



Highlights of [GAO-03-161](#), report to the Chairman, Committee on Veterans' Affairs, House of Representatives.

VA HEALTH CARE

Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures

Why GAO Did This Study

The Department of Veterans Affairs (VA) spent about \$3.0 billion on its outpatient pharmacy benefit in fiscal year 2001. After VA implemented the Veterans' Health Care Eligibility Reform Act in 1999, more veterans could use VA outpatient care, including the pharmacy benefit, than before. Increased eligibility contributed to a doubling of the number of Priority 7 veterans using VA health care. Priority 7 veterans are primarily veterans with higher incomes and no service-connected disability.

GAO was asked to report on Priority 7 veterans' use of the outpatient pharmacy benefit and VA's expenditures to provide this benefit. To do this, GAO reviewed VA pharmacy data on use and costs from fiscal years 1999 through 2001.

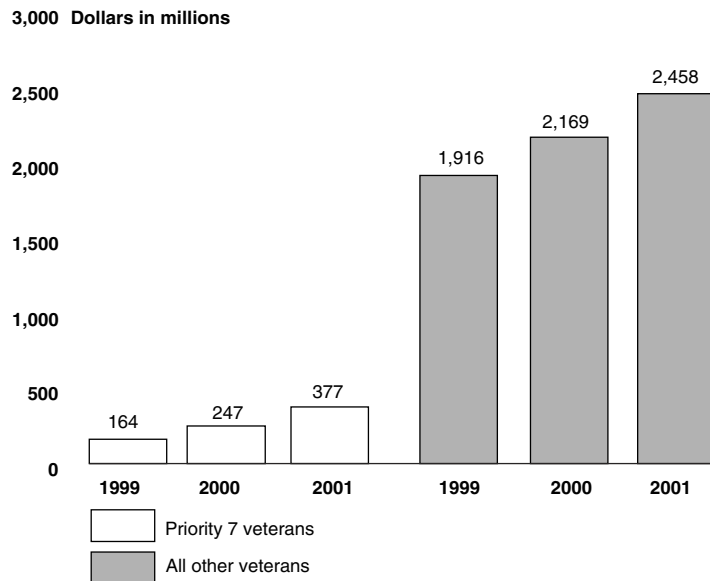
What GAO Found

VA spent \$418 million on the outpatient pharmacy benefit for Priority 7 veterans in fiscal year 2001. VA pharmacy expenditures for Priority 7 veterans in this year were offset by copayments for drugs. In fiscal year 2001, VA collected approximately \$41 million in drug copayments from Priority 7 veterans by charging \$2 for a 30-day or less supply. This reduced VA's net expenditures to \$377 million.

After VA implemented eligibility reform in 1999, Priority 7 veterans' use of the pharmacy benefit increased rapidly from about 11 million 30-day equivalents of drugs or supplies in fiscal year 1999 to about 26 million 30-day equivalents in fiscal year 2001. This resulted in more than a doubling of VA's net pharmacy expenditures for these veterans. Yet, net pharmacy expenditures for Priority 7 veterans remain a relatively small share of VA's total net spending for outpatient drugs and supplies. Most of VA's increased pharmacy spending during this period was for all other veterans—those with service-connected disabilities, low incomes, or certain other recognized statuses such as former prisoners of war. In fiscal year 2001, 87 percent of VA's net pharmacy expenditures were for these veterans.

VA agreed with GAO's findings regarding outpatient pharmacy use and expenditures.

Net Expenditures for VA's Outpatient Pharmacy Benefit Less Drug Copayments, Fiscal Years 1999-2001



Source: GAO analysis of VA data.

www.gao.gov/cgi-bin/getrpt?GAO-03-161.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101.