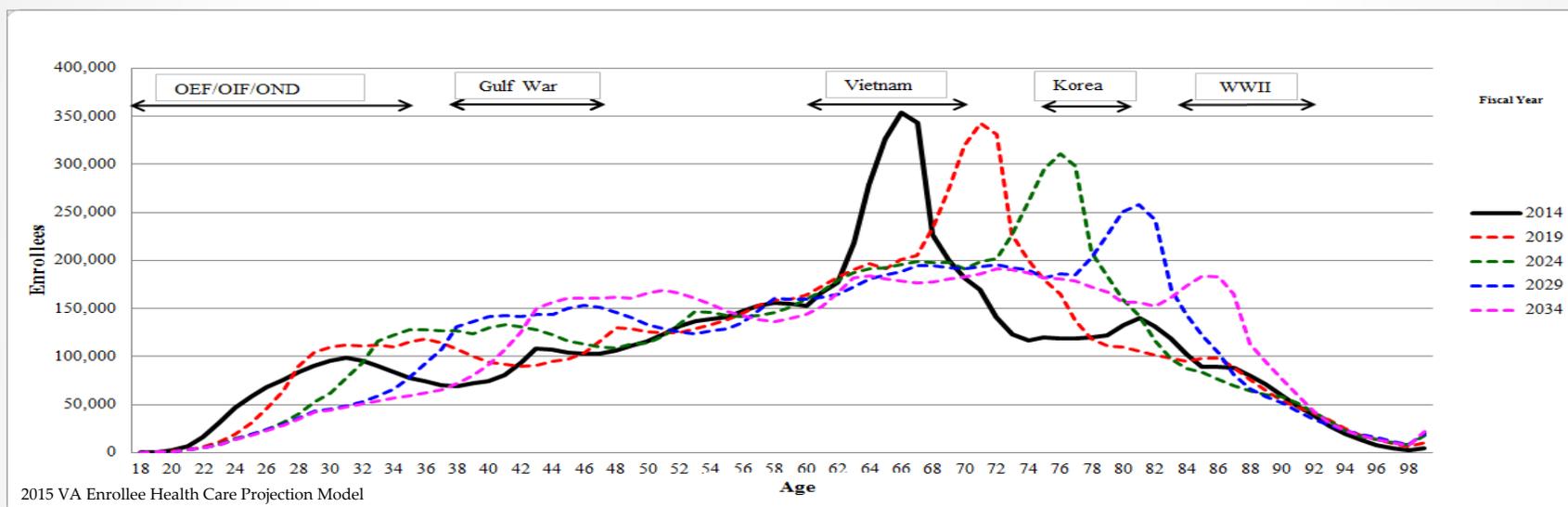
● Analysis developed by Milliman for VHA ADUSH
for Policy and Planning

New Enrollment Consistently Exceeds Deaths

- New enrollment occurs at all ages
- The average age of a new enrollee was 52 in FY 2015
- The average age of a deceased enrollee was 79
- Once enrolled, enrollees remain enrolled until death



Projected Enrollment By Age



- The large cohort of Vietnam-era enrollees are reaching Medicare eligibility

Note: The period of service cohorts in these charts are defined by enrollee age in 2014 because enrollee level data on period of service is not available for all enrollees. Note, an enrollee may be in the age range for the cohort and not have served in the conflict, and the cohorts are not mutually exclusive.

Generational Differences in Enrollment

- Approximately 52% of eligible Veterans have enrolled in VA health care and this continues to increase over time
- The younger generation of Veterans are more likely to enroll at some point in their life than their older counterparts
 - Veterans age 65 and over enroll at a 4% rate each year
 - Veterans ages 45-64 enroll at a rate of 5% per year
 - Veterans under age 45 enroll at a rate of 7% per year
- This dynamic contributes to the continued positive net growth in enrollment, even though the overall *Veteran* population is declining
- DoD's Transition Assistance Program for separating service members, which started in 2013, includes information about their eligibility for VA health care; Veterans are encouraged to enroll

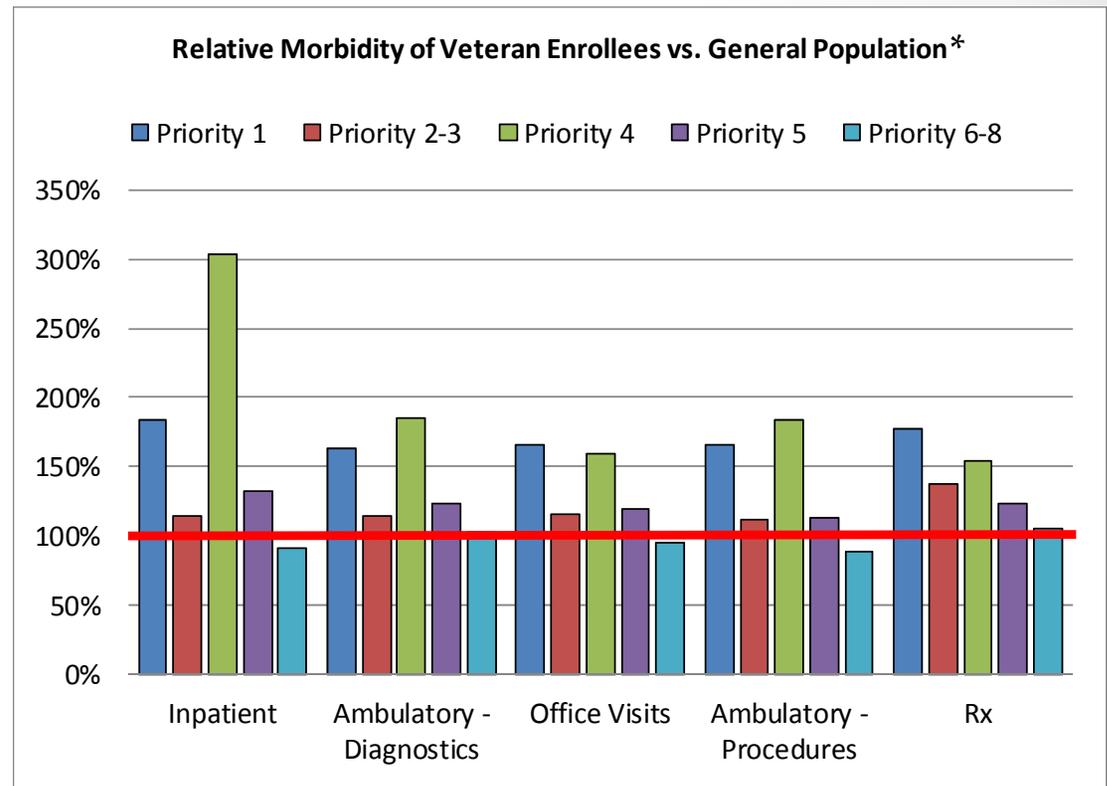
OEF/OIF/OND Veterans Have High Enrollment Rates

- As of the end of fiscal year 2015, there were approximately 1.9 million service members who were involved in OEF/OIF/OND and who had separated from the military
 - Approximately 70% have already enrolled in VA health care
- An additional 860,000 service members with OEF/OIF/OND experience are expected to separate from the military in the coming years
- New OEF/OIF/OND Veterans enroll at significantly higher rates than other Veterans
 - Annual new enrollment rates are approximately 16% for OEF/OIF/OND enrollees, compared to 5% for all Veterans

Enrolled Veterans are Significantly Sicker than the General U.S. Population

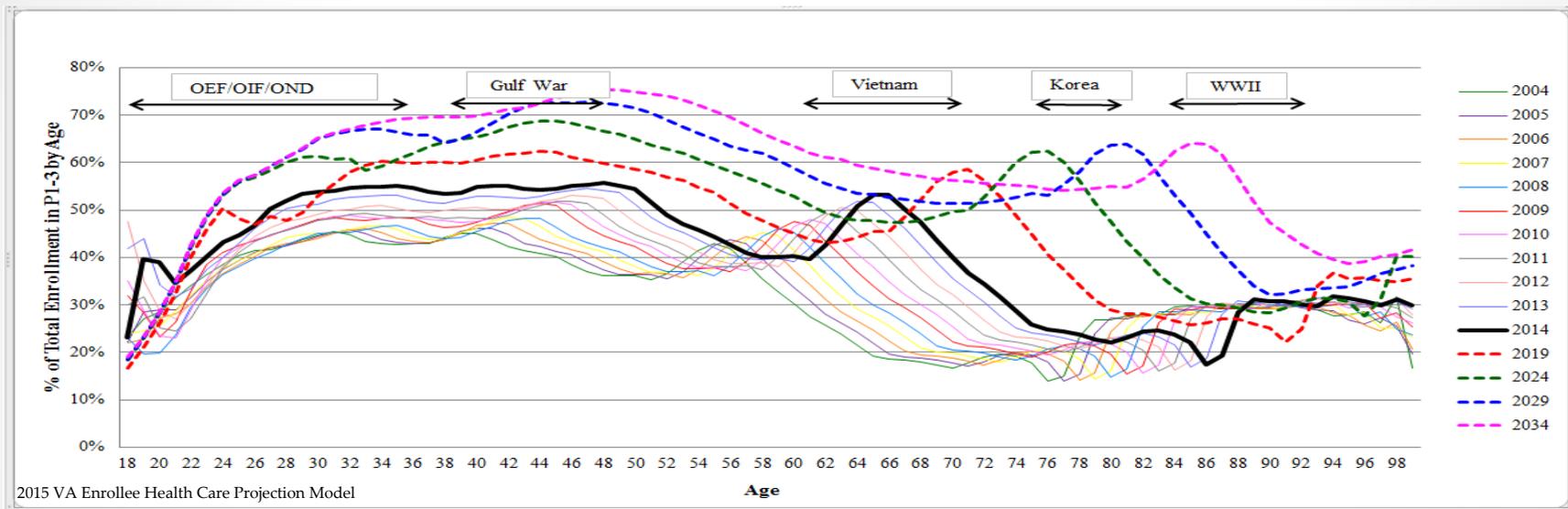
Enrollees with the highest morbidity are those with

- Service-connected conditions
 - Priority 1, 50% > SC
 - Priority 2, 30% > SC
 - Priority 3, 10% > SC
- Catastrophic disabilities
 - Priority 4
- Low incomes
 - Priority 5



* 100% represents the general U.S. population

Growth in Enrollees with Service-Connected Conditions

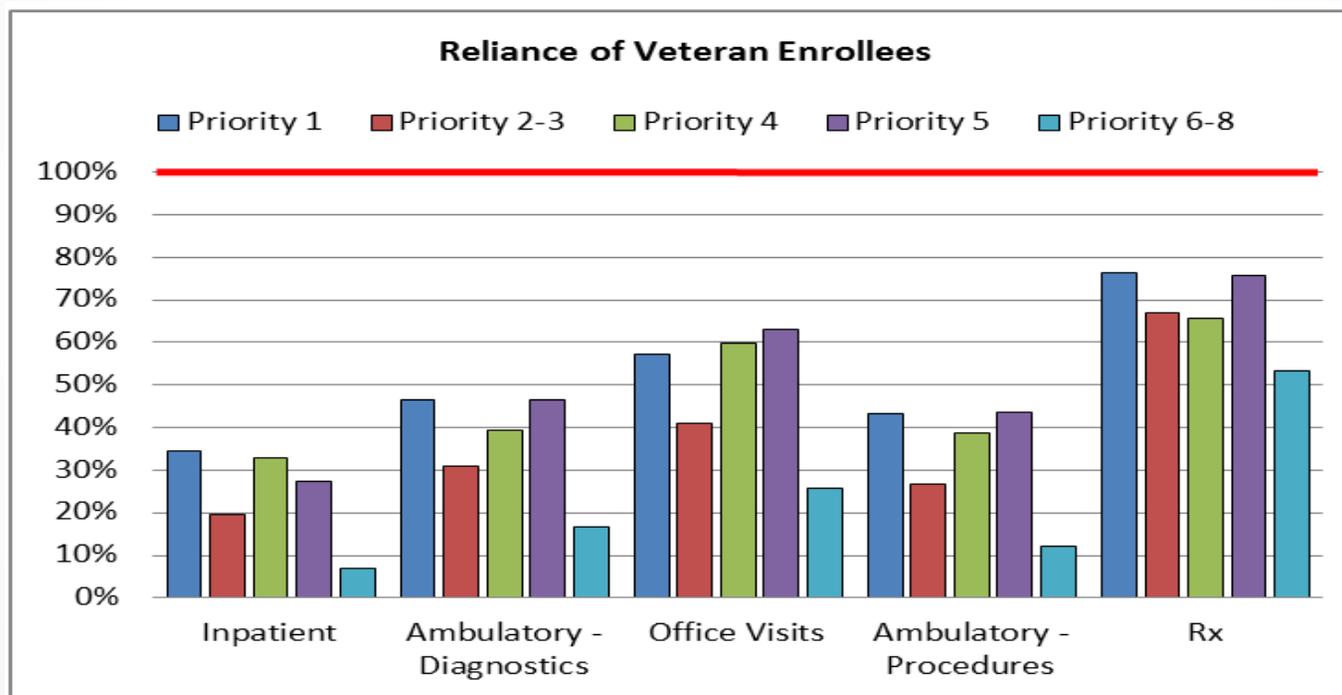


- The number and percentage of enrollees being adjudicated by VBA for service-connected disabilities has increased in recent years
 - The scope and definitions of service-connected conditions have broadened over time
 - Improved capture of service-connected conditions at the time of military separation

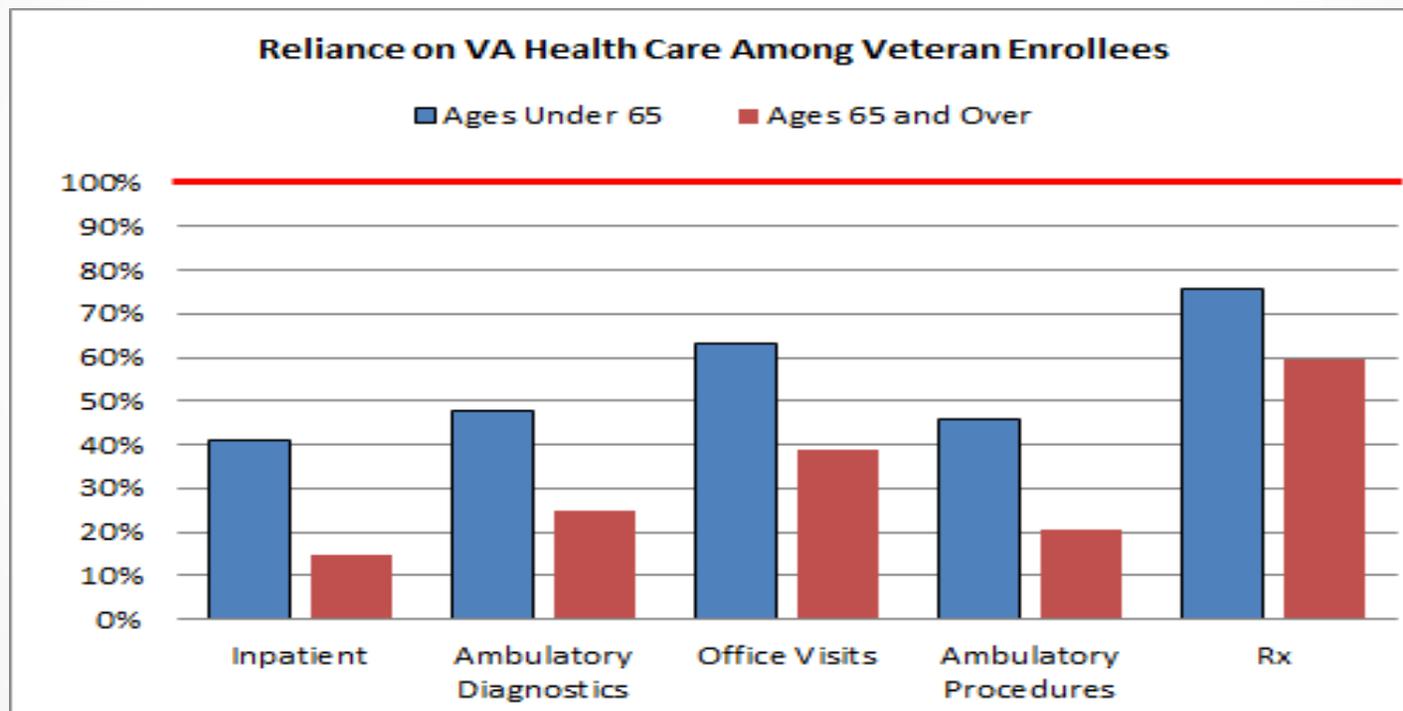
Enrollee Reliance on VA Health Care

- Approximately 80% of enrollees have other public (Medicare, Medicaid, DoD and TRICARE) or private health care in addition to VA
 - For health care services available through these sources, enrollees choose to receive only 34 percent, on average, of their care from VA
- Many other demographic and environmental factors influence enrollee reliance on VA health care
 - Enrollee age, income, level of service-connected disability
 - Travel distance to VA facilities
 - Cost sharing levels, which are lower under VA than what is typically available elsewhere
 - Economic conditions; at the peak of the most recent economic downturn, reliance for enrollees under age 65 increased by approximately 1 percentage point over historical levels due to the impact of the economy

Reliance of Veteran Enrollees by Priority



Reliance of Veteran Enrollees by Age

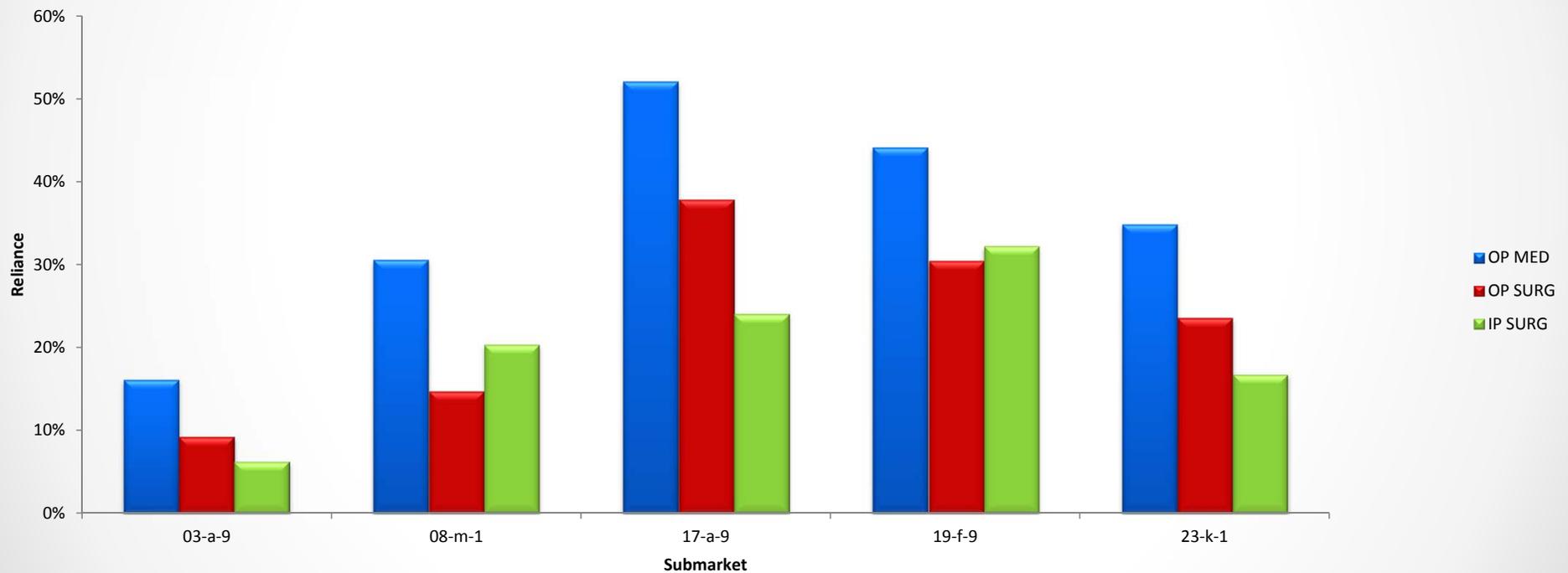


2015 VA Enrollee Health Care Projection Model

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Example of Enrollee Reliance Variation by Submarket

Enrollee Reliance BY14 Outpatient Medicine, Outpatient Surgery, and Inpatient Surgery



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VA Services Tailored to Veterans' Unique Needs

VA enrollees require services to address conditions related to their military service that are not available in the private sector

- Specialized mental health services, such as Mental Health Residential Rehabilitation and VA's Psychosocial Rehabilitation and Recovery Centers, help enrollees with PTSD and other service-related conditions
 - Among those who have sought VA health care, slightly more than half of returning OEF/OIF/OND Veterans with a mental health condition have been diagnosed with PTSD
- VA also helps Veterans with community integration through work therapy, homeless programs, and other services
 - Utilization of Compensated Work Therapy/ Transitional Residence is projected to increase 82% among OEF/OIF/OND enrollees over the next 10 years
- VA provides an extensive range of prosthetics devices and supportive services not covered by other providers or not covered at the level VA provides
 - Utilization of hearing aids is projected to increase by 25% over the next 10 years
 - Utilization of artificial limbs is projected to increase by 91% among OEF/OIF/OND enrollees over the next 10 years

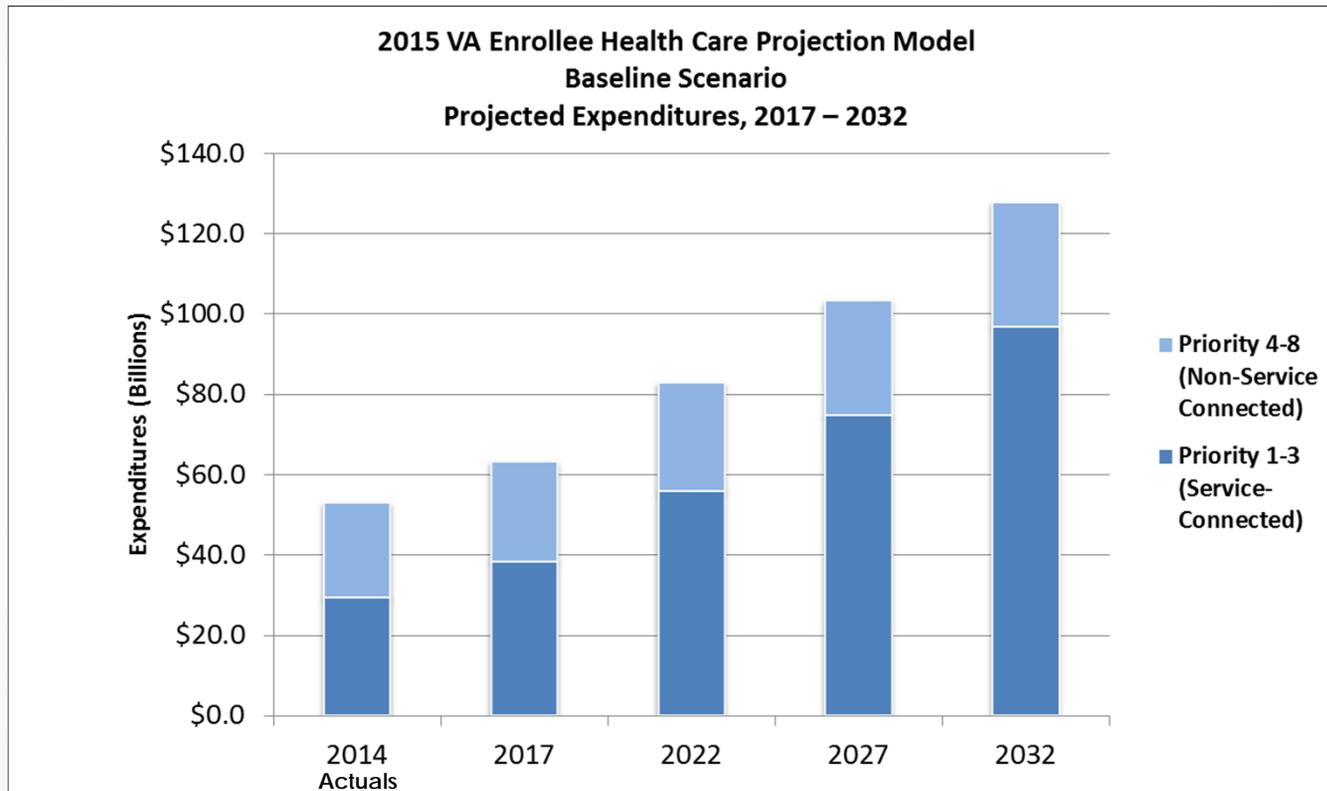
VA Services Tailored to Veterans' Unique Needs

- VA provides care for the entire life of Veterans with spinal cord injury and disorders (SCI/D)
 - Inpatient services are projected to almost double among OEF/OIF/OND enrollees over the next 10 years
- VA's blind rehabilitation program offers inpatient and outpatient services, blind aids, and assistance with specialized equipment
 - Inpatient services are projected to increase 43% among enrollees age 65 and older over the next 10 years
- Home based primary care and access to home and community based services
 - Provides health care services at home for Veterans with complex health care needs and who need skilled services, case management and help with activities of daily living
 - Utilization is projected to increase by 33% among enrollees age 65 and older over the next 10 years

Baseline Scenario

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Baseline Scenario Projected Expenditures



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

Key Assumptions Supporting the Expenditure Projections for VA Health Care

- The baseline scenario reflects current policy with regard to enrollment eligibility and the VA health care benefit, and includes the Choice Act 40-mile eligibility group
- 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 supports programs, and some components of the CHAMPVA program

Comparing VA and Private Sector Costs (1)

- Does VHA care cost less than the private sector?
 - This section on comparing VA and private sector costs is based on “Comparing the Costs of Veteran’s Health Care System with Private Costs,” which was published by the Congressional Budget Office in 2014.
- The VHA is different from the private sector in ways make it difficult to compare.
 - Unique population
 - Funded by annual appropriations
 - Different mix of services
 - No premiums or enrollment fees, less cost-sharing

Comparing VA and Private Sector Costs (2)

- The differences between VHA and the private sector make it infeasible to compare total cost per patient.
- A more promising approach is comparing how much private sector providers would have been paid for services provided by the VHA.
- Two earlier studies found that certain VHA services cost 10% less than equivalent services provided in the private sector (Hendricks et al 1999, Nugent and Hendricks 2003)

Comparing VA and Private Sector Costs (3)

- Nugent et al (2004) looked at a full ranges of services and found:
 - All VHA services provided in 1999 would have cost 21% more if provided by the private sector.
 - Inpatient care would have cost 16% more.
 - Outpatient care would have cost 11% more.
 - Prescription drugs would have cost 70% more.
- Weeks et al (2009) found VHA's costs were higher than the private sector.

Comparing VA and Private Sector Costs (4)

- Reasons VA and private sector costs may differ:
 - Lower pharmaceutical costs
 - Lower specialist salaries
 - No incentives for more or costlier services
 - VA is an integrated delivery system
 - Federal ownership and management

Other than Honorable Discharges (1)

- Scenarios are estimated for 2017 assuming policy is fully phased-in
- We show estimates with a range of assumptions
- We assume eligibility is 73%, 36%, and 18%
- We assume enrollment is 56% and 28% of eligible veterans with an “Other than Honorable” discharge status

Other than Honorable Discharges (2)

- Number of living people with "Other than Honorable" discharges: 760,000

Cost of Insuring "Other than Honorable" Discharges (in Millions)			
		% of Eligible who Enroll	
		56%	28%
% Eligible	73%	1,783	892
	36%	892	446
	18%	446	223