

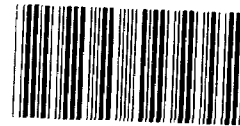
GAO

Report to the Assistant Secretary of  
Defense (Production and Logistics)

July 1987

# DEFENSE HEALTH PROGRAMS

## Sharing of DOD Aeromedical Evacuation System With VA Could Reduce Costs



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**Human Resources Division**

B-226429

July 9, 1987

The Honorable Robert D. Costello  
Assistant Secretary of Defense  
(Production and Logistics)

Dear Mr. Costello:

At the request of the Chairman, Subcommittee on Military Personnel and Compensation, House Committee on Armed Services, we are reviewing the implementation of Public Law 97-174, the Veterans Administration and Department of Defense Health Resources Sharing and Emergency Operations Act. One of the principal objectives of this law, enacted in May 1982, is to promote greater sharing of health care resources between the Veterans Administration (VA) and the Department of Defense (DOD).

During this review, we noted that an opportunity for such sharing is currently available between the United States Air Force (USAF) Regional Hospital (Elmendorf Air Force Base) and the VA Outpatient Clinic, both in Anchorage, Alaska. Savings to the government could result if the military's aeromedical evacuation system could be used to transport VA beneficiaries in Alaska to both military and VA hospitals in the continental United States (CONUS). VA use of the aeromedical evacuation system, as with other VA-DOD sharing agreements under Public Law 97-174, would not affect the established priorities for service and would be on a space-available referral basis.

According to DOD officials, such an agreement is now precluded because of a DOD regulation. We believe that implementation of a sharing agreement, under Public Law 97-174, and a DOD administrative modification to one of its regulations (allowing VA beneficiaries to use the aeromedical evacuation system) would assist VA in obtaining medical care for its beneficiaries in Alaska and, possibly, elsewhere, as well as save money.

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**Scope and  
Methodology**

At the USAF Regional Hospital, we obtained information on aeromedical evacuation schedules and capabilities, and discussed applicable procedures with responsible officials. At the VA Outpatient Clinic, we discussed with clinic officials VA's needs for transporting patients to CONUS and the costs of doing so. We also met with officials in the Air Force Office of the Surgeon General and VA's Emergency Management and Resource Sharing Service to discuss potential VA use of the aeromedical evacuation system.

We did not analyze the overall capabilities of the aeromedical evacuation system to accommodate VA beneficiaries throughout the country. We also did not calculate the amount of savings that might be realized if VA beneficiaries could use the aeromedical evacuation system.

We interviewed officials of your office about DOD Regulation 4515.13, governing aeromedical evacuation, and requested information on any applicable federal statutes from the DOD Office of General Counsel. We analyzed those supplied to us by the DOD General Counsel to determine their applicability to VA use of the aeromedical evacuation system.

Our audit work was done from July 1986 to May 1987. We discussed the matters contained in this report with officials in your office as well as officials in the Air Force Office of the Surgeon General and VA's Emergency Management and Resource Sharing Service. Their comments have been incorporated where appropriate. Our work was performed in accordance with generally accepted government auditing standards.

## **DOD Regulation Limits VA's Use of Aeromedical Evacuation System**

DOD Regulation 4515.13, chapter 11, revised in January 1980, provides guidelines for use of the aeromedical evacuation system. Section 5(b) of this regulation states that VA beneficiaries may be moved between VA hospitals in CONUS for medical reasons only when other transportation is neither available nor adequate. In addition, section 7(b) of the regulation states that non-U.S. Armed Forces patients can use the system to obtain emergency lifesaving aeromedical transportation only when medical capabilities are not available in the immediate geographical area, and suitable commercial transportation is not available.

DOD Regulation 4515.13 does not specifically address the movement of VA beneficiaries from locations outside of CONUS, such as Alaska, to CONUS hospitals; however, according to your office's Assistant for Air Transportation in the Deputy for Logistics, Transportation Policy, Airlift Branch, the regulation applies to movement of VA patients from outside of CONUS to CONUS hospitals, as well as within CONUS.

DOD Regulation 4515.13 is a financial disincentive for VA to use the military aeromedical evacuation system. Section 5(b) states that when VA beneficiaries use the system, reimbursement will be made by VA at a rate equal to the first class commercial air fare plus \$1 and applicable U.S. transportation tax and in-flight medical charges.

## Savings Could Be Realized If VA Could Use the Aeromedical Evacuation System

Alaska is one area where VA could benefit from using the aeromedical evacuation system, but DOD Regulation 4515.13 essentially precludes VA use of the system. Savings are available if VA could use the system because (1) few, if any, additional costs would be incurred on a space-available basis, and (2) VA now uses commercial aircraft to transport its Alaskan beneficiaries who need medical care in CONUS.

No VA hospitals are located in Alaska, and staff and space constraints exist at the USAF Regional Hospital. Consequently, Alaskan VA beneficiaries who need inpatient care and cannot be treated at the USAF Regional Hospital are either referred to local civilian hospitals or transferred to VA hospitals in the Seattle area or other parts of CONUS. Information provided by officials at the USAF Regional Hospital indicates that scheduled flights of C-141-B medical evacuation aircraft from Alaska to CONUS and back have excess capacity so they can accommodate more than the current number of VA beneficiaries. For example, information provided by USAF Regional Hospital officials shows that during a 3-month period, April-June 1986, biweekly aeromedical flights from Alaska to CONUS had an average capacity for 31 litter and 78 ambulatory patients. Actual use for this period averaged 3 litter patients and 28 ambulatory patients and medical attendants.

Because of the amount DOD would charge VA for VA patients in Alaska to use the system, according to VA Outpatient Clinic officials in Anchorage, VA uses scheduled commercial airline flights to transport its patients to CONUS. Government contract air fares on commercial flights (which VA usually pays when patients are transferred to CONUS hospitals) are significantly less than first class air fares that DOD would charge under its regulation. In February 1987, for example, the one-way government contract air fare on scheduled commercial flights between Anchorage and Seattle was \$169. The lowest first class air fare available was \$415, about 145 percent more than the government contract fare. VA Outpatient Clinic officials said that nearly all Alaskan VA beneficiaries needing air transportation to CONUS would not present a burden on the military aeromedical evacuation system since they are generally ambulatory, occupy only one seat, and require no medical attendants or other special in-flight assistance.

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## Air Force Has Proposed a Sharing Agreement

In September 1986, representatives of VA, the Air Force, and your office discussed the potential use of the aeromedical evacuation system by VA beneficiaries. The outcome of the meeting was a decision to request a waiver to DOD Regulation 4515.13 and to propose a sharing agreement under Public Law 97-174.

In January 1987, the Deputy Director, Medical Plans and Resources, Air Force Office of the Surgeon General, submitted to the Assistant Secretary of Defense (Health Affairs) a proposal to waive the restriction in DOD Regulation 4515.13 pertaining to VA use of the aeromedical evacuation system. Thus, the Air Force could enter into a sharing agreement to allow VA beneficiaries in Alaska to use the aeromedical evacuation system. As outlined in the proposal, VA would be permitted to use the aeromedical evacuation system on a nonreimbursable or marginal cost basis between locations routinely served by scheduled flights from Elmendorf Air Force Base to CONUS. In addition, according to the proposal, from April to September 1986, 73 of 280 VA patients were moved between locations routinely served by scheduled aeromedical evacuation flights; if VA had been able to transport these patients by aeromedical evacuation on a nonreimbursable or marginal cost basis, up to \$39,500 could have been saved by VA.

The Office of the Assistant Secretary of Defense (Health Affairs) transmitted the Air Force proposal to your office on February 9, 1987. We understand that the proposal is currently under consideration by your office.

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## VA-DOD Sharing Law Allows Reimbursement Flexibility

Public Law 97-174 is intended to promote greater sharing of health care resources between VA and DOD. VA-DOD Health Care Resources Sharing Guidelines, developed to implement this law, state that maximization of sharing opportunities is strongly encouraged. The guidelines further state that greater sharing of health care resources will result in (1) enhanced health benefits for veterans and members of the Armed Services and (2) reduced costs to the government by minimizing duplication and underutilization of health care resources.

To account for local conditions and needs, the VA-DOD Health Care Resources Sharing Guidelines allow heads of medical facilities and other organizations to negotiate a reimbursement rate that is less than actual cost to the providing facility or organization. For the proposed VA aeromedical evacuation agreement, this means that when space is available on regularly scheduled flights, negotiated reimbursement rates could be

less than the actual cost. The incremental (marginal) cost to DOD of accepting VA beneficiaries when space is available on scheduled flights would be minimal, according to the Chief of Patient Affairs at the USAF Regional Hospital, who assists with the scheduling of aeromedical evacuation patients.

## No Statutory Restriction on VA's Use of the Aeromedical Evacuation System

DOD officials told us that DOD Regulation 4515.13 restricting VA use of the aeromedical evacuation system appeared to be based on legislation that prohibits the system from competing with private airlines. We do not believe that this regulation is statutorily mandated, nor have we found any legislation that would conflict with the development of a sharing agreement between VA and DOD.

In support of DOD's position that the regulation is mandated by legislation prohibiting the system from competing with private airlines, DOD officials cited the following statutes: 31 U.S.C. 1301 and 1344, section 102 of the Federal Aviation Act of 1958, and 49 U.S.C. 301, 401, and 1001. None of these statutes mandate DOD Regulation 4515.13. Specifically, 31 U.S.C. 1301 (1982) generally provides that appropriations are to be applied only to the objects for which they were made, except as otherwise provided by law. We do not view this provision as limiting DOD's sharing of health care resources since the Sharing Act provides for such sharing. In addition, to the extent that the military's aeromedical evacuation system provides transportation more inexpensively than a similar commercial enterprise, the Economy Act (31 U.S.C. 1535, formerly 31 U.S.C. 686) authorizes agreements to share this service. Prior to the enactment of the Sharing Act, the Economy Act provided agencies authority to enter into sharing agreements; the Sharing Act thereafter provided a greater incentive to share (by way of its reimbursement section), removing various administrative impediments to sharing; 31 U.S.C. 1344 (1982) provides that aircraft of the U.S. government be used only for official purposes. Use of the aircraft by VA beneficiaries would be an official purpose.

In addition, section 102 of the Federal Aviation Act of 1958 (49 U.S.C. 1302 (1982)) enumerates factors the Civil Aeronautics Board should consider in performing its duties. It does not appear relevant to the present inquiry. Finally, 49 U.S.C. 301 sets forth the duties of the Secretary of Transportation and also seems to be irrelevant. Sections 401 and 1001 have been repealed and were not (prior to repeal) relevant to the issue presented.

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## Conclusions

A sharing agreement under Public Law 97-174 to allow VA beneficiaries in Alaska use of the aeromedical evacuation system would be desirable and in the best interests of the government. Public Law 97-174 and implementing guidelines allow VA and DOD to negotiate reimbursement rates at less than actual cost, which would facilitate developing a cost-effective agreement. In situations such as that in Alaska, the cost to DOD would be minimal when regularly scheduled aeromedical evacuation flights have space available for VA beneficiaries.

In addition, we believe that no statutory authority prohibits VA use of the system, and DOD Regulation 4515.13 should be administratively revised, allowing VA to use the system on a space-available referral basis.

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## Recommendations

We recommend that you

- approve the Air Force Office of the Surgeon General's proposal to waive the restriction in DOD Regulation 4515.13 so that a sharing agreement, under Public Law 97-174, to allow VA beneficiaries in Alaska use of the aeromedical evacuation system on a space-available referral basis could be implemented, and
- revise DOD Regulation 4515.13 to remove the obstacles to use of the aeromedical evacuation system by VA beneficiaries so that Public Law 97-174 sharing agreements can be negotiated elsewhere when it is cost effective to do so.

We would like to be informed within 30 days of the actions you plan to take as a result of these recommendations.

Sincerely yours,



David P. Baine  
Associate Director



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