

November 15, 2005

## IMPLEMENTATION OF MEDICATION CO-PAYMENT CHANGES

**1. PURPOSE:** This Veterans Health Administration (VHA) Directive provides the Department of Veterans Affairs' (VA) policy for charging certain veterans co-payments for medication received on an outpatient basis for non-service connected conditions.

### 2. BACKGROUND

a. Public Law 106-117, The Veterans' Millennium Health Care and Benefits Act, gives the Secretary of Veterans Affairs authority to increase the medication co-payment amount and to establish an annual cap on the amount of medication co-payments charged to certain priority groups.

b. VA is required by law to charge certain veterans a co-payment for each 30-day or less supply of medication provided on an outpatient basis (other than medication administered during treatment) for treatment of a non-service connected condition.

c. An annual cap was established to eliminate a financial hardship for veterans enrolled in certain priority groups (Priority Groups 2, 3, 4, 5 and 6) who may require unusually large amounts of medication. An annual cap was not established for veterans in Priority Groups 7 and 8. When veterans reach the annual cap, they will continue to receive medications without making a co-payment. For calendar year 2002, the cap was set at \$840.

d. The medication co-payment charge for each subsequent calendar year after 2002 is to be established by using the prescription drug component of the Medical Consumer Price Index as described below. Additionally, for each \$1 increase in the medication co-payment, the annual medication co-payment cap must increase by \$120.

(1) For each calendar year beginning after December 31, 2002, the Index of the previous September 30 is divided by the index as of September 30, 2001.

(2) The ratio so obtained is multiplied by the original co-payment amount of \$7.

(3) The co-payment amount of the new calendar year, rounded down to the whole dollar amount, is the result.

e. Based on this calculation, the medication co-payment rate for calendar year 2006 is \$8. Additionally, the medication co-payment cap for veterans in Priority Groups 2-6 for calendar year 2006 is \$960.

**THIS VHA DIRECTIVE EXPIRES NOVEMBER 30, 2010**

## VHA DIRECTIVE 2005-052

November 15, 2005

**3. POLICY:** It is VHA policy that effective January 1, 2006, the medication co-payment will be increased to \$8 and the annual cap for veterans enrolled in Priority Groups 2, 3, 4, 5 and 6 will be \$960.

### 4. ACTION

a. **Office of Information (19).** The Office of Information ensures the information stored in the Veterans Health Information System and Technology Architecture (VistA) regarding medication co-payments will be shared between facilities to accurately track and record a veteran's annual cap. When a veteran reaches the annual cap for the calendar year, the veteran will continue to receive the medications dispensed without incurring additional co-payment charges. VistA continues to track and record medications dispensed after the annual cap has been reached for statistical reporting purposes.

b. **Chief Business Office (16).** The Chief Business Office (16) is responsible for ensuring that:

(1) Communication and notification to veterans, staff, and stakeholders is appropriately coordinated.

(2) The medication co-payment and annual medication co-payment cap are adjusted, as applicable, on a calendar year basis. The pharmacy component of the consumer price index must be used as a basis for increases in the medication co-payment. When an increase occurs, the co-payment will increase in whole dollar amounts. The amount of the annual cap increases \$120 for each \$1 increase in the co-payment amount.

(3) The following veterans are exempt from VA medication co-payment requirements:

(a) Veterans who have a service-connected disability rated 50 percent or more, based on a service-connected disability or un-employability;

(b) Veterans receiving medication for treatment of a service-connected disability;

(c) Veterans whose annual income (as determined under Title 38 United States Code (U.S.C.) 1503) does not exceed the maximum annual rate of the VA pension, which would be payable to such veteran if such veteran were eligible for pension under 38 U.S.C. 1521;

(d) Any veteran who is a former Prisoner of War;

(e) Veterans receiving medication authorized under 38 U.S.C. 1710 (e).

(f) Veterans receiving medication for treatment of sexual trauma as authorized under 38 U.S.C. 1720D;

(g) Veterans receiving medication for treatment of cancer of the head or neck, as authorized under 38 U.S.C. 1720E; and

(h) Veterans receiving medication provided as part of a VA-approved research project authorized by 38 U.S.C. 7303.

c. **Facility Director.** The facility Director, or designee, is responsible for ensuring that medication co-payments are deposited into appropriate funds and that the VistA Accounts Receivable (AR) software automatically records the appropriate deposits.

(1) Medication co-payments are deposited to the Medical Care Collections Fund (36X5287), Pharmacy Co-payments Deposit Account 528701.

(2) If applicable, interest charges are deposited into the Proprietary Interest Fund (361435).

(3) Administrative fees are deposited into the Proprietary Receipts Fund (363220)

## 5. REFERENCES

a. Public Law 106-117.

b. Title 38 U.S.C. §1722A.

c. Title 38 Code of Federal Regulations §17.110.

**6. FOLLOW-UP RESPONSIBILITY:** The Chief Business Office (16) is responsible for the contents of this Directive. Questions may be addressed to 202-254-0362.

**7. RESCISSIONS:** VHA Directive 2001-081 is rescinded. This VHA Directive expires November 30, 2010.

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