

**Statement of
The Honorable Anthony J. Principi
Secretary of Veterans Affairs
Before The
Subcommittee on Health
of the
Committee on Veterans' Affairs
U.S. House of Representatives**

March 19, 2003

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to discuss whether VA should provide veterans with pharmaceuticals prescribed by physicians or other health-care professionals who have no affiliation with VA. The subcommittee is considering four different bills concerned with this issue. I would like to generally provide the Department's views on the subject and the specific bills under consideration, and answer any questions you may have.

Mr. Chairman, VA has in recent years faced an extraordinary demand for services. Many veterans enrolling in the VA system are seeking only pharmacy benefits. This has put unprecedented demand on VA for prescription drugs since open enrollment became effective in 1998. The growth in VA enrollment is due, at least in part, to the lack of a meaningful drug benefit for many seniors. I expect this demand to continue unless action is taken to address this federal health care issue. As more and more veterans have enrolled in the VA system seeking affordable prescription drugs, VA has been unable to provide all enrolled

veterans with services in a timely manner, and we have been forced to place many veterans on waiting lists for primary care. This difficult situation has generated great interest in having VA begin to fill prescriptions from outside providers.

Let me begin by saying that I plan to work closely with this committee as well as the Senate to find a solution to the vexing problem of waiting lists. A limited program under which we would fill prescriptions written for veterans by non-VA physicians may be part of that solution. We are particularly interested in exploring an effort that might allow us to fill prescriptions of enrollees who are unable to obtain timely services from VA until such time that we are able to eliminate waiting lists and fully serve all veterans who seek care. In addition to meeting an urgent need, such a program would provide us with valuable data upon which to make policy decisions in this area.

We have also had an opportunity to review the five bills currently being considered by the subcommittee. I want to explain why we are unable to support those specific bills, particularly those that would provide the Department with broad-based authority to routinely fill prescriptions written by non-VA physicians. I will first briefly describe each bill.

Discussion Draft

Mr. Evans, the Ranking Minority Member on the full committee, has prepared a detailed draft bill to authorize VA to furnish drugs and medicines ordered by non-

VA physicians and other care providers to veterans with service-connected disabilities rated at least 50 percent (enrollment priority category 1 veterans) and to other veterans eligible for Medicare benefits. Medicare-eligible veterans would have to choose the new drug benefit in lieu of all regular VA health-care benefits available to enrollees today, and do so during an annual open season. Veterans in enrollment priority category 1 would receive the benefit in addition to the benefits of regular enrollment. VA would have broad authority to establish copayments and annual premiums, and all amounts collected from the Medicare eligible veterans would be deposited in the Medicare Trust Fund. In turn, HHS would have to transfer from the Medicare Trust Fund, to VA, sufficient funds to cover VA costs. Finally, the bill would permit VA, during the first five years, to limit participation in the program for administrative or fiscal reasons. However, by the end of five years, VA must provide the benefit to all those who seek benefits during the first year.

H. R. 709

H. R. 709 would direct the Secretary to furnish any veteran with drugs and medicines prescribed by any licensed physician if needed for the treatment of an illness or injury of the veteran. The provision of such pharmaceuticals would be subject to the same copayment requirements applicable to drugs and medicines furnished to veterans when prescribed by a VA physician. (The copayment is currently \$7 for each 30-day supply of medication.) The bill would require the Secretary to furnish the pharmaceuticals without regard to whether the veteran was enrolled in the VA health care system.

H. R. 372

H. R. 372 would do virtually the same thing as H. R. 709, the first bill I described, but on a very limited pilot basis. Thus, it would direct the Secretary to furnish veterans with drugs and medicines prescribed by any licensed physician if needed for the treatment of an illness or injury of the veteran, subject to the same copayment requirements applicable to drugs and medicines furnished to veterans when prescribed by a VA physician. However, VA would have to exercise the authority on a pilot basis in VISN I in New England. The pilot would last for two years, and the stated purpose for it would be to assess the advantages and disadvantages of having VA furnish these drugs and medications. The bill would require that VA report to Congress regarding the pilot.

H. R. 240

H. R. 240 would direct the Secretary to furnish any veteran with drugs and medicines prescribed by any licensed physician, or other health-care professional not affiliated with VA, subject to two conditions. First, as with the first two bills, the provision of pharmaceuticals would be subject to the same copayment requirements applicable to drugs and medicines furnished to veterans when prescribed by a VA physician or health-care professional. Second, the veteran would have to initially make an appointment with a licensed VA physician or other VA health-care professional for the sole purpose of obtaining the prescription and having it filled by VA. VA would have a 30-day

period to provide such an appointment and to fill the desired prescription. VA would be required to fill the prescription written by the non-VA health-care professional only if it was unable to furnish the drugs or medicines, through a VA prescription, within 30 days. As we interpret the bill, only veterans enrolled in the VA health care system could have prescriptions filled under this authority.

Mr. Chairman, I said earlier that the Department does not support broad-based legislation like the first three bills I described. As you know, the Department now provides enrolled veterans with a complete spectrum of health-care services on both an inpatient and outpatient basis. With very limited exceptions, we furnish drugs and medications to those veterans only in the course of providing them with medical care. Our prescription benefit is only one component of the continuum of care that we furnish veterans. It is not an “add-on” or “carved-out” benefit.

To provide veterans with a so-called “add-on” pharmacy benefit would constitute an expanded service that, without additional new funding, would tend to erode the comprehensive medical care benefits that veteran users of the VA health care system now enjoy. VA estimates that on average, it cost VA \$664 per veteran in FY2002 for outpatient prescriptions and we expect that amount to increase this fiscal year. Those costs assume that VA would fill prescriptions in accordance with VA’s national formulary. Without that limitation, the cost of filling prescriptions would be significantly higher.

As you also know, we currently fill many prescriptions from veterans through our Consolidated Mail Outpatient Pharmacies (CMOPs). At the present time, our CMOPS are operating at near capacity. A recent study suggested VA would need to expand CMOPs significantly by 2005 just to keep up with workload being generated by prescriptions written by VA providers. VA would need new capital infrastructure, and lead-time, to assume any significantly increased workload from prescriptions written by private physicians. It is also unreasonable to expect that VA could quickly and easily expand capacity in local medical center pharmacies. VA pharmacies are often constrained by space, but more importantly, recruiting and hiring pharmacy personnel is very difficult. The marketplace for pharmacists is currently extremely competitive. In short, we would want to make certain that adding new workload from privately written prescriptions would not simply result in degradation of services currently available to veterans.

Mr. Chairman, with respect to the bills you are considering today, H.R. 709 is the most far-reaching, and would be prohibitively costly. Under that measure, every Medicare-eligible veteran in America would be eligible for pharmacy benefits from VA. For all the reasons discussed above, we must oppose enactment of that bill. H.R. 372 would also provide a virtually unlimited benefit, but in only one geographic area. We think it is very difficult to justify providing benefits to veterans in only one location, even on a pilot basis. That is particularly the case with this bill because the veteran seeking benefits would not be required to

forego other VA healthcare benefits if he or she chooses to take advantage of the new benefit. Thus, we also oppose that measure.

The draft bill prepared by Mr. Evans would, in short, provide a comprehensive pharmaceutical benefit to all Medicare-eligible veterans in America. As such, it is potentially very expensive. Moreover, this Administration currently has a Medicare modernization framework before the Congress to provide a pharmaceutical benefit to Medicare beneficiaries. The Administration intends to ensure all Medicare beneficiaries have access to drugs through this benefit.

H.R. 240 is a somewhat more limited measure in that veterans could obtain benefits only if they are unable to obtain them from VA within 30 days. In our view, H.R. 240 appears to be aimed at addressing the problem VA has with being unable to provide all enrolled veterans with timely access to a primary care visit during which they could receive appropriate medications. However, we believe the bill would need some revision to actually solve that problem.

Now that we have our appropriation for the current fiscal year, we expect to quickly make significant headway toward reducing the time it takes for enrollees to obtain an appointment with a VA primary care provider. When enrolled veterans are able to receive timely primary care, there is no need for them to seek care, including prescriptions, in the private sector. However, we all know that there will always be situations when care cannot be provided as quickly as we would like. Let me give you just one example. We may have a small community based outpatient clinic staffed by a physician and a nurse practitioner. If one of those providers leaves, it sometimes takes a considerable length of time to recruit and hire a replacement. During that period, it may be very difficult to

provide primary care in as timely a manner as we would like and expect. That is the type of situation in which I would like to have the authority to fill prescriptions written by non-VA providers. I want to be able to provide enrolled veterans with assurances that they will always be able to receive medications when they need them and to reduce the financial burden of out-of-pocket drug expenses that they will incur while waiting for VA medical care. I look forward to working with you to take care of that kind of problem.

While we will continue to work with the Congress on this issue, I have also directed VA staff to explore and provide me recommendations for administrative approaches to initiate a time-limited program during which we would fill prescriptions written by non-VA providers for enrolled veterans who are now waiting for VA care and who want only prescription drugs. Such an endeavor would allow us to remove these veterans from the roles of those waiting for care and allow VA physicians to concentrate on the patients who need and want comprehensive VA care. It would also provide valuable data on the number of veterans seeking VA care only to obtain pharmaceuticals, and the number desirous of comprehensive services. Any approach we take to address this critical issue, whether through legislation or administrative action, must be a measured approach. I believe a solution must be carefully designed to ensure that no veteran enrolled in the VA system is required to wait an unreasonable length of time for health care. We must also take care to ensure that the actions we take have no unintended consequences that could adversely affect VA's ability to provide timely, quality health care to enrolled veterans.

This concludes my prepared statement. I would be happy to respond to your questions.

