

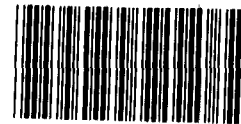
GAO

Report to the Honorable
Jim Bacchus,
House of Representatives

March 1993

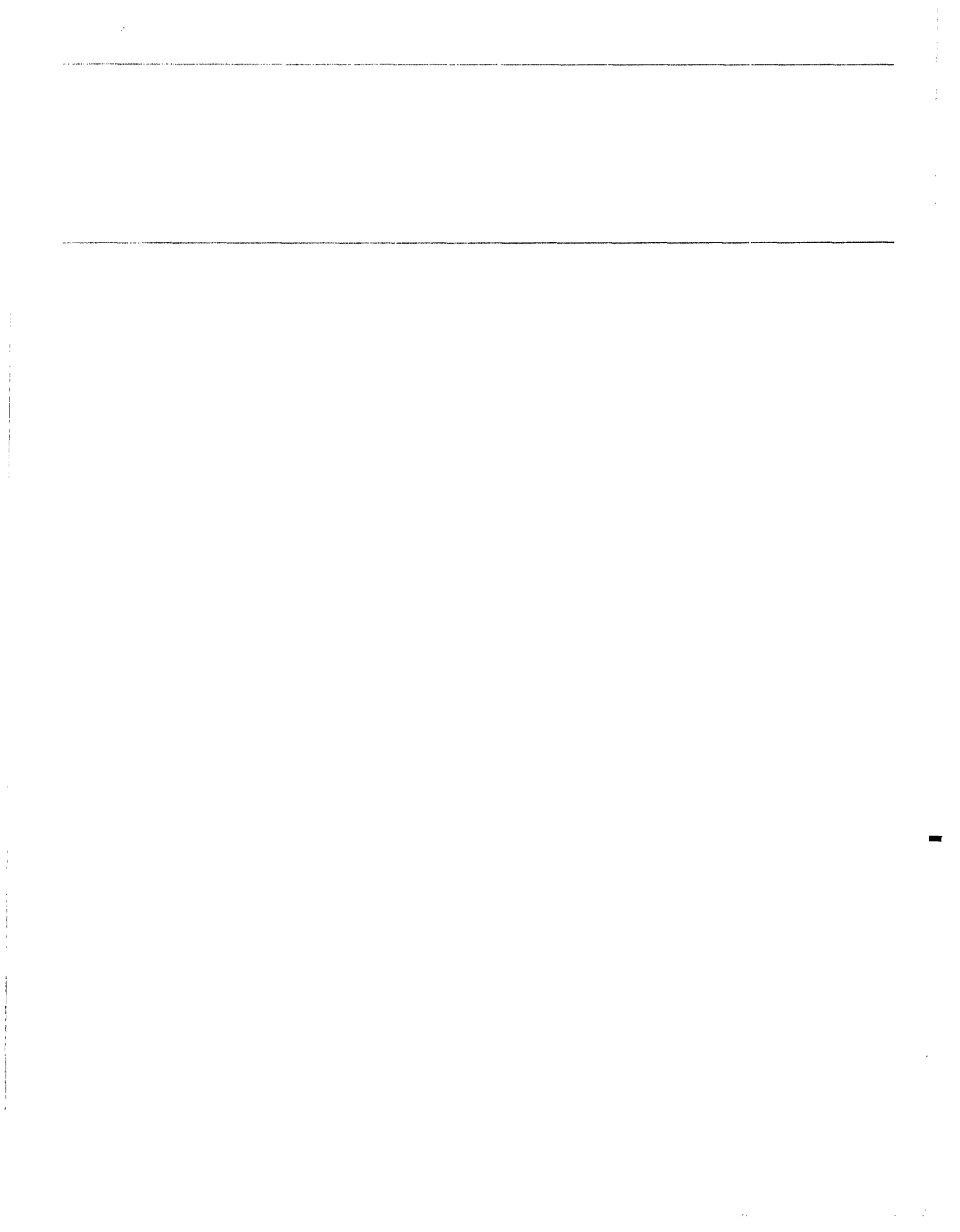
VA HEALTH CARE

Selection of a Planned Medical Center in East Central Florida



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Human Resources Division

B-250866

March 1, 1993

The Honorable Jim Bacchus
House of Representatives

Dear Mr. Bacchus:

On March 31, 1992, more than 3 years after soliciting site offers, the Department of Veterans Affairs (VA) announced the selection of the Crowntree Lakes development in Orange County as its preferred site for the planned VA medical center in east central Florida.¹ Among the options VA considered were the joint construction and operation (generally referred to as a joint venture) of a medical center with the Air Force, at a site called North Viera in Brevard County, Florida or one with the Navy, at the existing Orlando, Florida Naval Hospital. This report responds to your request that we evaluate VA's decision to build a freestanding medical center at Crowntree Lakes rather than pursue a joint venture. Our work focused only on VA's site selection process and not on the need for a VA medical center in east central Florida. Our scope and methodology are discussed in appendix I.

We presented our preliminary findings to you and your staff, and staff of the House Committee on Veterans' Affairs, on September 10, 1992. Similar briefings were provided to Representative Bill McCollum and former Representative Craig James later in September 1992. This report presents our final review results (see app. I).

Results in Brief

VA's decision to construct its planned east central Florida medical center at the Crowntree Lakes site rather than as a joint venture is, in our view, not justified and will likely increase the government's overall construction and operating costs. The March 1992 VA study that recommended the Crowntree Lakes site was flawed in several significant respects and does not support VA's decision. Moreover, the estimated cost to construct the medical center has increased by about \$80 million, and projected completion has been delayed by 3 years.

Our review further supports VA's 1991 conclusion that the North Viera site, which remains available for a joint venture, would appear to better meet the needs of east central Florida veterans at lower cost to the government. In addition, construction of a new VA outpatient clinic and nursing home at

¹The selection was made final September 1, 1992, following completion of VA's environmental review. VA expects to complete the 470-bed medical center in October 1999 at a cost of \$171 million.

a site near Orlando to be donated by North Viera's developer would create the potential for sharing agreements with the Navy. Such agreements could include treatment of Orlando-area veterans on a space available basis in unused acute care capacity at Orlando Naval Hospital.

Background

East central Florida's 311,000 veterans are spread out over eight counties and three metropolitan areas (Orlando, Daytona Beach, and Melbourne/Cocoa). Selection of a site for a VA medical center that is not centrally located could, therefore, improve access for veterans in one metropolitan area without substantially improving access for other east central Florida veterans. For example, a site in southern Brevard County would be convenient to veterans in the Melbourne/Cocoa area, but would be more than 50 miles from veterans in both Orlando and Daytona Beach.

In 1983, VA announced plans to build a new medical center in Brevard County to serve east central Florida veterans. VA's selection of Brevard County was, as we reported in 1986, insufficiently supported because there were greater concentrations of veterans, particularly older and lower-income veterans who typically are the greatest users of VA facilities, in Orange and Seminole counties. VA subsequently suspended advance planning of the new medical center to reassess its decision to limit the area of consideration to Brevard County.

During the reassessment, VA officials in Florida met with local Navy and Air Force officials to discuss potential joint ventures. VA found that (1) the Air Force planned to expand its 20-bed hospital at Patrick Air Force Base (AFB) in Brevard County and (2) the Navy needed additional outpatient capacity and nursing home beds to support its hospital at the Orlando Naval Training Center. Both expressed an interest in developing joint ventures and sharing agreements with VA.

Following the reassessment, in June 1988, VA changed the area of consideration for the new medical center to a 35-mile radius around a point in southeastern Orange County. The new area of consideration was drawn, in part, to facilitate potential joint ventures. The 35-mile radius area included most of Orange (including the Orlando Naval Training Center), Seminole, Brevard (including the area surrounding Patrick Air Force Base), and Osceola Counties, and a portion of southern Volusia County. (See figure 1.) This area included most of Orlando and Melbourne/Cocoa, but did not include southern Brevard County, and most of Volusia County (including the Daytona Beach area).

VA stated that any site within the 35-mile radius would maximize access for east central Florida veterans and that site selection would be based on (1) cost to VA, (2) proximity to existing highways, and (3) potential for joint ventures and other medical resource sharing. In the Fall of 1988, VA solicited land donations within the 35-mile radius.

VA received 10 firm site offers within the 35-mile radius in response to its solicitation of site donations. In early 1989, a site board established by VA's Office of Facilities visited and evaluated the 10 sites for possible inclusion in the east central Florida Environmental Impact Statement (EIS).² VA was required by the National Environmental Policy Act to prepare an Environmental Impact Statement, because of the east central Florida project's size. In December 1989, VA decided to proceed with an EIS covering the site board's three most highly rated sites (the North and South Viera sites in Brevard County, and a site at the Orlando Naval Training Center). Each of the three sites offered the potential for a joint venture with DOD. Under a schedule developed by the site board in March 1990, the Secretary was to announce his preliminary site selection, for inclusion in the Draft EIS, in August 1990.

VA did not, however, make a preliminary selection from among the three most highly rated sites in August 1990. Instead, it evaluated four sites which were offered after the site board completed its 1989 review of the original 10 site offers. First, in October 1990, the site board reviewed the Beltway Commerce Center (Orange County) and Clayton/Rybolt (Orange/Seminole Counties) site offers, and gave them interim ratings using the same criteria used in its 1989 site evaluation.

VA then received two more site offers: (1) the Deltona site, offered by Volusia County in October 1990; and (2) Crowntree Lakes, offered in January 1991 as an alternative to the Beltway Commerce Center. The site board visited both sites and, based on its view that neither site was superior to the top-rated sites (North and South Viera) already being considered, recommended against further delaying the EIS and site selection to include these sites. After learning that the site board's opposition to adding the Crowntree Lakes site was based on inaccurate data on the presence of wetlands on the site, the Secretary of Veterans Affairs instructed the site board to add Crowntree Lakes and Deltona to the EIS in June 1991.

²The site board evaluated the offers based on quality and cost. The quality criteria included (1) construction factors such as environmental characteristics and access to transportation, police, fire, and ambulance services; and (2) medical criteria, such as accessibility and VA/DOD sharing potential.

The following month, the Office of Facilities' site board conducted a re-evaluation of six sites, using the same criteria used in the 1989 evaluation. The North Viera site was rated highest by a wide margin, followed by the Deltona and Crowntree Lakes sites. The Secretary then asked the Veterans Health Administration to establish a task force to conduct another evaluation, placing greater emphasis on health care issues. The task force ranked the top sites in the same order, with the North Viera site again rating highest by a wide margin.

VA then obtained 1990 census data on the veteran population in east central Florida. Using these data, the Veterans Health Administration (VHA) re-evaluated the top three site offers (North Viera, Deltona, and Crowntree Lakes) from its earlier evaluation. VHA concluded that all three sites would meet the health care needs of east central Florida veterans, but recommended selection of Crowntree Lakes because of its more central location.

Selection of Crowntree Lakes Not Justified

VA's selection of Crowntree Lakes was not justified. Selection of this site will result in comparatively higher construction and operating costs of new VA and DOD medical facilities in east central Florida, and was not, in our opinion, justified. The March 1992 VHA study which recommended selection of the Crowntree Lakes site provided little data to support a change in relative ranking of the top sites and was defective in several respects. It also did not adequately reconcile VHA's recommendation of Crowntree Lakes with the two 1991 evaluations that rated North Viera higher than Crowntree Lakes and Deltona by wide margins. In addition, VA's rationale for selecting Crowntree Lakes—that an Orange County site is more centrally located for east central Florida veterans—is inconsistent with the selection criteria VA announced when it solicited land donations in 1988. Those criteria were reflected in the criteria used by the site board and VHA in their previous evaluations and were important factors in North Viera's high ratings in the previous evaluations.

The March 1992 VHA study provided little data to support a change in the relative ranking of the three sites. First, the 1990 census data did not reveal significant demographic changes that would lead to selection of a site in Orange County; in fact, they showed slower veteran population growth in Orange County than in either Brevard or Volusia County. Second, the report did not, as the Secretary maintained, evaluate socioeconomic factors absent from the two 1991 evaluations; available data suggest that Orange County veterans are younger and have higher per

capita incomes than Brevard and Volusia County veterans. Finally, neither the March 1992 report nor the VA officials we asked, including the Secretary, Deputy Secretary, and Assistant Secretary for Acquisition and Facilities, cited any specific deficiencies in the 1991 evaluations, which, in our opinion, would have affected the outcomes of the evaluations.

The March 1992 study was defective in several other respects. Specifically, the study (1) used a measure of accessibility (number of veterans within 50 miles of the site) favorable to Crowntree Lakes rather than the multiple measures (such as ease of access to the site by automobile and mass transit) used in earlier evaluations; (2) did not consider the effect that a prospective medical center at each site would have on the workloads of the Tampa and Gainesville Medical Centers; (3) incorrectly suggested that a medical center at Crowntree Lakes would have more effect on reducing fee-basis costs than a medical center at North Viera; (4) downplayed the advantages of a VA/Air Force joint venture at North Viera; and (5) did not consider the costs of mitigating potential environmental problems at Crowntree Lakes, such as noise from nearby Orlando International Airport.

The two 1991 site evaluations also failed to consider the costs of mitigating potential environmental problems. In addition, the 1991 evaluations, like the March 1992 evaluation, did not fully consider the total costs to the government under each site option. If VA had considered these additional factors in the 1991 evaluations, however, they probably would have provided additional support for North Viera.

The potential savings available through a joint venture, not differences in accessibility, clearly separated the top three sites, in our opinion. As both the September 1991 and March 1992 VHA reports noted, building the medical center at the top site in any of the three largest counties (Orange, Brevard, or Volusia) would meet the hospital care needs of east central Florida veterans. North Viera clearly offers better prospects for cost savings from reduced construction and operating costs resulting from a VA/DOD joint venture than Crowntree Lakes and Deltona. North Viera's VA/DOD sharing potential, based on the possibility of a VA/Air Force joint venture, was a factor in the site's favorable ratings in VA's evaluations prior to March 1992. VHA's March 1992 report, however, downplayed the importance of the potential joint venture at North Viera. VA received a last minute general expression of interest in pursuing possible sharing at Crowntree Lakes from the Navy but concluded that there were good prospects for sharing with both the Navy and Air Force. VA, however, had

an earlier firm commitment from the Air Force to jointly construct and operate a medical center at North Viera.

When total costs to the government are considered, the North Viera option would be the preferred option under the cost criteria—one of the factors cited by VA in soliciting site offers. VA's comparisons of the construction costs at each site included only VA's costs; they did not consider the Air Force's costs under a joint venture compared to the costs of a separate construction project at Patrick AFB. VA's March 1992 report estimated the Air Force's share of the construction costs for the North Viera joint venture at \$21.7 million. The March 1992 report did not estimate the cost of replacing or renovating the Patrick AFB hospital, if VA chose not to build the joint medical center at North Viera. The September 1991 VHA report, however, placed the cost at about \$35 million. In addition, the March 1992 report did not reflect the lower operating costs that would be expected from a joint venture where such services as dietetics, laundry, and surgery could be jointly operated.

Selection Process Delayed Project Completion and Contributed to Increased Estimated Costs

VA's selection process, specifically the delaying of site selection to consider additional sites after an acceptable site was identified, contributed to a 3-year delay in the projected completion of the VA medical center and an almost \$80-million increase in VA's projected construction cost. The estimated completion date for the new medical center has slipped from April 1996 to October 1999. VA's projected costs for the medical center increased from \$93 million to \$171 million.⁴

The Air Force is also adversely affected by VA's site selection delay; it shelved plans to renovate and expand the Patrick AFB hospital for almost 5 years while it waited for VA to select a site for the east central Florida VA medical center. After VA's decision, in effect, not to build the joint venture, the Air Force resumed planning for a new Patrick AFB hospital and delayed plans for funding the project from fiscal year 1994 to fiscal year 1997. As a result, the Air Force, like VA, could incur additional construction costs because of the curtailment of its plans.

⁴The \$171 million estimate is for the medical center only, and does not include an estimated \$44 million for new outpatient and nursing home facilities in east central Florida.

Joint Ventures and Sharing Agreements Could Reduce Costs and Improve Services

VA could reduce federal medical care costs and improve services for federal beneficiaries in east central Florida by developing joint ventures and sharing agreements with the Air Force and the Navy. Under this approach, VA and the Air Force could build a joint medical center at the North Viera site, and VA could build an outpatient clinic and nursing home at the site near Orlando to be donated by North Viera's developer. Both sites remain available.

A VA/Air Force joint venture could reduce construction and operating costs for new VA and Air Force facilities, compared to the costs of building the new VA medical center in Orange County and a separate Air Force facility at Patrick Air Force Base. Also, a joint venture would allow VA to reduce its fee-basis-care costs in Brevard County, and would allow the Air Force to reduce its Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) costs. Air Force officials are still interested in a joint venture at North Viera.

By utilizing some of the approximately 75 unused beds at Orlando Naval Hospital, VA could obtain treatment for Orlando-area veterans, who currently must obtain care at the Tampa or Gainesville VA Medical Centers. In return, the Navy could obtain the outpatient and nursing home services it needs through sharing agreements with the VA outpatient clinic and nursing home.

Recommendation to the Secretary of Veterans Affairs

We recommend that the Secretary reconsider the site selection for the east central Florida VA medical center.

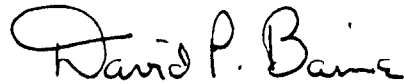
Agency Comments

We did not obtain written comments on this report. However, at exit conferences, VA and DOD officials suggested various changes to the technical content of the report, which we incorporated as appropriate.

Unless you publicly release its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies to the Secretaries of Veterans Affairs and Defense; the House and Senate Committees on Veterans' Affairs; the House and Senate Committees on Armed Services; the House and Senate Committees on Appropriations; the House Committee on Government Operations; the Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others on request.

Please call me on (202) 512-7101 if you or your staff have any questions concerning this report. Other major contributors are listed in appendix II.

Sincerely yours,



David P. Baine
Director, Federal Health Care
Delivery Issues

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Abbreviations

AFB	Air Force Base
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
EIS	Environmental Impact Statement
GAO	General Accounting Office
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

Selection of Crowntree Lakes Will Delay Completion and Increase Costs of East Central Florida VA Medical Center

Background

The east central Florida medical center project began in June 1983, when the VA medical district responsible for most of VA's Florida operations recommended that VA build a 470-bed medical center in Brevard County to improve access to VA inpatient care in east central Florida. The Brevard County medical center was to be the second of four new medical centers in Florida.¹

The nearest VA inpatient and nursing home facilities for east central Florida's 311,000 veterans are in (1) Tampa, about 80 miles west of Orlando, and (2) Gainesville, more than 100 miles northwest of Daytona Beach. The new Palm Beach County Medical Center will be about 110 miles southeast of Melbourne. VA operates two east central Florida outpatient clinics, in Orlando and Daytona Beach.

Why Site Selection Is Important

Care in selecting an appropriate site for the new medical center is important because east central Florida's veterans are spread out among eight counties and three metropolitan areas (Orlando, Daytona Beach, and Melbourne/Cocoa).² Selection of a site in one community would improve access for veterans in that community without significantly improving access for other east central Florida veterans, if the site is not convenient to the other communities. For example, a location in southern Brevard County would place the hospital more than 50 miles from both Orlando and Daytona Beach.

Recognizing this problem, we reported in 1986 that VA's conclusion that the new hospital should be built in Brevard County was inadequately supported.³ We concluded that most of the data considered by the medical district favored locating the medical center in Orange or Seminole County, because of their greater concentrations of veterans, particularly older and lower-income veterans who typically are the greatest users of VA facilities. VA suspended advance planning of the new medical center, pending a reassessment of its decision to limit the area of consideration to Brevard County.

¹The first new medical center, in Palm Beach County, is under construction.

²The eight east central Florida counties are Orange (Orlando), Brevard (Melbourne/Cocoa), Volusia (Daytona Beach), Seminole, Osceola, Lake, Flagler, and Indian River.

³VA Health Care: Insufficient Support for Brevard County Location for New Florida Hospital (GAO/HRD-86-67, June 4, 1986).

VA and DOD Discussed Potential Joint Ventures

During the reassessment, VA officials in Florida discussed potential joint ventures with local Air Force and Navy facilities. The Air Force indicated an interest in a joint medical center with VA because it needed to upgrade its inpatient facility in east central Florida. In 1983, the Air Force began plans to renovate the 20-bed hospital at Patrick Air Force Base, and expand it to 75 beds. In 1987, however, the Defense Medical Facilities Office, of the Office of the Assistant Secretary of Defense (Health Affairs), directed the Air Force to shelve its renovation and expansion plans, in favor of pursuing a joint medical center project with VA.

The Navy, on the other hand, had a relatively new 140-bed hospital at the Orlando Naval Training Center. In its 1987 discussions with VA, the Navy identified needs for outpatient and nursing home care, rather than for inpatient care. In December 1987, VA, Navy and Air Force officials concluded that

- VA and the Air Force should build a joint venture medical center near Patrick AFB; and
- VA should build an outpatient clinic and nursing home at Orlando Naval Training Center, to be shared with Orlando Naval Hospital.

VA Revised Its Area of Consideration

In June 1988, VA changed the area for consideration from Brevard County to a 35-mile radius around a point in southeastern Orange County, 10 miles west of the intersection of Interstate 95 and the Bee Line Expressway. The new area of consideration excluded the portion of Brevard County south of Melbourne, but added most of Orange, Seminole, and Osceola Counties, and a portion of southern Volusia County (though not the Daytona Beach area). VA stated at the time that any site within the 35-mile area would maximize access to health care for east central Florida veterans. In the Fall of 1988, VA solicited site donations within the 35-mile radius area.

VA planned, once it began evaluating actual site offers, to consider factors other than each site's location. One of the main factors was the potential for joint ventures with local Department of Defense facilities. In announcing the new area of consideration, the former Administrator of Veterans Affairs indicated that it was drawn, in part, to include the existing DOD hospitals in east central Florida—Orlando Naval Hospital and the hospital at Patrick AFB, in Brevard County—to facilitate joint ventures. VA also indicated that it would consider the cost-effectiveness of each site, and its access to existing transportation corridors.

VA Evaluates Solicited Site Offers

VA received 10 firm site offers in Brevard, Orange, and Seminole Counties in response to its solicitation. A site board established by VA's Office of Facilities visited and evaluated the sites in early 1989.⁴ ⁵ Based on the site board's recommendations, VA decided in December 1989 to proceed with preparation of an Environmental Impact Statement for three sites (North and South Viera in Brevard County, and Orlando Naval Training Center).⁶ The EIS was designed to identify the environmental consequences, both positive and negative, of building a medical center at each site. For example, the EIS would determine if potential sites had wetlands or endangered species, which are required by federal and state laws to be protected. Under a schedule developed by the site board in March 1990, the Secretary would announce his preliminary site selection, for inclusion in the Draft Environmental Impact Statement, in August 1990.

VA Considered Additional Unsolicited Offers

VA, however, continued to accept site offers after the environmental review started. First, the site board reviewed two additional site offers (called Beltway Commerce Center and Clayton/Rybolt) and gave them interim ratings in October 1990, using the same criteria it used in 1989. Clayton/Rybolt was rated ahead of all sites except North and South Viera, while Beltway Commerce Center was rated behind not only the Viera sites, but also behind several sites VA had already rejected.

After VA had added the two sites to its environmental review, it considered adding two more site offers: (1) the Deltona site, offered by Volusia County in October 1990, and (2) Crowtree Lakes, offered in January 1991 as an alternative to Beltway Commerce Center. The site board visited both sites and, based on its view that neither site was superior to the top-rated sites already being considered (the Viera sites), recommended against further delaying completion of the Draft Environmental Impact Statement by including the most recent site offers.

⁴The site board evaluated offers on quality (70 percent of each site's total score) and cost (30 percent). The quality criteria included: (1) construction factors such as environmental characteristics and access to transportation, police, fire, and ambulance services; and (2) medical criteria such as accessibility and VA/DOD sharing potential. The cost criteria included utilities and parking, and possible demolition and relocation costs.

⁵Effective October 1, 1992, the Office of Facilities was abolished and most of its functions transferred to VHA. Because we are discussing events that occurred before October 1, 1992, we have maintained the distinction between the Office of Facilities and VHA.

⁶An environmental review was required under the National Environmental Policy Act because of the size of the medical center project. Council on Environmental Quality regulations require a Draft Environmental Impact Statement for public comment, followed by a final statement. The final environmental impact statement is to contain responses to the public comments, and any changes from the draft statement. Following public comments on the final statement, a Record of Decision is to be issued designating the environmentally preferred action.

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VA management initially agreed with the site board. In March 1991, however, the Secretary suspended release of the Draft EIS for 60 days. After learning that the site board's opposition to considering Crowntree Lakes was based on inaccurate data concerning the presence of wetlands on the site, the Secretary, in June 1991, instructed the site board to add Crowntree Lakes and Deltona to the environmental review.

VA's 1991 Site Evaluations
Ranked Viera Site Highest

Two 1991 VA site evaluations rated the North Viera site in Brevard County the highest by wide margins. The Office of Facilities' site board conducted a re-evaluation of six sites in July 1991, using the same criteria it used in 1989.⁷ The Secretary then asked VHA to conduct another evaluation, placing a greater emphasis on health care issues.⁸

Both evaluations ranked the sites in the same order, led by North Viera, Deltona, and Crowntree Lakes. Also, VHA's September 1991 report stated that the top-ranked siting option for each major county (Brevard, Volusia, and Orange) would meet the inpatient, outpatient, and nursing home care needs of veterans in east central Florida. North Viera's scores, however, were significantly higher than those of any other site, as shown in table I.1.

⁷In October 1990, the developer of the two Viera sites submitted a package offer of the North Viera site, plus an outpatient clinic site in Seminole County. VA's subsequent evaluations considered only this offer, and did not include the South Viera site.

⁸The VHA task force established the following criteria: (1) accessibility for currently underserved veterans, (2) VA/DOD sharing potential, (3) results of the July 1991 site board evaluation and Draft Environmental Impact Statement, (4) costs of constructing and operating a medical center on each site, and (5) accordance with VA's health care goals.

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**Table I.1: Results of 1991 VA
Evaluations of East Central Florida
Site Options**

Site	July 1991 Site Board		September 1991 VHA task force ^a	
	Score ^b	Rank	Score ^b	Rank
North Viera	94	1	799	1
Deltona	75	2	684	2
Crowntree Lakes	67	3	667	3
Beltway Commerce Center	63	4	c	c
Clayton/Rybolt	58	5	636	4
Naval Training Center	54	6	528	5

^aThe VHA task force scores are for the options with two 120-bed nursing homes. For each site, this "split" nursing home option scored higher than the option for a single 240-bed nursing home.

^bThe Site Board ratings were based on a maximum of 100 points, while the VHA ratings were based on a maximum of 1,000 points. For both evaluations, the average score per participant is shown, rounded to the nearest whole point.

^cBeltway Commerce Center was not rated by the VHA task force because it had been superseded by the Crowntree Lakes offer.

Among the factors contributing to North Viera's high ratings in both evaluations were the VA/DOD sharing potential, accessibility, and effects on the environment. The VHA report cited savings to the federal government, in the form of reduced construction costs and shared services, from a joint venture. VHA did not, however, estimate total savings.

VHA Prepares a New Study

Rather than select a medical center site based on the two site evaluations, VA issued the Draft EIS in early October 1991 without designating a preferred site. At about the same time, the Secretary asked VHA to obtain more recent veteran population data from the 1990 census. The Secretary advised us that the 1991 evaluations did not convince him that the medical center should be in Brevard County, because more veterans live in the Orlando area.

VA asked the Bureau of the Census to quickly provide 1990 census data on the Florida veteran population. The Bureau, in early February 1992, provided VA preliminary data on county-by-county veteran population. VA used these data to determine the number of veterans within a 50-mile radius of each of the three top-rated medical center sites. The Secretary met, in February 1992, with the officials who analyzed the 1990 census data to discuss their analyses.

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The Associate Chief Medical Director for Resource Management stated that in these and other meetings following the September 1991 VHA task force report, the Secretary repeatedly expressed concern about selecting North Viera because more veterans live in the Orlando area. The Associate Chief Medical Director stated that, because he could not adequately justify to the Secretary VHA's support for North Viera, he changed his mind about selecting North Viera and asked his staff on March 19 to prepare a new site evaluation, based on the 1990 census data. This evaluation, which recommended that the Secretary select Crowntree Lakes, was delivered to the Secretary on March 27, 1992.

VA officials told us that the March 1992 study was done to (1) include the most recent census data regarding east central Florida's veteran population, (2) overcome what they perceived as a bias toward Brevard County in the earlier evaluations, and (3) consider socioeconomic factors excluded from the earlier evaluations.

Objectives, Scope, and Methodology

Representative Jim Bacchus asked us to evaluate VA's decision to build a freestanding medical center at the Crowntree Lakes site, rather than pursue a joint venture. In doing our work, we focused on

- whether the selection of Crowntree Lakes was justified,
- why VA's site selection was delayed until March 1992, and
- how the delay will affect the costs of new VA and military medical facilities in east central Florida.

We reviewed VA and DOD records and studies and spoke with numerous VA and DOD officials involved in the site selection. The records we reviewed included

- the Office of Facilities' east central Florida site board evaluations from 1989 and 1991, and supporting documentation,
- VHA's September 1991 and March 1992 site evaluations,
- the Draft and Final East Central Florida EIS's,
- records of VA's discussions with the Air Force and Navy concerning potential joint ventures and sharing agreements, and
- correspondence between VA and interested Members of Congress.

We also visited east central Florida to discuss VA's site selection process with site offerors, local government officials, and Air Force and Navy officials. We met with the offerors of the three top-rated sites in the

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September 1991 VHA report—North Viera, Deltona, and Crowntree Lakes. We also met with Brevard County (North Viera), Volusia County (Deltona), and Orange County (Crowntree Lakes) officials and with officials of the Orlando Naval Hospital, at Orlando Naval Training Center, and the Air Force Systems Command Hospital at Patrick AFB.

Following our visit to east central Florida, we interviewed the Deputy Secretary of Veterans Affairs, the Assistant Secretary for Acquisition and Facilities, and the Associate Chief Medical Director for Resource Management, on their roles in the site selection process and on the issues raised in our preliminary review. We then obtained a written response from the Secretary of Veterans Affairs to questions concerning his selection of Crowntree Lakes as the preferred site.

Scope Limitations

Our efforts were limited to an assessment of the site selection process. We did not evaluate

- the need for a VA medical center, or other new VA medical facilities, in east central Florida;
- the number of hospital and nursing home beds planned; or
- the need for new Air Force or Navy medical facilities.

We could not estimate the extent of cost savings from a VA/Air Force joint venture. While VA and Air Force officials asserted that there would be savings from constructing and operating a joint medical center, no estimates of savings were prepared. In addition, we could not estimate the construction cost savings if, for example, VA had selected North Viera because the Air Force has not estimated the cost of building a separate Air Force hospital.

We conducted our review from April through February 1993 in accordance with generally accepted government auditing standards.

**Selection of
Crowntree Lakes Not
Justified**

VA's selection of Crowntree Lakes was not justified. Two 1991 studies rated the North Viera site higher than Crowntree Lakes by wide margins. The March 1992 VHA study, upon which VA based its decision, provided little new data, was defective in several respects, and provided inadequate support for VHA's change of preference from North Viera to Crowntree Lakes. In addition, VA's rationale for selecting Crowntree Lakes—that Orange County is more centrally located—is inconsistent with the

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selection criteria VA announced when it solicited land donations. These criteria—cost-effectiveness, potential for VA/DOD joint ventures and sharing, and highway access—as reflected in VA’s site evaluation criteria, contributed to North Viera’s high ratings in previous evaluations.

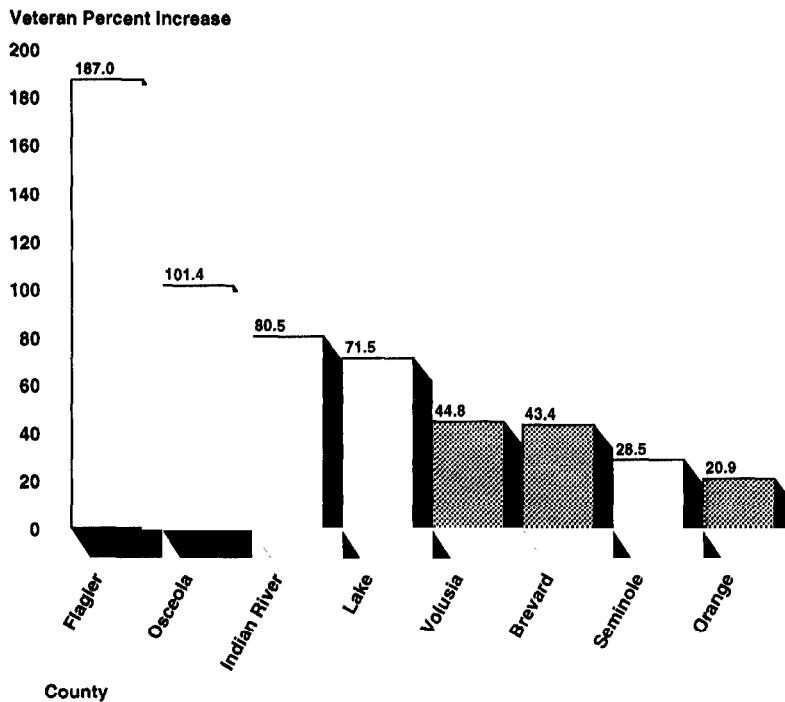
March 1992 Study Provided
Little New Data

VA’s March 1992 study provided little data to support a change in VHA’s preference from North Viera to Crowntree Lakes. First, the 1990 census data did not reveal significant demographic changes that would lead to selection of a site in Orange County. For example, the growth in Orange County’s veteran population during the 1980s was the slowest of any of the eight east central Florida counties. Second, contrary to the Secretary’s statement, VHA’s recommendation did not consider socioeconomic factors absent from the earlier evaluations, while the 1991 VHA report considered them. In our 1986 report, we presented data showing that the Orange County veteran population was the region’s oldest and poorest; available data suggest that Orange County veterans are now the youngest, and have the highest per capita incomes. Finally, neither the March 1992 report nor the Secretary and other senior VA officials we contacted cited any specific deficiencies in the earlier evaluations that, in our opinion, would have affected their outcomes.

Demographic trends, as shown by the 1990 census data, are more favorable to Brevard or Volusia County than to Orange County. Although Orange County still had the largest number of veterans in 1990, its 21-percent veteran population growth in the 1980s was the lowest of the eight east central Florida counties. (See figure I.1.)

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**Figure I.1: East Central Florida Veteran
 Population Growth, by County
 (1980-90)**



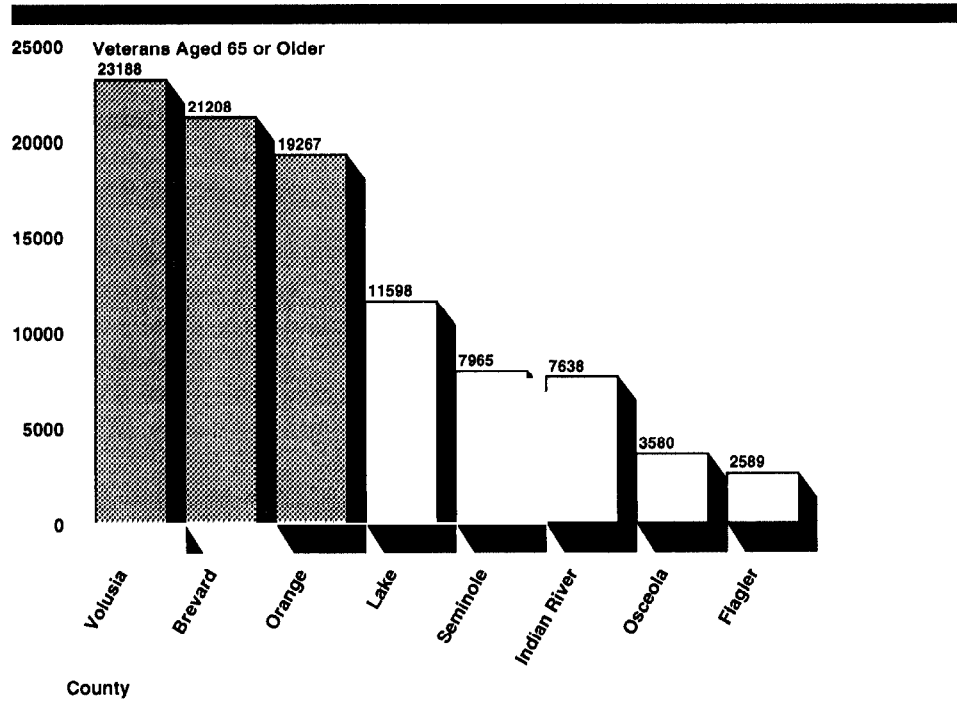
If each county's relative rate of veteran population growth continues, Brevard County's veteran population would, by the year 2000, have caught up to Orange County's veteran population. Approximately 100,000 veterans would reside in each county, while Volusia County's veteran population would rise to about 86,000. Such population trends are also important in assessing how many veterans live within 50 miles of the proposed medical center sites. Unlike VHA's 1991 evaluation, which projected the veteran population of each county to 2005, the March 1992 report used 1990 veteran population estimates, but did not project what veteran populations would be when the new medical center is opened. Thus, while the March 1992 report used more current base data, it ignored the demographic trends shown in the 1990 census data.

Orange County also has the second smallest percentage of veterans aged 65 or older of the eight east central Florida counties. As shown in figure I.2, Brevard and Volusia counties already have more veterans aged 65 or older than Orange County. This contrasts to GAO's 1986 report, which noted that Orange County had an older veteran population than the other

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counties. This is important because the elderly use more VA services than younger veterans.

Figure I.2: Number of East Central Florida Veterans Aged 65 or Older, by County (1990)



The March 1992 VHA report did not evaluate socioeconomic data on the veteran population. VA developed some income-related data, based on VA pension and compensation records, but none of these data were included in the March 1992 report. The primary users of VA hospitals are veterans who can least afford private hospitalization—those living below the poverty line. In 1980, over twice as many individuals in Orange County lived below the poverty line as in Brevard County. More recent data, such as per capita income data included in VHA's September 1991 report, suggest that of the three main east central Florida counties, Orange now has the highest per capita income.⁹

None of the VA officials we spoke with identified any specific flaws in the two 1991 site evaluations that, in our opinion, would have affected their outcomes; our review also did not identify such flaws. We identified two

⁹At the time of our review, 1990 census data on the incomes of Florida veterans were not available.

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problems with the 1991 evaluations: (1) failure to consider total costs to the government (both VA and DOD) of each site option and (2) failure to consider the costs of mitigating potential environmental problems at each site. If VA had considered these additional factors, however, they probably would have provided additional support for North Viera.

Other Defects of the
March 1992 VHA Study

In addition to the demographic factors discussed above, the March 1992 VHA recommendation of Crowntree Lakes was inadequately supported because it

- used a measure of accessibility favorable to Crowntree Lakes and ignored multiple measures used in earlier evaluations,
- did not consider the effects the various sites would have on the workloads of existing VA medical centers,
- incorrectly suggested that a medical center at Crowntree Lakes would have more effect on reducing fee-basis costs than a medical center at North Viera,
- downplayed the advantages of a joint venture with the Air Force at North Viera, and
- did not consider the costs of mitigating potential environmental problems at each site.

Accessibility Defined to Favor
Crowntree Lakes

VHA's March 1992 report defined accessibility in a way that favored its recommendation of Crowntree Lakes. By defining accessibility in terms of (1) the number of veterans living within 50 miles of each site, and (2) the number of veterans in each county, VHA accentuated the central location of a site in Orange County, compared with a site in Brevard or Volusia County.

This was inconsistent with the selection criteria VA established when it solicited site offers. The former Administrator of Veterans Affairs stated in 1988 that any site within VA's 35-mile radius area of consideration would maximize access to care for east central Florida residents and that site selection would depend on (1) cost effectiveness and (2) proximity to existing highways.

VHA essentially abandoned the former Administrator's accessibility criteria in its March 1992 evaluation. VHA supported its recommendation of Crowntree Lakes with data showing the straight-line distance of veterans' homes to each medical center site. It did not, however, address the

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differences in highway and mass transit access—the accessibility criteria VA announced in soliciting site offers.

**Effects on Existing Facilities
Not Assessed**

The March 1992 report also did not assess the potential effects of a medical center at each site on the use of existing VA medical centers. In preparing its March 1992 report, VHA used data showing the number of veterans within 50 miles of each site. These data showed that many of Polk County's 56,000 veterans would be within 50 miles of both Crowntree Lakes and the Tampa VA Medical Center. A similar, but smaller, overlap would exist between Deltona and the Gainesville VA Medical Center in parts of Marion and Putnam Counties, which have a total of 42,000 veterans.

Location of the VA medical center at Crowntree Lakes could have a significant effect on the Tampa Medical Center's workload. About 12 percent of the veterans discharged from the Tampa Medical Center live in Orange County and could obtain most future services from an Orange County hospital; a portion of the veterans living in Polk, Lake, Osceola, and Seminole Counties would also likely use Crowntree Lakes. Similarly, about 8 percent of the veterans discharged from the Gainesville Medical Center live in Volusia County, and could obtain future care at a Deltona medical center. Placement of the medical center at North Viera, however, could have less effect on existing medical centers, because its 50-mile radius does not overlap with Tampa's or Gainesville's, and only about 4 percent of veterans discharged from the Tampa medical center live in Brevard County.

**Transportation Access
Inadequately Considered**

VHA's 1991 evaluation, consistent with the site selection criteria, considered ease of access to each site, both road and mass transit. North Viera, because of (1) its proximity to Interstate 95 and (2) Brevard County's commitment to provide bus service to the site, was rated higher than Crowntree Lakes, which relied more on planned than existing roads and had poor prospects for bus service. The Volusia county site scored higher than Crowntree Lakes, but below North Viera, because of fair prospects for mass transit.

VHA's 1992 study did not address the transportation site selection criteria in its recommendation of Crowntree Lakes. The study's supporting data on transportation, however, were taken from the 1991 VHA report, and showed that the North Viera site has better transportation access. While VHA was preparing its study, the Assistant Secretary for Acquisition and Facilities was attempting to obtain assurances from Orange County that promised

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access roads to Crowntree Lakes would be built. The Assistant Secretary told us he had reservations about selecting Crowntree Lakes, despite its location, because of uncertainty that access roads would be completed. Orange County provided such assurances at approximately the same time as VHA finished its study, but the assurances are not reflected in VHA's report.

**Assumptions on Fee-Basis Care
Not Valid**

In describing the advantages of VA's three top-rated sites, the March 1992 VHA report incorrectly suggested that a medical center at Crowntree Lakes would have a greater impact on reducing non-VA hospitalizations and fee-basis care than would a medical center at either North Viera or Deltona. The report stated that a VA medical center at Crowntree Lakes would reduce non-VA hospitalization and fee-basis services for all east central Florida veterans. Its description of the advantages of a North Viera site was more guarded, suggesting only a possible reduction in non-VA hospitalization and fee-basis services in Brevard County. There is no mention of possible reduction of non-VA hospitalizations and fee-basis care resulting from a Deltona site.

Selection of any of the three sites should result in a significant reduction in fee-basis care, because (1) any of the sites would be closer to more east central Florida veterans than Tampa or Gainesville, and (2) VA plans to expand its outpatient and nursing home capabilities in the area.

VHA's characterizations, however, are inconsistent with the data presented in the report on non-VA hospitalizations and fee-basis care, which show that Brevard County veterans are the largest users of fee-basis care in east central Florida. In fact, VA spent more on fee-basis care for veterans in Brevard County than for veterans in Orange and Volusia Counties combined. A medical center, with associated outpatient clinic and nursing home, in Brevard County should have a greater effect on fee-basis care than a site in Orange County, since Brevard County is where the most fee-basis users are.

**Benefits of Joint Venture
Downplayed**

When compared to VA's previous evaluations, VHA's March 1992 report placed less importance on the potential for a joint venture at North Viera, essentially equating it to the Navy's general expression of interest in possible sharing at Crowntree Lakes. Also, while VA estimated the Air Force's contribution to the costs of a joint medical center at North Viera, this was not reflected in the comparisons of the relative costs of building a medical center at each site.

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VHA's September 1991 report included a discussion of VA/DOD sharing potential, which found that North Viera offered an excellent VA/Air Force joint venture opportunity, and noted that a draft memorandum of understanding and concept of operations had already been developed with the Air Force. It went on to note that the joint venture would enhance staff recruitment and retention because of the broader mix of patients that would be served at a joint medical center.

The March 1992 report repeated the discussion in the September 1991 report, but the March 1992 recommendation was supported by the statement that both Brevard and Orange County sites would provide opportunities for VA/DOD sharing. The report also stated that an advantage of Crowntree Lakes would be possible sharing agreements with the Navy and Air Force, and included a March 25, 1992, letter from the Surgeon General of the Navy to VA's Chief Medical Director, expressing interest in sharing agreements with a VA medical center in Orange County. The March 1992 report contained no evidence that the Air Force was interested in sharing agreements at Crowntree Lakes. In fact, during the site selection process, it was clear that the Air Force's interest in a partnership with VA was based on VA selecting a site near Patrick AFB. Air Force officials indicated a lack of interest in a joint venture with VA at Crowntree Lakes, because of its distance (about 40 miles) from Patrick.

VHA also did not reconcile its March 1992 statement on sharing with its previous support for a joint venture, or with VA's original intent to select a site based, at least in part, on its potential for a joint venture. When we asked about this apparent inconsistency, the Secretary and other senior VA officials told us that, while they consider VA/DOD sharing important, VA's mission to care for veterans comes first. They asserted that, given three acceptable sites, the greater accessibility of Crowntree Lakes overrode the joint venture potential of North Viera.

In our opinion, the factor that clearly separated the top three sites was not accessibility, but the potential savings available through a joint venture. The March 1992 VHA report noted that placement of the medical center in any of the three most populous counties (Orange, Brevard, or Volusia) would meet the hospital care needs of east central Florida veterans. If total costs to the government are considered, the North Viera option would appear to be the preferred option under the cost criteria—one of the selection factors cited by VA in soliciting site offers. In comparing the expected costs at each potential site, however, VA's estimates included only its own construction and operating costs. While both VHA reports

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included estimates of the Air Force's contribution to the costs of building and operating a joint medical center at North Viera, they did not factor Air Force costs into the comparisons of costs among the alternative sites. That is, VHA did not compare the costs of (1) a joint VA/Air Force medical center at North Viera and (2) a VA medical center at Crowntree Lakes or Deltona, plus a separate hospital at Patrick AFB. Estimates made by the Office of Facilities for VHA placed the Air Force's share of joint venture construction costs at \$21.7 million. Also, the September 1991 VHA report estimated the Air Force's costs for a separate Patrick AFB hospital at \$35 million, but this information was excluded from the March 1992 report.

**Costs of Mitigating
Environmental Problems at
Potential Sites Not Assessed**

VA's cost analyses did not consider the costs of mitigating environmental problems at any of the three top-rated sites. The March 1992 report cited the fact that very few problems were identified in the environmental impact statement as an advantage of the North Viera site. Similarly, it noted that there were no environmental problems identified at the Deltona site. It noted as a disadvantage of Crowntree Lakes, however, that the site might require architectural noise control modifications due to aircraft overflights from Orlando International Airport. The report, however, in summarizing its recommendation stated merely that all three sites would be environmentally acceptable. This was based on VHA consultation with the Office of Facilities' site board, who noted that the Environmental Impact Statement identified no environmental factors that would preclude VA from selecting any of the three top-rated sites.

The EIS process, however, identified several actions which VA will have to take at Crowntree Lakes to deal with potential environmental problems, such as

- designing the medical center building to curb noise from nearby Orlando International Airport;
- testing ground water quality, because of the site's proximity to the Orange County Landfill; and
- designing the medical center's layout to preserve small wetland areas on the site.

Site Selection Process Delayed Medical Center Completion and Contributed to Increased Costs

VA's postponement of site selection to consider additional unsolicited site offers delayed efforts to meet the health care needs of federal beneficiaries in east central Florida and will increase the costs of meeting those needs. Also, the Secretary's selection of Crowtree Lakes precludes a VA/Air Force joint venture in east central Florida, and reversed about 5 years of efforts to develop a joint venture.

Air Force Most Affected by VA Decision

The Air Force was most affected by VA's selection of Crowtree Lakes; it counted on a joint venture in Brevard County, and must develop new plans for providing medical care in the Patrick AFB area, particularly for CHAMPUS beneficiaries. In 1983, the same year that VA decided to build a medical center in east central Florida, the Air Force commissioned a study of the needs for medical care in the area around Patrick AFB. The Air Force concluded that the existing hospital at Patrick should be expanded from 20 to 75 inpatient beds.

Before design of the project was completed, however, the Air Force began discussions with VA about a potential joint venture. In July 1987, the Air Force shelved its Patrick AFB hospital plan, at the direction of the Defense Medical Facilities Office, and reprogrammed about \$18 million, to be requested in fiscal year 1994, for the Air Force's share of the costs of constructing a VA/Air Force medical center in Brevard County. In 1990, VA and the Air Force agreed to develop such a medical center, provided that the it would be built near Patrick AFB.

VA's decision not to select a site acceptable to the Air Force for a joint medical center left the Air Force still needing to upgrade its Patrick AFB medical facilities. According to Patrick officials, the existing hospital now has only 15 inpatient beds, and has enough structural deficiencies that it cannot meet Joint Commission on the Accreditation of Healthcare Organizations safety standards. The Air Force resumed planning for a new hospital and delayed plans for funding the project until fiscal year 1997. The Air Force commissioned a new economic review to study options for a new Patrick AFB facility, such as:

- renovating and expanding the existing hospital, similar to the plans shelved in 1987;
- constructing a replacement hospital on the base; or
- replacing the hospital with a new clinic building and providing inpatient services through local nonfederal hospitals.

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In part because of the limited capabilities of its current hospital, the Air Force spends about \$18 million a year to purchase health care services from private providers through CHAMPUS. Because it will lose the advantage of being able to offer a wider range of services through a joint venture with a 470-bed VA hospital, VA's site selection will hinder the Air Force's efforts to reduce its CHAMPUS costs.

In addition, if the Air Force builds a new hospital, or renovates the existing hospital, the construction and operating costs of separate VA and Air Force facilities will likely be higher than they would be under a joint venture. Also, a new Patrick AFB hospital would be more expensive, due to inflation in construction costs, than the facility the Air Force was planning in 1987 (which was estimated to cost \$23 million). We cannot determine, however, the magnitude of the additional federal medical facility costs in east central Florida caused by the delays and VA's abandonment of the joint venture until the Air Force has decided what it will build at Patrick AFB.

**Medical Center
Completion Delayed and
Costs Increased**

Early in the site selection process, the site board estimated that the new medical center would be completed in the Spring of 1996. As the site selection process was delayed, the site board pushed back the completion date; by the time the Secretary announced the selection of Crowntree Lakes, the date had slipped more than 3 years, to October 1999. The estimated cost of the medical center has also increased significantly. In January 1990, VA's 5-year construction plan estimated design and construction costs of \$93 million; by March 1992, this estimate had risen to \$171 million.

The Air Force may experience additional costs in building a new medical facility at Patrick AFB, or renovating the existing facility. We could not determine the effect of VA's delays, however, because the Air Force has not determined the scope of the new Patrick AFB facility, nor estimated its construction cost.

**Potential for Joint
Ventures Still Exists**

The potential for joint ventures and sharing agreements still exists between VA and both the Air Force and Navy. The North Viera site and the accompanying Seminole County site offered for an Orlando-area outpatient clinic and nursing home are still available, and the Air Force continues to be interested in pursuing a joint venture. In addition, because the Navy's primary needs are for outpatient services and nursing home

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beds, construction of a VA outpatient clinic and nursing home in the Orlando area should create the opportunity for sharing agreements. Finally, VA may be able, at least on a short-term basis, to use some of the unused capacity at the Orlando Naval Hospital to treat veterans.

Benefits of Joint Ventures

VA and DOD are authorized by Public Law 97-174 to explore opportunities to reduce costs and improve services by sharing equipment and other resources. One way to do this is through joint construction and operation of medical facilities. By combining workloads, joint ventures can enable VA and DOD to offer specialized services that could not efficiently be offered separately. In addition, joint ventures can reduce construction and operating costs by eliminating unnecessary duplication of health care resources, including personnel, equipment, supplies, and physical facilities. For example, such services as dietetics, pharmacy, and laundry can be combined.

**North Viera Still Available
for Joint Venture**

According to Viera's developer, the North Viera site is still available to VA. Also, the Air Force is not yet committed to a specific construction project at Patrick AFB. Air Force officials indicated that the Air Force would still be willing to build a joint venture, if VA changed its site selection to a site in Brevard County.

**Opportunities for VA/Navy
Sharing**

If VA built the joint medical center at North Viera, VA could still pursue sharing agreements with the Navy. A new VA outpatient clinic and nursing home would be constructed at a site near Orlando to be donated by North Viera's developer. Such a facility could upgrade VA's outpatient services in the Orlando area and help the Navy meet its needs for additional outpatient capacity and nursing home care.

As part of a VA/Navy sharing agreement, VA could also, to the extent space is available, obtain inpatient hospital care for Orlando-area veterans at Orlando Naval Hospital. According to hospital officials, about 75 of the hospital's approximately 150 beds are usually unoccupied. These beds could be used by VA, on a reimbursable basis, to provide additional inpatient beds for veterans in Orange, Seminole, Volusia, and Lake Counties. We found no evidence that, in its recent site selection activities, VA had explored the possibility of referring patients to Orlando Naval Hospital.

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The availability of Navy beds for VA beneficiaries may be reduced once the Coordinated Care program gives Orlando Naval Hospital the funding flexibility to allow some of its CHAMPUS patients to be treated in-house. For the period from April 1991 to March 1992, CHAMPUS costs in the Orlando Naval Hospital area were over \$30 million. The Naval Hospital's commanding officer told us he would be interested in an arrangement to treat VA patients if reimbursed by VA. Thus, VA could discuss with the Navy the possibility of treating patients in the Orlando area at the Naval Hospital.

Conclusions

VA's selection of Crowntree Lakes was not justified. Its decision to change its preference from North Viera to Crowntree Lakes was backed up by only limited demographic data that ignored demographic trends in the region. VA also ignored such factors as the overlap of Crowntree Lakes' service area with Tampa's, the effects of a medical center at each site on VA fee-basis care, and the costs of dealing with environmental problems at each site. Finally, VHA downplayed the superior VA/DOD sharing opportunity offered by North Viera, while highlighting lesser sharing opportunities with the Navy at Crowntree Lakes.

As a result of VA's delay in making a site selection, completion of the new medical center will be delayed at least 3 years and the medical center's estimated construction cost has already increased from \$93 million to \$171 million. The Air Force's plans to upgrade medical services for beneficiaries in the Patrick AFB area have been similarly affected.

If VA ultimately decides to build a medical center in conjunction with the Air Force at North Viera, it will still have the opportunity to share medical resources with Orlando Naval Hospital, which could improve inpatient care for veterans and outpatient and nursing home care for Navy beneficiaries in the Orlando area.

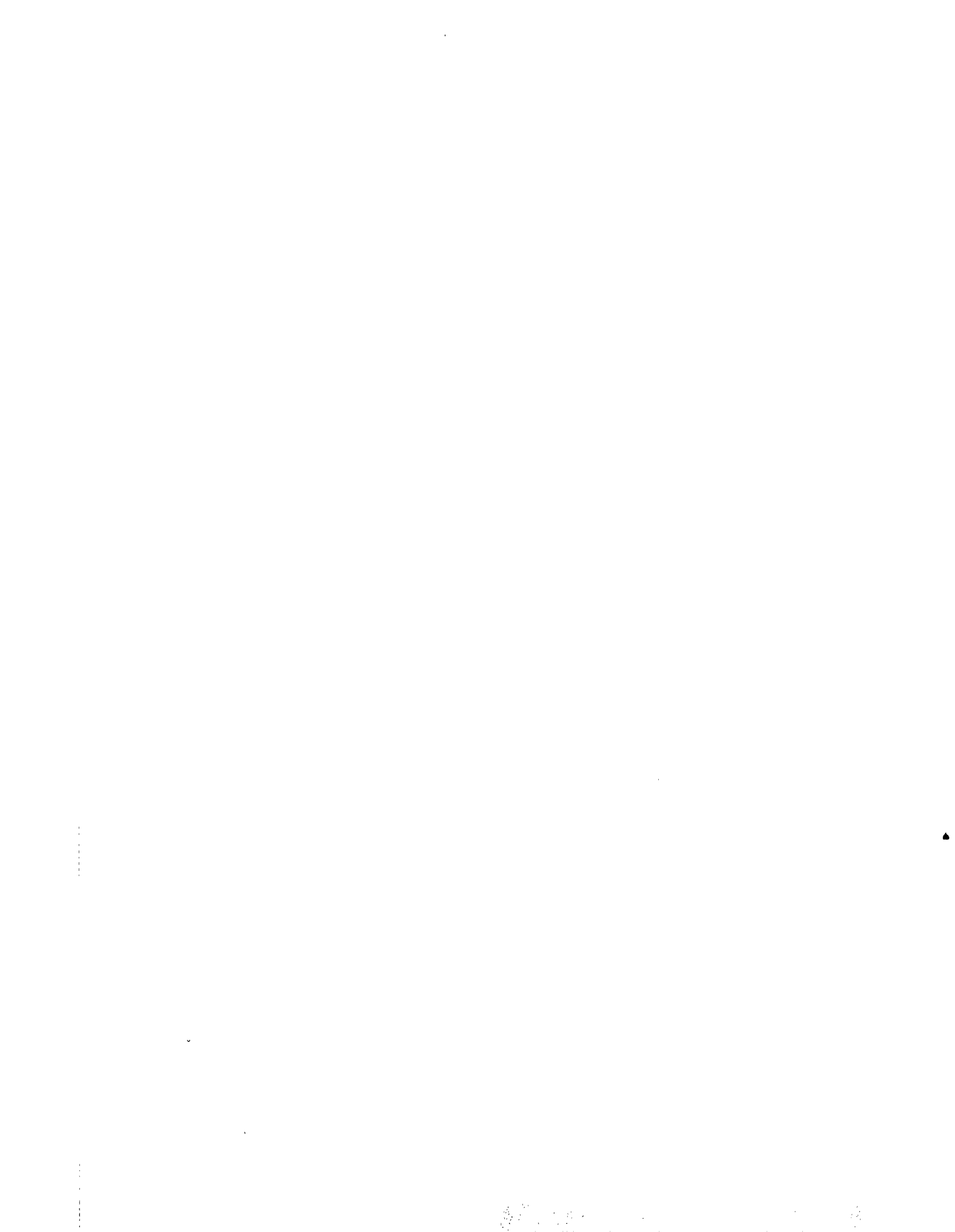
Recommendation to the Secretary of Veterans Affairs

We recommend that the Secretary reconsider the selection of Crowntree Lakes as the site of the east central Florida VA medical center.

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