

**STATEMENT OF  
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BEFORE THE  
SUBCOMMITTEE ON HEALTH  
COMMITTEE ON VETERANS AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES**

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Mr. Chairman and Members of the Subcommittee: I am pleased to be here this morning to discuss the Department of Veterans Affairs' (VA's) Transitional Pharmacy Benefit Program (TPB) and the lessons learned from this program.

**Background**

Mr. Chairman, in recent years, VA has faced an extraordinary demand for medical care services. During FY 2002 and 2003, VA's ability to meet the demand for medical care services was challenged, especially in some geographic areas, and patients experienced delays in accessing VA services.

In response to these challenges, VHA has worked diligently and aggressively to reduce the list of patients waiting for their first clinic appointment and has demonstrated meaningful reductions in the wait lists. Many VA facilities extended clinics hours to nights and weekends, scheduled staff to work overtime, and/or hired additional staff to reduce appointment wait lists. I am happy to report that VHA's improvements in managing clinic wait times have been extraordinarily successful.

Nonetheless, as recently as this last summer, some geographic regions of the country continued to have wait lists for primary care and specialty care appointments. VHA was concerned that these eligible patients were shouldering the financial burden for their prescription requirements since VA's policy, in most

cases, did not authorize VHA to fill prescriptions written by private physicians. VHA's longstanding prescription policy had not contemplated the extraordinary demand and resulting access issues that VHA encountered during the periods of 2001-2003.

VHA recognized this problem and implemented a specific program in September 2003 to provide access to VA prescription drugs for veterans experiencing long waits for their initial primary care appointment. The implementation of this time-limited policy assured that these patients would not be financially burdened by the cost of their privately written prescriptions, which resulted from their wait for medical care.

This temporary program, known as the Transitional Pharmacy Benefit (TPB), was made available to veterans who were enrolled in the VA health care system prior to July 25, 2003 and had requested their initial Primary Care appointment prior to July 25, 2003, and had been waiting more than 30 days for the initial Primary Care appointment, as of September 22, 2003.

### **Description of the Transitional Pharmacy Benefit**

The TPB program authorized VHA to fill prescriptions from non-VA (private) physicians until a VA physician could examine the veteran and determine an appropriate course of treatment. The TPB included most, but not all of the drugs listed on the VA National Formulary (VANF). Drugs specifically excluded from the TPB benefit include injectable drugs, drugs that must be administered by a health care professional, most over-the-counter drugs, extemporaneously compounded medications and controlled substances.

Letters of their eligibility for the program notified patients in early September 2003. Eligible veterans who wished to participate in the TPB program were asked to complete the VA TPB Information Sheet and then give that information as well as the Transitional Pharmacy Benefit Drug Formulary brochure to their private physician. The private physician was asked to complete their portion of the VA Information Sheet, provide written prescriptions for the veteran and mail the information to the VA medical care facility listed in the letter.

VA began to process prescriptions under the TPB program on September 22, 2003. All TPB paperwork was processed at local VA medical care facilities. Approximately 75% of all TPB prescriptions have been filled through VA's Consolidated Mail Outpatient Pharmacies (CMOPs) for home delivery to the veteran. The remainder has been filled at the local medical care facility.

Generally, we believe that veterans appreciated the benefit. However, the total number of TPB users grew at a much slower rate and, overall, total participation was lower than was anticipated. VHA believes that there were several reasons for the lower than expected participation in the program, including:

- The patient's apparent lack of awareness of the program (despite VHA's outreach efforts to notify veterans),
- Difficulty in obtaining prescriptions from private physicians,
- The patient's decision to wait to access the new benefit until on-hand drug supplies from private pharmacies were exhausted,
- The prescribing of non-formulary medications by private physicians, which may have discouraged some patients from accessing the benefit,
- Overestimation of veterans' desire/need to receive prescriptions from VA in the absence of comprehensive medical care.

Due to the rapid start up of the program and the lack of existing software support, there were additional challenges in accurately identifying TPB program participants and the associated workload. As data were collected and analyzed, it was discovered that TPB patients were not always initially identified correctly in the prescription record, and some TPB patients were not properly inactivated from the program after the first primary care appointment. It is estimated that these problems may have caused up to a 17% system-wide underestimate in prescription utilization data that was initially collected at the national level. Based on preliminary results, there were 8,298 TPB veterans (20 percent) of the 41,167

enrollees who chose to use the TPB. It is expected that the final analysis and reporting will be available the 3<sup>rd</sup> quarter of FY 2004.

The types of medications prescribed by the non-VA physicians for patients in the TPB were also tracked. The preliminary results through the first 20 weeks of the program (through February 8, 2004) have proven helpful in evaluating the costs associated with the prescribing patterns of non-VA physicians. Forty two percent of the prescriptions written by non-VA physicians were for non-formulary (non VA National Formulary) medications. In collaboration with the private physician, VHA attempted to convert non-formulary prescriptions to formulary prescriptions. However, conversions were not as successful as compared to conversion attempts with VA physicians. Actual non-TPB Formulary dispensing was shown to average 27% through Week 20 of the program. This compares very unfavorably with the less than 3% overall non-formulary dispensing rate within VA.

Because the TPB non-formulary prescriptions necessitated that VA pharmacists contact the private physician to suggest TPB formulary alternatives, there was a significant increase in the labor and time required to process these prescriptions. This was reflected in the overall costs to the TPB program. The additional labor associated with the TPB program through the first 20 weeks has been calculated to cost \$915,126. TPB drug costs totaled \$3,268,041 as of the end of January 2004.

### **VHA Prescription-Only Benefit Survey**

Due to Congressional and veteran interest in a VA prescription-only benefit, Secretary Principi requested that VHA conduct a survey to explore veterans' attitudes toward a potential prescription-only benefit. In addition, the survey was to provide data to support the development of sound actuarial projections for enrollment, utilization, and expenditures for a prescription-only benefit.

VHA surveyed 1,800 veterans (600 each enrollee users, enrollee non-users, and non-enrolled veterans) by phone in January and February of this year.

Veterans were asked whether they would choose to enroll in a prescription-only benefit if one was offered and queried to explore the impact of different co-payment levels of their choice. We also collected data to enable us to identify those characteristics of veterans that influenced their choice, such as the number of chronic medications taken regularly, out-of-pocket prescription drug expenses, prescription drug coverage, health status, age, and income. A copy of the survey questionnaire is included for the record.

Some preliminary results of the initial analysis of the survey data are presented below. Please be advised that additional, more in-depth analysis is needed to fully understand and quantify the implications of the survey data with regard to potential enrollment and costs for a prescription-only benefit.

- 89% of enrollees would choose comprehensive VA health care over a prescription-only benefit.
- More non-enrolled veterans would choose comprehensive VA health care (42%) than would choose the prescription-only benefit (19%).
  - 29% of non-enrolled veterans say they are likely to enroll in VA health care but not the prescription-only benefit.
  - 13% express interest in both VA health care and the prescription-only benefit, and 7% express interest in the prescription-only benefit but not VA health care.
- Interest in the prescription-only benefit drops when specific co-payments are mentioned. When offered at a co-payment of \$10 or less, only 6% (226,000) of enrollee users, 14% (342,000) of enrollee non-users, and 15% (2.6 million) of non-enrolled veterans are likely to enroll.
- The prescription-only benefit would primarily serve a new group of veterans since 91% of veterans who say they would choose the prescription-only benefit are not currently enrolled or are enrollee non-users.
- Enrollee interest in the prescription-only benefit, as indicated in this survey, is similar to enrollees' responses when asked *how do you intend to use VA in the future* in the FY 2003 VHA Enrollee Survey.

- 70% of enrollees said they intended to use VA as a primary source of care or backup to non-VA care.
  - 16% of enrollees said they intended to use VA for prescriptions only.
- Prescription drug coverage and high out-of-pocket costs are key factors determining interest in the prescription-only benefit.

Furthermore, based on our experience with the TPB, per-enrollee drug costs and administrative costs could be expected to be high due to adverse selection and the higher drug utilization and significant number of off-formulary scripts expected when VA fills prescriptions written by private providers.

VHA staff, with assistance from the private-sector actuary who develops the enrollment and expenditure projections for VA health care, is currently analyzing the results of the survey. We are reviewing the survey data, along with data from the FY 2003 VHA Enrollee Survey and enrollees' actual VA health care utilization data, in order to fully understand its implications for enrollment and expenditure projections for a prescription-only benefit. When this analysis is completed, VHA will brief the Secretary on the results of the survey and publish a final survey report.

## **Conclusions**

The Transitional Pharmacy Benefit program met the original goals of the program by reducing the financial burden of prescription medications for patients waiting longer than 30 days for an initial primary care appointment. The temporary TPB program also provided valuable information about the increased labor requirements and non-formulary drug costs associated with filling prescriptions from non-VA physicians, the information technology infrastructure necessary to effectively administer such a program, and insight into how the overall program design can impact its costs.

Mr. Chairman, in closing, I believe VA is one of the leading health care providers in the United States in integrating the provision of pharmaceuticals in its comprehensive patient treatment programs.

From a financial and clinical perspective, the important lessons learned from VA's experiences with the comprehensive care model are that clinically appropriate and cost-effective drug therapy can best be achieved when providers who treat patients are actively involved in formulary decisions, when best clinical practices are employed; and when clinical pharmacists are fully integrated into the medication use process.

This completes my statement. I will be happy to respond to questions from the committee.