

Estimating Costs for Veterans Health, Part 4

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Agenda

1. Introduction and Outline of Presentation
2. Scenario 1: Choice to move certain specialty care into the community
3. Scenario 2: Choice to move certain specialty care into the community with no referrals
4. Additional Information

Scenario 1: Community Delivered Services (CDS) Scenario Estimates

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Scenario 1

- This scenario would expand Care in the Community for certain types of care. At least initially, all care currently being provided by the VA would continue to be provided by the VA. In addition, expanded Care in the Community also called Community Delivered Services (CDS) will be provided by an integrated network consisting of providers (medical practitioners including physicians, mid-level practitioners and therapists and hospitals and clinics) that are vetted by the VA. CDS will be focused on tertiary and quaternary care. They will not include primary care, special emphasis care, and some types of specialty care. This network of providers will be coordinated and vetted by the VA and would vary by community. Receiving CDS requires a referral. In order to make the flow of service both appropriate and smooth in operation, there will be navigators who will help guide veterans to the best and most appropriate providers inside and outside of the VA.

Unit Costs

- 33 out of 75 health service categories (47% of all expenditures) are eligible for choice into CDS networks
- Community care priced at Medicare Allowable unit costs
 - Medicare Allowable rates matched to VA health service categories
 - Exception: benefits not covered by Medicare use historic care in the community costs
 - e.g. Dental, long-term services and supports, hearing aid services
- Veterans choose to receive 50% all eligible care in the CDS networks
- Shift to CDS networks phased in over 5 years

Unit Costs

- Unit costs broken down into seven components
 - direct salary; indirect salary; staff contract; direct non-personnel; indirect non-personnel; equipment; national overhead
 - Unit cost shares vary considerably by health services category
 - This data combines VA facility and care in the community
- For care shifting from the VA into the CDS networks, assume VA is able to adjust resources such that only the equipment and national overhead portions of unit costs remains in VA facilities
- Resources not included in unit costs – buildings, NRM – implicitly assumed to remain in VA
- Phased in over 5 years to allow incremental adjustment of resources concurrent with changes in reliance, enrollment, and shifts in CDS networks

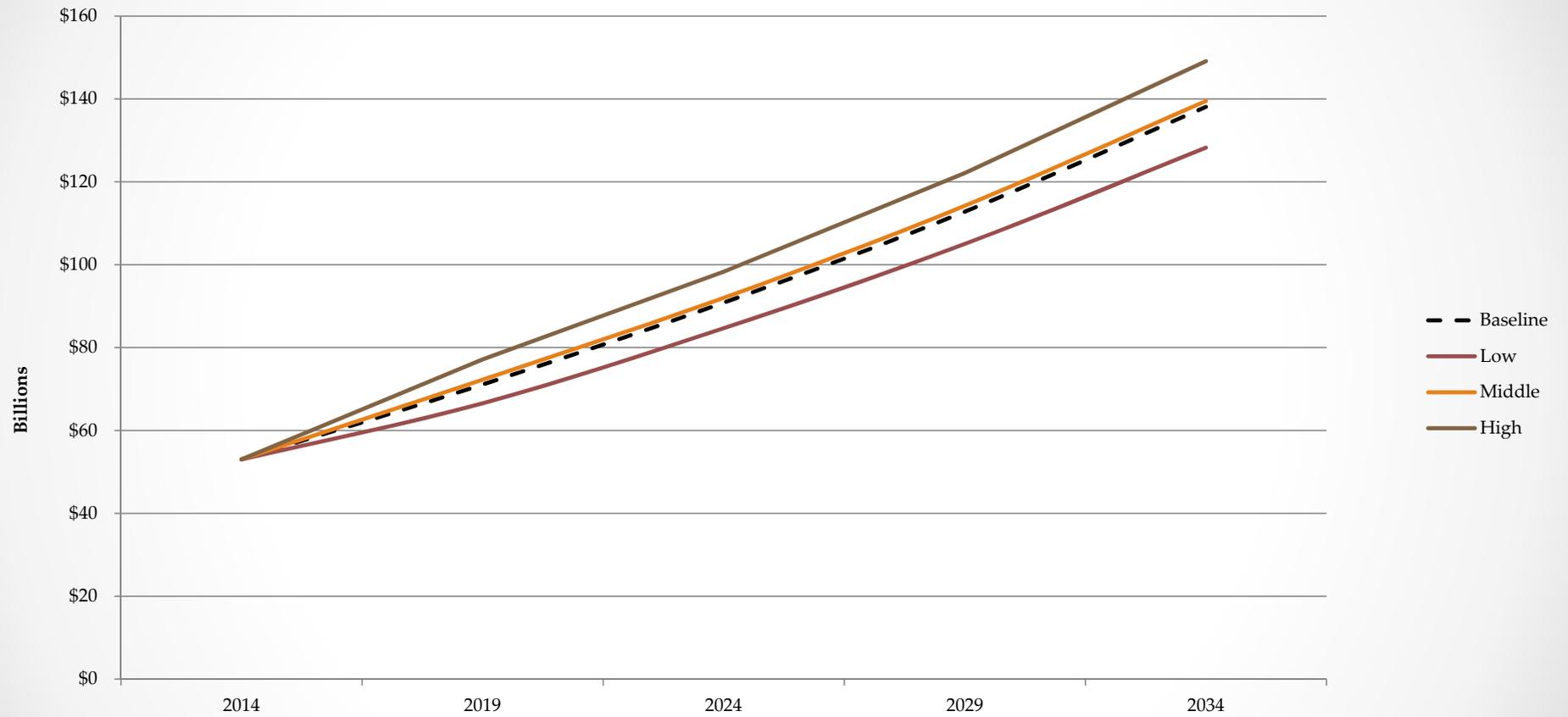
Reliance, Enrollment, and Percent of Care in the Community

- Approximately 52% of eligible Veterans have enrolled in VA health care
- Enrolled veterans receive, on average, 34% of health care through the VA
- Improving access, choice and/or quality of services likely to induce more reliance and enrollment
 - This increases VA's Budgetary costs
 - Not necessarily an "economic cost", since more benefits are being provided
- Assume a range of reliance increases for services delivered in CDS networks: 10%, 35%, and 50%
- Assume a range of enrollment increases: 0%, 5%, and 10%
- We assume Veterans choose to receive 50% of specialty care in the community.
- Phased in over 5 years

Caveats

- Estimates don't include savings/costs of reducing or repurposing infrastructure
- Impacts on VA's teaching, research, and emergency preparedness missions are not considered
- Medicare Allowable rates assumed to provide veterans with adequate access in CDS networks
- For care priced at historic community rates, national average rates are representative of future rates
- Unit costs for services remaining in VA facilities effectively increase by assuming equipment and national overhead costs are fully retained
- Unit costs of moving some care out of the VA does not impact the cost of care remaining in the VA.
- Other than equipment and national overhead, the costs of care shifting to CDS networks is phased out of VA facilities concurrently with other effects in the model
- Reliance increases occur only for services shifting to CDS network; no spillovers
- New enrollees have same costs as existing enrollees
- Hires of RN Care Managers are the only additional administrative cost

Project Cost of Scenario 1



Scenario 2: Community Delivered Services (CDS) Scenario Estimates without Referrals

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Scenario 2

- This scenario would expand Care in the Community for certain types of care. At least initially, all care currently being provided by the VA would continue to be provided by the VA. In addition, expanded Care in the Community also called Community Delivered Services (CDS) will be provided by an integrated network consisting of providers (medical practitioners including physicians, mid-level practitioners and therapists and hospitals and clinics) that are vetted by the VA. CDS will be focused on tertiary and quaternary care. They will not include primary care, special emphasis care, and some types of specialty care. This network of providers will be coordinated and vetted by the VA and would vary by community, and receiving CDS eligible care in or out of the VA **does not** requires a referral. In order to make the flow of service both appropriate and smooth in operation, there will be navigators who will help guide veterans to the best and most appropriate providers inside and outside of the VA.

Unit Costs

- Unit costs are the same as in Scenario 1
- Since in this scenario more care shifts to the community, unit cost assumptions (e.g. unit costs for care remaining in VA), become more tenuous
- At the same time, the assumptions have a greater impact on cost estimates because a greater fraction of care is shifting

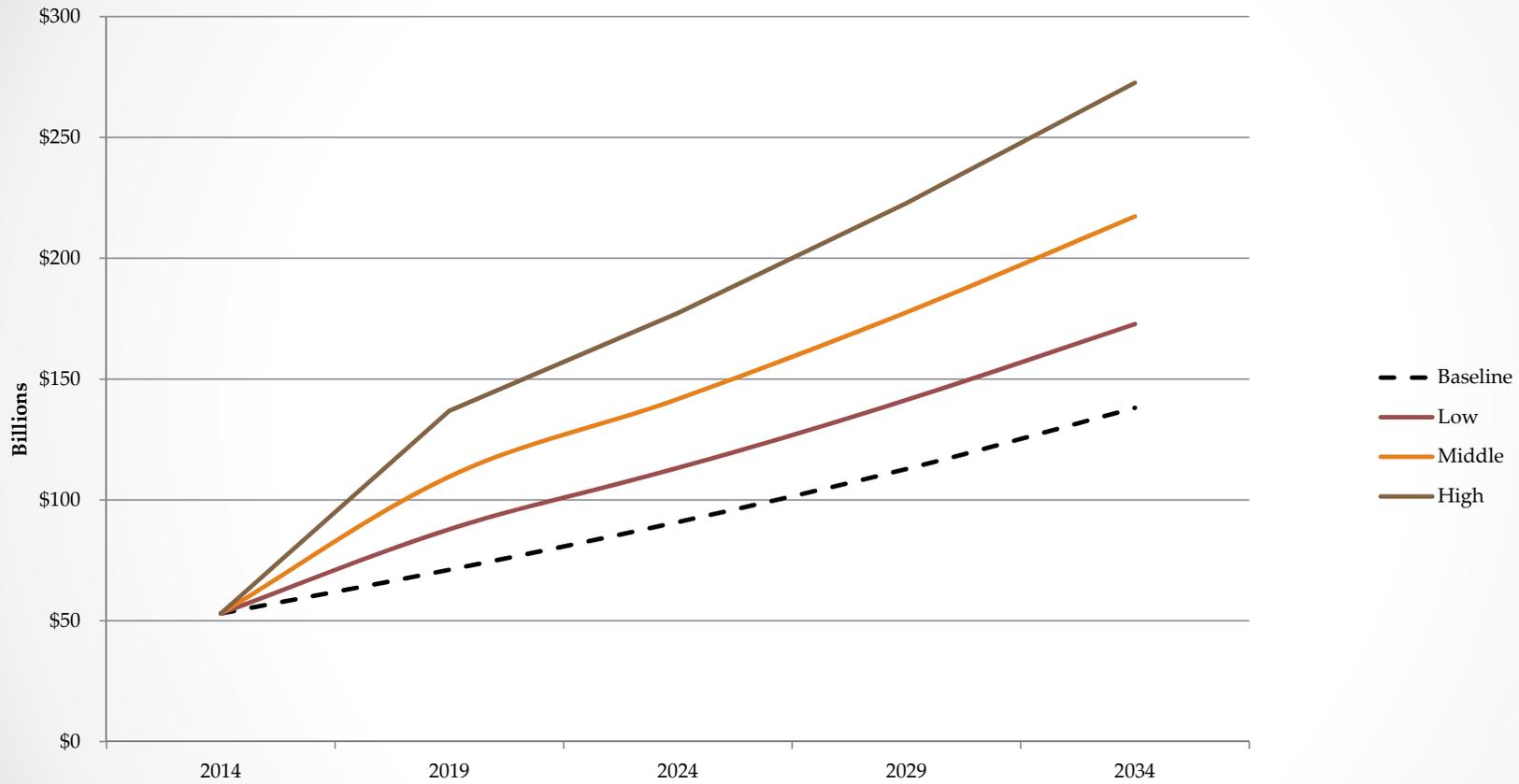
Reliance, Enrollment, and Percent of Care in the Community

- Approximately 52% of eligible Veterans have enrolled in VA health care
- Enrolled veterans receive, on average, 34% of health care through the VA
- Improving access, choice and/or quality of services likely to induce more reliance and enrollment.
 - Increases will be significantly higher than in Scenario 1.
- Assume a range of reliance levels for services included in CDS networks: 60%, 80%, and 100%
- Assume a range of enrollment increases: 5%, 10%, 20%
- We assume Veterans choose to receive 70% of specialty care in the community.
- Phased in over 5 years

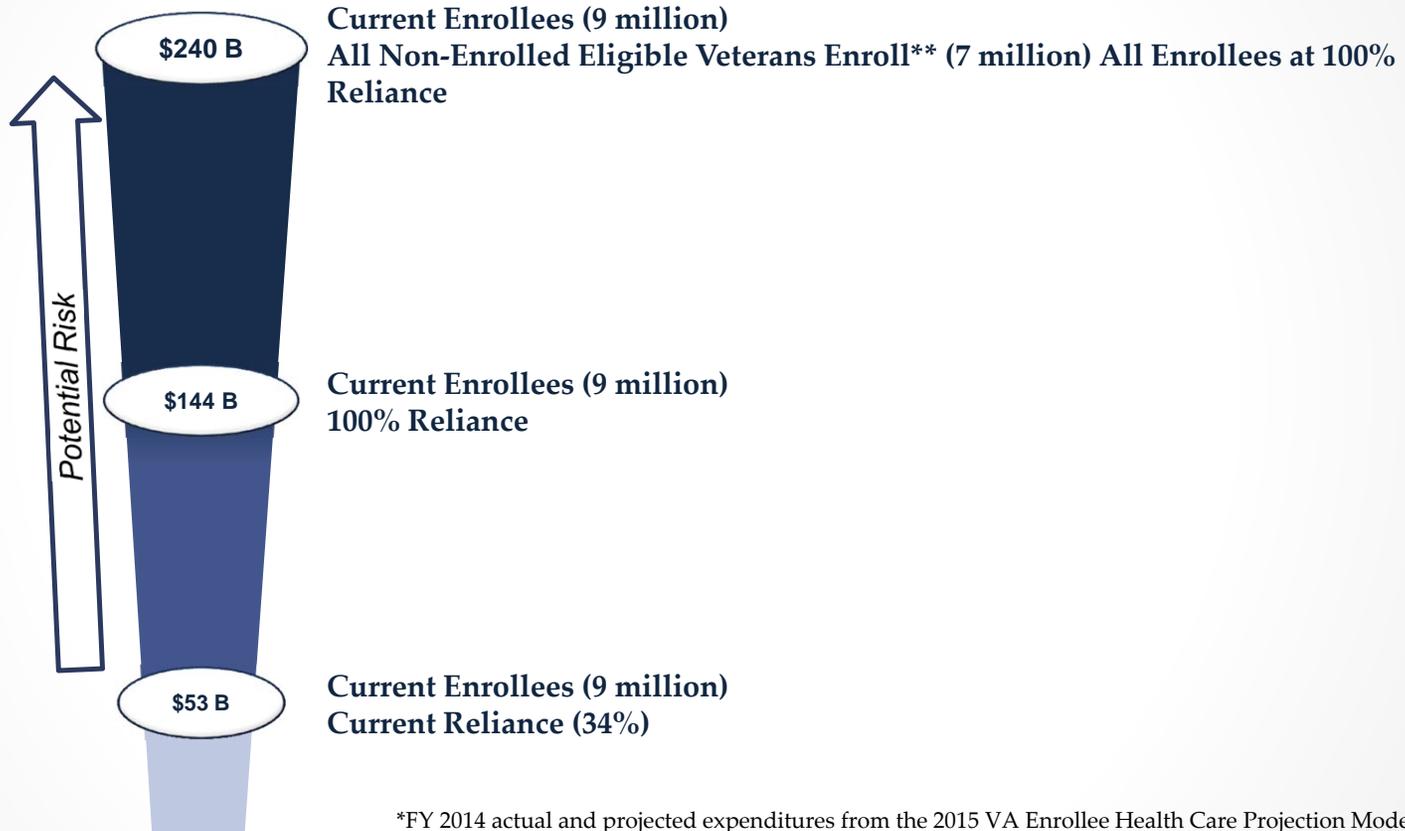
Caveats

- Same as Scenario 1, but our assumptions are both more tenuous and have a greater impact on estimates, so there is correspondingly more uncertainty.
- Estimates don't include savings/costs of reducing or repurposing infrastructure
- Impacts on VA's teaching, research, and emergency preparedness missions are not considered
- Medicare Allowable rates assumed to provide veterans with adequate access in CDS networks
- For care priced at historic community rates, national average rates are representative of future rates
- Unit costs of moving some care out of the VA does not impact the cost of care remaining in the VA.
- Unit costs for services remaining in VA facilities effectively increase by assuming equipment and national overhead costs are fully retained
- Other than equipment and national overhead, the costs of care shifting to CDS networks is phased out of VA facilities concurrently with other effects in the model
- Reliance increases occur only for services shifting to CDS network; no spillovers
- New enrollees have same costs as existing enrollees
- Hires of RN Care Managers are the only additional administrative cost

Projected Costs of Scenario 2



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



*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.

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