



DEPARTMENT OF VETERANS AFFAIRS
Regulation Policy and Management (02REG)
Office of the General Counsel
Washington, D.C. 20420

In Reply Refer to: 02REG

Date: June 4, 2013

From: Chief Impact Analyst (02REG)

Subj: Economic Impact Analysis for RIN 2900-AO79/WP2012-047, Reimbursement of Certain Medical Expenses for Camp Lejeune Family Members

To: Director, Regulations Management (02REG)

I have reviewed this rulemaking package and determined the following.

1. This rulemaking will not have an annual effect on the economy of \$100 million or more, as set forth in Executive Order 12866.
2. This rulemaking will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act, 5 U.S.C. 601-612.
3. This rulemaking will not result in the expenditure of \$100 million or more by State, local, and tribal governments, in the aggregate, or by the private sector, under the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532.
4. Attached please find the relevant cost impact documents.

(Attachment 1): Agency's Impact Analysis, dated May 29, 2013

(Attachment 2): CFO Concurrence memo, dated June 3, 2013

Approved by:

Michael P. Shores (02REG)
Chief, Impact Analyst
Regulation Policy & Management
Office of the General Counsel

Copy Furnished to:

Bill Walsh (041F)
Director, Medical Service
Office of the Budget

(Attachment 1)

Impact Analysis for RIN 2900-AO79/WP2012-047

Title of Regulation: Reimbursement of Certain Medical Expenses for Camp Lejeune Family Members.

Purpose: To determine the economic impact of this rulemaking.

Background: This rulemaking proposes to implement a statutory mandate that the Department of Veterans Affairs (VA) provide health care to certain family members who lived at Camp Lejeune, North Carolina, for at least 30 days during the time period of January 1, 1957, to December 31, 1987. The Public Law (P.L.) 112-154 requires VA to provide health care to family members of Veterans who served on active duty in the Armed Forces at Camp Lejeune, North Carolina and are eligible for care based on the statute. VA must provide reimbursement for health care for the 15 medical conditions or illnesses listed in the statute for eligible family members.

Cost Benefit: The 15 medical conditions or illnesses in the law represent serious and complex medical issues. This may result in a significant level of review, evaluation and manual processing. Determining family member administrative eligibility may be an intensive process in some cases and may involve Department of Defense, Veterans Benefits Administration (VBA), and Veterans Health Administration (VHA) personnel. As a result of the implementation of P. L. 112-154, VHA must bear the cost of determining this eligibility, serving as the last payer and processing the claims for medical care for the eligible family members. This is a completely new function and cost for VHA.

Methodology/Assumptions: Estimated costs and projections are based on the best reasonably obtainable and available economic information. This analysis sets forth the basic assumptions, methods, and data underlying the analysis and discusses the uncertainties associated with the estimates.

- **Administrative eligibility:** A family member (FM) applicant may be administratively eligible by meeting all of these requirements—
 - o The Veteran who was the active duty sponsor of the FM was stationed at CL for 30 days or more between January 1, 1957 and December 31, 1987
 - o The applicant is a FM as defined for this program
 - o The FM lived on CL for 30 days or more between January 1, 1957 and December 31, 1987
- **Clinical eligibility:** Administratively eligible FMs who have one of more of the 15 medical conditions or illnesses.
- **Population information:** The US Marine Corps' conservative estimate of those family members exposed is as many as 150,000, including as many as 60,000 spouses, 60,000 children and 30,000 births. Dr. Wendi J. Dick, MD, MSPH, Director, Environmental Health Program (Pre-9/11 Era) Office of Public Health, Veterans

Affairs, estimated the expected burden of disease among exposed family members secondary to the 15 medical conditions listed in the law to be 12,000 to 25,000 family members with one or more CL conditions/illnesses. A second independent estimate from the Epidemiology Program staff used a different methodology and derived an estimate within the range projected by Dr. Dick. The Epidemiology Program estimate is 16,303 total.

Dr. Dick's estimates were based on prevalence data for CL-associated cancers. Based on the assumption that 91% of the family members are still living, and that 6% of them who are 50 or older have a CL-associated cancer (including active & in remission). For offspring, the average of 1% for all adults combined and 6% for adults 50 or older = 3.5% was used. Dr. Dick had estimated the mortality rate. Subsequently, the Chief Business Office Purchased Care (CBOPC) Informatics group created a rough distribution of the family members and applied standard CDC mortality rates for the group based on assumptions of their age at the time they were at Camp Lejeune. The conclusion was that about 17% of the 150,000 are deceased, resulting in a remaining population of approximately 125,000. Since Dr. Dick's estimate of living family members (137,000) is a little higher, we used her estimate to be on the conservative side. Based on the prevalence figures for ALL cancers combined and that CL-associated cancers would make up roughly 50% of all cancers combined, Dr. Dick anticipated approximately 25,000 family members would have at least one condition and approximately 12,000 would have at least two of conditions. For this analysis, VA will use 12,000 family members.

As of April 1, 2013, there were 393 family members listed in the Camp Lejeune Environmental Action Report (CLEAR) database. Based on experience with the Caregiver, Spina Bifida and CHAMPVA Programs, CBOPC assumes that by October 1, 2013, the number of eligible family members will be approximately 600 and 12,000 thereafter at a rate of 250 family members per month for the next four fiscal years (FY14-17).

FTE Costs for Providing Care

Based on the Office of Public Health analysis, VA projects 12,600 eligible family members over the next five years, VA assumes approximately 600 family members will submit a claim for care from March 26, 2013 through September 30, 2013. VA anticipates that the remaining 12,000 family members will submit claims throughout FYs 2014 and 2017, at a rate of 250 per month.

VA will require 2 Disability and Medical Assessment (DMA) FTE projected at a salary of approximately \$194,030 in FY 2013 with benefits at 34% for \$260,000 per person. The DMA FTE represent 2 physicians with specialized training to assist in complex and difficult eligibility determinations as well as difficult claim reviews – where a lay person cannot make a determination if one of the 15 covered medical conditions or illnesses was present. VA estimates the total cost to be \$539,240 in FY 2014 and \$2,903,240 over a five year period. A projected annual increase based on a 3.7% CPI-U inflation rate was applied to all out year cost estimates.

Fiscal Year	DMA FTE Costs Per Person	Total DMA FTE Costs
2014	\$269,620	\$539,240
2015	\$279,596	\$559,192
2016	\$289,941	\$579,882
2017	\$300,669	\$601,338
2018	\$311,794	\$623,588
5-Year Total	\$1,451,620	\$2,903,240

VA also estimates the program will require 8 Eligibility FTE, 1 nurse and 7 non-clinical staff, to be phased in from FY 2014 through FY 2016 at three, four and one respectively. In FY 2013, Eligibility FTE salaries including benefits at 34% were estimated as follows:

- Nurse III: \$99,750
- GS-4/Step 5: \$45,277
- GS-5/Step 5: \$50,657
- GS-7/Step 5: \$62,754
- GS-8/Step 5: \$69,493
- GS-9/Step 5: \$76,755
- GS-12/Step 5: \$111,311

The Eligibility FTE will assist with benefit applications, health care claims, customer service, appeals and quality assurance. VA anticipates the total costs at \$248,112 in FY 2014 and \$2,824,726 over a five year period. A projected annual increase based on a 3.7% CPI-U inflation rate was applied to all out year cost estimates.

Fiscal Year	Eligibility FTE							Total Eligibility FTE Costs
	Nurse III	GS-4	GS-5	GS-7	GS-8	GS-9	GS-12	
2014	\$103,441	\$0	\$0	\$65,076	\$0	\$79,595	\$0	\$248,112
2015	\$107,268	\$48,689	\$0	\$134,967	\$74,731	\$82,540	\$119,700	\$567,895
2016	\$111,237	\$50,491	\$56,491	\$139,961	\$77,496	\$85,594	\$124,129	\$645,399
2017	\$115,353	\$52,359	\$58,581	\$145,140	\$80,363	\$88,761	\$128,722	\$669,279
2018	\$119,621	\$54,296	\$60,748	\$150,510	\$83,336	\$92,045	\$133,485	\$694,041
5-Year Total	\$556,919	\$205,836	\$175,819	\$635,654	\$315,926	\$428,535	\$506,037	\$2,824,726

Note: Numbers may not add due to rounding.

In addition, VA anticipates discretionary general operating expenses (GOE) with each new Eligibility FTE for the set up of individual workstations. The cost will include the computer, cubicle, furniture, phone, printer, space requirement, supplies, as well as set up of systems and related IT support for the initial year at approximately \$21,000 per FTE for a total of \$168,000.

The annual FTE costs are estimated to be \$850,352 in FY 2014 and \$5,895,966 over a five year period.

Fiscal Year	DMA FTE Costs	Eligibility FTE Costs	GOE Costs	Total FTE Costs
2014	\$539,240	\$248,112	\$63,000	\$850,352
2015	\$559,192	\$567,895	\$84,000	\$1,211,087
2016	\$579,882	\$645,399	\$21,000	\$1,246,281
2017	\$601,338	\$669,279	\$0	\$1,270,617
2018	\$623,588	\$694,041	\$0	\$1,317,629
5-Year Total	\$2,903,240	\$2,824,726	\$168,000	\$5,895,966

Note: Numbers may not add due to rounding.

Medical Benefits Costs

Based on the Office of Public Health analysis, VA projects 12,600 eligible family members over the next five years, VA assumes approximately 600 family members will submit a claim for care from March 26, 2013 through December 31, 2013. VA anticipates that the remaining 12,000 family members will submit claims throughout FYs 2014 and 2017, at a rate of 250 per month or 3,000 per year with no increase realized in FY 2018. In FY 2014, the costs include both the family members identified in FY 2013 plus new family members in FY 2014.

VA assumes there will be medical benefits costs from the Camp Lejeune family members and the majority of this population has Medicare eligibility. Based on FY 2011 CHAMPVA and Spina Bifida health care claim data, it is estimated 80% of this population will have other health insurance (OHI), and VA will pay as the last payer for these claims. VA will pay the total claim for those without insurance, estimated at 20% of the eligible family member population.

VA applied the CHAMPVA and Spina Bifida data; the CY 2010 National Cancer Institute Average Annual Cost of Care for individuals 65 and older; and the Centers for Disease Control mortality rate tables for the lifetime cost of care and the expected prevalence of the chronic illnesses for age and gender. Based on this information, VA estimates the average medical benefit costs for medical claims in FY 2014 at \$15,294 per family member as the primary payer and at 20% or \$3,059 per family member as the last payer. This cost is increased using past CHAMPVA claim payment history at a rate of 5.3% annually.

Based on the projected Camp Lejeune family member population for one or more of the 15 medical conditions or illnesses, VA anticipates the family member caseload in FY 2014 at 2,880 for those with OHI and 720 for those without insurance.

Therefore, the annual medical costs are estimated to be \$19,821,600 in FY2014 and \$282,987,020 over a five year period.

Fiscal	FM	Medical	Total Medical	FM	Cost	Total	Total
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Year	Caseload as Primary Payer	Cost Per FM as Primary Payer	Cost as Primary Payer	Caseload as Last Payer	Per FM as Last Payer	Medical Cost as Last Payer	Medical Cost
2014	720	\$15,294	\$11,011,680	2,880	\$3,059	\$8,809,920	\$19,821,600
2015	1,320	\$16,105	\$21,258,048	5,280	\$3,221	\$17,006,880	\$38,264,928
2016	1,920	\$16,958	\$32,559,600	7,680	\$3,392	\$26,050,560	\$58,610,160
2017	2,520	\$17,857	\$44,999,402	10,080	\$3,571	\$35,995,680	\$80,995,082
2018	2,520	\$18,803	\$47,384,370	10,080	\$3,761	\$37,910,880	\$85,295,250
5-Year Total			\$157,213,100			\$125,773,920	\$282,987,020

Note: Numbers may not add due to rounding.

Claims Processing Costs

In order to expedite the processing of the family member claims, VHA will use existing system capabilities at the Austin Financial Services Center (FSC) to process claims and provide customer service support with calls. The costs include labor, software licenses, computer hardware and system administration and maintenance. Based on the projected workload and past history with CHAMPVA and Spina Bifida programs, VA estimates this cost at \$1 million per year and \$5 million over a five year period.

Estimated Impact: VA has determined that there are costs associated with this rulemaking. The total estimated costs for this rulemaking are estimated to be \$21,671,952 in FY2014 and \$293,882,986 over a five year period. There is \$53M funded for this regulation in the current year. The chart below is a summary of the previous charts.

Fiscal Year	Total FTE Costs	Total Medical Claims Costs	Claims Processing Costs	Total Costs
2014	\$850,352	\$19,821,600	\$1,000,000	\$21,671,952
2015	\$1,211,088	\$38,264,928	\$1,000,000	\$40,476,016
2016	\$1,246,281	\$58,610,160	\$1,000,000	\$60,856,441
2017	\$1,270,616	\$80,995,082	\$1,000,000	\$83,265,698
2018	\$1,317,629	\$85,295,250	\$1,000,000	\$87,612,879
5-Year Total	\$5,895,966	\$282,987,020	\$5,000,000	\$293,882,986

Note: Numbers may not add due to rounding.

Submitted by:

Kristin J. Cunningham
 Director, Business Policy
 VHA Chief Business Office
 Washington, DC
 Date: May 29, 2013

(Attachment 2)
(Memo applies to AO79 as well)

**Department of
Veterans Affairs**


Memorandum

Date: **JUN 03 2013**
From: VHA Acting Chief Financial Officer (10A3)
Subj: Impact Analysis for RIN 2900-AOxx/WP2012-047, Camp Lejeune Program for Veterans' Family Members
To: Chief Impact Analyst, Office of Regulation Policy and Management, Office of the General Counsel (02REG)

The VHA Chief Financial Officer concurs with the attached impact analysis for RIN 2900-AOxx/WP2012-047.

This rulemaking proposes to implement a statutory mandate that the Department of Veterans Affairs (VA) provide health care to certain family members who lived at Camp Lejeune, North Carolina, for at least 30 days during the time period of January 1, 1957, to December 31, 1987. The Public Law (P.L.) 112-154 requires VA to provide health care to family members of Veterans who served on active duty in the Armed Forces at Camp Lejeune, North Carolina and are eligible for care based on the statute. VA must provide reimbursement for health care for the 15 medical conditions or illnesses listed in the statute for eligible family members.

Questions regarding this cost analysis may be directed to Mark Yow, Office of Resource Management (202-266-4649).


James F. McGaha, FACHE