Partnered Evidence-based Policy Resource Center

POLICY BRIEF

Economic and Policy Effects on Demand for VA Care

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To varying degrees, veterans have other choices beyond the Veterans Health Administration (VHA) for health care coverage and provision. Therefore, economic and policy changes that make those other choices more or less accessible and attractive to veterans also affect enrollment in the VHA and use of its services.

The research literature bears this out. According to a 2011 survey of VHA enrollees, 77% of them have a non-VHA source of health care coverage.[1] A majority (51%) had Medicare coverage. Among non-elderly VHA enrollees, 35% have private health insurance and nearly half of their outpatient visits are outside the VHA.

This brief focuses on specific factors that influence demand for VA care: Overall economic climate; Affordable Care Act (ACA) provisions, particularly state decisions to expand Medicaid or not; Medicare coverage; perceived wait times; and out of pocket costs.

The Economy and the VHA. Recent work illuminates the effect of the economy on VHA enrollment and utilization. A 2014 study of the Massachusetts veteran population suggests the Great Recession played a role in growing VHA enrollment. Edwin Wong, a health economist with the VA Puget Sound Healthcare System, and colleagues showed that VHA enrollment in that state grew from about 3% of veterans to 12% during the recession (between 2008 and 2010).[2]

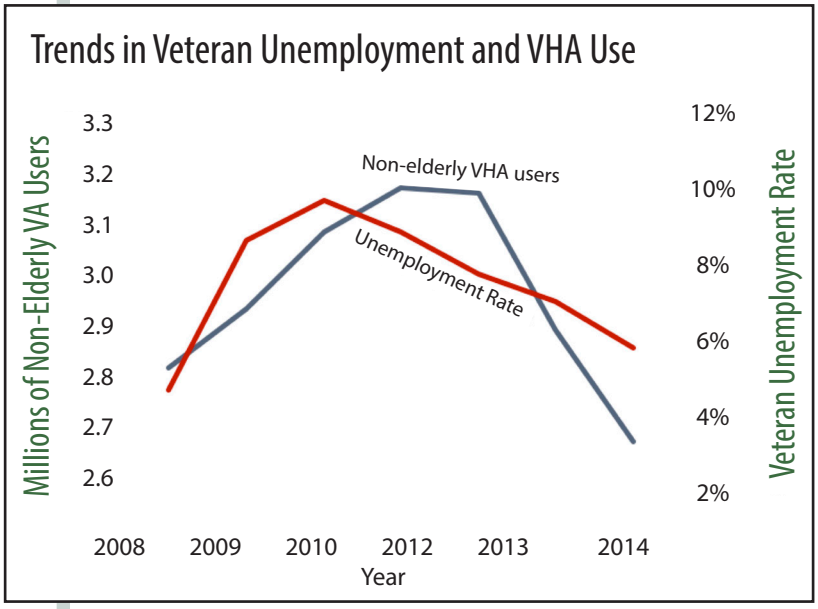
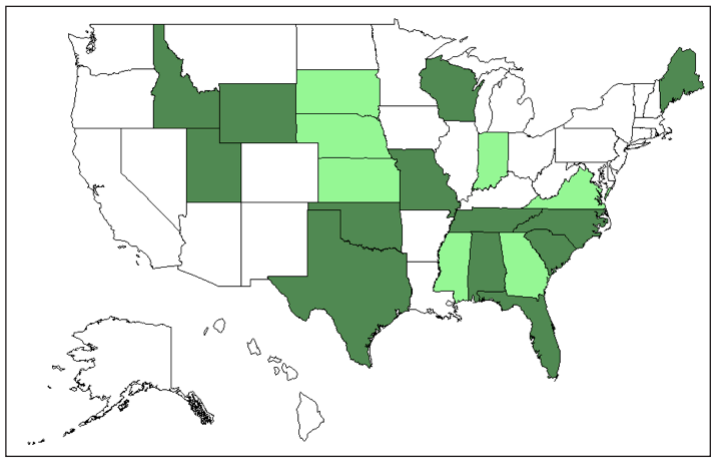


fig. 1

Another study, published in 2015 and using national data, illuminated the economy-VHA connection in greater detail. When the unemployment rate grows, fewer veterans have jobs, reducing enrollment in employer-sponsored health insurance. Veterans lacking employer coverage are more likely to be attracted to the VHA as a source of care. VA Boston Healthcare System health economist Austin Frakt and colleagues found that VHA enrollment and use of outpatient care grows with the unemployment rate.[3] Reductions in housing prices are also a sign of fewer resources with which veterans could purchase health insurance or care, again making the VHA a more attractive option. The study showed that VHA enrollment, use of inpatient and outpatient care all rise as housing prices decline.

Medicaid and the VHA. Under the ACA, states may optionally expand Medicaid eligibility to all residents with incomes below 138% of the federal poverty level. Because Medicaid-financed care is an alternative to care from the VHA, in the 20 states (as of January 1, 2016)[4] that have elected not to expand demand for VHA care is likely to be higher. In a simulation of Medicaid expansion, Frakt and colleagues found that in non-expansion states, VHA enrollment would 6% to 18% above the level it would be if they did expand. Use of inpatient and outpatient care would also be higher by an average of 6% and 13%, respectively, in non-expansion states. These results are just one example of the fact that state-level coverage factors are relevant to VHA demand.

Expected Change in VHA Enrollment Due to Lack of Medicaid Expansion



Key

White: State expanded Medicaid (as of 1/1/2016)
Light green: 1%-12% greater expected VHA enrollment due to non-expansion
Dark green: 13%+ greater expected VHA enrollment due to non-expansion.

fig. 2

In another example, Denise Hynes, a research career scientist at the Edward Hines Jr. VA Hospital, and colleagues found that VHA enrollees with Medicaid managed care coverage were less likely to use VHA services relative to those in traditional Medicaid.[5]

Other ACA Provisions and the VHA. Beyond expanding Medicaid, the ACA also imposes individual and employer insurance mandates and offers subsidized coverage in exchanges for lower-income Americans. Results of studies of the effect of these provisions on the VHA are not yet available.

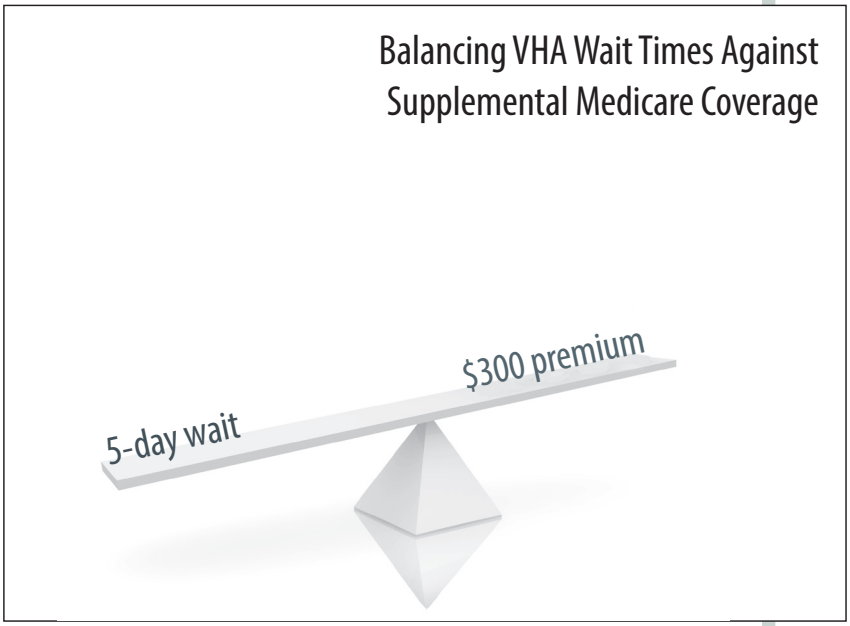


fig. 3

Medicare and the VHA. Though the ACA probably had its most significant impact on non-elderly veterans, Medicare policy largely affects elderly ones. Northeastern University health economics professor, Steve Pizer, and VA Boston Healthcare System health economist Julia Prentice found that the longer veterans have to wait to see a VHA physician, the more likely they are to use Medicare-financed outpatient care.[6] According to their study, veterans are willing to pay $300 more per year for private, supplemental Medicare coverage (Medigap) to avoid waiting five more days for a VHA appointment. They also found that the distance that veterans have to travel to see a VHA physician affects how often they use the Medicare system.

"Veterans' access to VA care is impacted by changes in the economy as well as the broader U.S. health delivery system, including State responses to ACA –facilitated Medicaid expansion and differential cost-sharing requirements of private and public insurers."

—Carolyn M. Clancy, MD, Deputy Under Secretary for Health Organizational Excellence, Department of Veterans Affairs

Conclusion. Whether from the economy or from national, state, and local changes in health care policy and landscape, outside forces affect VHA enrollment and utilization. Given that Congress and the president provide a fixed budget every year and hold VHA leadership accountable for improved access to care, the research reviewed in this brief can help predict the impact of current economic and policy trends on measured VHA performance.

Among the findings is that, demand for VHA care is likely to decrease as the economy recovers, but only when veterans rejoin the labor force and find jobs. To date, labor force participation has been slow to recover, especially among veterans. VHA's Office of Policy and Planning recently began to account for these variables in its enrollment and demand projection models that underlie budget requests. These forecasts should also inform access and demand management policy.

Research has also shown that states that have not expanded Medicaid under the Affordable Care Act have increased demand on the VHA by substantial amounts. VHA may need to shift resources from expansion states to non-expansion states to accommodate the additional demand. The reorganization of VHA networks along state lines will make this kind of adjustment administratively easier.

Finally, as employer-based insurance plans increase co-payments and deductibles to limit premium growth, VHA care will become more attractive to veterans with multiple sources of coverage, further increasing demand. As a result, the wait time that balances supply and demand for VHA care is likely to increase, making it more difficult to improve access measures. VHA may need to increase co-payments for some priority groups to counteract this trend and preserve access for those most in need.

About PEPReC Policy Briefs

This evidence-based policy brief is written by the Partnered Evidence-based Policy Resource Center (PEPRec) staff to inform policymakers and VHA managers about the evidence regarding determinants of demand for VHA care within the broader health system and economy. PEPReC, the Partnered Evidence-based Policy Resource Center, is a QUERI-funded resource center that collaborates with operational partners to design and execute randomized evaluations of VHA initiatives, develops and refines performance metrics, and writes evidence-based policy briefs.

Endnotes and Figure Citations

1 Office of Assistant Deputy Under Secretary for Health for Policy and Planning. 2011 Survey of Veteran Enrollees' Health and Reliance Upon VA. Department of Veterans Affairs. http://www.va.gov/healthpolicyplanning/soe2011/soe2011_report.pdf. Published March 2012. Accessed December 21, 2015.

2 Wong, E.S., M. Maciejewski, P. Hebert, C.L. Bryson, C. Liu. 2014. Massachusetts Health Reform and Veterans Affairs Health System Enrollment. American Journal of Managed Care; 20(8):629-636.

3 Frakt, A.B., A. Hanchate, S.D. Pizer. 2015. The effect of Medicaid's expansions on demand for care from the Veterans Health Administration. Healthcare; 3(3):123–128.

4 The Advisory Board Company. 2016. Where the states stand on Medicaid expansion. https://www.advisory.com/daily-briefing/resources/primers/medicaidmap

5 Hynes, D.M., K.A. de Groot, T.W. Weichle, D. Kan, M.M. Joyce. 2015. The relationship between Medicaid Managed Care Enrollment and Veterans' Use of VHA Services. HRS&D/Queri National Conference Abstract.

6 Pizer, S.D. and J. Prentice. 2011. Time is money: Outpatient waiting times and health insurance choice of elderly veterans in the United States. Journal of Health Economics; 30: 626-636.

Figure 1. Source: "External Determinants of Non-Elderly Veterans' Demand of VA Health Care", (HSR&D IIR 12-338-3).

Figure 2. Adapted from Frakt, Hanchate, and Pizer, "The effect of Medicaid's expansions on demand for care from the Veterans Health Administration. Healthcare; 3(3):123–128."

Figure 3. Pizer, Prentice: 2011. Time is money: Outpatient waiting times and health insurance choice of elderly veterans in the United States. Journal of Health Economics; 30: 626-636.

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