

PALM CENTER

BLUEPRINTS FOR SOUND PUBLIC POLICY

COST TO VHA OF PROVIDING TRANSITION-RELATED SURGERY

For VA use only

by Aaron Belkin

December, 2014

Utilization of transition-related surgery

The latest research suggests that for large, civilian employers whose insurance plans offer transition-related care including surgery and hormones, an average of .044 per thousand employees file claims for such care annually.¹ This means that on average, one out of every 22,727 employees files claims for transition-related care each year.² However, transgender individuals, as compared to non-transgender Americans, are over-represented in the population of veterans by a factor of two.³ By extension, transgender individuals are twice as likely to be enrolled in the VHA as to work for civilian organizations such as the large employers from which the .044 figure was derived. Thus, the average VHA utilization rate is expected to be twice as high.

The VHA can estimate that 687 individuals will require transition-related care, including hormones and/or surgery, in any given year, once surgery is included in its Medical Benefits Package.⁴ It is not possible, given available data and the estimation technique used in this memo, to estimate how many of those individuals who will require hormones-only, surgery-only or hormones-plus-surgery. The predicted 687 individuals who will require transition-related care each year is an estimation of the number of individuals who will require hormones *and/or* surgery.

¹ See Jody L. Herman (2013), *Costs and Benefits of Providing Transition-Related Health Care Coverage in Employee Health Benefits Plans: Findings from a Survey of Employers* (Los Angeles: Williams Institute), 13. Herman's analysis is based on data from 34 employers representing 900,000 full-time employees, 2 million covered individuals in health care plans (including employees, retirees, spouses and dependents), 122 years of transition-related health care coverage, 191 health benefits plans for employees only and 150 plans for retirees only. That said, the .044 figure cited above was derived from data from a subset of the largest employers.

² For additional research on utilization rates of transition-related care, see City and County of San Francisco and San Francisco Human Rights Commission (2007), *San Francisco City and County Transgender Health Benefit*; Department of Insurance, State of California (2012), *Economic Impact Assessment: Gender Nondiscrimination in Health Insurance*; Human Rights Campaign, (no date), *Transgender-Inclusive Benefits: Medical Treatment Cost and Utilization*; Jamison Green & Associates (2012), *Transgender-Inclusive Health Benefits: Data for Cost Calculation*. Presented by Andre Wilson of Jamison Green & Associates to the Department of Insurance, State of California, February 2012.

³ According to a recent report, there are an estimated 134,300 veterans who self-identify as transgender out of a total veteran population of 21,999,108. Thus, individuals who self-identify as transgender make up 0.61% of the overall veteran population, as compared to 0.3% of the nation's civilian adult population. The percent of veterans who self-identify as transgender may be $.61/.3 = 2x$ greater than the percent of non-veterans who self-identify as transgender. See Gary J. Gates and Jody L. Herman (2014), *Transgender Military Service in the United States* (Los Angeles: Williams Institute). The total population of veterans is from Table 1L: VETPOP2014 Living Veterans by Age Group, Gender, 2013-2014, available at http://www.va.gov/vetdata/Veteran_Population.asp (last accessed November 28, 2014). For the percent of adult Americans who self-identify as transgender, See Gary J. Gates (2011), *How Many People Are Lesbian, Gay, Bisexual and Transgender* (Los Angeles: Williams Institute).

⁴ The 2013 VHA population was 7,809,269. The 687 figure was derived as follows: $7,809,269/1000 \times .044 \times 2 = 687$. For current VHA population, see Michael R. Kauth, Jillian C. Shipherd, Jan Lindsay, John R. Blosnich, George R. Brown, and Kenneth T. Jones (2014), *Access to Care for Transgender Veterans in the Veterans Health Administration: 2006-2013*, *American Journal of Public Health* 104, S4, 533.

As a check on the validity of this estimate, consider that scholars determined recently that the number of new transgender diagnoses in the VHA system increased from 226 in 2006 to 522 in 2013.⁵ Once VHA removes its surgery exclusion, and after a period of adjustment during which VHA will meet the surgical needs of veterans who already have transgender diagnoses and who are already enrolled in the system, the annual number of VHA enrollees seeking transition-related surgery should not, in general, exceed the number of new transgender diagnoses each year. Thus, even if the annual number of new transgender diagnoses doubled, and given that some transgender individuals do not require surgery while others obtain it before enrolling in the VHA, the number of VHA enrollees requiring surgery each year would be less than 1,044 (2x 522) after the surgical needs of current VHA enrollees who already have transgender diagnoses are met.⁶ While this estimate of annual surgery claimants cannot be directly compared to the estimated 687 individuals who will require hormones *and/or* surgery each year, the facts that the two estimates were derived from distinct data and distinct estimation techniques and that they differ by far less than an order of magnitude lend credence to the notion that they are roughly accurate, or “in the ballpark.”

Cost of providing transition-related surgery

The University of California has reported that under health insurance plans offered to its employees and other covered persons, the average cost of transition-related care, per person needing treatment, was \$29,929 over a 6.5 year period.⁷ The university reported a high degree of variance among claimants, in that that annual costs “varied from \$67 to \$86,800 [per claimant] with an average cost of \$29,929 per transgender person requiring treatment.”⁸ Despite this variance, the university’s average cost is based on data derived from an average of 113,316 individuals covered by health insurance per year, or 736,551 total person-years of coverage over the 6.5 year period. During this time, 42 claimants required transition-related care (surgery and/or hormones) for a total cost of approximately \$1.3 million dollars. Arguably, the large number of total person-years from which the \$29,929 cost average is derived is sufficiently robust to justify its extrapolation to other estimations.

⁵ Michael R. Kauth, Jillian C. Shipherd, Jan Lindsay, John R. Blosnich, George R. Brown, and Kenneth T. Jones (2014), Access to Care for Transgender Veterans in the Veterans Health Administration: 2006-2013, *American Journal of Public Health* 104, S4, 533.

⁶ This estimate depends on the assumptions that claimants requiring multiple surgeries will obtain needed procedures within a one-year time period, that the number of new transgender diagnoses each year will stabilize over time, and that the percent of each year’s cohort of individuals who receive new transgender diagnoses and who require surgery stabilizes as well. If these assumptions are incorrect, then the annual number of claimants requiring surgery could exceed the number of new transgender diagnoses in a given year.

⁷ Department of Insurance, State of California (2012), Economic Impact Assessment: Gender Nondiscrimination in Health Insurance, 8. Even though VHA costs per procedure may be lower than private sector costs, most if not all transition-related surgery would be done at or near civilian rates, given the lack of in-house VHA capacity. Hence the use of private sector costs in these calculations is reasonable.

⁸ Department of Insurance, State of California (2012), Economic Impact Assessment: Gender Nondiscrimination in Health Insurance, 5.

If 687 individuals required transition-related care in a given year, the upper-bound annual cost estimate to the VHA would be $29,929 \times 687 = \$20.6$ million, or .013 percent of the VHA's \$153.8 billion budget.⁹

That said, there are three reasons why costs to the VHA of providing transition-related surgery are expected to be lower than \$20.6 million. First, some of the estimated \$20.6 million will pay for cross-sex hormone treatment, which is already provided by VHA. Hence, the added cost to the VHA of providing surgery would be \$20.6 million minus the amount VHA already pays for hormones. Second, by providing transition-related surgery, the VHA will achieve cost savings from improved continuity of care. Because VHA covers most transition-related care except for surgery, it must pay to treat post-operative complications from transition surgeries performed outside the system. By ensuring that the entire transition process is handled within the VHA system, savings will be accrued from enhanced continuity of care. Third, transition-related surgery has been proven effective at mitigating serious conditions including suicidality, substance abuse and dysphoria that, left untreated, impose costs on the VHA.¹⁰

Perhaps because savings associated with transition-related surgery are difficult to calculate, health systems that have attempted to estimate total costs prior to offering transition-related care have over-estimated expected costs. For example, the City and County of San Francisco estimated that offering transition-related care to its employees would cost \$1.75 million per year, but the actual cost over five years was \$77,283 per year. San Francisco's estimate, in other words, was more than 22x too high. Of the 21 employers who reported data about costs of utilization of transition-related care to the author of a recent study, "14 employers (67%) reported no actual costs resulting from employees utilizing the coverage."¹¹ These findings help explain why the State of California's Economic Impact Assessment of a proposed regulation prohibiting plans and insurers from denying transition-related care concluded that "the impact on costs or increases in premiums due to the adoption of the proposed regulation would be immaterial."¹²

⁹ For the VHA's 2014 budget, see VA 2015 Budget Request Fast Facts, <http://www.va.gov/budget/docs/summary/Fy2015-FastFactsVAsBudgetHighlights.pdf> (last accessed November 28, 2014).

¹⁰ For a review of the evidence of the efficacy of transition-related surgery, see Department of Health and Human Services Departmental Appeals Board Decision No. 2576 (May 30, 2014). For an analysis of cost savings that would be accrued by offering transition-related surgery, see Department of Insurance, State of California (2012), Economic Impact Assessment: Gender Nondiscrimination in Health Insurance, 9-12.

¹¹ Jody L. Herman (2013), Costs and Benefits of Providing Transition-Related Health Care Coverage in Employee Health Benefits Plans: Findings from a Survey of Employers (Los Angeles: Williams Institute), 11.

¹² Department of Insurance, State of California (2012), Economic Impact Assessment: Gender Nondiscrimination in Health Insurance, 8.