

GAO

Report to the Chief Medical Director,
Veterans Administration

March 1986

VA HEALTH CARE

Opportunities Still Exist for Reducing Fee-Basis Pharmacy Costs



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**Human Resources Division
B-207980**

March 6, 1986

Dr. John W. Ditzler
Chief Medical Director
Veterans Administration

Dear Dr. Ditzler:

In 1983 we reported that the Veterans Administration (VA) needed to reduce the number and cost of prescriptions filled by private pharmacies on a VA-reimbursable, fee-for-service basis¹ (Opportunities to Reduce Fee-Basis Pharmacy Costs, GAO/HRD-83-83, Sept. 27, 1983). We recommended that VA (1) strengthen efforts to identify prescriptions that were filled by private pharmacies that should have been filled by less costly VA pharmacies and (2) deny payment if veterans, after being asked to use a VA pharmacy for nonemergency prescriptions, continue to have such prescriptions filled by private pharmacies.

VA has reported progress in controlling the cost of the fee-basis prescription program since 1983. VA figures show that the percentage of fee-basis prescriptions filled in private pharmacies dropped from 12.0 percent in fiscal year 1983 to 8.6 percent in fiscal year 1985 (through June 30), a decrease of about 28.3 percent. However, in a recent review of VA's pharmacy activity reports for 78 clinics² responsible for administering the fee-basis program in the continental United States, we found that private pharmacies are still filling more than 5 percent of the fee-basis prescriptions at 21 of those clinics, as shown in appendix I. In a 1981 review at 11 clinics, VA's Office of Inspector General had a pharmacist review a statistical sample of prescriptions filled by fee-basis pharmacies during fiscal year 1980 to determine whether the prescription was for a nonemergency. Based on this review, the Inspector General determined that only about 5 percent of the fee-basis prescriptions needed to be filled by private pharmacies.

¹A veteran with a service-connected disability may obtain care from a private physician on a VA-reimbursable, fee-for-service basis if the veteran does not live near a VA facility or is unable to obtain the required care or service from the VA facility. According to the VA manual, prescriptions written by private (fee-basis) physicians are, to the extent practicable, to be filled by VA pharmacies. The manual authorizes veterans to have prescriptions written by fee-basis physicians filled by private (fee-basis) pharmacies at VA's expense when it is not practicable to use a VA pharmacy (for example, in the case of a medical emergency).

²The fee-basis pharmacy program is administered by 80 VA medical centers designated as "clinics of jurisdiction." Each clinic of jurisdiction is responsible for authorizing fee-basis care and reviewing and processing claims for services, including prescriptions, provided to those veterans.

In addition, at 12 of the 21 clinics, private pharmacies were filling a higher percentage of fee-basis prescriptions in fiscal year 1985 than they did in fiscal year 1983. In all, the 21 clinics would have avoided expenditures of about \$625,000 during the first three quarters of fiscal year 1985 if private pharmacies had filled only 5 percent of the clinics' total fee-basis prescriptions. We believe this dollar amount is significant enough to warrant increased VA attention.

In discussing cost containment procedures for prescriptions filled at private pharmacies with officials at two VA clinics, we found significant differences in how they approach the task. VA's manual requires that clinics deny payment if private pharmacies fill nonemergency prescriptions for disabilities that VA has approved for treatment. VA also requires that clinics deny payment if private pharmacies fill prescriptions for disabilities that are not approved for treatment. Clinics differ, however, in how they interpret these requirements.

1. The Seattle clinic implemented an aggressive campaign before 1983 to implement VA's policy of having all nonemergency prescriptions filled at the VA pharmacy. By notifying veterans, private pharmacists, and physicians that only emergency prescriptions would be paid for and denying payment for nonemergency prescriptions, the clinic has reduced reimbursements to private pharmacies for fee-basis prescriptions from \$204,000 in fiscal year 1977 to about \$24,000 in fiscal year 1985. Of Seattle's 111,826 fee-basis prescriptions filled during fiscal year 1985, less than 3 percent were filled by private pharmacies.

2. In contrast, the Allen Park, Michigan, clinic has taken the position, contrary to VA's policy, that reimbursements for fee-basis prescriptions will not be denied, either for nonemergency, recurring types of prescriptions or for prescriptions for veterans without service-connected disabilities. Of Allen Park's 69,192 fee-basis prescriptions filled during the first 9 months of fiscal year 1985, 18,003 (or 26 percent) were filled by private pharmacies.

Officials of the Pharmacy Service in VA's central office receive a quarterly pharmacy activity report that summarizes each clinic's workload, including the number and percentage of fee-basis prescriptions filled in-house. The Deputy Director said the Pharmacy Service lacks the staff to monitor the reports for each clinic. Instead, he said they monitor the overall average percentage of fee-basis prescriptions filled by all of the VA pharmacies and noted that the overall average has been improving.

Officials of the Medical Administration Service (MAS) in the central office stated that they are responsible for monitoring the clinics' administration of the requirements for filling nonemergency, fee-basis prescriptions in VA pharmacies. However, they pointed out that the Pharmacy Service is responsible for monitoring the reports of the percentages of prescriptions filled by private and VA pharmacies.

Monitoring the overall VA average may be useful but does not identify those clinics of jurisdiction where private pharmacies are filling more than 5 percent of the fee-basis prescriptions. We believe that the potential for dollar savings is significant enough to warrant scanning the quarterly pharmacy activity reports to identify and contact those clinics and determine whether they are complying with VA's policy.

We have discussed our findings and conclusions with officials of the Medical Administration and Pharmacy Services in the central office. Pharmacy officials did not believe that at least 95 percent of all fee-basis prescriptions could be filled by VA pharmacies. Both MAS and Pharmacy officials were concerned that pharmacies would not be able to fill more prescriptions without additional staffing.

The Inspector General developed the 95-percent figure during a 1981 review. VA has never accepted that level or any other as a policy or goal. VA's manual, however, requires, to the extent practicable, that fee-basis prescriptions be filled by VA pharmacies. The Deputy Director of the Pharmacy Service told us it was VA's policy to fill fee-basis prescriptions in VA pharmacies unless it was an emergency. We believe that (1) the 95-percent level is reasonable because most clinics are exceeding it and (2) management should have some benchmark or goal against which to judge clinics' performance.

Regarding the issue of whether pharmacies would have enough staff to handle the additional workloads, we pointed out in our 1983 report that eligible veterans with no service-connected disabilities are entitled to prescriptions from VA pharmacies only to the extent that staff and facilities are available after services have been provided to veterans with service-connected disabilities. In other words, VA pharmacies should give priority to filling prescriptions for veterans with service-connected disabilities. If this creates workload problems for a pharmacy, we believe it should reduce the volume of prescriptions it fills for veterans without service-connected disabilities accordingly.

Therefore, we recommend that you

- establish as a formal goal that clinics of jurisdiction will fill at least 95 percent of fee-basis prescriptions in VA pharmacies;
- require VA central office officials to routinely monitor reports to determine clinics' performance compared to the 95-percent goal; and
- discuss with officials of clinics not meeting the goal the extent to which nonemergency prescriptions are being filled by private pharmacies and, if appropriate, the types of actions necessary to reduce this number.

We are sending copies of this report to the chiefs of the Medical Administration and Pharmacy Services. We would appreciate your comments on the report's contents and recommendations.

Sincerely yours,

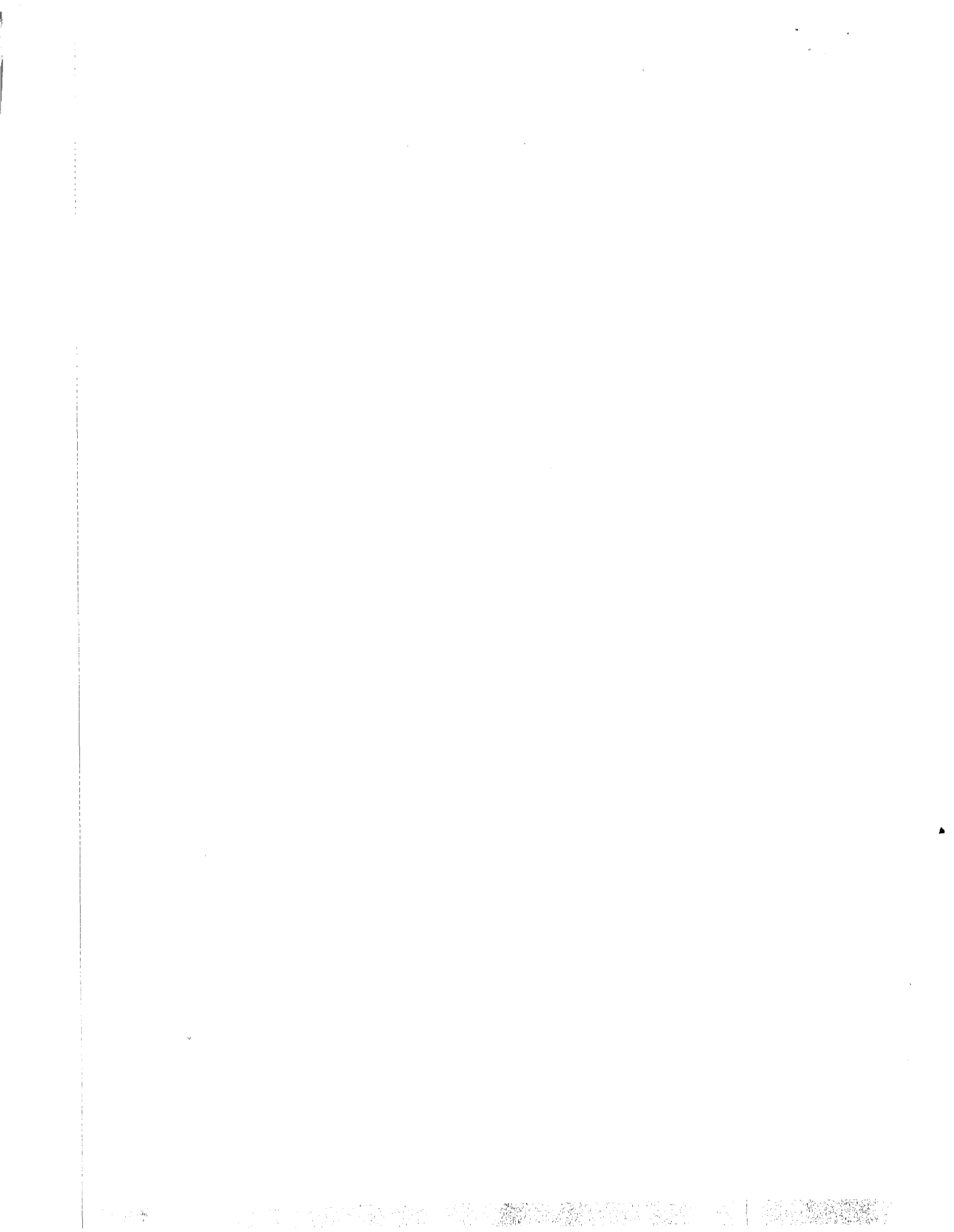
David P. Baine

David P. Baine
Associate Director

Clinics Filling More Than 5 Percent of Fee-Basis Prescriptions at Private Pharmacies (Fiscal Year 1985 Through June 30)

Clinic of jurisdiction	Filled by VA		Filled by private pharmacies		Decrease in cost if 95% filled by VA pharmacy
	Number	Percent	Number	Percent	
Reno, NV	1,569	67.8	744	32.2	\$ 3,102
Allen Park, MI	51,189	74.0	18,003	26.0	185,132
San Juan, PR	150,890	78.8	40,624	21.2	180,389
Little Rock, AR	100,231	85.0	17,711	15.0	68,639
San Antonio, TX	31,380	86.0	5,113	14.0	4,702
Sipux Falls, SD	29,059	87.3	4,234	12.7	17,855
Minneapolis, MN	90,416	88.1	12,271	11.9	55,526
Columbus, OH	30,301	88.1	4,100	11.9	15,660
Martinsburg, WV	4,538	89.4	540	10.6	2,691
Des Moines, IA	35,630	90.3	3,836	9.7	17,903
Providence, RI	25,286	90.7	2,591	9.3	16,195
Boise, ID	20,892	90.8	2,129	9.2	5,506
Iron Mountain, MI	9,389	91.9	828	8.1	3,750
Houston, TX	13,274	92.0	1,152	8.0	5,762
Portland, OR	44,232	92.7	3,494	7.3	7,091
Wood, WI	65,275	93.3	4,714	6.7	12,150
Columbia, SC	47,360	93.5	3,307	6.5	6,277
Fargo, ND	38,197	93.5	2,646	6.5	4,530
Nashville, TN	74,983	93.9	4,906	6.1	5,782
Atlanta, GA	144,996	94.5	8,440	5.5	6,812
White River Junction, VT	7,276	94.8	401	5.2	125
Total					\$625,579

Note: This information came from VA's pharmacy activity report (RCS10-0013). We did not verify the accuracy or completeness of the computerized pharmacy data beyond verifying with officials at three clinics that the fee-basis prescription workload data were accurate as reported.



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