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More or less?: Methods to compare VA and non-VA health care costs.

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Abstract

OBJECTIVE: To examine past comparisons of the costs of the Veterans Health Administration (VA) and of non-VA providers to determine lessons and data requirements for future cost comparisons, particularly those assessing VA efficiency and to determine whether VA should purchase care from non-VA providers. **CONCEPTUAL**

FRAMEWORK: Over the past two decades, researchers have tried to establish how VA costs compare to those of non-VA health care delivery systems. Existing studies of overall acute care costs address one of two distinct questions: How do VA costs compare to costs in private sector hospitals? and Would it cost more to have VA patients treated in nonfederal hospitals? For both questions, the major factors underlying differences in health care costs are variations in outputs, input prices, and levels of efficiency. Health care cost comparisons across systems must also wrestle with accounting differences.

CONCLUSIONS: That review finds no convincing evidence that VA has been significantly more or less efficient than nonfederal hospitals in delivering care. However, VA costs do appear to have been significantly lower than fee-for-service charges that the federal government might have to pay if veterans were treated in private sector hospitals for the same diagnoses. Future comparisons of costs in the era of managed care will require better diagnostic and population data to control for observable and unobservable case-mix differences. They should also include measures of the quality of outcomes. Finally, consistent accounting practices, particularly in the treatment of capital costs, are needed.

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