



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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MANPOWER AND WELFARE  
DIVISION

B-133142

APR 16 1974

The Honorable  
The Secretary of Defense



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Dear Mr. Secretary:

During a survey of the Civilian Health and Medical Program of the Uniformed Services (CHAMPU), we noted that DOD had not increased its charges to military dependents for inpatient health care since 1956. The charges, which had been in effect since 1956 for dependents of active duty members, were:

- \$1.75 a day for services in a military hospital.
- \$1.75 a day or \$25, whichever was greater, for services in a civilian hospital.

The charge for dependents of retired members and survivors of deceased members was \$1.75 a day for services in a military hospital. These dependents became eligible for care in civilian hospitals in 1966 and the charge established for such care was 25 percent of hospital and physician costs.

We discussed the need for increased charges with DOD representatives in October 1973 and they informed us that an increase had been under consideration for some time but that no specific plans had been developed. In January 1974, after our inquiries, DOD increased its charge to \$3.50 a day based on military pay increases between 1966 and 1973. The \$25 minimum charge, however, was not increased. In view of the rising costs of hospital care and the decreasing portion of such costs paid by the patient since the minimum charge was established, we believe that DOD should study the appropriateness of the \$25 minimum charge and, if warranted, give the Congress the suggested legislative changes to increase it.

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CHARGES FOR CARE

As shown below, charges for dependents' medical care depend on the type of facility providing the care and the dependents' classifications.

<u>Classification</u>	<u>Inpatient care</u>	
	<u>Uniformed service facility</u>	<u>Civilian facility</u>
Dependents of active duty members	\$1.75 a day (note a)	\$25 minimum or \$1.75 a day, whichever is greater (note a)
Dependents of retired members and survivors of deceased members	\$1.75 a day (note a)	25 percent of facility charges and professional fees (note b)

<sup>a</sup>Charges established pursuant to the Dependents' Medical Care Act of 1956 (Public Law 84-569).

<sup>b</sup>Charges established pursuant to the Military Medical Benefits Amendments of 1966 (Public Law 89-614).

The \$1.75 daily charge has been in effect in military medical facilities since October 1, 1948, and DOD adopted it in 1956 pursuant to the Dependents' Medical Care Act of 1956 which states:

"The Secretary of Defense, after consultation with the Secretary of Health, Education, and Welfare, shall establish fair charges for inpatient medical care given dependents\* \* \*."<sup>1</sup>

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<sup>1</sup> Inpatient medical care in military or civilian facilities.

DOD officials could not provide us with the basis for the \$1.75 charge; however, a report of the Senate Committee on Armed Services (S. Rept. 1878, 84th Cong., Apr. 30, 1956)-- which commented on the act--states that approximately \$1.05 of the \$1.75 charge is for the cost of food and the remainder is for the cost of preparation and service. (Since April 1956, the daily subsistence rate<sup>1</sup> has risen from \$1.05 to \$2.30 a day.)

The act also provided a minimum charge of \$25 for in-patient care provided to dependents of active duty members in civilian facilities. We were unable to determine the basis for the \$25 minimum charge.

In October 1973, we discussed the need for increases in the charges for dependents' medical care with DOD representatives and one representative said DOD had considered increases for some time. He said that no formal proposals had been prepared but DOD was considering increasing the \$1.75 charge to \$15 a day on the basis of current costs for food and medical supplies.

Subsequently, he advised us that the \$1.75 daily charge would be increased to \$3.50 on January 1, 1974. In addition, he said:

--The \$25 minimum charge should be increased, however, this was not being done because an increase would require a legislative change.

--DOD based the increased daily charge on the 99-percent increase in military pay since 1966.

According to the representative, DOD used military pay as the basis for computing the increased charge because a report of the House Committee on Armed Services (H. Rept.

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<sup>1</sup>Officers receive this amount for daily food costs (that is, for meals in military dining rooms and for meals received while inpatients in military hospitals).

1407, 89th Cong., Mar. 31, 1966)--which commented on the Military Medical Benefits Amendments of 1966--stated that:

"The charge for a dependent in civilian facilities under the Dependents' Medical Care Act is a flat \$25, or \$1.75 a day, whichever is higher. In other words, each hospital admission results in a minimum charge of \$25.\* \* \* The committee recognizes, however, that the charge has been unchanged since 1956 \* \* \*. The committee also recognizes that in all such programs it is necessary to have a minimum charge sufficient to prevent abuse. Therefore, \* \* \* this minimum charge [\$1.75 per day] should be periodically adjusted upward to take into account adjustments in the compensation of the members of the uniformed services."

We estimated the effect of the increased daily charge by applying the new charge to the historical workload in military medical facilities and in civilian medical facilities under CHAMPUS. We estimate that DOD should collect from military dependents an additional \$4 million annually for care in military facilities and reduce the Government's share of CHAMPUS costs \$640,000 annually for care in civilian facilities. Although we did not determine the appropriateness of the new daily charge, we believe the increase is reasonable in view of the increased costs for medical services and increased military pay.

A corresponding increase in the \$25 minimum charge to absorb some of the increased hospital charges since 1956 also seems appropriate. We estimate that DOD could reduce the Government's share of CHAMPUS costs about \$5.5 million annually by increasing the minimum charge to \$50.

Civilian hospital charges have increased greatly over the past 20 years. The national average of hospital expenses for each patient-day has increased from \$16 in 1950 to over \$92 in 1971.

Since 1957, CHAMPUS patients' share of total costs (hospital and physician) for care in civilian hospitals has

decreased from 8.8 percent to 3.8 percent, as illustrated in the following table.

<u>Total Government</u>			<u>Total patient</u>		
<u>Fiscal year</u>	<u>Cost (millions)</u>	<u>Percent</u>	<u>Cost (millions)</u>	<u>Percent</u>	
1958	\$ 90.7	91.2	\$ 8.7	8.8	
1968	116.5	94.0	7.5	6.0	
1972	204.2	96.2	8.0	3.8	

We applied the increased daily charge of \$3.50 to CHAMPUS' fiscal year 1972 hospital care data and determined that, had the \$3.50 charge been in effect during fiscal year 1972, the patients' share of the total costs would have been about 4.1 percent. Applying the greater of a daily charge of \$3.50 or a minimum charge of \$50 to CHAMPUS' fiscal year 1972 data, we estimate that the patients' share of total cost would have been about 6.7 percent.

#### RECOMMENDATION

In view of the increase in military pay, the rising costs of hospital care, and the decreasing percent of the patients' share of inpatient health costs, we recommend that you initiate a study of the desirability of increasing the \$25 minimum charge for health care for dependents of active duty members in civilian hospitals. If you conclude that an increase is justified, the Congress should be given the suggested legislative changes to increase the \$25 minimum charge.

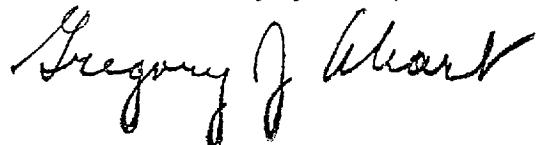
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We appreciate the courtesy and cooperation our representatives received during the survey and would like to be advised of any actions you plan or take.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations; the Chairmen, House and Senate Committees on Government Operations; the

Chairmen, House and Senate Committees on Armed Services; and  
the Director, Office of Management and Budget.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gregory J. Ahart".

Gregory J. Ahart  
Director