



# VA HEALTH ECONOMICS BULLETIN

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## Inside this Issue:

New Variables Added to Fee  
Basis Data

HERC Cyberseminar Updates

Obtaining Access to the  
VR-36 and VR-12

HERC Creates Station-Level  
Wage Index

FY2009 Average Cost Data  
Available

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## New Variables Added to Fee Basis Data

**I**mportant new variables have been added to the Fee Basis datasets at the Austin IT Center. Together they provide substantial new information about the clinical status of VA enrollees receiving care at non-VA facilities.

The Fee Basis program enables VA to purchase care from non-VA providers under several circumstances. The program has grown quickly in recent years and will account for roughly 10% of VHA spending in FY2010. It is increasingly important for researchers to understand coordination of Fee Basis and VA care and to study the clinical and cost outcomes of the Fee Basis program as an adjunct to VA care.

Eight Fee Basis datasets are created each year, of which three contain information on specific encounters. VA data managers recently added several new variables to the two files that reflect inpatient services. One file represents paid claims from inpatient facilities, while the other represents paid claims from ancillary providers (such as independent laboratories) and from physicians treating inpatients.

The new variables include the following: up to 25 admission diagnoses; up to 25 discharge diagnoses, from 5 in earlier years; up to 25 ICD-9 procedure codes, from 5 earlier; and up to 4 CPT modifier codes in the ancillary file. With one exception these new fields first appear in the FY2009 Fee Basis data. The CPT modifiers also appear in the FY2008 ancillary/physician services file.

A HERC guidebook describes the Fee Basis data and its uses for research. We recently updated the guidebook to reflect the new variables. The update also features a new appendix on Fee Purpose of Visit codes, a brief technical guide used to train Fee Basis staff. The HERC guidebook is available on the HERC intranet web site under Publications.

Appendices in the guidebook list the contents of the eight Fee Basis files from FY2009. The same outputs are available online for each year from FY2000 to FY2009. To find them, visit the HERC intranet web site and click on Data on the left.

## Upcoming HERC Cyber-seminars

July 21, 2010 – Patsi Sinnott, P.T., Ph.D., M.P.H.  
Spine Pain in VA: Finding the complete/right cohort

July 28, 2010 – Mark W. Smith, Ph.D.  
Using Fee Basis data for research

The schedule of upcoming cyber-seminars, and information on the archives, are available on our website: [www.herc.research.va.gov](http://www.herc.research.va.gov).

To register for these seminars, visit  
[http://www.hsrd.research.va.gov/for\\_researchers/cyber\\_seminars/catalog.cfm](http://www.hsrd.research.va.gov/for_researchers/cyber_seminars/catalog.cfm)

## How do I obtain access to the VR-36 and VR-12 (SF-36V and SF-12V)?

Two common instruments for assessing health status are the SF-36 and the SF-12. They were developed by the RAND Corporation as part of the Medical Outcomes Study. After some years the responses for selected questions were expanded from two choices to five. The newer forms, sometimes called SF-36V and SF-12V because they were tested on Veterans, are now abbreviated as VR-36 and VR-12. On the RAND web site they are referred to as the RAND 36- and 12-Item Short Form Surveys.

There is no cost to use the VR-36 and VR-12, but researchers must obtain prior permission. VA staff may send a request on institutional letterhead to Lewis Kazis, ScD, of the Boston VA. The letter should state that the requestor agrees to certain terms and conditions found on the RAND web site and should indicate that the user will give appropriate acknowledgements for the VR-12 and/or VR-36. An abstract of the project should be included with the request.

## FY2009 Average Cost Data Available

HERC has released its Average Cost Data for FY2009 VA care. They feature an estimated cost for every completed inpatient stay and for every outpatient encounter appearing in the FY2009 Medical SAS Inpatient and Outpatient Databases, respectively, also known as the Patient Treatment File (PTF) and Outpatient Care file (OPC).

HERC categorizes inpatient stays into two types of care, acute and non-acute. Acute types are usually short hospitalizations stays for acute medicine, surgery, and intensive care (ICU), although they can be longer. Non-acute types include treatments for general rehabilitation, blind rehabilitation, spinal cord injury (SCI) rehabilitation, psychiatric care, substance abuse care, intermediate medicine, domiciliary, nursing home care, or psychosocial residential rehabilitation treatment program (PRRTP).

HERC estimates average costs for both types of inpatient stays. We assume that hospitalizations having similar characteristics will have the same costs. For acute inpatient stays, we calculate costs using a cost vector. This method employs relative weights from Medicare's prospective payment system that reimburse hospitals for health care services incurred by Medicare patients. Using this method, hospital stays are classified into Diagnostic Related Groups (DRGs) on the basis of clinical information on the hospital admission. The hospital is paid a flat rate based on the specific DRG. We assume that acute hospitalizations in VA use relative resources similar to those under Medicare. In contrast, non-acute costs are estimated under the assumption that the cost for the hospital stay is a function of the average cost per day of the inpatient treatment: (average cost per day) x (length of stay).

An average cost for each outpatient encounter in OPC is derived by estimating the Medicare reimbursement for each encounter and then adjusting it so that the total across encounters

## HERC Creates Station-Level Wage Index

Health care wages vary considerably across the nation. Many urban areas, such as San Francisco and Boston, are known for high labor costs. Researchers analyzing DSS costs may need to adjust their analyses for these wage differentials. To assist them HERC has combined the Medicare Wage Index from the Centers for Medicare and Medicaid Services (CMS) and data from the VA Planning System and Support Group (PSSG) to create a Medicare Wage Index for VA facilities. Dividing DSS cost data by the appropriate wage index for each station will yield adjusted costs that account for regional differences in labor prices.

The HERC Medicare Wage Index can be obtained on request to [herc@va.gov](mailto:herc@va.gov) or from the RMTPRD.HERC.SAS.WAGE directory at Austin. A guidebook is available on the HERC intranet web site under Publications.

sums to actual VA spending on outpatient care. This approach implicitly reflect Medicare relative value units (RVUs), numbers which represent the relative amount of staff time and other inputs needed to produce one outpatient encounter relative to another. Medicare RVUs may differ substantially from the RVUs built into the VA Decision Support System (DSS). As a result the HERC average cost for an outpatient encounter is at times quite different from the DSS cost for the same encounter. Researchers looking for a discussion of the pros and cons of different costing methods should consult this page on the HERC web site: [http://www.herc.research.va.gov/methods/methods\\_cost.asp](http://www.herc.research.va.gov/methods/methods_cost.asp).

The inpatient and outpatient files are located in the HERC data repository of the Austin IT Center, RMT-PRD.HERC.SAS. Companion guidebooks are currently in the process of being updated to reflect the FY2009 data. Access to the data requires registration with HERC. To register or to ask questions about the data, write to [herc@va.gov](mailto:herc@va.gov).