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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

Costs To Operate The
Veterans Administration
Hearing Aid Program

The Veterans Administration program provides for issuing a hearing aid, including all the necessary accessories, to each eligible veteran. The Administration has 45 clinics available to evaluate whether a veteran needs a hearing aid. At the clinics visited it cost an average of \$199.90 to provide a hearing aid to a veteran. The costs reviewed appeared reasonable and in GAO's opinion the two Administration clinics visited were neither over-staffed nor underutilized.

MWD-76-52

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DEC. 4, 1975

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

B-182457

The Honorable William Proxmire
Chairman, Subcommittee on Housing and
Urban Development, and Independent Agencies
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

By letter dated October 17, 1974, you requested that we look into the costs of operating the Veterans Administration (VA) hearing aid program to determine how it functions and the reasonableness of program-associated costs. You also requested that we visit one or two audiology clinics to determine the extent to which these clinics may be overstaffed or underutilized.

VA does not accumulate cost data at the level of individual programs, such as the hearing aid program. However, we identified fiscal year 1974 costs, including central office salary, procurement and distribution, repair service, and audiology service costs, directly related to the hearing aid program. The costs reviewed appeared reasonable, and in our opinion the VA clinics visited in Albuquerque, New Mexico, and Denver, Colorado, were not overstaffed or underutilized. At the clinics visited it cost VA an average of \$199.90 to provide a hearing aid to a veteran.

We performed work at (1) the VA central office in Washington, D.C., (2) VA hospitals in Albuquerque, New Mexico; Denver, Colorado; and Washington, D.C., (3) VA's Marketing Center and Supply Depot in Hines, Illinois, (4) and VA's Prosthetic Distribution Center in Denver. We also visited a contract audiology clinic in Salt Lake City, Utah.

HOW THE HEARING AID PROGRAM FUNCTIONS

Eligible veterans who request or require a hearing aid are examined at 1 of the 171 VA hospitals by a physician specializing in ear problems. The physician examines the patient to determine the cause of the problem and may be able to restore some or all of the veteran's hearing ability through medical or surgical treatment. During the course of treatment, or if medical or surgical treatment is not indicated, the physician may refer the veteran to an audiologist.

Audiologists specialize in the branch of science dealing with hearing and provide therapy to individuals with impaired hearing. The audiologist is trained in testing, rehabilitating, and counseling people with hearing disorders. If tests reveal that a hearing aid may benefit the patient, the audiologist will help in selecting the type of aid needed.

The VA program provides for issuing a hearing aid, including all the necessary accessories, to each eligible veteran after VA determines that the veteran needs an aid. The necessary accessories include such items as receivers, ear inserts, carrying garments, batteries, and cords. The veteran, after he has worn his aid for 6 months, is entitled to a second aid so that he will have a spare. VA provides free repairs to a veteran's hearing aid--including the replacement of accessories. Eligible veterans requesting an initial, replacement, or spare hearing aid are referred to the nearest VA or contract audiology clinic for a hearing aid evaluation and selection of a suitable aid. In 1974 VA had 40 clinics available to perform these evaluations. (See app. II.) VA opened five additional clinics in 1975.

When VA determines that it would not be feasible for the veteran to travel to the nearest VA audiology clinic, authority may be obtained for the purchase of a hearing aid from a local hearing aid dealer. In such cases the examining physician must determine the need for the hearing aid as well as test the aid on the veteran, if at all possible, to determine whether it is satisfactory.

Eligible veterans required to travel to a VA hospital for treatment are entitled to be reimbursed for travel costs. As of June 30, 1975, veterans were being reimbursed for mileage at the rate of 8 cents per mile.

A review of travel reimbursements paid to veterans seen at the audiology clinics visited did not reveal any instances where an overnight stay was involved.

Procurement and distribution of hearing aids

VA has developed a program for measuring and evaluating hearing aid performance. The program provides VA with a means of selecting a manageable group of aids from among the more than 500 models available in the United States.

Each year VA sends manufacturers or their agents a copy of the bid format and an invitation to participate in the program. Manufacturers are limited to submitting seven different models from their line of hearing aids. In addition, VA separately solicits some special models. All models submitted for evaluation must be available to the general public through the manufacturers' dealers. In 1974, 19 hearing aid manufacturers submitted 114 models.

The National Bureau of Standards tests all hearing aids submitted in response to VA's invitation. The Bureau measures each aid for acoustic and electronic factors and submits the results to VA. The test data is subjected to statistical and comparative analysis and converted into a performance score. The weighting factors used in developing the performance score were determined by a group of nationally recognized audiologists and physicists serving VA on a consulting basis. After the hearing aids have been evaluated and clinical need, performance, and cost have been considered, specific models are recommended for acceptance on VA contracts.

VA procures hearing aids through annual contracts beginning on October 1. The VA Marketing Center in Hines, Illinois, negotiates these contracts. The hearing aids selected for contract are available under two schedules:

- One for purchases made directly from the manufacturers for delivery to the VA Supply Depot in Hines, Illinois.
- One for purchases by VA field stations from manufacturers' authorized dealers.

The average contract cost for hearing aids available directly from manufacturers for the 1974 contract year was \$105 as compared to the average contract cost of \$264 for the same aids available from authorized dealers. Appendix III shows the difference in contract prices for the different model hearing aids purchased directly from the manufacturers as compared to the contract prices for the same hearing aids obtained from local dealers.

In fiscal year 1974 the Marketing Center purchased 12,960 hearing aids from manufacturers and 739 hearing aids from local dealers. During fiscal year 1974 the VA Supply Depot issued 14,401 hearing aids--11,099 to VA clinics, 2,724 to military organizations, and 578 to the Indian Health Service. On June 30 VA had an inventory of 7,014 hearing aids. Aids in inventory were stocked at the Supply Depot and at the VA and contract audiology clinics.

Audiology clinics

VA audiology clinics are staffed by personnel trained at the masters or doctoral level in hearing and speech sciences. Trainees assisting at clinics are working toward their graduate degrees.

The VA audiology clinics visited were both under the direct supervision of audiologists with doctoral degrees. The clinics provided various types of services, such as examining patients

- to evaluate compensation or pension claims,
- for medical treatment evaluations,
- for hearing aid evaluations,
- for assessment of rehabilitation needs,
- for special diagnostic assessments to aid medical diagnoses,
- for problems concerning hearing aid malfunctions, and
- for recounseling regarding hearing evaluations, hearing aids, benefits, etc.

The audiologist conducts tests to determine if the patient will benefit from the use of a hearing aid. If an aid will benefit the patient, he is allowed to try several models which are known to possess characteristics which might compensate for his hearing deficiency. Once a specific hearing aid is determined to be most suitable, the patient is issued that aid.

An audiologist, upon issuing a hearing aid, discusses the results of the hearing evaluation with the veteran and explains the operation of the aid to him. The veteran is also advised of his eligibility for hearing aid accessories and repairs.

The Prosthetic Distribution Center (PDC)

D2838

The PDC is responsible for:

- Centralized storage and distribution of such items as canes, braille typewriters, and hearing aid batteries to eligible blind, deaf, or amputee veterans.

--Administration of the program for hearing aid repairs for eligible veterans.

--Testing new hearing aids and preparing a performance graph for each aid.

Personnel at VA hospitals determine the eligibility of veterans to receive items stocked at the PDC. The PDC maintains a file on eligible veterans based on authorizations received from hospitals.

The PDC, upon receiving notice from an audiology clinic that a veteran has been issued a hearing aid, sends him an estimated 90 day supply of hearing aid batteries and provides him with a form for requesting additional batteries. A record of the number of batteries issued to each veteran is maintained at the PDC.

The PDC keeps records indicating the types of hearing aids in the veteran's possession as well as repair records on the aids. The veteran returns hearing aids in need of repair to the PDC, where they are examined and processed under the following criteria:

--Hearing aids under warranty are returned to the manufacturer unless the defect is minor and can be corrected at the PDC.

--Hearing aids no longer under warranty may be repaired at the PDC depending on the availability of parts and personnel.

--Other aids which are not under warranty and which the PDC cannot repair are returned to the manufacturer for repairs under the provisions of a service contract negotiated by the VA Marketing Center.

Under the terms of VA's procurement contract, hearing aids are guaranteed for 2 years from the date of issuance to the veteran. Corrections or adjustments required within this period are made by manufacturers at no cost. During fiscal year 1974 the PDC returned 5,587 hearing aids to manufacturers for repair under warranty. During that year the PDC's hearing aid repair section used the services of 4 full-time employees to repair 3,351 hearing aids.

After the warranty expires, VA enters into service contracts with manufacturers for the repair of aids. The contracts provide that the contractor must complete repairs to

an aid within 7 days of the receipt date. The total charge for repairs to the aid shall not exceed \$25 without specific authority from the PDC. After the aid is repaired, the contractor returns it to the PDC where its operating condition is checked. During fiscal year 1974 the PDC returned 1,114 aids to the manufacturers for additional service before the aids could be returned to veterans.

In December 1974 VA initiated a program requiring PDC personnel to test each new hearing aid to determine whether it is working properly before it is sent to the audiology clinic. They also prepare a performance graph to accompany each aid to the clinic to assist the audiologist in fitting the aid. From December 15, 1974, to April 18, 1975, PDC personnel tested 6,408 new hearing aids and returned 340 as defective.

HEARING AID PROGRAM COSTS

Costs of providing hearing aids

The VA's accounting system does not routinely provide reports indicating the costs associated with the hearing aid program. We analyzed cost records related to the program and developed the costs of providing an aid to a veteran.

We identified costs directly related to the hearing aid program, including central office salary costs, procurement and distribution costs, and audiological services costs for fiscal year 1974. (See app. IV.) We did not attempt to allocate costs for services provided by the examining physician before his referral of the patient to the audiology clinic since we regarded this examination as an integral part of the VA medical care system which would be required regardless of the existence of a hearing aid program.

Also, we did not attempt to allocate hospital costs for administrative support services to the hearing aid program since the audiology clinics were such a small part of the total hospital operation. Each of the clinics in our review accounted for less than 1 percent of its hospital's fiscal year 1974 expenditures. In addition, personnel providing the support service said that their workload would not significantly change and staffing requirements would not be reduced if the audiology clinics were not part of the hospital.

The following table indicates that it cost VA, on the average, \$199.90 to issue a hearing aid in fiscal year 1974 at the two clinics reviewed. An explanation of the computation of these costs is in appendix IV.

Cost per Hearing Aid Issued

| | <u>Denver clinic</u> | <u>Albuquerque clinic</u> | <u>Average cost</u> |
|------------------------|--------------------------|-------------------------------|-------------------------|
| Supply service: | | | |
| Hearing aid cost | \$ 87.96 | \$ 87.96 | \$ 87.96 |
| Overhead charge (14%) | <u>12.31</u> | <u>12.31</u> | <u>12.31</u> |
| | <u>100.27</u> | <u>100.27</u> | <u>100.27</u> |
| Audiology clinic: | | | |
| Salaries | 89.32 | a/53.19 | 71.25 |
| Travel | 11.11 | 8.64 | 9.88 |
| Equipment depreciation | 7.31 | 6.64 | 6.98 |
| Ear molds | 4.08 | 5.74 | 4.91 |
| Batteries | 1.02 | 1.02 | 1.02 |
| Other | <u>.87</u> | <u>2.65</u> | <u>1.76</u> |
| | <u>113.71</u> | <u>77.88</u> | <u>95.80</u> |
| Central office | <u>3.83</u> | <u>3.83</u> | <u>3.83</u> |
| | <u>\$217.81</u> | <u>\$181.98</u> | <u>\$199.90</u> |

a/We were informed that this lower salary cost is due to the Albuquerque clinic being understaffed, according to VA staffing criteria, for a clinic its size.

In developing the above costs, we reviewed cost records and other documents and did not find any costs which appeared unreasonable.

PDC costs

Since December 1974 the PDC has had responsibility for testing all new hearing aids. Although this was not a cost in fiscal year 1974, it would have to be considered in any future computation of VA's cost of providing hearing aids. At the time of our review, PDC personnel had computed an average labor cost of \$1.61 for each aid tested.

Costs of repairing hearing aids

The Chief, PDC, accumulates the labor and material charges for repairs performed by his personnel. He said that for fiscal year 1974 these repairs averaged about \$8 per aid. The average cost of parts for these repairs was \$4.77. The estimated labor cost was based on informal records which were not retained.

In fiscal year 1974 contractors repaired 11,367 hearing aids under the provisions of the service contract at a cost of \$182,449 for an average cost of \$16.05 per aid.

Cost of batteries

The PDC purchases hearing aid batteries from manufacturers under contracts negotiated by the VA Marketing Center. The number of batteries purchased and their cost for fiscal year 1974 and the first 6 months of fiscal year 1975 was as follows:

| <u>Fiscal year</u> | <u>Batteries purchased</u> | <u>Cost</u> | <u>Average cost</u> |
|------------------------|----------------------------|--------------|---------------------|
| 1974 | 1,829,716 | \$267,904.84 | 14.6 cents |
| First 6 months of 1975 | 665,808 | 140,223.82 | 21.1 |

STAFF USE

Review of the duties and activities of audiology clinic personnel to determine the appropriateness of the clinics' staffing levels showed that about 73 percent of the clinics' staff time is spent providing audiological services to veterans. The remainder of their time is devoted to training, research, and administrative activities.

At the time of our review, the Denver audiology clinic staff consisted of two audiologists and four audiology trainees. The Albuquerque clinic staff consisted of one audiologist and two trainees. The audiology trainees work 20 hours per week, and their time is divided between working with patients and doing research and class work toward their advanced degrees.

We compared the amount of time clinic personnel said they spent providing audiological services to standard times established for audiological services developed by the American Speech and Hearing Association. The following table summarizes the comparison which shows that the clinic staffs are not spending an excessive amount of time performing the services.

| <u>Clinic</u> | <u>Number of services provided</u> | <u>Standards applied to services provided (hours)</u> | <u>Hours spent by clinic staff in providing services</u> |
|---------------|------------------------------------|---|--|
| Denver | 2,442 | 4,144 | 4,205 |
| Albuquerque | 1,275 | 2,531 | 2,484 |

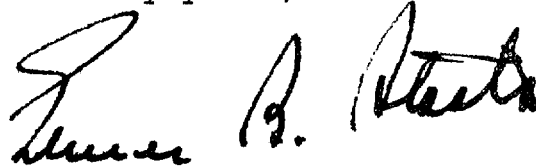
The training and research aspects of a VA hospital are basic components of the overall mission of the VA system. The intent of the Congress concerning the VA training and research programs is clear, as evidenced by section 4101 of title 38 of the United States Code and annual congressional approval of appropriations for VA research and training programs. Although no time standards exist for the training, research, and administrative function performed by the audiology clinic staffs, we believe that the staff time spent in these areas was reasonable.

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VA officials have been given an opportunity to review and comment on this report. (See app. I.) They agreed with the report's findings, and, where appropriate, their comments have been incorporated.

We are sending copies of the report to the Administrator of Veterans Affairs, other congressional committees, Members of Congress, and other interested parties.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James A. Stacks". The signature is written in a cursive style with a large initial "J" and "S".

Comptroller General
of the United States

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VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

OCTOBER 8 1975



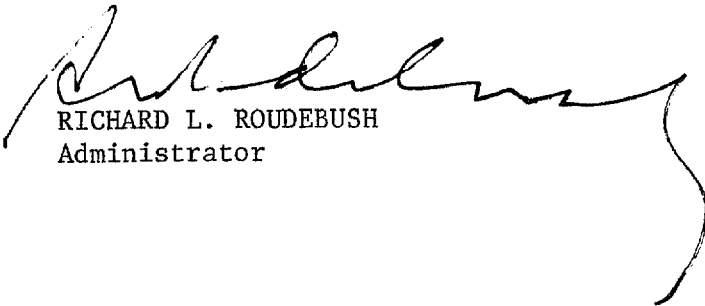
Mr. Gregory J. Ahart
Director
Manpower and Welfare Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

We appreciate the opportunity to review and comment on your draft report on the operation of the VA hearing aid program and concur with its evaluations and findings. The information contained in the report accurately reflects the status of the hearing aid program.

In Enclosure I of the report, 40 clinics that perform hearing aid evaluations are listed. You may wish to update the list since hearing aid evaluations are now provided at the clinics located in Allen Park, Michigan; Indianapolis, Indiana; San Antonio, Texas; San Diego, California and St. Louis, Missouri.

Sincerely,


RICHARD L. ROUDEBUSH
Administrator

VA AUDIOLOGY AND SPEECH PATHOLOGY CLINIC

VA Hospital
2100 Ridgcrest, S.E.
Albuquerque, New Mexico
87108

VA Hospital
2215 Fuller Road
Ann Arbor, Michigan 48105

VA Hospital
1670 Clairmont Road, N.E.
Atlanta, Georgia 30329

VA Center
Bay Pines, Florida 33504
(St. Petersburg Outpatient
Clinic)

VA Outpatient Clinic
17 Court Street
Boston, Massachusetts 02108

VA West Side Hospital
820 S. Damen Avenue
Chicago, Illinois 60680

VA Hospital
10701 East Boulevard
Cleveland, Ohio 44106

VA Hospital
Columbia, South Carolina
29201

VA Hospital
4500 S. Lancaster Road
Dallas, Texas 76216

VA Hospital
1055 Clermont Street
Denver, Colorado 80220

VA Hospital
Fulton and Erwin Road
Durham, North Carolina 27705

VA Hospital
East Orange, New Jersey 07019
(Newark Outpatient Clinic)

VA Hospital
2002 Holcombe Boulevard
Houston, Texas 77031

VA Hospital
Highway 6
Iowa City, Iowa 52240

VA Hospital
1500 Woodrow Wilson Drive
Jackson, Mississippi 39216

VA Hospital
4801 Linwood Boulevard
Kansas City, Missouri 64128

VA Hospital
300 E. Roosevelt Road
Little Rock, Arkansas 72206

VA Outpatient Clinic
425 S. Hill Street
Los Angeles, California 90013

VA Outpatient Clinic
1405 West Broadway
Louisville, Kentucky 40201

VA Hospital
1201 N.W. 16th Street
Miami, Florida 33125

VA Outpatient Clinic
Fort Snelling
Minneapolis, Minnesota 55417

VA Center Mountain Home
Johnson City, Tennessee 37684

VA Hospital
1601 Perdido Street
New Orleans, Louisiana 70140

VA Hospital
First Avenue at E. 24th Street
New York, New York 10010

APPENDIX II

APPENDIX II

VA Hospital
921 N.E. 13th Street
Oklahoma City, Oklahoma
73104

VA Outpatient Clinic
1421 Cherry Street
Philadelphia, Pennsylvania
19102

VA Hospital
University Drive C
Pittsburgh, Pennsylvania
15240

VA Hospital
Sam Jackson Park
Portland, Oregon 97204

VA Hospital
1201 Broad Rock Road
Richmond, Virginia 23219

VA Hospital
4150 Clement Street
San Francisco, California
94121

VA Center
GPO Box 4867
San Juan, Puerto Rico 00936

CONTRACT CLINICS

University of Montana
Missoula, Montana 59801

VA Outpatient Service
Smith Tower
2nd Avenue and Yesler Way
Seattle, Washington 98104

VA Hospital
510 E. Stoner Avenue
Shreveport, Louisiana 71101

VA Hospital
Irving Avenue and University
Place
Syracuse, New York 13210

VA Hospital
13000 N. 30th Street
Tampa, Florida 33612

VA Hospital
Tucson, Arizona 85723

VA Hospital
50 Irving Street, N.W.
Washington, D.C. 20422

University of Utah
Cooperative Research
207 Park Building
Salt Lake City, Utah 84112

SPECIAL

VA Regional Office
Manila, Philippines
APO, San Francisco 96528

CLINICS ADDED IN 1975

VA Hospital
Southfield and Outer Drive
Allen Park, Michigan 48101

VA Hospital
1481 W. Tenth Street
Indianapolis, Indiana 46202

VA Hospital
St. Louis, Missouri 63125

VA Hospital
7400 Merton Minter Blvd.
San Antonio, Texas 78284

VA Hospital
3350 La Jolla Village Drive
San Diego, California 92161

VA CONTRACT PRICES FOR HEARING AID PURCHASESOCTOBER 1, 1973, to SEPTEMBER 30, 1974

| <u>Model</u> <u>(note a)</u> | <u>Contract price</u> <u>for purchase</u> <u>from manufacturer</u> | <u>Contract price</u> <u>for purchase</u> <u>from local dealer</u> |
|---------------------------------|--|--|
| 1 | \$ 97.50 | \$291.75 |
| 2 | 90.75 | 299.25 |
| 3 | 105.00 | 266.00 |
| 4 | 105.00 | 266.00 |
| 5 | 131.05 | 242.14 |
| 6 | 94.50 | 296.50 |
| 7 | 99.00 | 188.00 |
| 8 | 85.00 | 170.00 |
| 9 | 145.00 | 263.00 |
| 10 | 82.00 | 315.20 |
| 11 | 71.50 | 268.75 |
| 12 | 97.50 | 287.60 |
| 13 | 86.60 | 227.15 |
| 14 | 129.60 | 307.60 |
| 15 | 116.10 | 276.15 |
| 16 | 126.00 | 293.65 |
| 17 | 95.00 | 202.00 |
| 18 | 119.00 | 289.00 |
| 19 | 129.00 | 299.00 |
| 20 | 109.00 | 275.00 |
| 21 | 149.00 | 297.00 |
| 22 | 159.00 | 310.00 |
| 23 | 94.00 | 264.00 |
| 24 | 96.00 | 243.06 |
| 25 | 96.00 | 235.11 |
| 26 | 81.50 | 230.22 |
| 27 | 75.00 | 219.82 |
| 28 | 72.20 | 282.72 |
| Average (note b) | 104.88 | 264.49 |

a/Descriptions of hearing aids from both sources are essentially the same except that the aids from dealers include batteries.

b/This is the average cost of all models available for purchase during the contract year.

The above schedule lists the contract prices charged VA field stations for hearing aids purchased from authorized dealers as compared to the contract prices charged for the same model hearing aids purchased from manufacturers and

delivered to the Hines Supply Depot. If a hearing aid is purchased from a dealer, in addition to demonstrating the aid, the dealer assists in selecting and fitting the aid and advises the patient as to its care and maintenance. The contract prices do not include the cost of the examination required to determine whether a hearing aid may be beneficial. This cost arises regardless of whether the hearing aid is purchased from the manufacturer or an authorized dealer.

EXPLANATION OF COST COMPUTATIONS

This appendix describes the basis of the computations made to develop the costs for providing hearing aids.

SUPPLY SERVICE COSTS

The operation and maintenance of the VA supply system is financed through a revolving fund. The costs of supplies, equipment, and services acquired through the fund, as well as the cost of operating the fund, are recovered through reimbursements.

When an audiology clinic issues a hearing aid, the supply depot sends the clinic a replacement aid and charges the hospital for the cost of the hearing aid plus a 14 percent markup. The following schedule shows the number and cost of the hearing aids sold to audiology clinics for fiscal year 1974 and for the first 6 months of fiscal year 1975.

| <u>Fiscal year</u> | <u>Quantity</u> | <u>Total cost</u> | <u>Average cost of hearing aids</u> | <u>14 per- cent markup</u> | <u>Total cost of hearing aid</u> |
|------------------------|-----------------|-------------------|-------------------------------------|----------------------------|----------------------------------|
| 1974 | 11,099 | \$976,262 | \$87.96 | 12.31 | \$100.27 |
| First 6 months of 1975 | 6,733 | 625,422 | 92.89 | 13.00 | 105.89 |

AUDIOLOGY CLINIC COSTS

In accumulating audiology clinic costs, we included costs for audiology staff salaries; audiology costs other than salaries (equipment, supplies, etc.); travel reimbursements to veterans; ear molds; depreciation of audiology equipment; and hearing aid batteries.

However, many of the services performed in audiology clinics are not related to providing a veteran with a hearing aid. According to VA records, the clinics also provide services for compensation and pension examinations and assist in evaluating patients referred from other professional services. The categories of audiology services performed and the number of each service completed in fiscal year 1974, at the audiology clinics reviewed, are shown in the following schedule.

| <u>Service</u> | <u>Denver</u> <u>audiology clinic</u> | | <u>Albuquerque</u> <u>audiology clinic</u> | |
|---------------------------------------|--|----------------|---|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Compensation and pension examinations | 526 | 21.5 | 419 | 32.9 |
| Medical treatment | 789 | 32.3 | 137 | 10.7 |
| Assessment of rehabilitation needs | 384 | 15.7 | 70 | 5.5 |
| Special diagnostic | 235 | 9.6 | 305 | 23.9 |
| Nontest | 275 | 11.3 | 175 | 13.7 |
| Hearing aid evaluation (note a) | <u>233</u> | <u>9.6</u> | <u>169</u> | <u>13.3</u> |
| Total | <u>2,442</u> | <u>100.0</u> | <u>1,275</u> | <u>100.0</u> |

a/This service resulted in 184 hearing aids issued in Denver and 150 hearing aids issued in Albuquerque.

To determine what percent of the audiologist's time was applicable to providing a veteran a hearing aid, we took a statistical sample of the above audiology services. Our sample was selected using a confidence level of 95 percent. We evaluated the patients' audiology clinic records to determine into which of the following three categories the audiology service fit:

- Service directly related to issuing a hearing aid.
- Service related to the hearing aid program but not to issuing a hearing aid, such as adjustments or minor repairs to hearing aids already issued.
- Service not related to the hearing aid program, such as compensation or pension examinations.

Since each audiology service does not take the same amount of time to perform, we applied the American Speech and Hearing Association's relative value time standards for audiology services 1/ to adjust our samples for the amount of time required to perform each service. Our sample results were as follows:

1/The American Speech and Hearing Association has recommended time standards for services performed by audiologists and speech pathologists. A member of the committee that developed the standards said that they had not been adopted yet because of disagreement of audiologists and speech pathologists in the area of special tests. The general categories of the standards used by VA are not being challenged.

| <u>Category</u> | <u>Denver</u> <u>audiology clinic</u> | | <u>Albuquerque</u> <u>audiology clinic</u> | |
|---|--|----------------|---|----------------|
| | <u>Time</u> <u>(hours)</u> | <u>Percent</u> | <u>Time</u> <u>(hours)</u> | <u>Percent</u> |
| Related to issuing a hearing aid | 85.21 | 24.4 | 96.74 | 22.3 |
| Related to hearing aid program | 22.68 | 6.5 | 20.61 | 4.7 |
| Not related to hear- ing aid program | <u>241.89</u> | <u>69.1</u> | <u>317.41</u> | <u>73.0</u> |
| Total | <u>349.78</u> | <u>100.0</u> | <u>434.76</u> | <u>100.0</u> |

The sample results were used to allocate the audiology clinic costs which were not exclusively related to issuing hearing aids, such as salaries and equipment depreciation.

Audiology salary costs

The actual fiscal year 1974 salary costs for full-time and trainee positions were identified. To this, a 10-percent factor as computed by VA was added to the full-time salaries for Federal pension and insurance contributions. To this total we applied the sample percentage for audiology time allocated to providing hearing aids and computed an average cost per hearing aid by dividing the number of hearing aids issued into the salary costs applicable to providing hearing aids.

Audiology costs other than salary

We identified fiscal year 1974 expenditures in this category for audiology and applied the sample percentage for audiology time allocated to providing hearing aids. We computed the average cost per hearing aid by dividing this total by the number of hearing aids issued in fiscal year 1974.

Travel costs

For patients in our sample who received audiology service related to providing a hearing aid, we determined how much travel reimbursement they were entitled to receive.

Ear mold costs

We computed the average costs actually paid for ear molds issued during fiscal year 1974.

Equipment depreciation costs

We computed the annual depreciation applicable to audiology equipment based on the useful lives of the equipment. We applied the percentage of audiology time related to providing hearing aids to this total and computed an average cost by dividing the number of hearing aids issued into the depreciation cost applicable to issuing hearing aids.

Battery costs

We applied the average fiscal year 1974 hearing aid battery cost paid by VA (as determined at the PDC) to the number of hearing aid batteries supplied with the issuance of most hearing aid models.

CENTRAL OFFICE COSTS

Services provided by the VA central office for the hearing aid program include auditory research and program direction. The research support is in the selection of hearing aids recommended for procurement after evaluation of the results of tests by the National Bureau of Standards. The manpower cost of these services for fiscal year 1974 was \$3.83 per hearing aid issued to audiology clinics.

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