

The VA Health Care System: An Unrecognized National Safety Net

Veterans who use the VA health care system have a higher level of illness than the general population, and 60 percent have no private or Medigap insurance.

by Nancy J. Wilson and Kenneth W. Kizer

ABSTRACT: The dominance of local health care markets in conjunction with variable public funding results in a national patchwork of “safety nets” and beneficiaries in the United States rather than a uniform system. This DataWatch describes how the recently reorganized Department of Veterans Affairs serves as a coordinated, national safety-net provider and characterizes the veterans who are not supported by the market-based system.

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THE ROLE OF THE DEPARTMENT of Veterans Affairs (VA) as a health care safety net is largely unrecognized. Many think of VA medical care as a benefit awarded only to veterans who are “service-connected”—that is, veterans who are disabled by illness or injury in the line of duty during military service. However, 60 percent of veterans who received VA medical care in 1992 had no private or Medigap insurance and would likely be considered the responsibility of the health care safety net.¹

Unfortunately, the availability of federal, state, and local government funds to subsidize the care of persons left without services varies by state and community and may not match community need. The result is a national patchwork of safety nets and beneficiaries that strains existing alternatives. Within this collage, the VA health care system stands out as a significant, coordinated, nationwide safety net for veterans.

VA Service Networks

Organization. The VA health care system recently reorganized into twenty-two Veterans Integrated Service Networks (VISNs) on the basis of geographic referral patterns to maximize patients' access to care while improving efficiencies in service delivery.² Appro-

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priated funds are distributed according to the VA's new Veterans Equitable Resource Allocation capitation model that bases network funding on the volume of service-connected and low-income veterans served.³ *Low income* is defined as less than \$21,610 a year for a single veteran.⁴ VISNs offer a full continuum of care to patients within their boundaries through direct delivery or contractual agreements with other networks or providers. A typical network consists of six to ten hospitals that provide acute inpatient medical and surgical, psychiatric, and substance abuse services, along with subacute and rehabilitation services. Each network also manages twenty to thirty freestanding outpatient clinics, nine to ten readjustment counseling centers, six to eight home-based primary care programs, five to seven VA nursing homes, one or more residential housing facilities (domiciliaries), and contracts with 140–150 community nursing homes and several state veterans' homes.⁵

Performance measurement. VA headquarters manages the twenty-two networks by setting goals and designing strategies to maximize health care value throughout the nation. *Value* is defined as balanced performance of five factors: cost, access, technical quality, patient functional ability, and patient satisfaction.⁶ Headquarters focuses on developing a standardized measurement and monitoring system that supports risk-adjusted comparative analyses among networks.⁷ Networks are held accountable for results through a newly implemented performance contract system that rewards excellent performance on clinical as well as cost outcomes.⁸ These efforts are designed to assure that high-quality care is consistently delivered by VA providers nationwide.

Veterans' Health Status And Special Care Needs

The core mission of the VA is to provide primary care, specialized care, and related medical and social support services to veterans. The VA health care system is a safety net because many of the veterans served are psychologically and economically disadvantaged and have a high disease burden (Exhibits 1 and 2).⁹ Veterans' average scores on the Short Form 36-Item Health Survey for Veterans (SF-36V) are significantly worse (lower) than those for either the general population or the Medical Outcomes Study population (Exhibit 3). Having scores at least ten points lower on either the physical or mental component scales has been shown to be equivalent to having approximately two additional chronic conditions, 30 percent more hospitalizations, and 20 percent more outpatient visits.¹⁰ Comorbidity from psychiatric illness is common among VA health care users (Exhibit 4) and requires 14 percent of the VA's total \$17 billion medical care budget.¹¹ In addition, on a given day in 1996, homeless

EXHIBIT 1
Characteristics Of Veteran VA Health Care Users And Nonusers Compared With The General Population

| Characteristic | Veteran VA user | Veteran non-VA user | General population |
|--------------------------------------|-----------------|---------------------|--------------------|
| Age 65 and older | 35.6% | 31.3% | 17.0% |
| Non-Caucasian | 25.4 | 12.5 | 22.8 |
| Not married | 35.7 | 19.4 | 39.0 |
| Education less than high school | 26.0 | 15.0 | 24.8 |
| Income less than \$20,000 | 70.5 | 25.7 | 32.9 |
| Income less than \$10,000 | 38.5 | 8.7 | 14.6 |
| No private or Medigap insurance | 59.3 | 14.9 | 32.0 |
| No health care coverage | 21.0 | 5.2 | 17.0 |
| Poor or fair perceived health status | 60.5 | 25.4 | 11.3 |
| Unable to work for pay/limited ADLs | 79.4 | 40.1 | 7.0 |

SOURCE: 1992 National Survey of Veterans (Washington: Department of Veterans Affairs, 1994); and 1996 Medical Expenditure Panel Survey (Rockville, Md.: Agency for Health Care Policy and Research, 1996).

NOTES: VA is Veterans Affairs. ADLs are activities of daily living.

patients accounted for 13.5 percent of all admissions, 24 percent of general psychiatry admissions, and 47 percent of substance abuse admissions.¹²

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The VA also cares for small vulnerable populations for whom care is expensive but generally unprofitable in the private sector, in part because of the absence of economies of scale (Exhibit 5). The VA's capacity to provide this care is based on the occurrence of many of these conditions during, or as a consequence of, military service. Recently enacted veterans' health care eligibility reform legislation has reinforced the VA's continued role as a safety-net provider for these populations. In addition to veterans with service-connected illnesses, injuries, and exposures and former prisoners of war, the VA is legislated to treat veterans with special disabilities of spinal cord dysfunction, blindness, amputation, traumatic brain injury,

EXHIBIT 2
Disease Prevalence Among VA Health Care Users, 1996

| Disease | Prevalence |
|------------------------|------------|
| Ischemic heart disease | 50% |
| Obesity | 50 |
| Hypertension | 45 |
| Smoking | 34 |
| Psychiatric illness | 23 |
| Diabetes mellitus | 19 |
| COPD | 15 |
| Substance abuse | 9 |

SOURCE: VA National Patient Care Database.

NOTES: VA is Veterans Affairs. COPD is chronic obstructive pulmonary disease.

EXHIBIT 3

Health Status Of Veteran VA Health Care Users Compared With Medical Outcomes Study (MOS) Population And General U.S. Population, As Measured By SF-36V

| | VA (n = 32,960) | MOS (n = 22,462) | General U.S. (n = 2,474) |
|----------------------------------|----------------------------|-----------------------------|-------------------------------------|
| Physical component summary score | 31 | 44 | 50 |
| Mental component summary score | 41 | 52 | 50 |

SOURCE: N.J. Wilson and L. Kazis, "Health Status of Veterans: Physical and Mental Component Summary Scores (SF-36V)," 1996 National Survey of Ambulatory Care Patients Executive Report (Washington: Department of Veterans Affairs, February 1997).

NOTES: VA is Veterans Affairs. SF-36V is Short Form 36-Item Health Survey for Veterans.

catastrophic disability, post-traumatic stress disorder, and serious mental illness, including substance abuse and homelessness resulting from mental illness. Low-income veterans without any of the above disabilities will be cared for to the extent that funding allows.¹³

Conclusion

As long as local market forces dominate the health care industry and state and local funding vary, the stabilizing influence of a national safety net like the VA health care system becomes ever more important. The VA, in the midst of its own transformation, serves part of that role by providing comprehensive services to approximately 1.7 million veterans who are not well supported by a market-based system. Also, as long as the patchwork of safety nets remains, fluctuations in the availability of one system will cause repercussions for others. Significant changes in the VA's safety-net function would be felt in every corner of the nation, in that any decrease in the VA's ability to care for veterans would most likely fall to Medicare, Medicaid, or other publicly funded programs. The converse is also

EXHIBIT 4

VA Psychiatric And Substance Abuse Inpatient And Outpatient Workload, 1996

| Service | Inpatient acute care hospital | | Inpatient long-term care | | Outpatient visits |
|-----------------|--------------------------------------|-----------------------|---------------------------------|-----------------------|--------------------------|
| | Episodes | Bed days | Episodes | Bed days | |
| Psychiatry | 149,550 (13.2%) | 8,308,876 (39.1%) | 722 (1.2%) | 62,836 (0.3%) | 6,445,707 (21.4%) |
| Substance abuse | 61,099 (5.4%) | 1,039,069 (4.9%) | 5,073 (8.7%) | 488,720 (2.0%) | 1,709,626 (5.7%) |
| All other | 925,537 (81.5%) | 11,887,892 (56.0%) | 52,836 (90.0%) | 23,433,316 (97.7%) | 21,899,379 (72.9%) |
| Total | 1,136,186 | 21,235,837 | 58,631 | 23,984,872 | 30,054,712 |

SOURCE: VA National Patient Care Database.

NOTE: VA is Veterans Affairs.

EXHIBIT 5
VA Care For Small Vulnerable Populations, 1996

| Disability | Persons | Bed days | Clinic visits | Dollars |
|-------------------------|---------|----------|---------------|---------------|
| Spinal cord dysfunction | 21,145 | 671,391 | 644,419 | \$556,515,255 |
| Blindness | 22,392 | 209,228 | 739,185 | 326,564,928 |
| Traumatic brain injury | 1,925 | 83,240 | 81,516 | 47,686,100 |
| Amputation | 7,573 | 313,432 | 301,183 | 286,350,276 |

SOURCE: VA National Patient Care Database.

NOTE: VA is Veterans Affairs.

true. Society has made an investment in a medical care system for veterans in recognition of the continuing cost of war and national security and the special contributions that veterans have made to the nation. The VA's role as a national health care safety net provides an additional social benefit that is often overlooked. This role should be more widely recognized.

NOTES

1. 1992 *National Survey of Veterans* (Washington: Department of Veterans Affairs, 1994).
2. K.W. Kizer, *Vision for Change: A Plan to Restructure the Veterans Health Administration* (Washington: Department of Veterans Affairs, 1995); K.W. Kizer, "The Changing Face of the Veterans Affairs Health Care System," *Minnesota Medicine* (February 1997): 24–28; and K.W. Kizer, "Transforming the Veterans Health Care System: The 'New VA,'" *Journal of the American Medical Association* 275, no. 14 (1996): 1069.
3. *Veterans Equitable Resource Allocation System Briefing Booklet* (Washington: Department of Veterans Affairs, March 1997).
4. "New Means Test Thresholds—1997," VHA Directive 96-076 (20 December 1996).
5. Kizer, *Vision for Change*.
6. K.W. Kizer, *Prescription for Change: The Guiding Principles and Strategic Objectives Underlying the Transformation of the Veterans Healthcare System* (Washington: Department of Veterans Affairs, 1996).
7. J. Sunshine, interview with N.J. Wilson, "A New Approach to Quality in VA," *Federal Practitioner* (Part 1) (May 1996): 59–60, and (Part 2) (June 1996): 56–57.
8. N.J. Wilson, "VA Performance Agreements: Changing VA Performance," *SGIM Newsletter* (May 1997).
9. S. Isaacson et al., *Substance Abuse Treatment: VA Programs Serve Psychologically and Economically Disadvantaged Veterans*, GAO/HEHS-97-6/B-271298 (Washington: U.S. General Accounting Office, 5 November 1996).
10. N.J. Wilson and L. Kazis, "Health Status of Veterans: Physical and Mental Component Summary Scores (SF-36V)," 1996 *National Survey of Ambulatory Care Patients Executive Report* (Washington: Department of Veterans Affairs, February 1997).
11. Office of the Assistant Secretary for Management, *FY 1998 Budget Submission* (Washington: Department of Veterans Affairs, February 1997).
12. R. Rosenheck, C. Leda, and D. Siessert, *FY 1996 End-of-Year Survey of Homeless Veterans in VA Inpatient Care Programs* (West Haven, Conn.: N.E. Program Evaluation Center, forthcoming).
13. *The Veterans Health Care Eligibility Reform Act of 1996*, Public Law 104-262 (March 1997).