

Statement of Robert H. Roswell, M.D. before the  
U.S. House of Representatives Veterans' Affairs Committee  
Subcommittee on Health  
April 3, 1997  
Gainesville, Florida

Mr. Chairman, thank you for the opportunity to appear before the Subcommittee and provide information on how the Department of Veterans Affairs' new Veterans Equitable Resource Allocation process will improve access to high quality healthcare for more Florida veterans.

Although today's veteran population has declined to slightly more than 26 million nationwide, these men and women are older and often in need of more healthcare services than the veteran population of just a few years ago. Experience has shown that veterans over the age of 65 consume two to three times more healthcare resources than their younger counterparts. The geographic location of America's veteran population has changed as well, through significant migration to locales throughout the South and Southwest. This relocation of veterans coupled with their age-related increased requirement for healthcare services has created substantial demand for care that cannot always be met with existing resources.

Historically, the Department of Veterans Affairs has responded, in part, to increased demand for services through its major construction program. Building new medical centers coupled with the activation dollars to equip, staff, and

operate them was the means used to provide some of the necessary resources to meet new healthcare needs.

This strategy is no longer appropriate primarily because of changes in how healthcare is delivered. Even if additional inpatient bed capacity were needed, a construction approach that required a 7 to 10 year time span to plan, seek authorizing and appropriation legislation, design and build new medical centers, would not be an effective means to meet additional veterans healthcare needs. The shift to community-based outpatient care, development of new healthcare technologies, and improvements in utilization management, in many cases make new construction no longer practical or desirable.

Due to the changes in veteran demographics and healthcare delivery, a high demand for care exists today in many areas where VA has no healthcare facilities, while other areas find themselves with an oversupply of hospital beds that are costly to operate and often poorly utilized. The end result is a need both to reallocate veterans healthcare dollars to under-served veteran populations by means other than hospital construction, and to discontinue funding mechanisms that distribute the VA Medical Care appropriation based on historical bed levels.

The Veterans Equitable Resource Allocation (VERA) program, which will be implemented on April 1, will accomplish this critical requirement. The VERA process will move healthcare dollars to those areas where increased demand for care exceeds VA's capacity to meet this need with existing resources and facilities. Reform of eligibility rules and new contracting authority included in legislation enacted last year will allow VA to utilize these resources to provide comprehensive veterans healthcare that will incorporate the purchase of

necessary services, including hospitalization, in the local community when it is cost-effective to do so.

Florida and its veteran population typify the dynamic described above. Currently over 1.7 million veterans reside in the Florida-Puerto Rico Veterans Integrated Service Network (VISN), and over 60 veterans relocate to Florida each day. The veteran population in the VISN increased by 23 percent between 1980 and 1996 (with a 26 percent increase in Florida alone). During this same period, the veteran population nation-wide decreased 10 percent. Over 41 percent of veterans in the VISN are age 65 and older, with that percentage expected to rise to more than 45 percent in the next five years.

The Florida-Puerto Rico VISN ranks first of the 22 networks in the number of veterans with service-connected disabilities rated at 50 percent or greater. This is significant because VA cost data show veterans with service-connected disabilities rated 50 percent or higher consume 40 percent more healthcare resources than other veterans. The VISN also ranks first in the number of veterans with serious mental health disorders and second in the number of veterans receiving care for AIDS.

The resulting demand for care exceeds our current capacity to meet this need. Of necessity, veterans with lower priority for care are denied the services they seek, including veterans who seasonally migrate to Florida and find that the care they receive in their home state is unavailable to them during their stay in Florida. Additionally, veterans in many parts of Florida find that healthcare is unavailable to them through the VA unless they are able to travel fairly long distances to seek the care they need.

When implemented next month, VERA will provide an additional \$29 million dollars for healthcare in the Florida-Puerto Rico VISN during the remainder of FY 1997. This amount coupled with the \$28 million in additional resources already programmed for the VISN as a result of the increase in the FY97 Medical Care appropriation, will add a total of \$57 million over the FY96 funding level, for a total operating budget of approximately \$1 billion. It is important to note that the additional funds that this VISN is receiving for FY 1997 is only a part year allocation. In future years, although specific dollar amounts are not yet available, the additional funding from VERA will be significantly larger than the \$29 million that we are receiving this year.

Of this \$57 million, almost \$28 million will be needed to cover increased costs resulting from inflation and personnel salaries and benefits. Activation of new or expanded clinic facilities in Mayaguez and San Juan, Puerto Rico and in Ft. Myers, Gainesville, and Port Richey, Florida, as well as much needed improvements in our telecommunications and computer infrastructure will consume another \$15 million.

The remaining \$14 million plus additional resources made available through improved efficiency in procurement, contracting, and delivery of healthcare services will allow almost 8,000 additional veterans to receive healthcare through Florida and Puerto Rico facilities this year. With the additional funding in FY97, waiting times for both primary care and specialty clinic appointments will be reduced and patients will be able to access services through telephone referral and consultation programs at all medical centers.

Considerable care will be provided through new, more accessible community-based outpatient clinics located in leased space in Homestead, Sarasota, Bartow, and Brevard County, Florida. Additional primary care services will be provided to veterans through VA's 14 existing Vet Center locations operated by the Readjustment Counseling Service in the Florida-Puerto Rico VISN.

Telemedicine systems will link VA Medical Centers and clinics throughout the VISN so that specialty consultation can be obtained without lengthy waits for appointments and the need for veterans to travel to large, metropolitan medical center locations. This same system will also improve access to benefits claims services provided by the Veterans Benefits Administration.

The VERA plan is particularly well suited to meet today's veterans healthcare needs because the plan will distribute federal dollars in a capitation-like manner. This process involves determining the number of category A veterans (primarily those veterans with service connected disabilities, or whose income falls below a particular threshold) who have received care from the VA over the preceding three-year period. The actual annual cost of this care is then divided into the total number of veterans who received care to develop a national reimbursement rate. Each of the 22 VISNs then receives an allocation equal to the number of veterans treated in that VISN times the national reimbursement rate.

A similar process is utilized to reimburse care provided to veterans with specialized needs that result in the utilization of large quantities of healthcare resources such as those who require organ transplantation, or who suffer with AIDS, spinal cord injuries, visual loss, or other catastrophic needs. Important additional aspects of the plan include provisions to fund VA's medical education

and research missions, adjust for locality-based variations in salary costs, and provide for equipment and non-recurring maintenance needs.

Ultimately, the VERA plan will reallocate federal veterans healthcare dollars to those areas where veterans reside and depend upon the VA for their medical care. The plan will give the VA much needed flexibility to respond to changing healthcare needs in a timely manner. More importantly, it will assure that veterans seeking VA healthcare all across our country have comparable access to a comprehensive continuum of care, both now and in the years ahead.

Mr. Chairman, thank you for the opportunity to appear before the Subcommittee and share my views on the VERA plan. I strongly believe that the future of Florida veterans' healthcare is dependent upon the successful implementation of this program. I will be happy to answer any questions you or the other members may have.