

## Foreword

As one of the largest health care systems in the country, the Department of Veterans Affairs (VA) provides care for millions of veterans each year who have an array of health issues as diverse as the patient population. Since 1995, the number of veterans seeking VA health care services has risen 43 percent. Consequently, one of VA's major challenges is to identify the most cost-effective ways to provide quality health care during this time of unprecedented demand. This is more easily said than done in a national budgeted health care system with no billing data or co-pays from which to estimate costs. Unlike other health care systems, VA has had to determine its own unique costing methods. To assist in this endeavor, VA's Health Services Research and Development Service (HSR&D) established an economics resource center to define appropriate methods for determining costs and improving the quality of health economics research in VA.

Since 1999, HSR&D's Health Economics Resource Center (HERC) has been working to identify and refine methods for determining the costs of VA health care. This supplement is an important outcome of this work. Articles discuss the methods for determining the average costs for acute VA hospital stays for medical and surgical care, nonmedical surgical care, and ambulatory costs. Articles also compare different cost methods, report on the annual costs incurred by veterans with common chronic diseases, and describe data issues that surround the cost of pharmaceuticals, such as drugs dispensed to ambulatory patients—one of the fastest growing areas of health care cost.

While focused on VA, the costing methods discussed in this supplement may be of interest to other systems. Canadian hospitals, the National Health System of Great Britain, and even some public health hospitals in the United States, for example, might use the methods described here.

VA's Health Services Research and Development Service is committed to high quality cost-effectiveness research and is proud of HERC's continuing contributions. In today's health care environment of rapid technological advances and significant financial considerations, VA and all health care

decision makers need to weigh costs along with potential benefits. The methods described in this supplement provide important tools that will help us make informed decisions.

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