

# MEDICINES IN VETERANS AFFAIRS



The US Department of Veterans Affairs (VA) offers some health care services and coverage to a special population—veterans with service-related disabilities and, in some cases, their families. The VA offers a narrower drug benefit and serves a smaller population than Medicare and Medicaid. Many veterans use other coverage for their medicines rather than rely exclusively on VA coverage.

# VA Price Controls

To have drugs reimbursed by Medicaid and Medicare Part B and purchased by “Big Four” and 340B entities, a manufacturer is required to offer its “covered drugs” on the VA Federal Supply Schedule (FSS) contract. The prices on the FSS are subject to statutory price controls and sold to the “Big Four” US government agencies: the VA, US Department of Defense, US Public Health Service (including the Indian Health Service, the CDC, and the National Institutes of Health), and US Coast Guard.

Pharmaceutical companies are required to sell medicines at the lower of **two controlled prices**<sup>1</sup>:

## 1 FEDERAL CEILING PRICE (FCP)

FCP is a statutory formula that requires a minimum 24% discount off of the “non-Federal Average Manufacturer Price (non-FAMP). The statutory formula also includes additional discounts, if necessary, to prevent the FCP from rising faster than that rate of inflation.”

## 2 FEDERAL SUPPLY SCHEDULE (FSS) PRICE

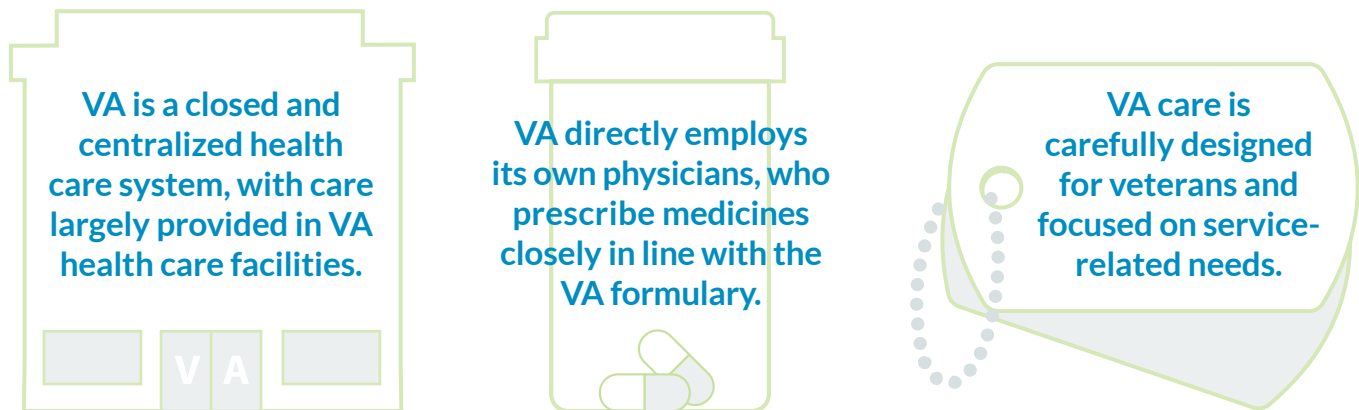
FSS contract pricing includes a price reductions clause designed to provide price protection during the term of the FSS contract. Manufacturers must disclose to the VA the prices they make available to commercial customers and ensure that on a drug-by-drug basis, the FSS price is no greater than the price paid by another “tracking customer” throughout the contract term.

**In the mid-1990s, the VA also instituted a national formulary that included closed and preferred classes of medicines. In some instances, for placement of medicines on the formulary, the VA seeks further discounts from manufacturers below the FCP.**

Source: Veterans Health Care Act of 1992<sup>1</sup>

# VA Is a Centralized Health Care System, With a Specialized Population and Unique Care Distribution System

The VA Health System and Model of Care is not readily transferable to other populations for the following reasons:



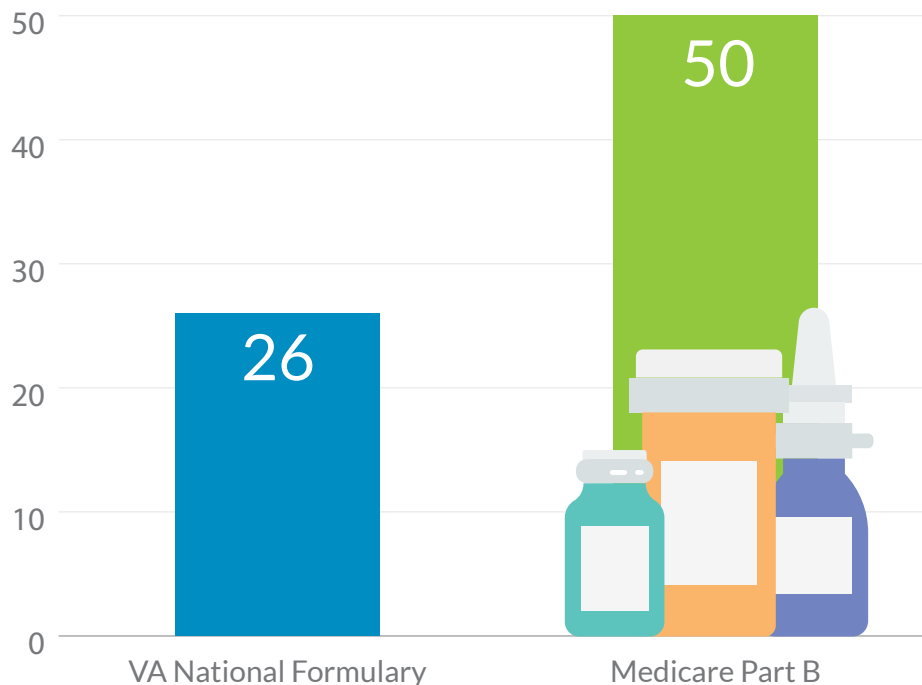
VA has significant control over its prescription drug program—a singular purchaser with a unified national formulary. In general, medications must be prescribed by a VA provider, filled at a VA pharmacy, and listed on the national formulary.”

**US Government Accountability Office (GAO)<sup>2</sup>**

# VA Formulary Covers Only Half of the Top 50 Part B Drugs

In 2019, the VA formulary did not include 24 of the top 50 non-vaccine Medicare Part B medicines.

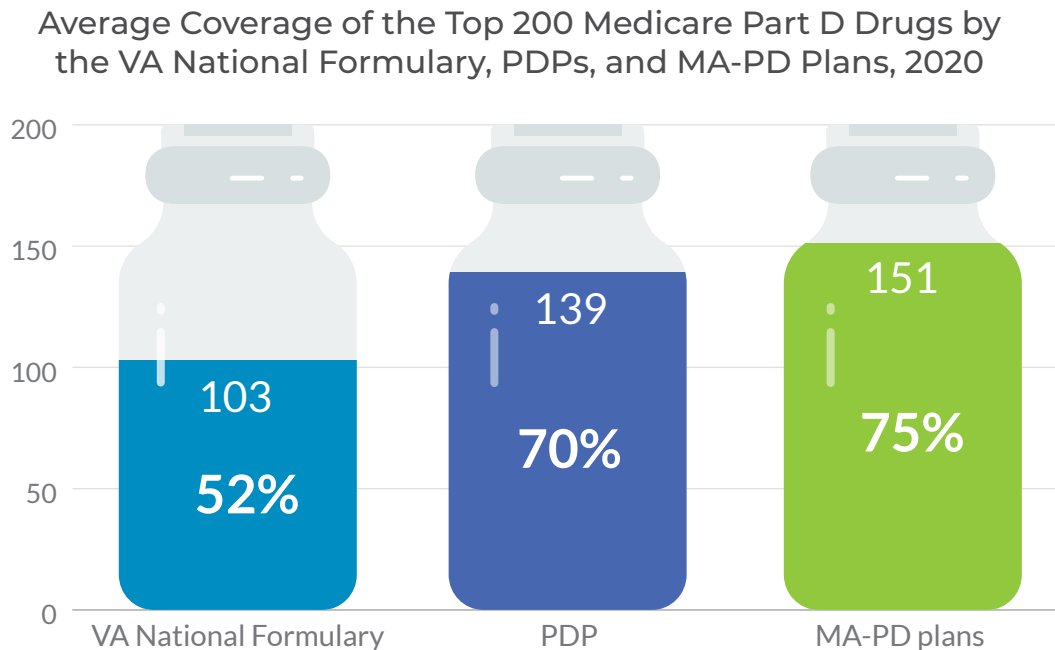
VA Formulary Coverage of the Top 50 Medicare Part B Drugs by Spending, 2019\*



\*2019 VA National Formulary compared to 2017 Medicare Part B data

# VA Formulary Covers Fewer Drugs Than Part D

In 2020, the VA formulary included a lower share of the Part D top 200 brand drugs relative to stand-alone Prescription Drug Plans (PDPs) and Medicare Advantage Prescription Drug (MA-PD) Plans.

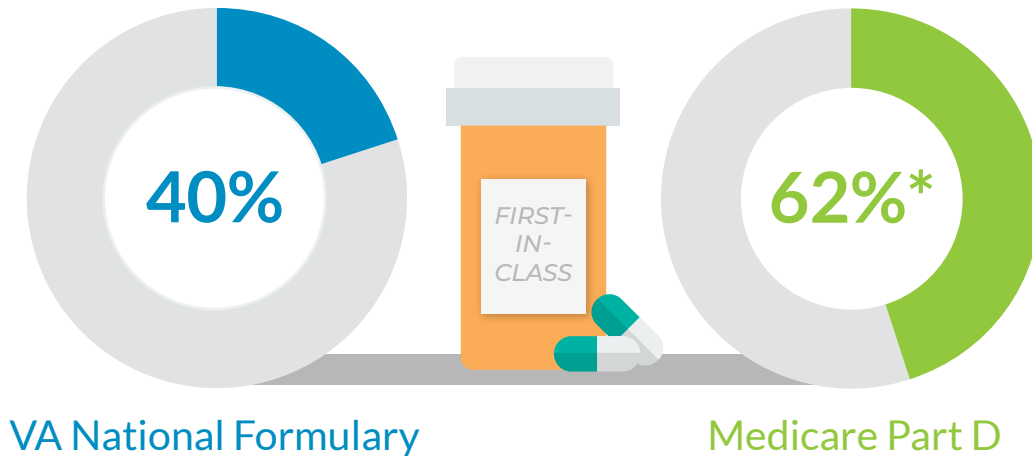


Note: The VA formulary indicates coverage for brand and generic drugs by their generic name only; therefore, it is unknown if multi-source brands are covered when a generic of the same name is listed. Of the 28 multi-source brands found in the top 200 Part D drugs with VA coverage for the generic, this analysis assumed half were covered and the other half were not. PDP and MA-PD Plan drug figures are the average coverage by all Part D plans for all of the selected drugs.

Source: Xcenda AmeriSourceBergen<sup>4</sup>

# VA National Formulary Covers Fewer First-in-Class Drugs Than Medicare Part D

Percentage of FDA First-in-Class Drugs Covered



\*Average coverage by all Part D plans for all of the selected drugs



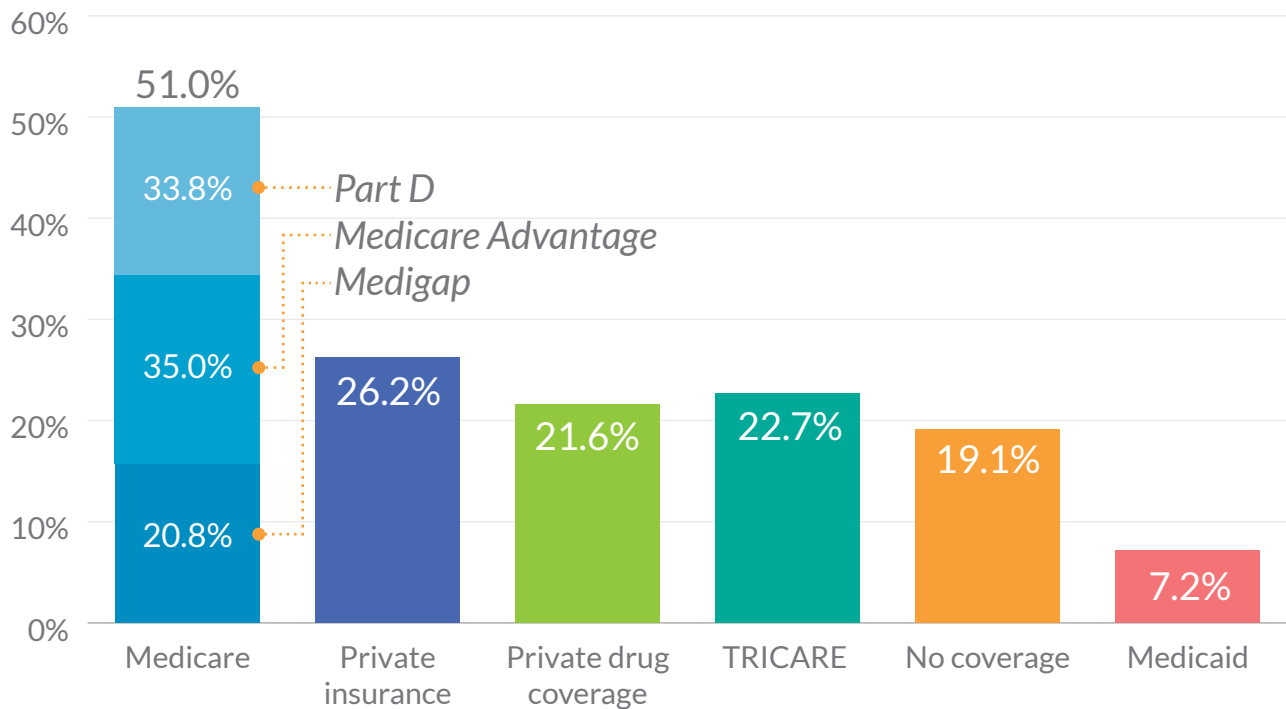
Our analysis reveals a clear contrast between the 2 programs as Part D plans, on average, covered almost 16 (62%) of the selected 25 drugs, while VA national formulary only covers 10 (40%) of the sampled products.”

Xcenda<sup>5</sup>

# The Vast Majority of Veterans Rely on Other Sources of Coverage to Meet Their Health Care Needs

Comparisons of Part D and VA tend to ignore the fact that most VA enrollees choose to supplement their VA benefits with other coverage, including Part D.

In 2020, More Than 80% of VA Enrollees Had Other Sources of Health Coverage

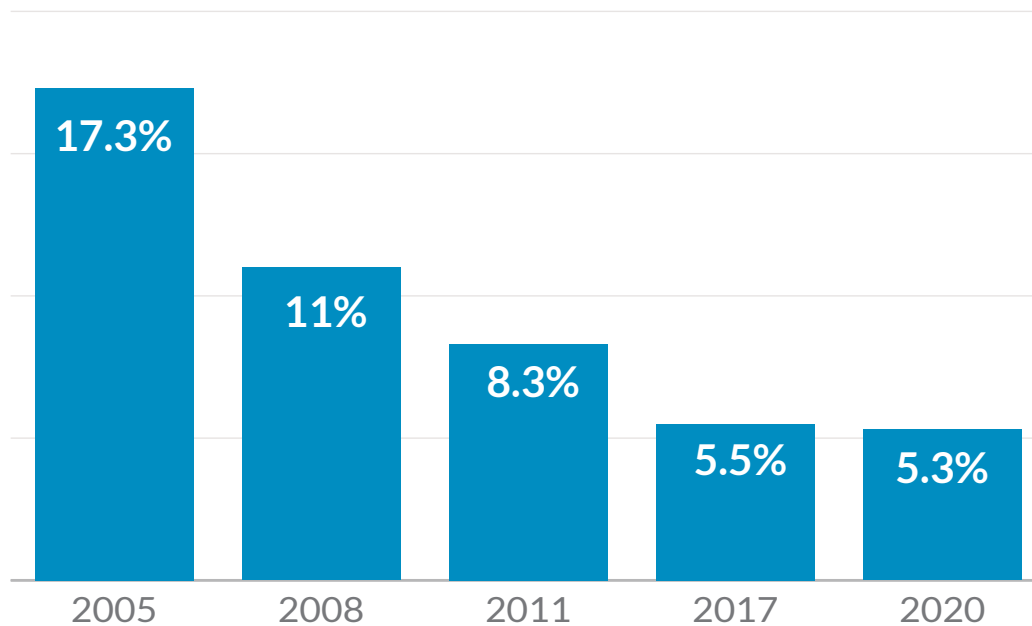


Source: VA<sup>6</sup>

# Veterans Prefer More Drug Coverage Than VA Offers

More than one-third of VA enrollees taking prescription medicines obtained all of their prescription medicines outside of the VA system<sup>7</sup>; the share that plans to rely on the VA for future prescription medicine needs is declining over time.

Enrollees' Planned Future Use of VA System for Prescriptions<sup>8-10</sup>

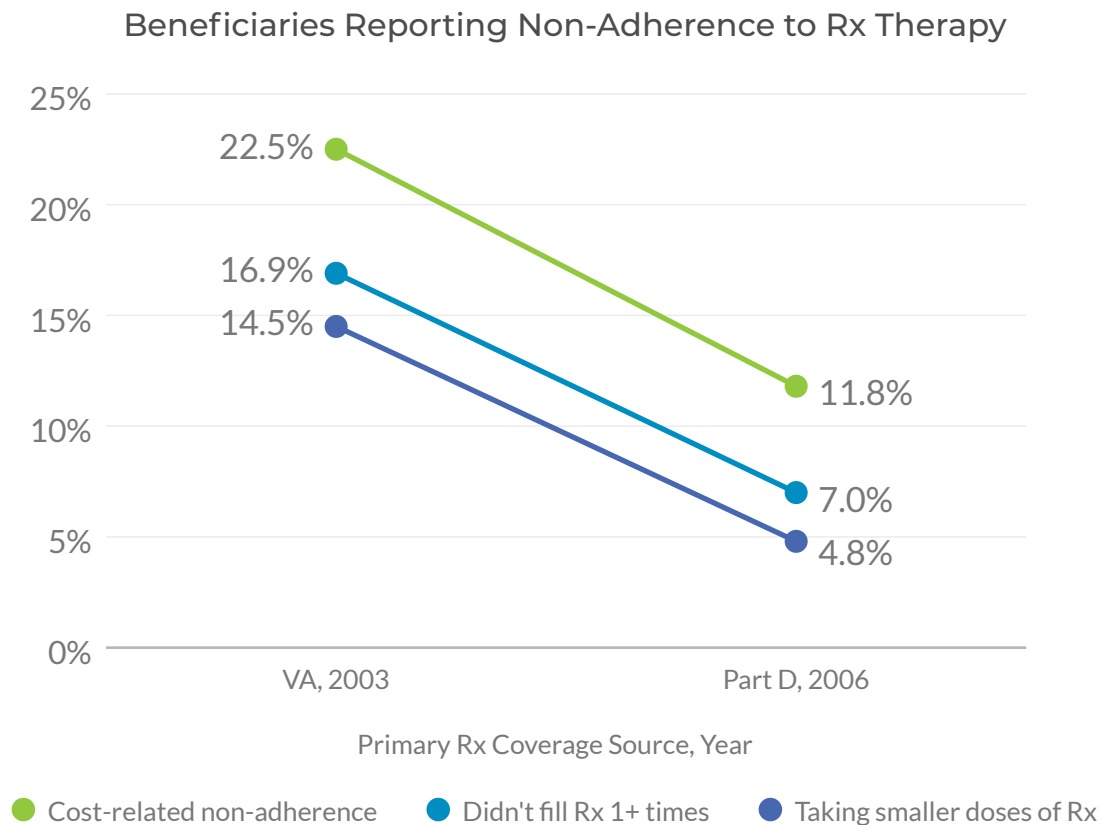


Sources: VA<sup>7-10</sup>



# Historically, Part D Played an Important Role in Improving Care for Veterans

Beneficiaries whose primary drug coverage was through the VA in 2003 and through Part D in 2006 reported lower rates of non-adherence to therapy after enrolling in Part D.



Source: Safran DG et al<sup>11</sup>

# Notes and Sources

- 1 Veterans Health Care Act of 1992, Pub L No. 102-585, 106 Stat 4971, §603(a)(1) (November 1992).
- 2 US Government Accountability Office (GAO). Prescription drugs: Department of Veterans Affairs (VA) paid about half as much as Medicare Part D for selected drugs in 2017. Report to the Ranking Member, Committee on the Budget, US Senate. Published December 2020. Accessed April 2021. <https://www.gao.gov/assets/720/711235.pdf>
- 3 Avalere Health. The VA national formulary for top medical benefit drugs is narrower than current Medicare Part B drug coverage. Published August 2019. Accessed June 2021. <https://avalere.com/insights/the-va-national-formulary-for-top-medical-benefit-drugs-is-narrower-than-current-medicare-part-b-drug-coverage>
- 4 Xcenda AmerisourceBergen. Comparing the generosity of drug coverage in the Medicare Part D and Veterans Affairs programs. July 16, 2020. Accessed February 2021. <https://www.xcenda.com/-/media/assets/xcenda/english/content-assets/white-papers-issue-briefs-studies-pdf/comparing-the-generosity-of-drug-coverage-in-the-medicare-part-d-and-veterans-affairs-programs.pdf>
- 5 Xcenda AmerisourceBergen. Comparing the generosity of drug coverage in the Medicare Part D and Veterans Affairs programs. July 16, 2020. Accessed February 2021. <https://www.xcenda.com/-/media/assets/xcenda/english/content-assets/white-papers-issue-briefs-studies-pdf/comparing-the-generosity-of-drug-coverage-in-the-medicare-part-d-and-veterans-affairs-programs.pdf>
- 6 VA. 2020 survey of veteran enrollees' health and use of health care. 2021: 31-32. [https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020\\_Enrollee\\_Data\\_Findings\\_Report-March\\_2021-FINAL-508\\_Compliant.pdf](https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020_Enrollee_Data_Findings_Report-March_2021-FINAL-508_Compliant.pdf)
- 7 VA. 2020 survey of veteran enrollees' health and use of health care. 2021: 46-47. [https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020\\_Enrollee\\_Data\\_Findings\\_Report-March\\_2021-FINAL-508\\_Compliant.pdf](https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020_Enrollee_Data_Findings_Report-March_2021-FINAL-508_Compliant.pdf)
- 8 VA. 2011 survey of veteran enrollees' health and reliance upon VA. 2012:57.
- 9 VA. 2017 survey of veteran enrollees' health and use of health care. 2018:111. [https://www.va.gov/healthpolicyplanning/soe2017/va\\_enrollees\\_report\\_data\\_findings\\_report2.pdf](https://www.va.gov/healthpolicyplanning/soe2017/va_enrollees_report_data_findings_report2.pdf)
- 10 VA. 2020 survey of veteran enrollees' health and use of health care. 2021: 107. [https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020\\_Enrollee\\_Data\\_Findings\\_Report-March\\_2021-FINAL-508\\_Compliant.pdf](https://www.va.gov/HEALTHPOLICYPLANNING/SOE2020/2020_Enrollee_Data_Findings_Report-March_2021-FINAL-508_Compliant.pdf)
- 11 Safran DG, Strollo MK, Guterman S, Li A, Rogers WH, Neuman P. Prescription coverage, use and spending before and after Part D implementation: a national longitudinal panel study. *J Gen Intern Med.* 2010;25(1):10-17. <https://doi.org/10.1007/s11606-009-1134-2>

