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Briefing Report to the Chairman, Subcommittee on Military Forces and Personnel, Committee on Armed Services, House of Representatives

July 1994

UNIVERSAL HEALTH CARE

Effects on Military Systems in Other Countries and the United States

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The Honorable Ike Skelton
Chairman
Subcommittee on Military Forces and Personnel
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

During your Subcommittee's May 1993 oversight hearings, questions arose about how countries with universal health care systems provide health care to their active duty military personnel. These questions stemmed from the Committee's concern about how demand for care from the military health care system would be affected by proposed health care legislation.

While testifying before the Subcommittee during those hearings, we agreed to obtain information on how universal health care affected other countries' military health care systems and to identify the implications of universal health care for the U.S. military health care system. In developing our response, we determined (1) the major similarities and differences between the U.S. military health care system and the systems of Australia, Canada, Finland, and the United Kingdom; (2) how eligibility for military health care in the four countries compares to that in the United States; (3) whether universal health care in these countries affected demand for military health care; and (4) how proposed universal health care legislation, including the President's Health Security Act, could affect demand for services from the U.S. military health care system.

This briefing report serves to formalize and expand on the information we presented to your staff on July 1, 1994.

Results in Brief

In summary, we found the following:

- Australia, Canada, Finland, the United Kingdom, and the United States operate military health care systems that are based primarily on direct care delivery. All systems provide comprehensive medical and surgical services on both an inpatient and an outpatient basis. The U.S. system also has a separate health benefits program, known as the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), that pays for care

from community providers for certain beneficiaries; none of the other countries has a similar program. (See sec. 1.)

- The U.S. military health care system has the broadest eligibility criteria. Besides covering active duty military personnel, the system provides care to retirees, dependents of active duty personnel and retirees, and the survivors of deceased active duty personnel and retirees. In contrast, Australia, Canada, Finland, and the United Kingdom generally limit eligibility to active duty military personnel. (See sec. 2.)
- Implementation of universal care in the four countries had little effect on demand for services from military health care facilities for two main reasons. First, active duty military personnel either are ineligible for universal health care or are discouraged by the military from using universal care when military health care facilities are nearby. Second, the countries' military health care systems generally exclude retirees, dependents, and survivors from receiving treatment at military facilities. As a result, these beneficiaries could not influence demand for military health care after implementation of the universal health care system. (See sec. 3.)
- Because U.S. eligibility criteria are so broad, the potential for universal care to significantly affect demand for military health care services is greater than in other countries. Retirees, dependents, and survivors account for approximately two-thirds of the inpatient care provided by the direct care system and the entire CHAMPUS budget is devoted to them. The President's universal health care proposal would allow, but not require, these beneficiaries to enroll in a military health plan. The proposal does not, however, provide military health plans with any specific enticements to encourage beneficiaries to enroll. Another proposal (H.R. 1200/S. 491, McDermott/Wellstone) would eliminate CHAMPUS and cover the 5.7 million beneficiaries under universal health care. Other major health care proposals contain no specific provisions addressing the military health care system but would give retirees, dependents, and survivors options to receiving their health care from the military system. (See sec. 4.)

Scope and Methodology

We got information about each country's military health care system through embassy representatives in Washington, D.C. Specifically, embassy representatives contacted their military agencies and obtained information describing (1) their military health care systems, (2) eligibility criteria for these systems, and (3) how the systems were affected by universal health care. For information about each country's universal health care system, we used information previously obtained on a related assignment dealing with veterans health care systems in the same four

countries. For information about the U.S. military health care system, we relied on a report we issued previously[1] and information from the Department of Defense (DOD). In addition, we reviewed legislative proposals to reform the U.S. health care system, including President Clinton's proposed Health Security Act, to identify how they might affect future demand for services from the military health care system.

We asked embassy officials of the four countries to comment on a draft of this report and, where appropriate, incorporated their comments. We conducted this review between November 1993 and May 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Ranking Minority Member, Subcommittee on Military Forces and Personnel, House Committee on Armed Services, the Chairmen and Ranking Minority Members of the House and Senate Committees on Armed Services and the Senate and House Committees on Appropriations, the Secretary of Defense, and other interested parties.

Major contributors to this report are listed in appendix I. If you have any questions about this report, please call me at (202) 512-7101.

Sincerely yours,

David P. Baine

David P. Baine
Director, Federal Health
Care Delivery Issues

[1]VA Health Care: Comparison of VA Benefits With Other Public and Private Programs (GAO/HRD-93-94, July 29, 1993).

Contents

Abbreviations

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
NHS	National Health Service

The United States and the Four Other Countries Operate Similar Military Health Care Systems

Australia, Canada, Finland, the United Kingdom, and the United States operate similar military health care systems that are based primarily on direct delivery of care. The United States operates the largest system, both in terms of the number of medical facilities and the number of active duty personnel. Each country's system provides comprehensive medical and surgical services and most have other missions, such as training health care professionals and conducting medical research. All five countries supplement the care provided through their military health care systems by purchasing services from community providers. The United States, however, is the only country that operates the separate health benefits program (CHAMPUS) to pay for care from community providers. Table 1.1 compares the military health care systems of the five countries and the number of active duty personnel in each country.

The U.S. military health care system has two distinct parts: a direct care system and the CHAMPUS health benefits program. The direct care system provides services in uniformed services health care facilities.[1] CHAMPUS serves as a backup, paying for most health care services provided by the private sector to the dependents and survivors of active duty members and to military retirees and their dependents and survivors when services are unavailable or inaccessible in the direct care system.

Australia, Canada, Finland, and the United Kingdom provide most health services in military health care facilities. The military health care system in each country, however, contracts with community providers for specialized services when necessary to supplement the direct care system. In Australia, Canada, and Finland, the military health care system pays for these services; in the United Kingdom, such services are paid for through the universal health care system. Generally, contracted services vary by individual military medical facility within a country. For example, Canadian officials told us that the decision to provide a service at a military medical facility or purchase it from community providers is based on a number of factors, such as (1) the cost of purchasing the service versus providing it in-house, (2) the waiting list for the service in the private sector, and (3) the demand for the service.

[1]The uniformed services are the Army, Navy, Air Force, Marine Corps, Coast Guard, and the Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration. In this report, the term "military" refers to all of the uniformed services.

Table 1.1: Comparison of U.S. and Other Countries' Military Health Care Systems

	Type of health care system	Number and types of medical facilities operated in 1993	Medical/ surgical services provided	Teaching conducted	Research conducted	Number of active duty personnel in 1993
Australia	Direct care with some purchasing of care	22 hospitals, 26 outpatient facilities	Yes	Yes	No	66,000
Canada	Direct care with some purchasing of care	26 hospitals, 26 outpatient facilities	Yes	Yes	Yes	77,000
Finland	Direct care with some purchasing of care	3 hospitals, 46 other facilities	Yes	Yes	Yes	32,000
United Kingdom	Direct care with some care provided by universal health care	4 hospitals, 19 outpatient facilities, 5 overseas hospitals, 3 others	Yes	Yes	Yes	275,000
United States	Direct care and a benefits program	106 hospitals, 386 outpatient facilities, 42 other facilities, 23 overseas hospitals, 182 overseas outpatient facilities	Yes	Yes	Yes	1.9 million

Comprehensive medical and surgical services, on both an inpatient and outpatient basis, are provided at the major military medical facilities in the United States and the other four countries. These facilities typically provide diagnostic and laboratory services, preventive medicine, emergency care, and surgery. For example, Canada's largest military hospital provides specialized diagnostic services, medical rehabilitation services, emergency services, research and development, and specialized surgery. Smaller military hospitals and clinics, in the United States and the other four countries, provide less comprehensive care than the larger facilities. Australia's smaller military hospitals, for example, are primarily holding facilities for patients with minor ailments.

The military health care system in each country is responsible for teaching health care professionals. Military hospitals also have a medical research mission except in Australia.

Other Countries Generally Limit Eligibility to Active Duty Personnel

Australia, Canada, Finland, and the United Kingdom, for the most part, restrict eligibility for health care at military facilities to active duty military personnel. In contrast, the U.S. military health care system also covers dependents of active duty members and military retirees and their dependents (see figure 2.1).

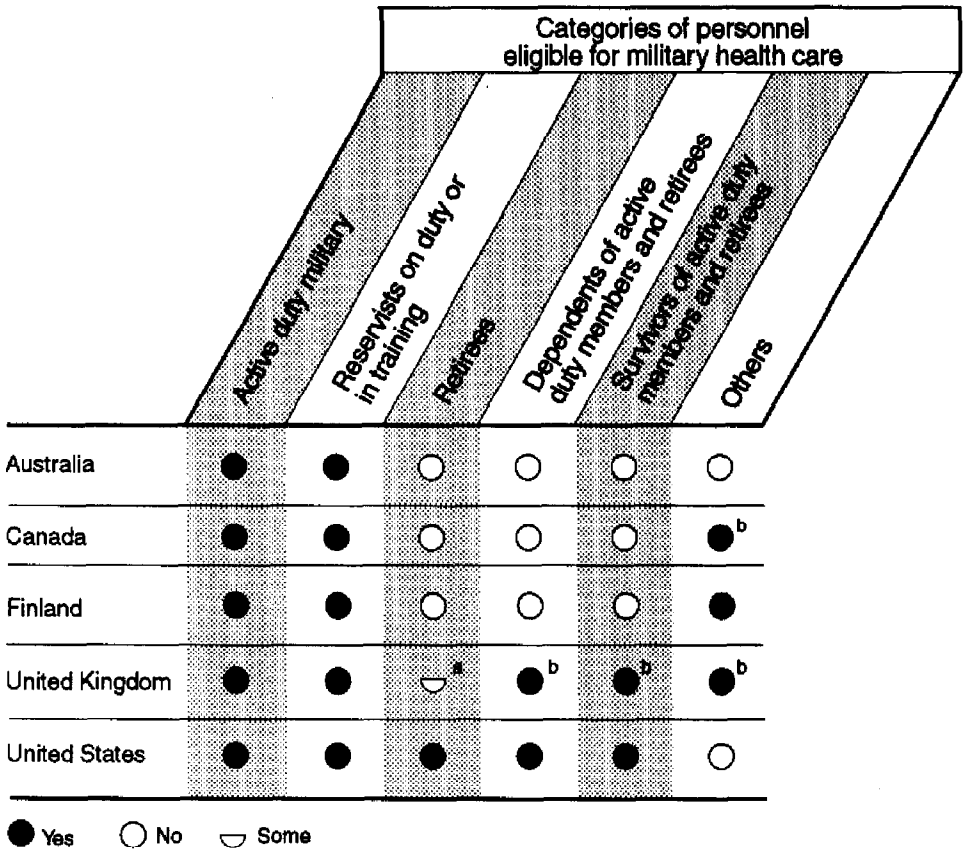
Each country in our study covers active duty military personnel and reservists on duty or in training. However, the U.S. system also covers retirees, dependents of active duty personnel and retirees, and survivors of deceased active duty and retired military personnel. Australia, Canada, and Finland cover such dependents under their universal health care systems.

In the United Kingdom, only retirees with a military disability are eligible for care in military health care facilities, and care is limited to treatment of their disability. The United States does not have similar restrictions and will provide retirees any available health care service or item at any military medical facility if space and resources are available.

Although dependents and survivors of active duty personnel and military retirees are eligible for the UK military health care system, they can receive care in military hospitals only when resources are available and the commanding officer concurs. Moreover, the UK universal health care system pays for the care provided these individuals in military hospitals, not the military. In the United States the military provides and pays for care for such dependents and survivors in any military health care facility when staff and resources are available.

As of September 1993, 1.9 million active duty personnel, along with another 6.8 million dependents of active duty personnel, retired personnel and their dependents, and survivors of retirees and personnel who died while on active duty were eligible for DOD's direct care system. Active duty personnel have the highest priority for medical services in the direct care system, and their care is comprehensive and guaranteed. If a DOD facility cannot provide the needed care, the active duty member will be transferred to another DOD facility, a veterans facility, or a private sector facility, and all required care will be provided at DOD expense. Dependents, retirees, and survivors may use the direct care system when staff, space, and other resources are available.

Figure 2.1: Comparison of Eligibility for Care Under the Military Health Care Systems of the United States and Four Other Countries



[a]Only those with a military disability are eligible.

[b]These individuals are eligible for care at a military hospital, but the universal care system pays for the care provided.

Approximately 5.7 million dependents of U.S. active duty personnel, retired personnel and their dependents, and survivors of retirees and personnel who died while on active duty were also eligible for CHAMPUS as of September 1993. This is fewer than the number eligible for the direct care system because retirees, dependents, and survivors who become eligible for Medicare because of their age or a disability lose their CHAMPUS coverage but remain eligible for space-available care in the direct care system.

Individuals other than active duty personnel are also eligible for military health care in Canada, Finland, and the United Kingdom. For example, in Canada dependents of active duty personnel and Department of National Defense employees at isolated posts may be authorized for military health care; civilians working for the Finnish military are eligible for Finland's military health care system; and, in the United Kingdom, former military personnel who were prisoners of war in the Far East are eligible for military health care.

Implementation of Universal Health Care Had Little Impact on Other Countries' Military Health Care Systems

Universal health care had little effect on the demand for care from military facilities in Australia, Canada, Finland, and the United Kingdom for two main reasons, officials from the four countries told us. First, active duty personnel are either ineligible for universal health care or are discouraged by the military from using universal care when military health care facilities are nearby. Second, retirees, dependents, and survivors in those countries could not influence demand because they were generally excluded from the military system before universal health care was implemented.

Overview of Universal Health Care in Other Countries

The four countries adopted universal health care programs between 1948 and 1984. Each program is financed primarily from general revenues and provides comprehensive inpatient and outpatient care. A general description of each country's program follows.

The United Kingdom was the first of the four countries in our study to implement universal health care. Its National Health Service (NHS) was created in 1948 to improve the physical and mental health of citizens through the prevention, diagnosis, and treatment of illness irrespective of citizens' ages or income. NHS provides primary, secondary, and tertiary care, including domiciliary care for the elderly, the mentally ill, and the mentally handicapped. The United Kingdom established NHS to improve on its patchwork of municipal and state health care services, some of which were privately financed or paid by charitable contributions. That system left many citizens without health care insurance. Today, district health agencies throughout the country plan and manage all health services in their areas. About 80 percent of NHS costs are covered by general revenue; the remaining 20 percent of the costs are covered by insurance contributions paid by employers, employees, and others, as well as charges for certain services, such as dental care.

Canada was the next to adopt universal health care. It operates a taxpayer-financed, comprehensive health insurance system that covers medically necessary hospital and physician services, including prescription drugs, supplies, and diagnostic tests for all citizens. The program is composed of 12 interlocking health plans administered by 10 provinces and 2 territories. The program developed in two stages. The first stage, completed in 1961, involved universal coverage of inpatient hospital services. The second stage, universal coverage of physician services, was fully implemented in 1972. Several factors precipitated Canada's universal health care program. Access to health care differed throughout the

country as some provinces had the equivalent of universal health care while other provinces did not. Also, health insurance premiums charged by commercial insurance companies differed widely. Under the universal health care program, the federal government provides block grant funds to the provinces and territories, which, in turn, provide additional funds as necessary.

Finland's universal care program provides comprehensive inpatient and outpatient care, including maternal and child health, preventive health services, dental care, prescription drugs, and general surgery. Like Canada's, Finland's universal health care program developed in two stages. In 1963, Finland began providing universal coverage of outpatient services provided in the private sector. Previously, citizens paid for private physician care directly, which resulted in unequal access to care. The second stage occurred in 1972 when Finland shifted its emphasis from specialized hospital services to primary health care and prevention. The federal government began subsidizing local health centers, which are the main source of primary health care services in the country. Finland took these actions to equalize access to care for all its citizens regardless of economic status and to slow the growth in health care expenditures. General taxes collected by the federal and municipal governments provide about 70 percent of program funding, with employers, employees, and Finnish citizens providing the remainder.

Australia was the last of the four countries to implement universal health care, with passage of its Medicare Act in 1984. Its single-payer, universal health program provides comprehensive inpatient and outpatient care. Like the other three countries, Australia implemented universal health to improve its citizens' access to quality care; before its program, about 2 million people lacked private insurance. The six state and two territorial governments are primarily responsible for planning, providing, and administering health care within their areas of responsibility. Australia's universal care program is financed by general revenues and a health insurance levy imposed on those making more than a certain income.

Limited Eligibility Reduces Potential Loss of Workload

Universal health care did not significantly affect demand on military health care systems in Australia, Canada, Finland, and the United Kingdom, officials in the four countries told us. This was because of restrictive eligibility criteria or because active duty personnel continued to use the military health care system even though they were eligible for universal health care.

Workload in those countries' military health care systems depends primarily on the demands of active duty personnel. Although military retirees and the dependents and survivors of active duty and retired personnel are eligible for military health care in the United States, generally they were not eligible for military health care in the other four countries before or after universal health care was implemented. As a result, these individuals could not influence the military health care systems' workloads.

Universal health care eligibility criteria limit the potential for reduced demand on the military health care systems in Canada and Finland. Canadian law excludes active duty military personnel from using the universal health care system. In Finland, approximately two-thirds of the 32,000 active duty personnel are conscripts[1] and are ineligible for the universal health care system; the remaining active duty personnel are eligible for both the universal and military health care systems. Thus, only a small number of active duty personnel could influence demand on Finland's military health care system.

Even though active duty military personnel in Australia and the United Kingdom are eligible for the universal health care systems, embassy officials from both countries told us that universal health care did not affect demand for military health care services. In Australia, the military discourages active duty personnel from using the universal health care system. In the United Kingdom, active duty personnel generally use the military health care system if a military hospital is nearby. If no hospital is near a military installation, as is common in the United Kingdom, active duty personnel rely on local providers for their health care. In many cases where this has historically been the situation, demand for military health care was not affected by universal health care implementation.

No Major Changes in Military Health Care Systems Following Universal Health Care Implementation

Officials from all four countries told us that the number and types of military medical facilities did not change as a result of universal health care. Embassy officials from the four countries also told us that eligibility for their military care systems did not change. With the exception of Canada, officials said that military health care system services did not change. In Canada, new procedures approved for payment by the universal health care system are also approved for use in the military health care system.

[1]Finland has a compulsory military system that requires all males aged 19 to 50 to undergo military training.

Implementing Universal Health Care in the United States Could Have More of an Effect Than in the Other Countries

Given the broad eligibility criteria of the U.S. military health care system, the potential for universal health care to significantly affect the demands on the system is greater than in the other countries we studied. Numerous legislative proposals would provide retirees, dependents, and survivors several options for military health care or would cover them under universal health care. Any of these proposals could result in changes in demand for care at military facilities if beneficiaries decide to leave the military health care system.

Retirees, Dependents, and Survivors Are Greatest Users of Military Health Care

The U.S. military health care system covers active duty personnel plus military retirees and the dependents and survivors of active duty and retired military personnel. Retirees, dependents, and survivors are the greatest users of military health care at facilities in the United States. In the direct care system, retirees, dependents, and survivors represented 7 out of every 10 admissions to U.S. military hospitals in fiscal year 1992 and two-thirds of the average daily patient load at these hospitals. In addition, the entire CHAMPUS budget is devoted to these individuals. Because they represent such a significant portion of the workload, were many of these retirees, dependents, and survivors to receive care elsewhere under a universal health care system, the military health care system could face significant changes in demand.

Two Major Health Reform Proposals Contain Military Health Provisions

Of the major health reform proposals before the Congress, two contain provisions addressing the U.S. military health care system. One is the President's Health Security Act and the other, calling for a single-payer system, is sponsored by Representative Jim McDermott and Senator Paul Wellstone.

Under the President's Health Security Act, DOD would set up managed care plans that would compete for clients under regional health alliances. Like all other plans, the military plan would offer a standard benefits package and could offer supplemental services. Active duty personnel living in an area covered by a military health plan would be required to enroll. However, retirees, dependents, and survivors would be eligible, but not required to enroll. They could choose any health care plan offered by their alliance and DOD would pay all or a portion of the premium for any plan they selected.

Medicare beneficiaries, including those who are Medicare eligible because of a disability, would also be given the opportunity to enroll in a military

health plan offered by their alliance. Currently, these beneficiaries are only eligible for DOD's direct care system on a space available basis.

Individual decisions of millions of retirees, dependents, and survivors would determine whether demand for the military health care system increased or decreased under the President's proposal. Yet, the proposal provides DOD no competitive advantages to entice retirees, dependents, and survivors to enroll. For example, the proposal does not allow DOD to eliminate copayment and deductible fees for enrollees. While military health plans may offer more services than the basic benefits package, there is no guarantee that these extra services will be equivalent to, or exceed, those available under other plans.

The McDermott/Wellstone proposal would eliminate CHAMPUS by the end of 1994, and the 5.7 million retirees, dependents, and survivors eligible for CHAMPUS in 1993 would be covered by the universal health care system. Although former CHAMPUS beneficiaries could continue to use the military health care system on a space and resources available basis, demand for care may decline because beneficiaries would be able to obtain care from either DOD or private providers; whereas, now DOD makes that decision for CHAMPUS beneficiaries.

Other health care proposals before the Congress do not contain specific provisions addressing the military health care system. Apparently, decisions would be made in the future about how military health care would fit into the universal health care systems these proposals envision. However, these proposals provide retirees, dependents, and survivors options to military health care services that could reduce demand for services at military health care facilities. For example, one proposal would require all citizens to purchase insurance from one of several qualified health plans, while another proposal would require citizens to choose from private or state insurance programs.

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