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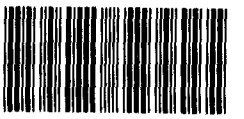

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DOD's Management of Beneficiaries' Mental Health Care

Statement of
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Before the Subcommittee on Military
Personnel and Compensation
Committee on Armed Services
House of Representatives

SUMMARY

GAO's testimony focuses on (1) how mental health benefits under DOD's Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) compare with those under private sector and other governmental health plans and (2) DOD's efforts to manage the mental health care provided to its beneficiaries.

CHAMPUS mental health care benefits and beneficiary cost-sharing requirements--when viewed as a package--are more generous than those offered in the private sector and by other government plans, even considering last year's legislative changes, which imposed somewhat stricter limits on allowable mental health services.

Moreover, DOD's management of mental health care has improved since the 1980s, and GAO believes the Department is headed in the right direction. Last year's legislative changes and DOD's management initiatives enhance the prospects for gaining control over mental health care costs while assuring that necessary care is available and affordable to beneficiaries.

However, several areas need further DOD attention. Among the most important of these is the need to improve its quality assurance program for mental health services. DOD's efforts to assure that beneficiaries receive quality mental health care have been insufficient. It has done little to assess the quality of care provided. Its recent efforts to use its utilization review contractor to begin monitoring quality of care, and its plans to contract for a continuing independent quality review of mental health care services, represent important steps that should result in better assurance that the quality of care will be sufficiently evaluated.

Finally, many questions remain as to how DOD will ultimately implement the plans set forth in its recent report to this Subcommittee and others on mental health care. How and how well the Department and the military services implement DOD's mental health care plans will be key determinants of the success of their efforts.

Madam Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our evaluation of several key components of the Department of Defense's (DOD) management of beneficiaries' mental health care under its Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).[1] My testimony will focus on:

-- how mental health benefits compare with private sector and other government program benefits and

-- DOD's demonstration projects, utilization review activities, quality assurance programs, and future plans.

Madam Chairman, we believe that the management of mental health care in DOD has improved since the 1980s and that DOD is headed in the right direction. It now has in place what appear to be more effective controls over the utilization of mental health benefits. In addition, its managed care techniques being tested around the country seem to be working to contain costs and improve access. Last year's legislative changes and DOD's management initiatives enhance the prospects for gaining control over mental

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[1]CHAMPUS pays for a substantial portion of the medical care provided to DOD beneficiaries by civilian hospitals, physicians, and other civilian providers. Retirees and their dependents, active duty dependents, and dependents of deceased members obtain care from these providers when they cannot obtain it from military facilities.

health care costs while assuring that necessary care is available and affordable to beneficiaries.

Nonetheless, there are areas that need further DOD attention. These include improving its quality assurance program, reducing beneficiaries' incentives to use inpatient care, and designing alternatives to costly inpatient care. We also want to caution that, while we support DOD's concept of Coordinated Care[2] and believe it offers significant potential in the mental health care arena, many key difficult operational decisions still need to be made. It is also crucial that the lessons learned from past initiatives be incorporated into DOD's implementation plans.

Madam Chairman, before we elaborate on these matters, I will provide some background information on mental health care cost trends in DOD through fiscal year 1989, the most recent year of complete data.

Mental health costs in DOD have skyrocketed over the last several years. In fact, between 1985 and 1989 they have doubled to more than $600 million per year even though the number of

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[2]DOD's Coordinated Care concept envisions that DOD will manage or regulate most of the health care received by CHAMPUS beneficiaries in an effort to reduce unnecessary and uneconomical services. See The Military Health Services System--Prospects for the Future, Statement of David P. Baine, Director, Federal Health Care Delivery Issues, Human Resources Division, U.S. General Accounting Office, Before the Subcommittee on Defense, Committee on Appropriations, United States Senate (GAO/T-HRD-91-11, Mar. 14, 1991).

eligible beneficiaries has remained relatively constant. Inpatient care comprised the largest and fastest growing component of CHAMPUS's mental health costs, having increased from about $200 million to almost $500 million over the 5-year period. Mental health care provided to children and adolescents in hospitals and residential treatment centers accounted for 3 out of every 4 days of inpatient mental health care and 73 percent of the total DOD spent for such care in fiscal year 1989.

While we view these data as a clear indication that mental health care costs need to be better controlled, we also believe that it is critical for DOD beneficiaries to have high-quality, affordable, and accessible, but necessary, mental health care benefits. Certainly the stresses caused by the recent Persian Gulf conflict have heightened everyone's concern that beneficiaries get the care they need and deserve. Obviously, only a well-managed program can achieve these goals. This hearing is an important part of the effort to improve the management and delivery of mental health benefits in DOD.

I would now like to turn to several specific topics related to these issues.

BENEFIT LEVELS

CHAMPUS mental health care benefits and beneficiary cost-sharing requirements--when viewed as a package--are more generous than those offered in the private sector and by other government plans, even considering last year's legislative changes. We believe, though, that the mental health benefit needs some additional modification so that beneficiaries are able to obtain more affordable and adequate care, when they need it.

The legislative changes enacted last year imposed somewhat stricter limits on acute inpatient and residential treatment center care. In most cases, coverage for inpatient acute care will be limited to 30 days per year for adults and 45 days per year for dependents under 19 years of age.[3] Care in residential treatment centers will be limited to 150 days per year rather than the current unlimited benefit. The legislation also requires that DOD establish procedures under which these limits can be waived in cases where care is determined to be medically or psychologically necessary. On April 1, 1991, annual deductibles for many beneficiaries (which apply to medical care as well) were raised from $50 to $150 per person and from $100 to $300 per family.

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[3]Public Law 101-511, dated October 24, 1990, established new mental health care day limits. Public Law 102-28, dated April 10, 1991, specified that implementation of these limits would begin on October 1, 1991. Currently, 60 days of care per year are allowed unless more care is needed as a result of extraordinary circumstances.

The vast majority of medium and large U.S. firms impose limits on mental health care coverage in the form of annual day limits on inpatient care and/or lifetime dollar limits on all types of mental health care. Several surveys of such firms show that about half of them impose annual day limits on inpatient care, most commonly 30 days. Also, about half of the firms impose lifetime dollar limits on mental health care, usually $50,000 or less (equivalent to about 100 days of inpatient care over a lifetime). CHAMPUS has no such lifetime limits.

CHAMPUS mental health benefits are more generous than those of most other plans in several other respects. For example, unlike most employer-sponsored health plans, DOD offers residential treatment care. In contrast to most private sector plans and plans in the Federal Employees Health Benefits Program, DOD requires no employee premiums, requires less enrollee cost sharing, and offers better annual catastrophic protection for dependents of active duty members. Moreover, the recent legislation allows for waivers to permit patients to exceed the limits it imposed; private firms' plans generally do not.

We believe the benefit package needs some additional modification to overcome an existing financial bias toward the provision of inpatient care to CHAMPUS beneficiaries. For example, dependents of active duty members now have substantial incentives to use expensive inpatient care rather than outpatient

services because inpatient care is essentially free while both a deductible and a 20-percent copayment must be satisfied before DOD begins paying for outpatient services. DOD has stated in its recent report to your Committee and others[4] that it intends to study how best to systematically correct this bias.

There is also a need for other mental health care options that may be less costly than inpatient care, such as coverage for partial hospitalization. Such a continuum of care option, which involves hospitalization and intensive treatment of patients for less than 24 hours at a time, could benefit both patients and DOD's efforts to control costs. It could also improve mental health care outcomes. Adult patients generally could return to their families and to an income-producing status sooner than if they were confined to hospitals. Adolescents and children could also be reunited with their families more quickly than they can now.

DOD has the legislative authority to establish these services as covered benefits, and it appears, based on our review of DOD's recently issued report, that it plans to do so.

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[4]Report to the Committees on Armed Services and Appropriations: DOD's Efforts to Control the Costs of CHAMPUS Mental Health Care, March 1991.