

February 2, 1999

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In Reply Refer to 114

UNDER SECRETARY FOR HEALTH'S INFORMATION LETTER
GUIDELINES FOR VETERANS HEALTH ADMINISTRATION (VHA) FACILITIES
PROVIDING PRESCRIBED MEDICATIONS TO ELIGIBLE
VETERANS IN STATE HOMES

1. This information letter provides guidelines for Department of Veterans Affairs (VA) Veterans Integrated Service Networks (VISNs) and medical centers with responsibility for providing medications prescribed by non-VA physicians to eligible veterans in State Homes (SHs). The eligibility requirements for veterans to receive these prescriptions from VA are detailed in Attachment A. The guidelines describing VA and SH responsibilities, data requirements and auditing requirements under various options for provision of the prescriptions are in Attachment B.
2. In December 1997, VA approved a new policy to stop withholding per diem from states for eligible veterans in state homes who receive prescribed medications from VA. All SH administrators and VA networks and facilities of jurisdiction for SHs were notified of this change in policy, and were provided information on the eligibility requirements and the process for veterans to request the medications from VA. In the implementation of the new policy, a number of questions arose concerning the actual mechanisms for providing the medications and the packaging requirements of the various states. State homes that operate their own pharmacies also raised concerns regarding impact on their workload, since the law authorizing VA to provide medications for eligible veterans only permits a VA pharmacy to fill the prescriptions.
3. In order to provide VA the option of negotiating an agreement with SHs that have fully operational pharmacies on site and to accommodate SHs with such facilities, VA proposed an amendment to the Federal regulation (Title 38 Code of Federal regulations (CFR) Section 17.96) to allow prescriptions to be filled by non-VA pharmacies in SHs under contract with VA. The amendment was approved and became effective July 14, 1998, allowing more options for VA in the provision of medications. These and other options for consideration are described in the attached guidelines.
4. For further information on the pharmacy aspects of these guidelines, call Jeff Ramirez in Pharmacy Benefits Management (119) at (202) 273-8428. For more information on the SH aspects of the guidelines, call Marsha Goodwin in Geriatrics and Extended Care (114) at (202) 273-8533.

S/by Thomas Garthwaite, M.D. for
Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health

Attachments

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ATTACHMENT A

**ELIGIBILITY FOR VETERANS TO RECEIVE FROM VA MEDICATIONS
PRESCRIBED BY A DULY LICENSED NON-VA PHYSICIAN**

Veterans who meet one of the following criteria are eligible to request and receive from Department of Veterans Affairs (VA) medications prescribed by a non-VA physician:

1. They receive increased compensation from VA because they are housebound or need regular aid and attendance as a result of their service-connected disabilities; or
2. They receive increased pension from VA as veterans of periods of war because they are housebound or need regular aid and attendance; or
3. They previously received increased pension from VA, but VA discontinued their pension because of their income, and their current annual income does not exceed the maximum annual income limitation by more than \$1,000; or
4. VA determines that they are eligible for increased pension (i.e., if they served during periods of war, meet applicable income limitation, and need aid and attendance or are housebound), but they receive compensation as the greater benefit.

ATTACHMENT B

GUIDELINES FOR PROVISION OF PRESCRIBED MEDICATIONS TO ELIGIBLE VETERANS IN STATE HOMES

1. If eligible veterans authorize the State Home (SH) to request the Department of Veterans Affairs (VA) to fill prescriptions written by non-VA physicians. VA pharmacies shall fill these prescriptions as authorized under Title 38 United States Code (U.S.C.) §1712(d) and Title 38 Code of Federal Regulations (CFR) § 17.96, as amended in the July 14, 1998, Federal Register: (Volume 63, Pages 37779-37780). VA may fill these prescriptions through either a VA pharmacy or a non-VA pharmacy in a SH under contract with VA for filling prescriptions for patients in the SH. With respect to eligible veterans in SHs, VA facilities need to consider one of the following for implementing these laws.
2. **Option 1.** The VA medical center enters into a sharing agreement with a SH that has a pharmacy located in the SH for this pharmacy to fill prescriptions for patients in the SH using Federal Supply Schedule (FSS) contracts.
 - a. **Responsibilities of VA and SH under Sharing Agreement**
 - 1) SH physician prescribes as usual the medications for veterans in the SH and the SH directly orders medications for all patients in the SH from the VA approved prime vendor off FSS contracts. The SH will pay the prime vendor for all pharmaceuticals.
 - 2) Under the VA – SH sharing agreement, VA would agree to reimburse the SH for those veterans eligible for medications from VA under 38 CFR § 17.96. The reimbursement payments are negotiable. i.e., cost of medications plus negotiated monthly dispensing fee (per dose, fee or per diem fee or per medication fee per month). To fulfill VA’s obligation under section 17.96, however, VA must agree to pay the SH its cost of the drug prescribed.
 - 3) The SH is responsible for all other pharmaceutical services as specified in VA standards of care for SHs receiving VA per diem payments.
 - b. **Data Requirements**
 - 1) The sharing agreement must require that the SH provide data to VA in an electronic form (e.g., database or spreadsheet) on all medications provided to veterans authorized under 38 CFR § 17.96. The medication data should be consistent with that used to bill Medicaid and other insurance entities (e.g. National Council for Prescription Drug Programs (NCPDP) 3.2 standard for electronic claims). Electronic submission of claims is not required at this time.
 - 2) The sharing agreement with the SH must require that information on veterans in SHs be entered in the Veterans Health Information Systems Technological Architecture (VistA) when the VA Form 10-10EZ, Application for Health Benefits, and VA Form 10-10SH, Medical Certificate, on the veteran admitted to a SH are sent to VA. NOTE: The 10-10SH is a new VA form for veterans in SHs and will be issued within the next few months. VA Form 10-10M is to be used only until the VA Form 10-10SH has been issued. The VA can check eligibility data, including Aid and Attendance (A&A), by linking with the Veterans Benefits Administration (VBA) database and entering into VistA. VA Pharmacy must verify eligibility of veterans in SH for medications from VA by use of the eligibility data in the pharmacy medication profile from the VistA Pharmacy software.

- c. **Auditing.** The VA medical center shall audit all reimbursement requests for accuracy. It is recommended that the audits be done in conjunction with the audit and verification of Per Diem payments and be done no less than quarterly. Medication audits need to be completed before VA makes payment. The VA medical center, during the annual fiscal audit of the SH, should verify the eligibility status of veterans for medications, under 38 CFR § 17.96
3. **Option 2.** The VA medical center enters into a sharing agreement with a SH that has a pharmacy located in the SH to fill prescriptions for medications from the SH's existing distribution system using VA to procure medications at the "ceiling" prices.

a. Responsibilities of VA and SH under Sharing Agreement

- 1) SH orders directly from Prime Vendor for all patients in the SH. Under this option, the SH will have access to VA's "ceiling prices." VA will authorize the order and make the payments to the prime vendor for medications ordered by the SH.
- 2) The SH reimburses VA for at least VA's cost for the medications purchased for patients not covered under 38 CFR §17.96.
- 3) In the sharing agreement, VA may require that the SH pay an administrative fee for processing the orders and payments and for auditing pharmaceutical use by the SH. The SH may charge the VA a dispensing fee for each prescription filled for eligible veterans. These fees are negotiable and can be equivalent resulting in no added cost to either party.

b. Data Requirements

- 1) The sharing agreement must require the SH to provide data to VA in an electronic form (e.g., database or spreadsheet) on all medications provided to all patients in the SH and must separately identify veterans eligible for medications under 38 CFR § 17.96. The medication data should be consistent with that used to bill Medicaid and other insurance entities (e.g., NCPDP 3.2 standard for electronic claims). Electronic submission of claims is not required at this time.
- 2) Information on veterans in SHs should be entered by VA in VistA when VA Form 10-10EZ and VA Form 10-10SH (see note in par. 2b (2) on the veteran admitted to a SH are sent to VA. The VA can check eligibility data, including A&A, by linking with VBA database and entering into VistA. VA Pharmacy must verify eligibility of veterans in SG for medications from VA by use of the eligibility data in the pharmacy medication profile from the VistA Pharmacy software.

c. Auditing.

The VA medical center shall audit all information provided and bill the SH for medication provided to all patients not eligible under 38 CFR § 17.96. The VA medical center will compare the prime vendor purchase data with SH dispensing data for discrepancies. If discrepancies are identified, VA must ask the SH to provide an explanation. The sharing agreement must require the SH to do this. If the discrepancies cannot be reconciled, the sharing agreement must require the SH to pay for the medication in question.

NOTE: If the SH and VA choose this option for a sharing agreement the terms and conditions of the sharing agreement must require the SH to submit to the VA medical center information for the audit and verification of patient medication data no less than monthly. Since payments must be made to the pharmaceutical Prime Vendor according to the terms of the contract. The medication audits must be conducted when the data is received. Medication audits need to be completed prior to billing the SH.

During the annual fiscal audit of the SH, VA is to verify eligibility status of veterans for medications under 38 CFR § 17.96.

4. **Option 3.** SH enters into a sharing agreement with VA for VA to provide medications and pharmaceutical care services for the patients in the SH.
 - a. **Responsibilities of VA and SH under Sharing Agreement**
 - 1) VA functions as the pharmacy for the SH. Reimbursement to VA will be part of the sharing agreement.
 - 2) VA will not charge the SH the dispensing costs or medication costs associated with patients covered under 38 CFR § 17.96.
 - 3) Because VA is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), VA is required to meet all applicable JCAHO standards. The sharing agreement is to include a delineation of responsibilities for both VAQ and the SH.
 - 4) The SH physician will prescribe all medications for residents as usual.
 - b. **Data Requirements**
 - 1) Information on veterans in SHs should be entered in VistA when VA Form 10-10EZ and VA Form 10-10SH (see note in par. 2b (2)) on the veteran admitted to a SH are sent to VA. The VA can check eligibility data, including A&A, by linking with VBA database and entering into VistA. NOTE: VA Pharmacy must verify eligibility of veterans in SH for medications from VA by use of the eligibility data in the pharmacy medication profile from the VistA Pharmacy software.
 - 2) VA will maintain data in electronic form on all medications provided to all patients in the SH, utilizing one of the following mechanisms:
 - a. Input data in existing SH information system.
 - b. Input data in VistA system directly at the SH. Access is either online or remote entry after receipt of paper medication orders.
 - 3) VA will provide medication data to the SH in an electronic form (e.g., database, spreadsheet, or online medication profiles) on all medications provided to all patients in the SH.
 - c. **Auditing.** The SH will have the opportunity to audit all medication data pursuant to the sharing agreement.
5. **Option 4.** VA only fills prescriptions for SH veterans eligible under 38 CFR § 17.96..
 - a. **Responsibilities of VA and SH**
 - 1) SH provides to VA an authorization from the veteran to the SH for the SH to request drugs from VA on the veteran's behalf.
 - 2) SH physician writes prescriptions for medications, and the SH sends them to the VA Pharmacy.
 - 3) VA will fill prescriptions in a suitable package compatible with the SH pharmacy dispensing system. The packaging will be decided by mutual agreement. VA will follow all State requirements for dispensing medications to patients in long-term care facilities.
 - 4) The SH is responsible for all other pharmaceutical services as specified in VA standards of care for SH receiving per diem payments.

b. Data Requirements

- 1) Information on veterans in SHs should be entered in VistA when VA Form 10-10EZ and VA Form 10-10SH (see note in par. 2b (2)) on the veteran admitted to a SH are sent to VA. The VA can check eligibility data including A&A, by linking with VBA database and entering into VistA. VA Pharmacy must verify eligibility of veterans in SH for medications from VA by use of the eligibility data in the pharmacy medication profile from the Vista Pharmacy software.
- 2) VA will enter prescriptions into the VistA for veterans eligible under CFR § 17.96.

c. Auditing

- 1) VA medical center officials will ask the SH to permit VA to review the monthly medication reviews for all patients for whom VA fills prescriptions under CFR § 17.96.
- 2) The VA medical center, during the annual fiscal audit of the SH, should verify eligibility status of veterans for medications, under CFR § 17.96.

Selected Information on Different Options

	The Option applies to all SH's	Sharing Agreement Needed?	Who Purchases the Medication?	Who Bills for the Medication?	Medication Information is required for which patients
Option 1	No. Only SHs with a pharmacy	Yes	SH from prime vendor off FSS	SH	Eligible Veterans only
Option 2	No, only SHs with a pharmacy	Yes	SH orders, VA authorizes orders and pays prime vendor	VA	All patients
Option 3	Yes	Yes	VA	VA	All Patients
Option 4	Yes	Yes	No	VA	Eligible Veterans only