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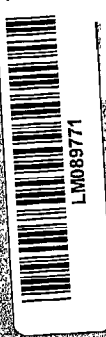
B-11483

**REPORT TO THE SUBCOMMITTEE
ON EXECUTIVE REORGANIZATION
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE**

RELEASE

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**Possible Ways For The Veterans
Administration To Seek
Reimbursement From Insurance
Companies For Hospital Care
Furnished To Privately
Insured Veterans**



B-114859

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

FEB 13 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B- 114859

Dear Mr. Chairman:

In accordance with your request dated July 30, 1969, the General Accounting Office has estimated the number of patients in Veterans Administration (VA) hospitals who have private health insurance and the cost to VA of providing medical care to these patients. Also, we explored ways the VA might possibly obtain reimbursement from private health insurance companies for all or part of the cost of providing care to veterans who have some form of private health insurance coverage.

As shown in the report, we estimate that 21 percent of all veterans receiving care in VA hospitals have some form of private health insurance and that, during fiscal year 1969, VA incurred costs of about \$244 million in providing hospital care to such veterans. We believe that, unless private health insurance companies would voluntarily agree to pay for care furnished to veterans by VA, it would be necessary to enact legislation in order to attempt to obtain reimbursement for the cost of VA care provided to veteran policyholders.

In this regard, there is considerable variation in the benefits provided under private health insurance contracts. In many instances, benefits are not sufficient to cover all costs incurred for hospital and medical services. We are therefore unable to estimate the potential savings to the Government if VA were able to obtain reimbursement from private health insurance companies for care furnished veteran policyholders in VA hospitals.

We have not presented our findings to VA for its review and comments; however, we are notifying VA that this report was sent to you today.

B-114859

We believe that the contents of this report would be of interest to committees and other members of the Congress; however, release of the report will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,

A handwritten signature in cursive script, reading "James B. Stewart". The signature is written in dark ink and is positioned above the typed name and title.

Comptroller General
of the United States

The Honorable Abraham Ribicoff, Chairman
Subcommittee on Executive Reorganization
Committee on Government Operations
United States Senate

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*COMPTROLLER GENERAL'S REPORT TO
THE SUBCOMMITTEE ON EXECUTIVE
REORGANIZATION, COMMITTEE ON
GOVERNMENT OPERATIONS,
UNITED STATES SENATE*

POSSIBLE WAYS FOR THE VETERANS
ADMINISTRATION TO SEEK
REIMBURSEMENT FROM INSURANCE
COMPANIES FOR HOSPITAL CARE
FURNISHED TO PRIVATELY INSURED
VETERANS B-114859

D I G E S T

WHY THE REVIEW WAS MADE

At the request of the Chairman, Subcommittee on Executive Reorganization, Senate Committee on Government Operations, the General Accounting Office (GAO), estimated the number of patients treated by the Veterans Administration (VA) who have private health insurance and the cost of providing medical care to these patients. (See app. I.)

GAO also explored ways that VA might possibly obtain reimbursement from private health insurance companies for all or part of the cost of providing care to veterans who have some form of private health insurance coverage.

The Administrator of Veterans Affairs is authorized by section 610 of title 38, United States Code, to furnish hospital care to veterans discharged or released from active service under conditions other than dishonorable.

Specifically, hospital care may be furnished to

- any veteran with a service-connected disability,
- any veteran discharged or released from active military, naval, or air service for a disability incurred or aggravated in the line of duty, and
- any veteran receiving disability compensation or who would be eligible to receive disability compensation, except for receipt of military retirement pay.

Further, 38 U.S.C. 610 authorizes the Administrator to furnish hospital care, within the limits of VA facilities, to a veteran of any war or of any service after January 31, 1955, for a non-service-connected disability, if he cannot defray the expenses of necessary hospital care.

The Administrator is required, pursuant to 38 U.S.C. 622, to accept such a statement of an applicant under oath as sufficient evidence of inability to defray the expenses of medical care.

FINDINGS AND CONCLUSIONS

GAO estimates that about 165,000 veterans, or about 21 percent of the 772,000 veterans who received care in VA hospitals during fiscal year 1969, had some form of private health insurance. This estimate was based primarily on the results of a survey of veterans' health insurance coverage and preference for hospital care conducted in November 1968 by the Committee on Veterans' Affairs, House of Representatives. (See pp. 6 to 9.)

GAO estimates further that, during fiscal year 1969, VA incurred costs of about \$244 million in providing hospital care to veterans with private health insurance coverage. (See p. 9.)

Many private health insurance contracts specifically exclude payment for services furnished to veterans in VA facilities. (See p. 10.)

In a 1955 court decision, the U.S. District Court held that, since the insurance policy insured against expenses actually incurred and since no medical and hospital expenses were incurred by the insured veteran while being treated in a VA hospital, the insurance company was not liable for payment to VA. (See p. 10.)

Many private health insurance contracts contain clauses relieving the insurance companies from liability where services have been furnished without charge or have been paid for by a Government agency or where the policyholder has no legal obligation to pay. (See p. 10.)

GAO believes that, unless private health insurance companies would voluntarily agree to pay for care furnished by VA, it would be necessary to enact legislation in order to attempt to obtain reimbursement for the cost of VA care provided to veterans who have private health insurance. (See p. 10.)

There is considerable variation in the benefits provided under private health insurance contracts. In many instances, benefits are not sufficient to cover all costs incurred for hospital and medical services. Therefore, GAO states that it was unable to estimate the potential savings to the Government if VA were able to obtain reimbursement from private health insurance companies for care furnished veteran policyholders in VA hospitals. (See p. 9.)

MATTERS FOR CONSIDERATION BY THE SUBCOMMITTEE

The Subcommittee may wish to consider whether any action it contemplates should be applicable to all veterans seeking care in VA facilities or to only those veterans seeking care for non-service-connected disabilities.

Because it appears that the Congress intended that the Government assume full responsibility for providing free care for veterans seeking treatment for service-connected disabilities, the following courses of action are directed toward veterans seeking care for non-service-connected disabilities. However, the Subcommittee may also wish to consider whether any action it may take should be applicable to veterans with service-connected disabilities seeking care for non-service-connected disabilities.

As one course of action, the Subcommittee may wish to consider recommending legislation to require that all contracts for private health insurance specifically provide for reimbursing VA for medical services rendered to insured veterans being treated for non-service-connected disabilities which are within the limitations of policy coverage. Because health insurance contracts are between private parties, there may be a question as to the constitutionality of legislation which would interfere with the rights of parties to contract. (See pp. 12 to 13.)

GAO believes that elimination of insurance contract provisions specifically excluding payment for services rendered veterans in VA hospitals may still not enable VA to obtain reimbursement unless legislation is enacted to impose a charge against veterans for services received in VA hospitals. (See p. 13.)

As another course of action, the Subcommittee may wish to consider recommending legislation to provide that veterans with private health insurance who seek treatment for non-service-connected disabilities be denied admission to VA hospitals and be required to seek care in private hospitals. (See pp. 14 to 16.)

This course of action was considered and rejected by VA because of certain considerations. VA believed that denial of eligibility for VA hospitalization to persons having health insurance coverage would cause veterans to not purchase health insurance or to terminate their policies. As a result, veterans' families could be denied protection which they had from veterans' insurance. (See p. 14.)

Under many private health insurance policies, the veteran would have to pay some part of the cost of care in private hospitals. Also, many policies provide little or no benefits for certain illnesses, such as tuberculosis and psychiatric disorders. (See p. 15.)

GAO believes that consideration could be given to legislation requiring that, except in certain instances, a veteran with private health insurance seek care in a private hospital and that VA pay the necessary expenses of such care that is not covered under the veteran's insurance. (See pp. 15 to 16.)

CHAPTER 1

INTRODUCTION

The General Accounting Office has estimated the number of patients in Veterans Administration hospitals who have some form of private health insurance and the cost to VA of providing medical care to these patients. Also, we explored ways that VA might possibly obtain reimbursements from private health insurance companies for all or part of the cost of providing care to veterans who have some form of private health insurance coverage. Our review was made pursuant to the request, dated July 30, 1969 (see app. I), of the Chairman, Subcommittee on Executive Reorganization, Committee on Government Operations, United States Senate.

During our review, we examined into activities relating to hospital care provided to veterans in VA hospitals primarily during fiscal years 1968 and 1969. The scope of our review is discussed in chapter 4 of this report.

ELIGIBILITY OF VETERANS FOR HOSPITAL CARE IN VA FACILITIES

The Administrator of Veterans Affairs is authorized by section 610 of title 38, United States Code, to furnish hospital care to veterans discharged or released from active service under conditions other than dishonorable. Specifically, hospital care may be furnished to (1) any veteran with a service-connected disability, (2) any veteran discharged or released from active military, naval, or air service for a disability incurred or aggravated in the line of duty, and (3) any veteran receiving disability compensation or who would be eligible to receive disability compensation except for receipt of military retirement pay. A veteran with a service-connected disability is unconditionally eligible for VA hospital care for his service-connected disability. A veteran who has a service-connected disability and receives VA compensation for this disability is eligible for care in a VA hospital for a non-service-connected disability if a bed is available.

The Administrator of Veterans Affairs is authorized by 38 U.S.C. 610 to furnish hospital care, within the limits

of VA facilities, to a veteran of any war or of any service after January 31, 1955, for a non-service-connected disability, if he is unable to defray the expenses of necessary hospital care. The Administrator is required, pursuant to 38 U.S.C. 622, to accept such a statement of an applicant under oath as sufficient evidence of inability to defray the expenses of hospital care.

Each year VA conducts a 1-day census of patients to obtain detailed information on patients under VA care. On the basis of the most recent 1-day census of patients under VA care, VA estimated that 0.5 percent of the patients in VA hospitals were nonveterans who are required to reimburse VA for the cost of the medical treatment provided. These patients were admitted to VA hospitals pursuant to VA agreements with private hospitals and certain Federal agencies and for humanitarian reasons. The remaining 99.5 percent of the patients in VA hospitals were classified into three broad eligibility groups as follows:

1. 25.2 percent were veterans receiving care for service-connected disabilities.
2. 11.4 percent were veterans with service-connected compensable disabilities who were receiving care for non-service-connected disabilities.
3. 62.9 percent were veterans without service-connected disabilities who were receiving care for non-service-connected disabilities.

CHAPTER 2

VETERANS WITH PRIVATE HEALTH INSURANCE

RECEIVING CARE IN VA HOSPITALS

AND THE COST OF SUCH CARE

On the basis of our review, we estimate that about 165,000 veterans, or about 21 percent of the 772,000 veterans who received care in VA hospitals during fiscal year 1969, had some form of private health insurance. We also estimate that, during fiscal year 1969, VA incurred costs of about \$244 million in providing hospital care to such veterans.

ESTIMATED NUMBER OF VETERANS IN VA HOSPITALS WHO HAVE PRIVATE HEALTH INSURANCE COVERAGE

Our estimate of the number of veterans receiving care in VA hospitals who have private health insurance coverage was based primarily on the results of a survey of veterans health insurance coverage and their preference for hospital care conducted in November 1968 by the Committee on Veterans' Affairs, House of Representatives. The stated purpose of this survey was to measure the impact of health insurance coverage on veterans' demands for VA hospital care.

The Committee sent 31,534 questionnaires to veterans selected from VA compensation and pension rolls. Responses were received from 18,286, or 58 percent, of the veterans included in the sample. The survey showed that 1,698 veterans--795 who received compensation payments and 903 who received pension payments--had been treated in VA hospitals during a 1-year period beginning November 1967. Of the 795 veterans receiving compensation, 242, or 30.4 percent, had some form of private health insurance. Of the 903 veterans receiving pensions, 112, or 12.4 percent, had some form of private health insurance.

Veterans receiving compensation payments for a service-connected disability have absolute entitlement to care in a

VA hospital for treatment of their service-connected disabilities and are entitled to care in a VA hospital for treatment of non-service-connected disabilities if a bed is available.

In applying for treatment in a VA hospital for a non-service-connected disability, a veteran who receives a pension need only sign a statement under oath that he is unable to defray the expenses of hospitalization. The fact that he is receiving a pension is considered by VA to be prima facie evidence of his inability to pay for the cost of necessary hospital care.

According to the Committee survey, about 72 percent of all veterans receiving care in VA hospitals either (1) were receiving or seeking VA compensation or pension payments or (2) were being treated for service-connected disabilities for which they were not receiving VA compensation. Statistics regarding the characteristics of the remaining 28 percent of veterans in VA hospitals were not complete. These veterans were not receiving VA compensation or pension payments; they were being treated in VA hospitals for non-service-connected disabilities and had been admitted on the basis of their certification that they were unable to pay for the cost of necessary hospital care.

In applying for care in a VA hospital, these veterans are required to disclose in writing pertinent personal financial data including the extent of their private health insurance coverage. These veterans are counseled by VA personnel concerning their ability to pay for care in private hospitals prior to admission to a VA hospital. However, pursuant to 38 U.S.C. 622, the Administrator of Veterans Affairs is required to accept the statement, under oath, of a veteran in this category as sufficient evidence of his inability to pay for the cost of necessary care in a private hospital.

Because current statistics--regarding the number or percentage of veterans receiving care in VA hospitals who do not receive VA compensation or pension payments but have private health insurance coverage--were not available, we sought to establish a basis for estimating the number or percentage of veterans who have private health insurance

coverage. In the House Veterans' Affairs Committee survey, it was estimated that veterans in VA hospitals for treatment of non-service-connected disabilities, who do not receive VA compensation or pension payments, have low incomes and possess almost the same socioeconomic characteristics as veterans in VA hospitals who are receiving pensions.

From our analysis of available data, the age characteristics of veterans treated in VA hospitals who are not receiving VA compensation or pension payments closely resemble the age characteristics of veterans in VA hospitals who are receiving VA compensation.

Because veterans in VA hospitals who were not receiving VA compensation or pension payments possessed characteristics that were similar to both of the above groups, we believe that an estimate of the percentage of veterans not receiving VA compensation or pensions but who have some form of private health insurance could be based on a weighted average of the percentages of veterans receiving VA compensation or pensions who have private health insurance. On this basis, we estimate that 20.8 percent of all veterans not receiving VA compensation or pension who are treated in VA hospitals have some form of private health insurance.

From the data in the House Veterans' Affairs Committee study regarding health insurance coverage of veterans receiving VA compensation or pension payments and from our estimate of the percentage of veterans not receiving VA compensation or pensions who have private health insurance, we estimate that, of the approximately 772,000 veterans who were treated in VA hospitals during fiscal year 1969, about 165,000 veterans, or 21 percent, had some form of private health insurance coverage. We estimate further that, of the approximately 165,000 veterans who had some form of private health insurance coverage, 59,000 veterans were treated for service-connected disabilities; 27,000 veterans who had compensable service-connected disabilities were treated for non-service-connected disabilities; 34,000 veterans who were receiving VA pensions were treated for non-service-connected disabilities; and 45,000 veterans who were not receiving VA

compensation or pension payments were treated for non-service-connected disabilities. (See app. II.)

ESTIMATED COST OF VA CARE PROVIDED TO
VETERANS WITH PRIVATE HEALTH INSURANCE

During fiscal year 1969, VA incurred costs of about \$1.1 billion in providing hospital care to veterans. Utilizing VA data concerning the number of days of inpatient care provided to veterans in fiscal year 1969, we estimate the cost of providing care to veterans in each of the VA eligibility categories, such as veterans treated for service-connected disabilities and veterans with compensable service-connected disabilities being treated for non-service-connected disabilities. By applying the estimates of the percentage of veterans treated in VA hospitals who have some form of private health insurance, we estimate further that VA incurred costs of about \$244 million in fiscal year 1969 in providing hospital care to veterans with private health insurance.

We estimate that, of the \$244 million in costs incurred by VA, \$88 million was applicable to the treatment of veterans for service-connected disabilities; \$40 million was applicable to veterans with compensable service-connected disabilities for treatment of non-service-connected disabilities; \$49 million was applicable to veterans receiving VA pensions for treatment of non-service-connected disabilities; and \$67 million was applicable to veterans not receiving VA compensation or pension payments for treatment of non-service-connected disabilities. (See app. III.)

There is considerable variation in the benefits provided under private health insurance contracts. In many instances, benefits are not sufficient to cover all costs incurred for hospital and medical services. We are therefore unable to estimate the potential savings to the Government if VA were able to obtain reimbursement from private health insurance companies for care furnished veteran policyholders in VA hospitals.

CHAPTER 3

PRESENT REIMBURSEMENT PRACTICES

AND POSSIBLE ALTERNATIVES

Our review showed that, in nearly all cases, private health insurance companies do not reimburse the VA for hospital care provided by VA to veterans who have private health insurance. In our opinion, unless private health insurance companies (hereinafter referred to as carriers) would voluntarily agree to pay for care furnished to veterans by VA, it would be necessary to enact legislation in order to attempt to obtain reimbursement for the cost of VA care provided to veterans who have health insurance.

PRESENT REIMBURSEMENT PRACTICES

Many private health insurance contracts specifically exclude payment for services furnished to veterans in VA facilities. A VA Central Office (VACO) official informed us that many carriers had added this exclusion provision to their insurance contracts subsequent to a court decision rendered when VA attempted collection for treatment furnished to a veteran policyholder in a VA hospital. In a 1955 court decision, United States v. St. Paul Mercury Indemnity Co. (133 F. Supp. 726 (D. Neb. 1955)), the U.S. District Court held that, since the insurance policy insured against expenses actually incurred and no medical and hospital expenses were incurred by the insured veteran while being treated in a VA hospital, the carrier was not liable for payment to the Veterans Administration.

We were informed by a VACO official that, prior to the aforementioned court decision, VA was collecting about \$2 million annually from carriers for the treatment of insured veterans.

We noted that, in addition to the specific exclusion clauses in health insurance contracts relieving carriers from liability where VA hospital care was provided, many health insurance contracts contained general exclusion clauses relieving carriers from liability where services

were furnished without charge or paid for by a governmental agency or where the policyholder had no legal obligation to pay. We noted further that an individual's premium for a health insurance policy was not reduced if the insured was a veteran.

The language contained in the Government-wide Service Benefit Plan, known as the Blue Cross and Blue Shield Federal Employee Program, is typical of many private health insurance plans. The brochure states, in part, that:

"Basic Benefits, Maternity Benefits, and Supplemental Benefits will NOT be provided for charges incurred for:

"Services and supplies-

"Furnished without charge, or paid for directly or indirectly by a governmental agency (local, State, or Federal)

"For which the subscriber has no legal obligation to pay, or for which no charge would be made if the subscriber had no health insurance coverage"

* * * * *

"Provided or made available on an inpatient basis by a Veterans' Administration facility except where the Carrier determines that emergency care at such facility was imperative."

According to VACO officials, a few carriers still reimburse VA for the cost of hospitalization provided to veteran policyholders; either these carriers have not modified their contracts to exclude payments to VA or they make payments to VA as a matter of goodwill; and the amount of payments received by VA from these carriers is small.

We noted that, in hearings in 1968 and again in 1969 before the Subcommittee on Independent Offices of the Committee on Appropriations, United States Senate, members of the Subcommittee expressed interest in whether VA could

obtain reimbursement from carriers for hospital care furnished to insured veterans. Excerpts from the subject hearing are contained in appendixes IV and V.

POSSIBLE ALTERNATIVES TO
PRESENT REIMBURSEMENT PRACTICES

On the basis of our review, we believe that, unless carriers would voluntarily agree to pay for care furnished by VA, it would be necessary to enact legislation in order to attempt to obtain reimbursement for the cost of VA care provided to veteran policyholders.

In determining the course of action it may seek to pursue regarding this matter, the Subcommittee may wish to consider whether any action it contemplates should be applicable to all veterans seeking care in VA facilities or to only those veterans seeking care for non-service-connected disabilities. Under law, veterans seeking treatment for service-connected disabilities are admitted to a VA hospital for free treatment upon application without regard to income, financial position, or degree of hospital insurance coverage. It appears that the Congress intended that the Government assume full responsibility for providing free care for veterans seeking treatment for service-connected disabilities.

For these reasons, the following courses of action are directed toward veterans seeking care for non-service-connected disabilities. However, the Subcommittee, may also wish to consider whether any action it may take should be applicable to veterans with service-connected disabilities seeking care for non-service-connected disabilities.

As one course of action, the Subcommittee may wish to consider recommending legislation to require that all contracts for private health insurance entered into by carriers specifically provide for reimbursing VA for medical services rendered to veteran policyholders being treated for non-service-connected disabilities which are within the limitations of policy coverage.

As stated previously, many private health insurance contracts specifically exclude payment for services rendered in VA hospitals. Because these contracts are between private parties, there may be a question as to the constitutionality of legislation which would interfere with the rights of parties to contract. We noted that VA, in studying the question of obtaining reimbursement from carriers, had considered the relative advantages and disadvantages of seeking specific changes in legislation in order to attempt to obtain reimbursement from carriers. We noted also that VA had considered legislation requiring carriers to reimburse VA but had reservations as to the power of the Congress to require changes in private contracts.

In addition to containing provisions specifically excluding payment for services rendered in VA hospitals, many health insurance contracts contain general provisions relieving carriers from liability in instances where services have been furnished without charge or where the policyholder has no legal obligation to pay. This language is similar to that contained in the insurance policy referred to in the court decision rendered in the St. Paul Mercury Indemnity Company case.

In view of this court decision, we believe that the elimination of insurance contract provisions specifically excluding payment for services rendered veterans in VA hospitals may still not enable VA to obtain reimbursement from carriers unless legislation is enacted to impose a charge against veterans for services received in VA hospitals. We noted that VA considered the merits of proposing legislation to impose a charge against a veteran to the extent that he is covered by insurance. VA did not pursue this course of action because it considered that such legislation was unsound in principle, apparently because it would put the Government in the position of furnishing hospital care at a charge and thus create a precedent which might be expanded to other situations such as the treatment of nonveterans.

If VA were able to obtain reimbursement from carriers for the cost of hospital care furnished to veteran policyholders, VA would have to initiate procedures to obtain, upon admission, basic data regarding the health insurance

coverage of veterans seeking treatment for non-service-connected disabilities. VA would also have to establish procedures for the preparation, filing, and follow-up of claims submitted to carriers for reimbursement.

Further, we believe that, if VA were able to obtain reimbursement from carriers, it is likely that carriers would increase the premiums charged under health insurance contracts to recover the increased costs that they would incur by reimbursing VA.

As another course of action, the Subcommittee may wish to consider recommending legislation to provide that veterans with private health insurance who seek treatment for non-service-connected disabilities be denied admission to VA hospitals and be required to seek care in private hospitals. In effect, the legislation would provide that the possession of private health insurance by a veteran with a non-service-connected disability would be considered prima facie evidence of ability to pay for the expenses of necessary care in private hospitals.

We found that this course of action had been considered and rejected by VA because of certain considerations. VA believed that denial of eligibility for VA hospitalization to persons having health insurance coverage would discourage veterans from purchasing such insurance and could result in some veterans' terminating their health insurance policies. As a result VA might have to furnish hospitalization in some instances that it would not ordinarily furnish, since some veterans with health insurance go to a private hospital rather than to a VA hospital, especially if a relatively short period of hospitalization is involved. Further, veterans' families would be denied the protection which they might have had under veterans' insurance.

VA believed further that depriving a veteran of VA hospitalization on the basis that he has some insurance coverage would seem to penalize the veteran who tries to protect his family by paying for private health insurance and favor the veteran who makes no provision for illness.

There is considerable variation in the scope and amount of benefits provided by health insurance contracts. In most cases, a veteran covered by private health insurance will have to pay some part of the cost of hospitalization as well as all, or part, of his physicians' fees. Further, many private insurance contracts provide little or no benefits for certain illnesses, such as tuberculosis or psychiatric disorders, which generally require extended periods of care.

Denial of admission to VA hospitals of veterans with private health insurance could result in lower utilization of VA hospitals and a reduction in the total cost of operating those facilities. A reduction in the use of available beds in VA hospitals would result in reserve bed capacity that could be utilized to meet the future medical needs of the aging veteran population and thereby lessen the need for construction of additional VA facilities.

However, lower utilization of VA hospitals would most likely not result in a directly proportionate reduction in the total cost of operating the hospitals. This situation could result in a higher per diem cost of operation of VA hospitals and in less effective use of VA medical facilities.

In 1958 the Chairman of the House Committee on Veterans' Affairs introduced a bill (H.R. 10028, 85th Cong., 2d sess.) which provided, in part, that the Administrator of Veterans Affairs may prescribe a system of priorities for veterans seeking admission to a VA facility. Essentially, the bill stipulated that a veteran covered by health insurance which provides for payment or reimbursement of all, or substantially all, of his expenses of care in a private hospital or any other hospital, would be placed on the bottom of the waiting list for care in a VA hospital, unless emergency treatment was required. This bill was not enacted into law.

In view of the problems that might result from denial of treatment in a VA facility for veterans who possess some form of private health insurance, consideration could be given to legislation that would require veterans with

private health insurance to seek care in private hospitals unless their illnesses were of an emergency nature or were of the type for which little or no health insurance benefits would be provided under their insurance coverage. In order to lessen the financial burden on veterans who would then be required to seek care in private hospitals, consideration could be given to authorizing VA to pay the necessary expenses associated with the veterans' care in private hospitals to the extent that such expenses would not be covered under the veterans' insurance.

CHAPTER 4

SCOPE OF REVIEW

Our review was conducted at the VA Central Office in Washington, D.C. The review included an analysis of the history of legislation authorizing the Administrator of Veterans Affairs to furnish inpatient hospital care to veterans. The review also involved an examination of VA regulations, reports, and statistics and included discussions with VA officials.

APPENDIXES

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United States Senate

COMMITTEE ON
GOVERNMENT OPERATIONS
SUBCOMMITTEE ON EXECUTIVE REORGANIZATION
(PURSUANT TO S. RES. 25, 91ST CONGRESS)
WASHINGTON, D.C. 20510

July 30, 1969

Honorable Elmer B. Staats
Comptroller General
General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Elmer:

The Subcommittee on Executive Reorganization is interested, as a part of its continuing inquiry into health care, in the role of the Veterans' Administration.

Specifically, we are interested in whether private insurance companies could reimburse the VA for all or part of the care the VA provides to patients who have private insurance.

We would therefore like the General Accounting Office to review the number of patients in the VA who have private insurance, the amount of funds involved in providing care in the VA to these patients and a report on possible alternatives to this present practice.

Sincerely,



Abraham Ribicoff
Chairman

APPENDIX II

ESTIMATE OF THE NUMBER OF PATIENTS
 HAVING PRIVATE HEALTH INSURANCE COVERAGE
 WHO WERE TREATED IN VA HOSPITALS

Basis for admission to VA hospitals	Total number of veterans treated in VA hospitals in FY 1969	Percentage of patients having pri- vate health insurance	Total number of veterans having private health insur- ance who were treated in VA hospitals in FY 1969
Seeking treatment for service-connected disabilities (note a)	195,631	30.4 ^b	59,472
Receiving VA compensa- tion, but seeking treatment for non- service-connected disabilities (note c)	88,500	30.4 ^b	26,904
Receiving VA pension, seeking treatment for non-service-connected disabilities (note d)	270,157	12.4 ^b	33,499
Not receiving VA com- pensation or pension, seeking treatment for non-service-connected disabilities (note d)	<u>218,144</u>	20.8 ^e	<u>45,374</u>
Total	<u>772,432</u>		<u>165,249</u>

^aUnconditionally eligible for VA care.

^bBased on results of a survey conducted in November 1968 by Committee on Veterans' Affairs, House of Representatives.

^cEligible for VA care if bed is available.

^dEligible for care if bed is available and certify inability to defray expenses of necessary hospitalization.

^eGAO estimate based on weighted average of percentage of veterans receiving VA compensation or pension who have private health insurance coverage.

ESTIMATE OF THE
COST OF PROVIDING CARE
TO VA PATIENTS HAVING
PRIVATE HEALTH INSURANCE COVERAGE

<u>Basis for admission to VA hospitals</u>	<u>Cost of oper- ation of VA hospitals in fiscal year 1969 (000 omitted)</u>	<u>Percentage of patients having pri- vate health insurance</u>	<u>Cost appli- cable to pa- tients having private health insurance (000 omitted)</u>
Seeking treatment for service-connected disabili- ties (note a)	\$ 288,652	30.4 ^b	\$ 87,750
Receiving VA compensation, but seeking treatment for non-service-connected dis- abilities (note c)	130,581	30.4 ^b	39,697
Receiving VA pension, seeking treatment for non-service- connected disabilities (note d)	398,615	12.4 ^b	49,428
Not receiving VA compensation or pension, seeking treat- ment for non-service- connected disabilities (note d)	321,870	20.8 ^e	66,949
Nonveterans	<u>5,727</u>	-	<u>-</u>
Total	<u>\$1,145,445</u>		<u>\$243,824</u>

^a Unconditionally eligible for VA care.

^b Based on results of a survey conducted in November 1968 by Committee on Veterans' Affairs, House of Representatives.

^c Eligible for VA care if bed is available.

^d Eligible for VA care if bed is available and certify inability to defray expenses of necessary hospitalization.

^e GAO estimate based on weighted average of percentage of veterans receiving VA compensation or pension who have private health insurance coverage.

References to reimbursement of the Veterans Administration by private health insurance companies during hearings before the Subcommittee on Independent Offices, Committee on Appropriations, United States Senate, Ninetieth Congress, Second Session - June 11, 1968, pp. 1192-1196

NON-SERVICE-CONNECTED CARE

Senator ALLOTT. Well, this is one of the worst departments to try and talk about cuz. You have so many built in things that cannot be avoided. I think medical care might be adjusted if Congress would take a firmer attitude about this.

Mr. DRIVER. Of course, we have been examining these cases for years under a very careful screening process that requires that the non-service-connected veteran list his assets, list his current income, list his obligations, and then we give him an estimate of the cost of the care as we set it based on his entrance examination. And then if he, in your opinion, could pay for the care, we have a counselling session with him in which we sit down and tell him that, and explain why, and then he must certify under his own oath that he cannot pay. And I tell you, Senator, that the number that we think cannot pay is just a fraction of those who take care.

Senator ALLOTT. Well, this was instituted at the request of the Senator from Colorado quite a few years ago. It was tightened up an awful lot at that time.

Mr. DRIVER. And then about 6 years ago, and then again 4 years ago, we perfected the screening process in terms of counseling, and I really think have made the system pretty pure in terms of the people who are in there.

HOSPITAL INSURANCE

There is only one area that I think anyone could be real critical of, and that is the cases where the man lists insurance coverage, and yet he will certify his inability to pay. Under the terms of court decisions and then the redrawing of the insurance contract, we are not able to subrogate and go in and get the money from the insurance carrier who had him covered when he came in.

Senator MONRONEY. Would you yield there? Go ahead.

Senator ALLOTT. You are speaking of medical—

Mr. DRIVER. Hospital insurance.

Senator ALLOTT. Or hospital insurance.

Mr. DRIVER. Yes, sir.

POLICY NONSUBROGATION CLAUSES: UNJUST ENRICHMENT OF INSURANCE CARRIERS

Senator ALLOTT. You are not able to get subrogation?

Mr. DRIVER. Not if the policy says that—and they all do now.

Senator ALLOTT. They all do?

Mr. DRIVER. They have all incorporated that.

Senator MONRONEY. Well, does that cost less than if I buy it and have no entitlement?

Mr. DRIVER. No, sir. Here is the situation where for some reason the man has medical, hospital insurance coverage. It may be provided by his employer. And he comes to the VA as a patient, nonservice connected, and the insurance would look like it is adequate for the coverage. He can come into the VA, and then we have no ability to go after the insurance money, and thereby the fund is enriched.

Senator MONRONEY. Well, here is what we do. We are carrying, what, 1,300,000 Federal employees with health insurance.

Mr. DRIVER. Yes, sir.

Senator MONRONEY. And we match it. And yet if they are enriching the insurance companies by their failure—this is a part of their assets, I would think, if they go into a hospital. And why should we be bailing out to the tune of evidently millions of dollars on subrogation of our, that claim to the insurance company. They do not charge me—I am a nonveteran—any less than they charge a veteran.

Mr. DRIVER. But if they go to the VA, they, of course, cannot collect from the insurance carrier, the veteran cannot.

Mr. MONK. We tried very hard to get that written into the Federal Insurance Law. And the argument, Senator, be it valid or not, is that if they did that, then the premiums to everybody would be higher than the current premiums.

Senator MONRONEY. I do not get the difference, because if—supposing I cannot afford to go to the hospital should I be a veteran, but if I have a medical policy I could afford it. The same thing obtains if he is

a veteran, he can afford it, because—I mean although he does not have the assets to sustain it. I do not see why we should be the fall guy.

Mr. DRIVER. You mean take him in the hospital?

Senator MONRONEY. Yes. I do not see why the Government should be a fall guy on a hospital bill when he has paid for the insurance, he has this entitlement to it.

Senator ALLOTT. He has paid the same premium as the man who is not a veteran has paid.

Senator MONRONEY. Right. This does not affect the veteran at all. It just affects the financial statement of the insurance company.

Mr. DRIVER. The law specifically states that he will be admitted if he certifies under oath that he cannot afford to pay. In the face of this after counseling, this man with the insurance will so certify, then legally there is no alternative but to hospitalize him.

Senator MONRONEY. Although he has a medical policy, we pay it. There is something screwy about that, I think.

Senator ALLOTT. And you have no recovery by the terms of the policy against the insurer.

Mr. DRIVER. No, sir.

Mr. MONK. The policy specifically says in all of the cases—

Mr. DRIVER. And they have been court tested.

Mr. MONK (continuing). That they will not pay if the man is in a VA hospital or other Government hospital.

Senator ALLOTT. What this really means is that the Federal Government, using the argument that you advanced a moment ago, is subsidizing the insurance companies or else subsidizing the public in general in their insurance policies on these veterans.

Mr. MONK. If the argument is sound, that is correct.

Senator ALLOTT. If the argument is sound. Well, as it ends up, this is what we are doing—

Mr. MONK. True.

Senator ALLOTT. Because the veteran pays the same price for a policy under the same circumstances as I do—well, I am a veteran, but the veteran pays the same price as the nonveteran pays. So the nonveteran is getting a subsidy or else the insurers are getting a subsidy, one of the two, because everybody is paying the same price in, but the same coverage is not in effect.

Mr. DRIVER. Or looked at another way, if all of the veterans with coverage had to rely on it, they would be getting less profit or the insurance premiums would have to go up.

Senator ALLOTT. That is right.

Senator MONRONEY. Were you through with this line of questioning?

HOSPITAL RECORDS

Senator ALLOTT. I had another question. I wanted to get back to this other thing.

Senator MONRONEY. Go ahead.

Senator ALLOTT. Where are these records on these people kept, these people who make applications for admittance to a hospital?

I think it would be very interesting some time to run through it—

Mr. DRIVER. We have them here if you want to see them. Those that are found not to meet what we consider the test of inability to

pay are forwarded for review here. We send the most flagrant cases to the Department of Justice for consideration of double recovery from the veteran under the False Claims Act.

Senator ALLOTT. How about the ones that are admitted? Are they kept at the local hospital?

Mr. DRIVER. They are kept at the hospital; yes, sir.

Senator ALLOTT. Well, I would hope that we could have some of our committee staff take a look at some of these this fall, and it might allay some of our concern. I know that you have tightened it up—

Mr. DRIVER. Oh, yes.

Senator ALLOTT (continuing). An awful lot, but I would like to take a look at some of them myself.

Mr. DRIVER. I think actually a visit to the hospital here in Washington, sitting down with the registrar and going through some of these, you would find a great deal of reassurance in what is being done.

Senator ALLOTT. All right. Thank you.

That is all I have, Mr. Chairman.

NONREIMBURSEMENT FROM MEDICARE FUND

Senator MONRONEY. Well, along that same line, the veterans over 65 enjoy medicare, which they have paid for on their social security policy, and many of them have carried, and will carry, private doctor's bill insurance which entitles them, over 65, to this medicare.

Now, is the reason that they have this that they would not require a first priority on their personally carried medical insurance?

Mr. DRIVER. If a veteran has medicare, he may still come in the VA hospital. We are not reimbursed by the medicare fund. We favor amending the law to provide that.

Senator MONRONEY. Well, I would certainly think so, because actually the veteran has already paid for this, and he has this entitlement as a paid-up patient.

Mr. DRIVER. This is the same situation in principal as the private insurance.

Senator MONRONEY. Except one is a Government insurance fund; the other is a private insurance fund.

Mr. DRIVER. That is right. We favor a change here so that the Treasury would be reimbursed for the coverage.

Senator MONRONEY. But the social security entitles them to hospital care throughout their lifetime after 65, as I understand it, and you have nursing home care—

Mr. DRIVER. Yes.

COMMITTEE REPORT

Senator MONRONEY (continuing). And other things. And I think we should recommend in our report, Senator Allott, do you not, that this matter of duplicating responsibility here—one, obviously, if he has not got the private insurance, the group insurance under 65 or the social security over 65, and the medical care fund for the doctor bill over 65, then he should be—if he does not have the private resources, he should certainly be cared for at the responsibility of a grateful government. But otherwise the financial agencies of the Government,

or the financial agencies of the insurance companies are receiving a double compensation actually for a liability that does not exist.

PATIENTS HAVING OTHER HOSPITALIZATION

Now, do you have any idea how many go into the hospital that would otherwise be taken care of by their group hospitalization?

Mr. DRIVER. We have figures, and I, offhand, do not know, Senator.

Senator MONRONEY. Would you supply those for the record? I think it is a very interesting line, not to give them less care but perhaps even greater care by giving them the full responsibilities of their insurance policies, which, I think, in many cases would exceed that which the VA is able to give them.

Senator ALLOTT. Well, it is rather sad commentary that we have permitted the insurance companies to get away with a policy of refusing to give medical assistance under their policies to the Federal Government if they go into a veterans hospital when they get it everywhere else. And I really think that we should comment on this, and we will do it in our report.

(The information follows:)

Based on National Center for Health Statistics Survey conducted in 1963 about 75% of all veterans have hospital or surgical insurance.

In a separate survey conducted for the Veterans Affairs Committee in 1967 it was estimated that 65% of Compensation beneficiaries or Pensioners in VA Hospitals had hospital insurance coverage.

NONCARE FOR WIFE AND CHILDREN

Senator MONRONEY. Yes; I think so. But it seems to me like—I think—now, when a veteran does not have care for his wife—

Mr. DRIVER. No, sir. Not in the VA.

Senator MONRONEY (continuing). Or for his children. But he probably gets this care under the medical policy.

Mr. DRIVER. Many times he carries it just for that reason. They cannot get VA care, so he carries the policy—the policy covers him naturally, but it also takes care of them.

Senator MONRONEY. You do not have any idea—

Mr. DRIVER. Offhand I have not the slightest, but I am sure we do have estimates in this area.

Senator MONRONEY. Do you have anything further, Senator Allott?

Senator ALLOTT. No; I have not.

References to reimbursement of the Veterans Administration by private health insurance companies during hearings before the Subcommittee on Independent Offices, Committee on Appropriations, United States Senate, Ninety-First Congress, First Session - July 7, 1969, pp. 387-390

HOSPITAL ADMITTANCES: PATIENT FINANCIAL ABILITY

While we are on this, Mr. Chairman, this seems to be the appropriate place to inquire about this. Several years back, 3 or 4 years or maybe more than that, we discussed the question of the entry of veterans into hospitals, and I would like for someone who knows about this, maybe it is you, Doctor, I do not know, to give me some idea of how strict you are being with respect to the entry of veterans into Veterans' Hospitals for medical services, and to what extent you go into their own ability to take care of themselves. This is an area that I personally feel has been greatly abused, and as a result of some questions in the past, it was tightened up, and I would like to know where we are on it now.

Dr. ENGLE. I thought this had been supplied to your office, and perhaps for the record last year. Maybe, maybe not. Of course according to law, we must accept the statement of a veteran as to ability to pay, but we do have a program wherein the applicant, the non-service-connected applicant, has to fill out a detailed financial statement. If there are questionable considerations in terms of this listing, he is subjected to intensive counseling, and cases which are questionable then are referred to our General Counsel's office here in Washington and ultimately to the Department of Justice. A small number of cases end up at the Department of Justice and in litigation which results in payment by the veteran to the Government.

It is our conviction, however, on the basis of many years of experience in this regard, that there is remarkably little abuse. There have been a number of surveys which ascertained the financial ability of the veteran applicant, and I think the convincing evidence has been produced that the vast majority of veteran applicants cannot afford private care.

You must remember that a high percentage of our patients in our hospital system have psychiatric disabilities, have chronic diseases, and multiple diseases which require protracted hospitalization. Even though some have some insurance coverage, the ability to pay for this kind of illness is often very difficult.

NONREIMBURSEMENT FROM INSURANCE COMPANIES: 1969 SENATE COMMITTEE REPORT

Senator ALLOTT. Did we take care or have we taken care of the situation that was discussed here one time, where a person who had hospital coverage could enter a private hospital and use his insurance? I have been handed last year's report. It says:

The committee is concerned that reimbursement for medical services cannot be obtained when the veterans have insurance coverage, and yet certify being unable to pay and urges the Administrator to endeavor to find a means by which this injustice to the Veterans Administration can be corrected.

Now what has been done on that in the intervening years?

Mr. MONK. We haven't been able to do anything, Senator. This is a matter for the insurance policy, even the Blue Cross policy, which contains a provision that if the veteran is hospitalized in a Federal hospital, there will be no insurance paid. Now we do take the fact that the individual has insurance into account in determining his ability to pay and in counselling him when he comes to us for hospitalization in our hospital, but we have made absolutely no progress with the insurance companies.

Senator ALLOTT. In removing this clause?

Mr. MONK. In removing the clause from their policies that prohibits them from paying us for the hospital care.

Senator ALLOTT. Do you see the absurdity of this situation, Mr. Chairman?

Senator PASTORE. Of course. In other words, are you not saying that, if a person works in private industry and he has Blue Cross, and if he has a service-connected disability, which entitles him to admittance in a Veterans Hospital, regardless of his income, the Government pays the whole cost?

Mr. MONK. And the insurance pays for nothing.

Senator PASTORE. And the insurance company won't pay anything even though they have collected his insurance money?

Mr. MONK. That is correct.

PHILOSOPHY OF INSURANCE COMPANIES

Senator PASTORE. What is the underlying reason for this? Is this because the insurance companies feel that something is being abused and this would render their insurance too expensive? What is behind this?

Mr. MONK. Well, their argument, Senator, is that if they paid for this hospitalization to which the individual is otherwise entitled, they would have to charge everybody that participates in their insurance plan a higher premium. Now this is the argument they use.

Senator PASTORE. I know, but if this person went to a private hospital which he could go to—

Mr. MONK. They would pay it.

Senator PASTORE. They would have to pay?

Mr. MONK. That is correct.

Senator PASTORE. I mean isn't that a little silly?

Mr. MONK. To me it is.

Senator PASTORE. Is there anything that can be done about it, or is this just a contractual arrangement?

Mr. MONK. It is a contractual arrangement between the company and the individual who buys the insurance and Senator, this is true even in the Government Blue Cross insurance. If I am an eligible veteran, and an employee of the Government, and go to a VA hospital, even though I have Blue Cross insurance that would cover my full expenses if I went to a private hospital, Blue Cross does not pay a dime, either to me or to the VA hospital.

Senator ALLOTT. It is one of those absurdities in our insurance contracts and laws, and I think I just found this out last year in the hearings here, but I think personally, Mr. Chairman, that when we get to writing a report, that we ought to include some language similar to

this. I think the Veterans' Administration should continue with a very intensive approach to the insurance people. It is just ridiculous that a man should go into a veterans' hospital and he has insurance which he has paid for, and we know you pay enough for it these days, then the Government has to pick up the whole tab whereas if he went into a private hospital his insurance would have been valid.

Of course he is always going into the veterans' hospital if he can, because the veterans' hospital will pick up all of the expense. If he goes into a private hospital, the insurance may only pick up 70 or 80 percent of the total.

SUBCOMMITTEE ENLIGHTENMENT: INVITATIONS TO INSURANCE OFFICIAL TO TESTIFY

Senator PASTORE. Don't you think it might be a good idea—because sometimes we anticipate too quickly, jumping at conclusions too fast, without understanding what the background of some of these decisions might be—for the subcommittee to call in some of these Blue Cross people to find out exactly what is behind all this? Have them come in here and let us get it on the record before we begin to spell out something that can be easily refuted. Basically there must be something behind this. What it is I don't know, but I think they ought to be invited to come and explain why this is true.

In other words, if it means permitting Uncle Sam to pay it solely because it is service connected and that frees Blue Cross and other companies from responsibility, even though premiums have been collected, I would question the validity of the position taken by the insurance companies.

On the other hand, however, if this would render every Blue Cross fund insolvent, if they paid these expenses, and thereby make it prohibitive for other people to buy insurance, I think we ought to know that too.

Mr. JOHNSON. Yes.

Mr. PASTORE. I think we ought to know that too. That is an actuarial situation that I think ought to be explored, you see.

Mr. JOHNSON. Mr. Chairman, I think it is important, of course, to give consideration whether we are talking about service-connected or non-service-connected hospitalization, and I am quite sure that one of the answers that the insurance companies would give you is that actuarially they have deliberately omitted service-connected disabilities that may require hospitalization, perhaps on the philosophy that this is a general obligation of the Nation and that to include that in your and my insurance costs would make even more prohibitive the cost of insurance today.

Senator PASTORE. It could be that. Now what you are actually saying then, Mr. Johnson, is this. That if a person has a non-service-connected disability, and goes to a veterans' hospital, in that case the Blue Cross will pay.

Mr. JOHNSON. No; they will not, and I think if I may be so bold, Senator, that this should be the point of your inquiry.

Senator PASTORE. I see.

Mr. JOHNSON. With the insurance companies.

Senator PASTORE. In other words, you can understand where it is a service-connected responsibility, that is the obligation of the American people?

Mr. JOHNSON. Right.

Senator PASTORE. On the other hand, if it is a nonservice-connected disability, then you think that that ought to be taken care of?

Mr. JOHNSON. I think there is some legitimate inquiry to be made here in this area.

Senator PASTORE. I am glad you brought that out because I think that it is quite important.