

**BRIEF ANALYSIS**

No. 140

*For immediate release:**Tuesday, November 15, 1994*

## In Harm's Way: The VA Health Care System

The Veterans Administration runs the largest and least efficient hospital system in the country. In 1992 it spent \$15 billion to sustain 171 hospitals with 80,000 beds, 362 outpatient and community clinics, 128 nursing homes and 35 domiciliary facilities. And the VA plans to open several more hospitals in the near future.

**Why Do We Have a VA System?** The American government has a long tradition of providing health care services to veterans. The tradition was formalized in 1922 when the U.S. Veterans Bureau took over veterans' health services — not an unreasonable option at the time perhaps, since no private health insurance was available for another decade.

But what was meant to be a sign of appreciation has turned into a bloated and inefficient bureaucracy that may compromise the health care some veterans receive. As a result, many veterans avoid the VA system entirely.

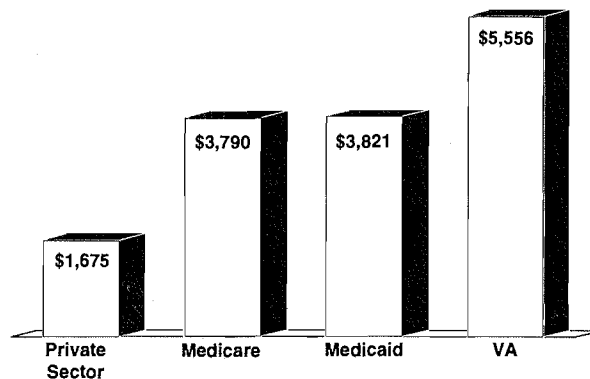
- Even though the care is free, about 90 percent of the 27 million veterans who could use the VA system choose not to, relying instead on private health insurance and other ways of accessing health care.
- Moreover, of those who receive VA health care, less than half (45 percent) have service-related medical conditions.

For the most part, the only veterans who haven't opted out of the system are those who cannot. In most cases they are either too sick or too poor. When care is virtually free to the patient, even inefficient services and waiting lines are better than nothing.

**How Much Does VA Health Care Cost?** With 2.7 million patients, the VA is the most costly health care system we have. [See the figure.] In 1992:

- The VA spent about \$5,556 per person on health care.

**Per Capita Spending on Health Care  
(1992)**



Source: Health Insurance Association of America, *Source Book of Health Insurance Data, 1993* (Washington, DC: Health Insurance Association of America, 1994); and Committee on Ways and Means, U.S. House of Representatives, *Overview of Entitlement Programs, 1994 Green Book* (Washington, DC: U.S. Government Printing Office, 1994).

- The private sector spent only \$1,675 per person.
- Medicare averaged \$3,790 per person (Parts A and B).
- Medicaid averaged \$3,821 per person.

Such disproportionate spending might not be so bad if most veterans needed extensive care or if all were receiving the best care available. But are they getting our money's worth? By all accounts, the answer is no!

### Do Our Veterans Receive Quality Care?

In 1993, the General Accounting Office did a survey of VA outpatient care. The survey pointed out that:

- Over half of veterans with nonurgent conditions may wait up to three hours or even longer to see a physician.
- One out of nine veterans with "urgent" medical or psychiatric needs waits as long as three hours to see a doctor.
- Veterans generally wait eight to nine weeks for appointments to specialty clinics.

Furthermore, from 1983 to 1992 medical malpractice claims against VA personnel reached nearly \$255 million in damages — all of which our taxes paid.

**Why Does This System Continue?** Pork. The VA has 268,000 employees, including 400 lawyers who spend much of their time deciding who is and is not eligible. Getting the VA to build a hospital in one's district is a sure vote-getter for a member of Congress. VA hospitals are about money and jobs — not quality health care. Of course, many VA health care providers are highly trained and dedicated professionals. Despite such providers' best efforts, however, the VA bureaucracy often impedes patient care.

**Solutions Before Congress.** While many in Congress work to expand the VA, most recognize that the system is in trouble. For example, the Clinton administration proposed to upgrade the VA system by infusing \$3.5 billion over three years in an effort to attract more patients. Yet huge, self-protective bureaucracies simply cannot compete against private systems that stress efficiency.

In another attempt at reform, Congressman Roy Rowland (D-GA), one of only two physicians in Congress, introduced the Veterans Health Care Pilot Program Act of 1994, which would bring veterans under the wing of state reform plans. Thus, if a state decided to enroll its poor in managed care networks, veterans also might enroll.

**The Best Solution.** What we need is not more VA hospitals, we need a GI Health Care Bill as a provider of last resort for veterans.

When Congress created the GI Bill, it permitted veterans to choose the type of college or vocational school they wanted to attend. Our colleges are better for the competition the GI Bill created, and our veterans received a quality education, exercising the same choices available to other citizens.

A GI Health Care Bill would provide eligible veterans with a voucher they could use to purchase a tradi-

tional health insurance policy, a high-deductible policy plus a Medical Savings Account (MSA) or a health maintenance organization (HMO) membership. Such a bill would give veterans the same options as the privately insured.

Veterans who choose the high-deductible option should have the opportunity to put the premium savings in a personal tax-free Medical Savings Account, sometimes called a Medisave Account or Medical IRA. Individuals or employers could make tax-free deposits to the Medical Savings Account, but it would be the property of the veteran. The veteran could use it to pay medical claims or purchase health insurance or long-term care insurance. Funds not used during the working years could pay for health care after retirement, roll over into a pension plan or become part of the veteran's estate at death.

If all veterans had access to private health insurance, there would be no need for the VA hospitals, clinics, nursing homes and other capital equipment. According to the VA, its capital equipment is worth more than \$4.6 billion. Selling it, perhaps to private hospital systems, could generate significant income for the U.S. government. This money could be invested in treasury notes and the interest applied to the cost of the GI Health Care Bill. A portion could also be used for benefits for the survivors of those who gave their lives for the country.

With these options, veterans would have the same choices as everyone else. Our politicians would have one less pork barrel to empty. And our veterans would not face waiting lines or substandard health care. Having served our country so well, they deserve better.

*Recommended reading: General Accounting Office, "VA Health Care — Restructuring Ambulatory Care System Would Improve Services to Veterans," GAO/HRD-94-4, October 1993; and Robert E. Bauman, "70 Years of Federal Government Health Care: A Timely Look at the U.S. Department of Veterans Affairs," Cato Institute, Policy Analysis No. 207, April 27, 1994.*