



November 19, 2018

# **Potential Spending on Veterans' Health Care, 2018–2028**

Southern Economic Association Annual Meeting  
Washington, D.C.

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# The U.S. Department of Veterans Affairs' Medical Care System

The Veterans Health Administration (VHA) operates one of the largest integrated health care delivery systems in the United States.

## 2017 VHA Spending and Beneficiaries

- Total spending: \$69 billion
- Number of enrollees: 9.1 million
- Demographics: 92 percent of enrollees are men; half of all enrollees are over age 65
- Number of veteran patients treated: 6.0 million

## Services VHA Provides

- Inpatient, outpatient, and specialty care
- Durable medical equipment
- Pharmacy and over-the-counter drugs
- Long-term care

# The U.S. Department of Veterans Affairs' Medical Care System

## Some Special VHA Programs

- Reducing homelessness
- Supporting caregivers with stipends and health care
- Improving access
  - Transportation reimbursement
  - Mobile clinics
  - Telehealth

## Minimal Cost Sharing

- No out-of-pocket expenses for veterans treated for service-connected disabilities
- Copayments of \$15 or \$50 for outpatient visits for those with income above VA thresholds

## Enrollees' Eligibility

VA receives an annual appropriation and may restrict access to care if resources are not available.

Enrollees are assigned to one of eight priority groups on the basis of disability, income, and special status (POW or post-9/11 combat veteran):

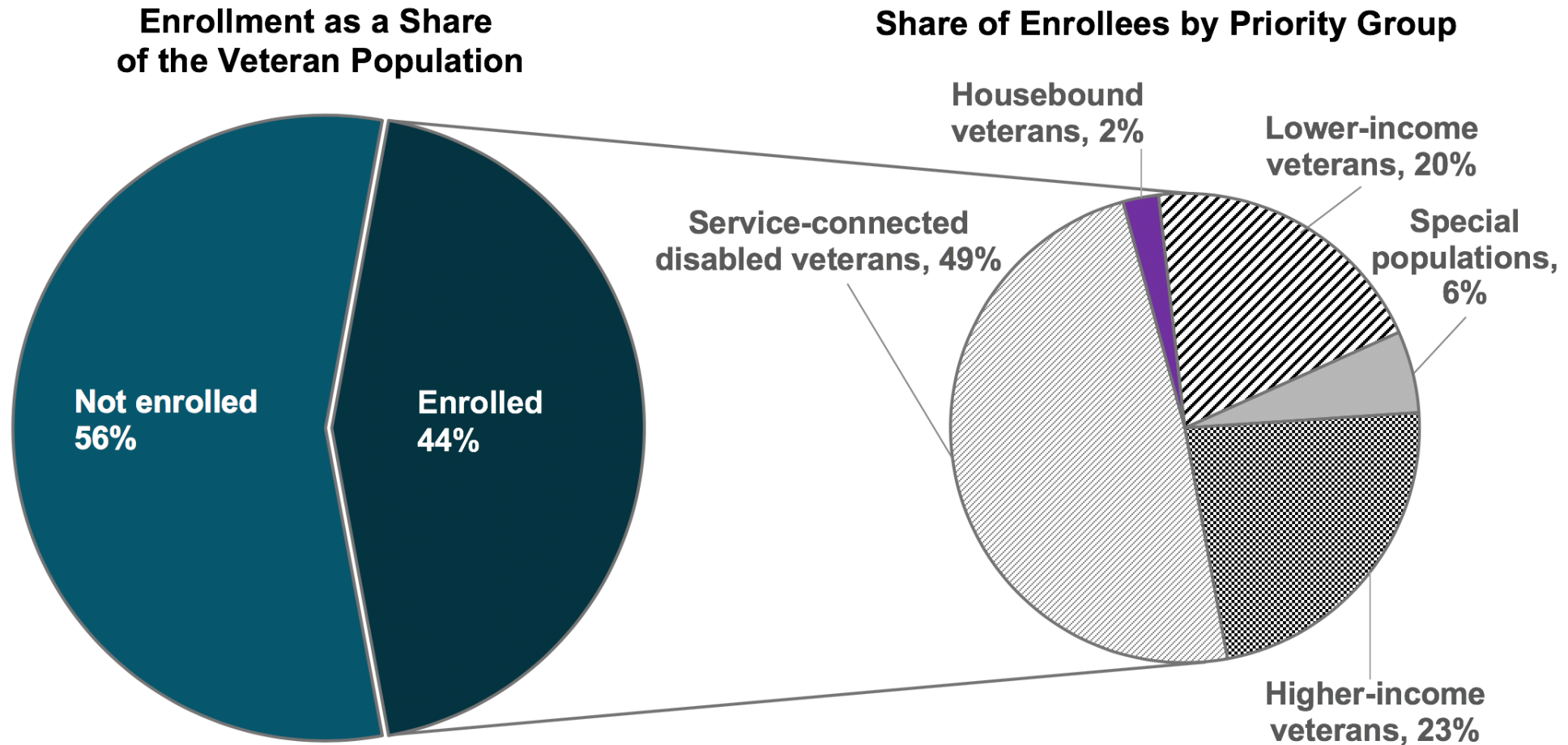
- P1–P3: Veterans with service-connected disabilities, POWs, or those awarded certain honors (4.4 million)
- P4–P6: Veterans who are housebound, have lower incomes, or are part of a special population (2.6 million)
- P7–P8: Higher-income veterans with no service-connected disabilities (2.1 million)

Some veterans are ineligible:

- Those who do not meet minimum military service requirements
- Those whose income exceeds certain geographic thresholds (about 5 million)

# Veterans' Enrollment Status and Enrollees' Priority Groups

Somewhat less than half of all veterans are enrolled in VHA. Veterans with a service-connected disability make up the largest share of enrollees.



## Expanding Access to Medical Care

Historically, veterans had restricted, or episodic, access to medical care. An expansion of services since the late 1990s has contributed to rapid cost growth.

### Late 1990s to Early 2000s

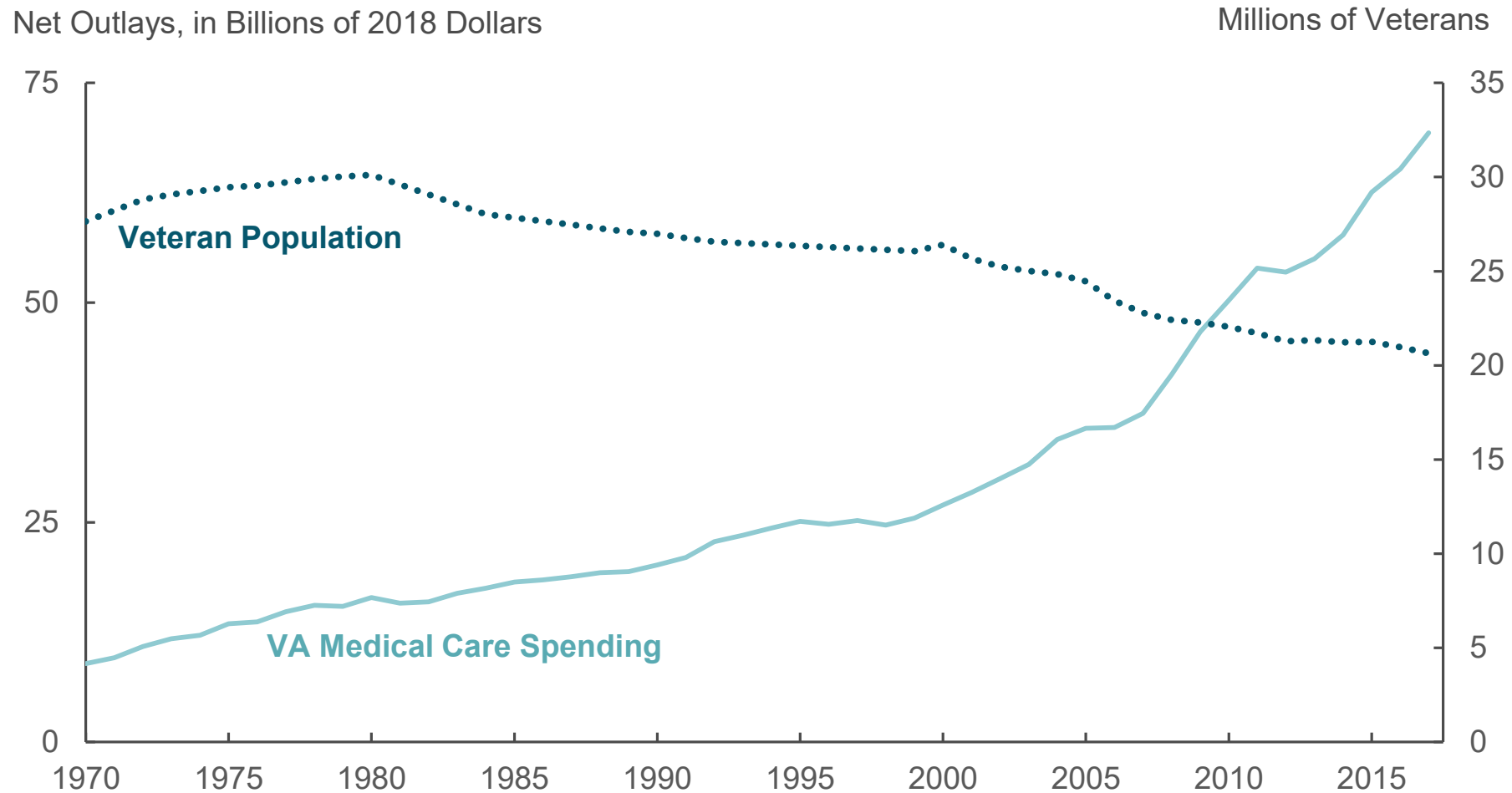
- Medical care expanded to cover most veterans, including those without service-connected disabilities and non-poor veterans
- Number of patients treated annually increased from nearly 3 million in 1996 to 4.5 million in 2003
- VA services realigned to focus on outpatient visits
- Number of outpatient clinics increased from about 175 in 1996 to about 700 in 2004

### Since 2014

- More medical care provided in local communities by non-VA personnel
- More enrollees eligible for community care
- Greater VA spending on community care: \$11 billion in 2017, including \$5 billion for the temporary community care program established in the 2014 VA Choice Act

# Number of Veterans

Although the number of veterans is declining, VA's medical care spending has increased at a much faster rate than inflation.



## VHA Spending, 2000–2017

Growth in VHA spending has substantially outpaced inflation since 2000.

	2000	2010	2017	Average Annual Growth Rates (Percent)	
				2000–2010	2010–2017
Spending (Billions of 2018 dollars)	27	50	69	6.4	4.7
Number of Enrollees (Millions)	5	8	9	4.8	1.6
Spending per Enrollee (2018 dollars)	5,300	6,200	7,600	1.5	3.1
<b>Memorandum:</b>					
Total VA Spending (Billions of 2018 dollars)	64	124	180	6.9	5.5



# Future VHA Spending Growth

Three scenarios illustrate how VHA spending might grow over the next decade.

## Scenario 1: CBO's Baseline Projections

- Begins with CBO's baseline
  - The baseline is a 10-year benchmark that informs lawmakers about federal budgetary trends and is used to compare proposed legislation.
  - As required by law, CBO's baseline uses the most current appropriation and applies economywide inflation factors (for discretionary appropriations—that is, accounts appropriated annually).
- Adjusts the baseline to include funding appropriated in the VA MISSION Act (mandatory spending)
- Does not adjust costs for changing demographics, account for medical costs' in the United States rising faster than general inflation, or include most future costs for implementing the VA MISSION Act

# Future VHA Spending Growth (Continued)

## Scenario 2: Continuation of VA's Medical Care Policies

- Eases baseline rules
- Assumes that current eligibility, cost-sharing, and other policies are in effect
- Uses projections of underlying factors, such as enrollment and reliance, to extrapolate spending
- Applies a measure of projected medical spending per capita in the general population
- Includes future VA MISSION Act costs, which are reflected in CBO's cost estimate through 2023 and extrapolated through 2028

## Future VHA Spending Growth (Continued)

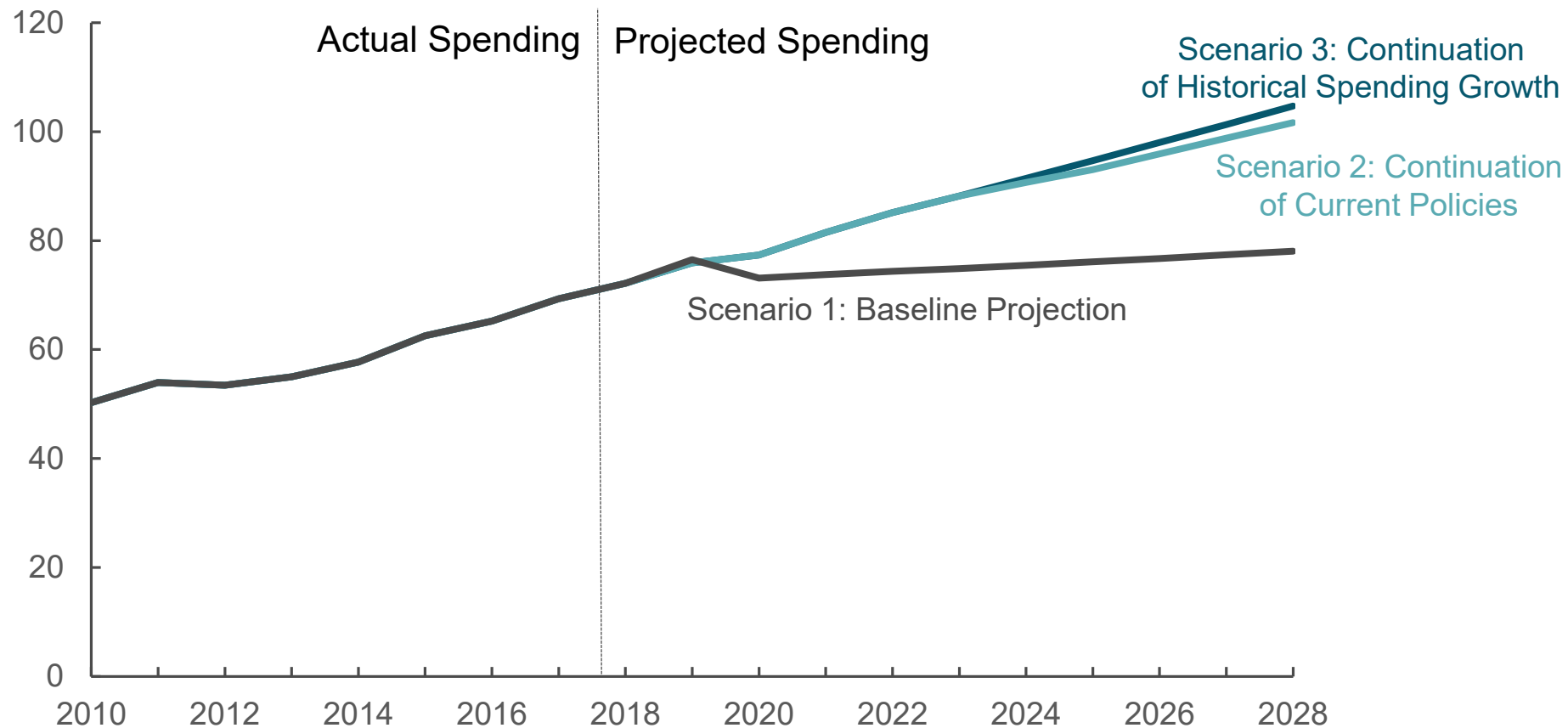
### Scenario 3: Continuation of Historical Spending Growth

- Increases spending per enrollee on the basis of historical experience
  - Assumes that the growth per enrollee is the same as in Scenario 2 through 2023
- Increases use of services possibly because of changes in the health care benefits or accessibility of care that VHA offers

# Projected VHA Spending Under Scenario 2 and Scenario 3

Spending is projected to be much higher under Scenario 2 and Scenario 3.

Net Outlays, in Billions of 2018 Dollars

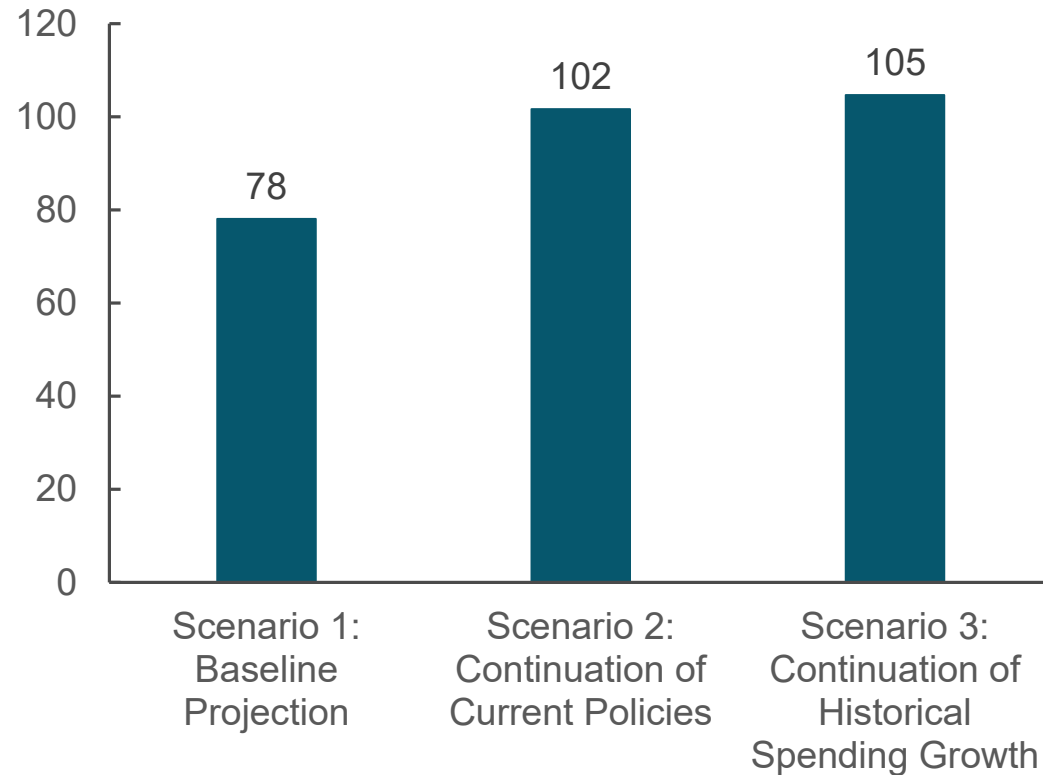


# Potential VHA Spending and Its Growth Under Three Scenarios

Under Scenario 2 and Scenario 3, future growth is driven by spending per enrollee.

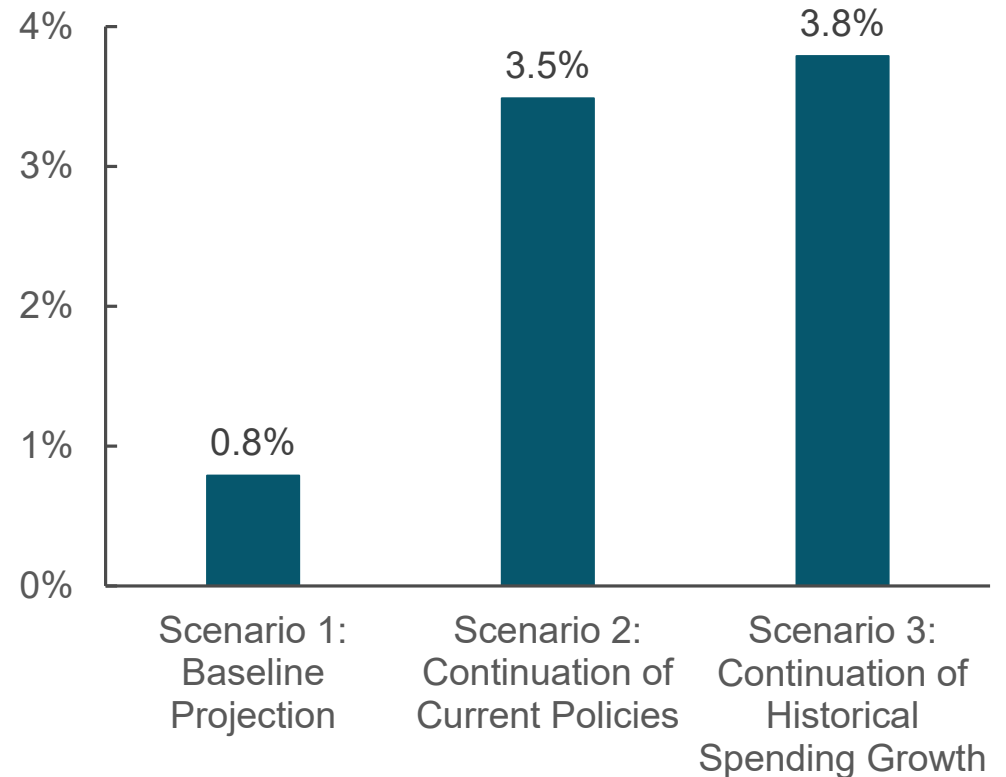
## Projected VHA Spending, 2028

Net Outlays, in Billions of 2018 Dollars



## Projected Growth in VHA Spending, 2018–2028

Average Annual Growth



# Some Causes of Growth Over the Last Two Decades

## Increasing Reliance on VA's Medical Care

- Some evidence indicates that veterans are getting more of their total care through VA.

## Aging Veteran Population

- VA's spending per enrollee increased from 2000 to 2017 as a large portion of enrollees entered their late 50s and 60s.
  - Most Vietnam veterans are now 65 or older and are eligible for Medicare, reducing their future demand for VHA care.

## Policy and Program Changes

- VA has transitioned from providing limited care to providing comprehensive care.

## Other Causes

- VA is seeing some pressures similar to those for medical spending in the general population.