

Section X Cost Sharing Projections

As discussed in Section III- Private Sector Based Utilization Benchmarks, the copay schedules assessed by VA are unique for each Priority Level, and vary depending on whether the services provided are for a service-connected condition. Essentially, veterans in Priority Level 1 pay no copays, Priority Levels 2 through 6 pay copays for Prescription Drugs under certain circumstances, and Priority Level 7 veterans pay copays for multiple health care services. A summary schedule of the copays is provided in the following table. Many services changed copay levels during FY 2002, including:

- Outpatient copays on December 1, 2001,
- Prescription Drug copays on February 1, 2002, and
- Long Term Care copays on August 1, 2002.

Priority Level 7 Veteran Enrollee Copay Schedule			
Type of Service	Copay		
	FY 2001 & Partial FY 2002	End FY 2002	FY 2003+
Inpatient Care - Per Admit	\$792.00/\$812.00	\$812.00	\$840.00
Inpatient Care - Per Days	\$10.00	\$10.00	\$10.00
Long Term Care - Per Admit	\$792.00/\$812.00	\$0.00	\$0.00
Long Term Care - Per Day	\$5.00	\$97.00	\$97.00
Res Rehab - Per Day	\$0.00	\$5.00	\$5.00
Outpatient Basic	\$50.80	\$15.00	\$15.00
Outpatient Specialty	\$50.80	\$50.00	\$50.00
Prescription Drugs	\$2.00	\$7.00	\$7.00

Priority Level 2 - 6 Veteran Enrollees Copay Schedule			
Prescription Drugs	\$2.00	\$7.00	\$7.00

Cost sharing projections are calculated using the copay levels for the appropriate services and Priority Levels and the corresponding projected utilization rates per 1,000. The copay amount is multiplied by the utilization rate per thousand and then divided by 1,000 to get the projected cost

sharing amount per enrollee per year. This amount is then multiplied by the total projected average yearly enrollment to calculate the total projected cost sharing revenues. For example, if the annual Prescription Drug utilization rate for a cohort of 2,500 Priority Level 7 veterans is 6,100 per thousand in FY 2004, then the projected cost sharing revenue is \$106,750 ($\$7 \times 6,100 \div 1,000 \times 2,500$).

The utilization rates resulting from the model projections must be adjusted before calculating the projected cost sharing revenue due to the following factors:

1. A portion of the utilization for some services on the copay schedule are not actually subject to a copay. This includes Prescription Drugs provided for service-connected conditions to veterans in Priority Levels 2 – 4 & 6, and veterans in Priority Level 5 that fall below a certain income threshold.
2. Long Term Care copays are not assessed for care received in state nursing homes, which is included in the utilization projections.
3. Some outpatient clinic stop visits are not subject to either the basic or specialty care copay. The projected utilization rates were adjusted to exclude the portion of utilization that is not subject to copays for these services. These adjustment rates were determined by health care service through discussions with VA staff and previous cost sharing analyses performed for VA.

VA also bills third party providers for services provided to Priority Level 7 veterans with health care coverage outside of VA (excluding Medicare). Often, the full cost of the health care service is billed to the third party, and the veteran is not assessed the usual copay amount. Therefore, the projected utilization rates were further adjusted to exclude the portion of utilization that is billed to third parties. These adjustment rates were determined by health care service through discussions with VA staff and previous cost sharing analyses performed for VA. The third party revenue generated from these services is projected separately by VA and is not part of the VA Enrollee Health Care Projection Model.

Once the projected utilization rates used to calculate cost sharing revenues were adjusted for the factors discussed above, the revenues were adjusted for the expected VA collection rate. These collection rates were calculated by aggregate service areas using historical data provided by VA. Using the above methodology, cost sharing projections for FY 2002 were calculated and compared to actual cost sharing revenue data provided by VA. When necessary, the projected

utilization rates were further adjusted to balance the projected FY 2002 cost sharing revenues to the actual FY 2002 cost sharing revenues. In some cases, the reported FY 2002 cost sharing revenue was not considered reasonable by VA. As a result, the FY 2001 cost sharing revenue data was used when necessary to adjust the projected FY 2002 cost sharing revenues. All of these adjustments were utilized each year throughout the project period. The utilization and expenditure projection databases contain five cost sharing revenue categories:

- Inpatient,
- Long Term Care,
- Residential Rehabilitation Treatment,
- Outpatient, and
- Prescription Drugs.