controlling the costs of pharmacy benefits for military retirees

Like the private health care sector, the military health system has experienced rapid growth in pharmaceutical expenditures, partly attributable to the 2001 TRICARE Senior Pharmacy (TSRx) program, which expanded pharmacy coverage for elderly beneficiaries. As part of an effort to redesign the pharmacy benefit to save costs, the Department of Defense asked RAND to examine use of the program and to consider several proposed changes. Analyzing dispensing patterns under TSRx and how they might contribute to the rising costs, the researchers found that although a majority of TSRx prescriptions in FY02 were dispensed from military treatment facility (MTF) pharmacies, drugs dispensed from retail pharmacies, accounted for a majority of costs, which could be reduced if dispensing were shifted to military sources. Factors related to where elderly beneficiaries fill their prescriptions are the distance to the nearest MTF and the availability of certain commonly prescribed drugs at MTFs. The researchers also analyzed the possible effects of increasing copayments for some drugs, theoretically offering providers an incentive to prescribe less-costly options. Analyzing an existing data source, the researchers found that enacting such changes in the private sector slowed the increase in pharmaceutical spending, but they cautioned that careful choices are needed to avoid adversely affecting health.

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analyzing how the va allocates its health care dollars

Since April 1997, the Veterans Equitable Resource Allocation (VERA) System has served as the basis for allocating the congressionally appropriated medical care budget of the Department of Veterans Affairs (VA) to its regional networks. Concerned that the VERA system might not allocate resources in a manner consistent with its mission, Congress requested a study of the system and how allocations are affected by a number of factors. RAND Health researchers found that local health care delivery costs may be affected by the age, physical condition, and historical significance of a region’s capital infrastructure, factors VERA does not currently consider. These factors vary systematically across regions and are largely beyond network directors’ control. However, in spite of these shortcomings, VERA appeared to be designed to meet its objectives more closely than did previous VA budget allocation systems. At the request of the VA, the researchers then pursued a quantitative approach, creating a mathematical tool that VA policymakers can use for making resource allocation decisions. This tool confirmed earlier findings and revealed that VERA might not adequately account for differences in the average health status of veterans across networks. Based on these findings, the VA adopted a more precise approach for including patients’ health status in allocation decisions, thus improving the equity of allocation decisions.

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Restructuring the Military Health System?

The Department of Defense operates one of the largest, most complex, health care organizations in the nation. Through the TRICARE program, the military health system (MHS) provides medical services and support to satisfy two distinct but connected missions: maintaining readiness and providing support to the armed forces during military operations, and caring for active and retired service personnel and their dependents. Like the civilian health care system, TRICARE has recently experienced significant increases in expenditures. In 2001, DoD asked RAND researchers to develop and compare various alternatives to the MHS’s current structure, including unifying—under a Joint Command—the health care resources and management authority currently managed separately by the military services and DoD. Comparing the current structure with those of several private-sector health care organizations, the researchers issued a report that pointed to the critical need for reorganization and proposed four alternative organizational structures. Three of the alternatives would rely on creating a joint command, a move that would require fundamental reorganization of the system, with consequences that are difficult to assess. The fourth alternative, designed to retain much of the current structure while strengthening authority and accountability by strengthening regional management, was similar to a test program in one geographical area at the time of the study. Results of this test should determine whether DoD can successfully modify its current structure or needs to consider a joint command.

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forthcoming report

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