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The New York Times
ON THE WEB

April 6, 2002

Rising Drug Costs Push Veterans Into V.A. System, Posing Strain

By MILT FREUDENHEIM

Elderly veterans struggling to cope with rapidly rising drug costs are pouring into the health care system of the federal Veterans Affairs Department, so severely straining its resources that in some parts of the country, thousands of them are waiting years to see a V.A. doctor.

At Bay Pines V.A. Medical Center outside St. Petersburg, Fla., for example, 4,429 veterans, by the latest count, can look forward to their first doctor appointment in October 2005. And only a V.A. doctor can provide a prescription to be filled by a V.A. pharmacy.

With Medicare H.M.O.'s pulling out of many markets or, like some employer-sponsored health plans, at least scaling back their coverage of drug costs, the number of veterans enrolled in the department's sprawling network of clinics, hospitals and pharmacies has doubled since the mid-1990's, to six million.

The department's pharmaceutical costs have risen over 160 percent in the same period, to \$2.9 billion last year from \$1.1 billion in 1996, while its medical budget has increased just 42 percent.

In some areas, among them parts of Arizona, Florida, Iowa, Nebraska and Kansas, veterans now have to wait months just to enroll at clinics.

Enrollment is open to all honorably discharged veterans with at least two years of service — that minimum does not apply to those discharged before Sept. 7, 1980 — and onetime members of the National Guard or the Reserves who were called to active duty.

But once enrolled, the veteran finds a V.A. that is trimming services to control costs. Administrators have proposed limiting eligibility, and the co-payment charged for drugs has been raised slightly for many veterans. The department is also reducing hospital stays, trying to treat more patients in less costly outpatient clinics.

Still, officials say that unless the nation changes its policies on how drugs are paid for, the strains at the department will only get worse as the number of elderly veterans grows.

The nation's 25.5 million veterans are already older, on average, and more dependent on medication and other types of care than the general population. Nine million remain from World War II and the Korean War. There are 510,000 veterans 85 or older, and the V.A. predicts that there will be 1.2 million by 2010.

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That trend is running headlong into a couple of others. Many private doctors, frustrated by Medicare reimbursement rates, are refusing to accept new Medicare patients. And, faced with rapidly rising drug costs, Medicare H.M.O.'s and the employer-sponsored health plans that protect some retirees have stopped paying for certain drugs and are requiring members to pay more of the cost of others. Still other H.M.O.'s have abandoned the Medicare business in many locations.

Against that backdrop, the V.A. is a kind of haven of low-cost medicines.

"As some H.M.O.'s have gone out of business, we have seen a shift to the V.A.," said Dr. Frances M. Murphy, the department's acting under secretary for health.

In fact, the V.A. system has long cared for some of the most challenging patients.

"It's a safety net," said Helen Darling, president of the Washington Business Group on Health, representing large employers. "The V.A. prides itself on serving these people: men who drank a lot, who may have some injuries, men paralyzed in motorcycle and automobile accidents. The feeling is: 'They're our boys. They got this way because we sent them off to war.' "

Veterans' hospitals have largely overcome their longstanding reputation for second-rate care. Half the nation's doctors have by now worked in the system, usually as residents. Many respected doctors, V.A. officials say, stay with the system for years for the opportunity to work on some of more than \$1 billion a year in medical research. The department has also been widely praised for groundbreaking measures to improve patient safety.

Elmer Juckett, 74, a retired insurance appraiser who is a veteran of both World War II and the Korean War, enrolled at a veterans' hospital in Riviera Beach, Fla., when his Medicare H.M.O. decided to raise members' share of drug costs. Mr. Juckett, who has had ulcers, high cholesterol and a prostate ailment, says he would have had to pay \$20 for each 30-day prescription.

"Social Security is my only income, so money is a big problem," he said. Charges at the V.A. are adjusted by income, and his income category is "at the bottom of the heap," so he pays only \$2 in getting a prescription filled at the hospital.

The spike in demand for veterans health services has sent political tremors through Washington. "We are in somewhat of a crisis mode," said Anthony J. Principi, the secretary of veterans affairs, adding that the demand was reflected in the unresolved national policy debate over the costs of prescription drugs.

"Until such time as our nation has a pharmacy benefit," Mr. Principi said, "there will be extraordinary pressures on us to provide those drugs."

"I get calls every day," he said, "from members of Congress who want to know why we don't expand this or that clinic in their districts."

He usually replies that current services are already straining the department's medical budget.

The V.A. operates 850 outpatient clinics, 163 hospitals and 137 nursing homes, staffed by 15,000 doctors and 30,000 nurses. In response to growing demand, and in an effort to bring services closer to many veterans' homes, the department has added 400 clinics since 1996. (Not all those health care centers are overtaxed. As older veterans retire and move South, some Northern facilities — the big Bronx V.A. Medical Center in New York, for example — have been left with excess capacity.)

The V.A. has tried to control costs by further curtailing some services, but those efforts, met with protests by veterans' groups, have been blocked on Capitol Hill.

Last November, for example, Mr. Principi announced that in the 2003 fiscal year he would suspend enrollments by veterans in "Category 7" — that is, those who are not disabled or poor and do not have service-connected medical problems. Most veterans enrolled in recent years have been in Category 7, drawn by low-cost drugs.

Mr. Principi's new policy was short-lived. "In the 59th minute of the 11th hour" of budget preparations, he recalled, "the president assured me" that the V.A. would get extra money to cover the Category 7 veterans. As for this fiscal year, the Bush administration recently said it would tack \$142 million for the V.A. onto its request for supplemental appropriations for the Pentagon.

The administration's budget does call for Category 7 veterans already in the V.A. system to pay part of the first \$1,500 of their annual health costs — the first deductible the system has ever charged. But veterans' supporters on Capitol Hill have effectively killed that proposal, although Mr. Principi said that without it, there would be a \$1.1 billion gap next year in the department's \$25.5 billion medical budget.

The V.A. raised Category 7 veterans' drug co-payments last year, to \$7 a prescription from \$2, but even the new charge is well below co-payments of as much as \$50 that some private health plans require for some drugs.

The strain on the V.A. system coincides with pressure on Congress to adopt a drug benefit for all Medicare beneficiaries, but the potential cost — as much as \$800 billion over 10 years, by some estimates — has been an enormous hurdle to enactment.

Gail Wilensky, who heads a presidential task force on veterans' health care, said a new Medicare drug benefit was "at least a couple of years off." But Dr. Wilensky, a Medicare administrator in the first Bush administration, suggested that such a benefit might be enacted after the presidential election of 2004 or 2008, when a political consensus has been forged.

"We don't have too long," she said. "It will come."