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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-133044

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MAR 4 1977

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The Honorable Robert B. Duncan
House of Representatives

Dear Mr. Duncan:

1 A letter dated November 19, 1976, signed by you and five
other Members of Congress requested that we try to determine
whether the Veterans Administration was taking adequate steps
to comply with the congressional mandate of Public Law 94-378--
2 the Fiscal Year 1977 Appropriations for the Department of
Housing and Urban Development and Independent Agencies. The
House and Senate reports for that act directed the Veterans
Administration to report on its plan to construct a new hos-
pital in the Portland-Vancouver area of the Pacific Northwest.
You were concerned that, based on discussions with Veterans
Administration officials, only a cursory consideration had
been given to the congressional mandate. 16 23

In discussions with your office, we agreed to

- examine the Veterans Administration's justification for the selection of the site for the new hospital and
- review the extent to which the Veterans Administration considered the Vancouver, Washington, hospital site for some of the new facilities.

As discussed in the enclosure to this letter, we do not believe that the Veterans Administration adequately documented its reasons for selecting the Portland VA hospital as the site for the new facility. Moreover, the validity of data used to support the Veterans Administration's decision not to locate some of the new facilities at Vancouver is questionable.

We examined pertinent correspondence and other documentation of the Veterans Administration, including reports to congressional committees. We interviewed Veterans Administration officials and analyzed a consultant's study for which the Veterans Administration had contracted to aid in selecting a site for the replacement facility.

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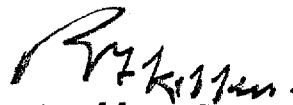
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It should be emphasized that our review was limited to an evaluation of the Veterans Administration's documentation of its decisionmaking process. We did not evaluate the sites, nor did we attempt to determine whether some of the new facilities should be located at Vancouver. This report, therefore, should not be construed as recommending one site over another nor as endorsing a different hospital configuration from the one now envisioned.

As you requested, formal comments were not obtained from the Veterans Administration. However, the contents of this report have been discussed informally with Veterans Administration officials, and their comments have been included as appropriate.

This report is also being sent today to Senators Magnuson, Proxmire, Jackson, and Hatfield and to Congressman McCormack. Copies are being sent to the Administrator of Veterans Affairs.

Sincerely yours,



Comptroller General
of the United States

Enclosure

REVIEW OF VETERANS ADMINISTRATION SITE SELECTION
FOR A PORTLAND-VANCOUVER
REPLACEMENT HOSPITAL

BACKGROUND

The Portland, Oregon, and Vancouver, Washington, Veterans Administration (VA) hospitals are both quite old and, according to VA, have numerous life safety code deficiencies. Construction of the present Portland hospital began in 1928, while the Vancouver hospital, a former U.S. Army cantonment-type facility, was constructed in 1941 with a life expectancy of 10 years.

In fiscal year 1973 the Congress provided \$2.35 million for the preliminary planning of a replacement facility for the Portland-Vancouver area. In fiscal year 1975 Congress criticized VA for "foot-dragging" in the planning studies for such construction projects and directed VA to complete the necessary studies for the projects by June 30, 1975, so that the projects could receive Presidential approval and thus be eligible for full funding in the Budget for fiscal year 1976. On June 3, 1975, VA entered into a contract with a consulting firm--Griffin Balzhiser Affiliates of Eugene, Oregon--to assist in planning the new facility. The contract called for, among other things, a report on

- the condition of the physical plants at the Portland and Vancouver hospitals,
- the relationship of these hospitals to community, medical school, and other Federal agencies and whether such relationships would support VA participation in medical and physical plant sharing,
- the sites available in the vicinity of the University of Oregon Health Sciences Center, and
- a recommendation on a site for the new facility.

The initial contract was for \$155,443 and was subsequently increased to \$159,930. The report was submitted to VA on February 4, 1976.

In May 1976 the President sent a budget amendment to the Congress requesting initial funding to construct eight new VA hospitals to be located at

- Bay Pines, Florida,
- Richmond, Virginia,
- Martinsburg, West Virginia,
- Portland, Oregon,
- Seattle, Washington,
- Little Rock, Arkansas,
- Baltimore, Maryland, and
- Camden, New Jersey.

The request included \$13.15 million for the Portland-Vancouver replacement. The Senate and House reports on Public Law 94-378--the fiscal year 1977 appropriations for the Department of Housing and Urban Development and Independent Agencies--recommended approval of the funds requested. The reports stated, however, that this action did not represent approval to close the Vancouver hospital or approval of any particular site in Portland. VA was directed to fully assess the possibility of building some of the new facilities, such as extended care and nursing home facilities, on the site of the present Vancouver hospital. VA was further directed to submit a detailed report on this assessment, together with its Portland site selection justification, to the Appropriation Committees with its fiscal year 1978 budget. VA provided its report to the Committees on January 10, 1977.

According to VA's fiscal year 1978 budget submission, the replacement facility is to be constructed at the present VA hospital site in Portland. It will be an 890-bed hospital, comprising 360 medical beds, 280 surgical beds, 130 neurological and neuropsychiatric beds, and 120 nursing care beds. Funds of \$139.1 million are requested for fiscal year 1978 which, when combined with funds previously appropriated--\$2.35 million in fiscal year 1973 and \$13.5 million in fiscal year 1977--will total \$154.6 million for the estimated cost of the replacement facility.

VA JUSTIFICATION FOR SITE SELECTION
OF NEW FACILITY

VA stated in its fiscal year 1978 budget submission that the new facility would be constructed at the existing Portland VA hospital site--the site ranked fourth in the consultant's initial assessment.

Although there may be factors which are not quantifiable when selecting a site for a new VA hospital, such as the need to be near an affiliated medical school, the evidence we gathered does not adequately justify selection of the present Portland VA hospital as the site for the new facility. Similarly, VA's rejection of a site which appears comparably close to the medical school is not adequately justified.

Consultant's assessment
of sites

VA's consultant identified 12 potential locations for the replacement facility. These include (1) both present hospital sites, (2) two sites adjacent to the present Portland VA hospital and University of Oregon Health Sciences Center, the Medical Hill site and the Medical School site, (3) a site adjacent to a community hospital, the Emanuel site, and (4) seven others.

The consultant evaluated each of these sites and ranked them according to their potential for medical programs and relationships with the community and the University of Oregon Health Sciences Center; ease of accessibility for the veterans; and functional, physical, and environmental aspects. A numerical value was given to each site. This initial evaluation resulted in the following ratings for the top four sites.

<u>Site</u>	<u>Rating</u>
Emanuel	73.03
Medical Hill	62.67
Medical School/Portland VA hospital combination	56.70
Portland VA hospital	55.96

The consultant further analyzed the three highest ranking locations, and finally recommended that the Medical Hill site be selected and that the Emanuel site be considered as a possible alternate.

According to the consultant's report, the site achieving the highest ranking--Emanuel--was not recommended because the 5-1/2-mile distance from the University of Oregon Health Sciences Center would adversely affect the VA medical school affiliation. VA believes a decrease in that relationship would result in a decrease in the quality of care. The site recommended--the Medical Hill site--is adjacent to the University.

VA rejected the consultant's recommendation and stated in its fiscal year 1978 budget that the new hospital would be built at the site of the present Portland hospital--the site which ranked fourth in the consultant's study.

Reasons given by VA for selecting present
VA hospital site as location for new hospital

According to information provided by VA to the Office of Management and Budget (OMB) and discussions with VA officials, the consultant's recommended site--Medical Hill--was rejected by VA for several reasons. VA advised OMB in March 1976 that it had:

"* * * considered the option of construction of the same facility on Medical Hill site (consultant's recommendation) however, this site is not owned by the VA, would present access problems, and would require extensive engineered fill ravines. * * *"

In discussing this report with VA officials, we were told that if the replacement hospital is located on the Medical Hill site, a portion of the present VA Portland site would need to be retained by VA for surface parking for about 600 cars. In December 1976, VA's Assistant Chief Medical Director for Policy and Planning told us that the primary reason for recommending that the hospital be built at the present hospital site was a large ravine between the Medical Hill site and the University of Oregon Health Sciences Center. He said this ravine would require a large amount of fill to permit ready accessibility to the hospital for both the medical students and staff.

VA concurred in the consultant's decision to reject the Emanuel site because of the distance from the affiliated medical school. It is VA policy to locate its hospitals as close as possible to affiliated medical schools. This policy is based on the premise that the degree of affiliation is greatly dependent on the proximity of two entities--the closer together the closer the affiliation. VA told OMB that 5-1/2 miles between the Emanuel site and the medical school would jeopardize the affiliation program, resulting in undergraduate training being virtually nonexistent.

A 1969 study of VA's affiliation program stated that "a high correlation is evident between affiliation and proximity" and further pointed out that affiliations are less likely when the entities are more than 5 miles apart. However, all hospitals studied that were more than 5 miles

from the schools were still affiliated if both were located in the same city.

In the January 1977 report to the Appropriation Committees VA indicates that between 65 and 80 staff-hours would be lost each day in travel time to Emanuel as opposed to a location adjacent to the medical school.

GAO observations on VA's documentation of site selection process

VA based its rejection of the Medical Hill site on three factors:

- It was not owned by VA and it did not want to increase Federal ownership of any land in the area.
- It would present access problems.
- It contained ravines which would present construction problems.

True, VA does not own the Medical Hill site, and a portion of the present VA Portland site would be retained to provide parking. According to the consultant's report, however, the site had been offered to VA by the State of Oregon at no cost. It is not clear to us how acquiring the Medical Hill site would increase Federal ownership of land in the area. If VA acquired the site for the new hospital, land now occupied by the present hospital exclusive of that required for parking, and also the unused portions, if any, of the Medical Hill site could be declared surplus and disposed of.

We could not determine what additional access problems would arise as a result of acquiring the Medical Hill site instead of the present Portland hospital site. VA officials told us that the existing Portland hospital site was better because the access routes were already established. However, an official of the consulting firm stated in a February 1976 hearing before the Subcommittee on Hospitals of the House Committee on Veterans' Affairs, that VA would be able to reuse the present access to the Portland facility if the Medical Hill site was selected. The consultant's report noted, moreover, that locating the facility on the Medical Hill site would offer alternative access routes to the new facility and help reduce congestion in the area.

VA's statement about a ravine on the Medical Hill site appears to be in error. Our review of the consultant's report, site pictures, and maps showed that although a ravine

does exist, it is not on the Medical Hill site. Rather it is located on the Medical School site, which was not one of the sites recommended by either VA or the consultant. We notified VA of this apparent error December 1976, and note that in their January 1977 report to the Appropriations Committees no further mention is made of this problem.

VA's ASSESSMENT OF THE VANCOUVER SITE

The consultant's report was completed before the congressional requirement that a study be made of locating some of the new facilities at the Vancouver site. An official of the consulting firm told us that VA had never specifically directed them to limit their study to a single facility concept. However, he also said that while his firm briefly discussed the possibility of using split facilities, they had quickly discarded this idea and conducted no evaluation of this course of action.

Subsequent to the consultant's report, VA examined the feasibility of locating some of the facilities at Vancouver and concluded that it would not be suitable because split facilities

--would adversely affect the quality of patient care and

--would increase operating costs.

Quality of patient care

Since 1945 VA has followed the policy of affiliating its hospitals with medical schools. Officials with whom we discussed this practice told us that it had been VA's experience over the years that having all hospital services located near the affiliated medical school results in a higher quality of patient care since accessibility to the hospital by medical school staff is facilitated.

VA officials also told us they believed that locating an extended care or nursing home facility apart from the main hospital would jeopardize the quality of care for these patients. They believe that in case of a severe medical emergency the total array of skills and equipment of the acute care facility would not be immediately available.

In VA's January 1977 report to the Appropriations Committees, the Assistant Chief Medical Director for Extended Care recommended that the nursing home facility be located at the site of the acute care facility because:

"Nursing home patients are characteristically frail and, although medically stable when admitted, are prone to acute recurrences of the basic illness which dictated treatment in the hospital. The necessity for immediate accessibility to the hospital for readmission is obvious. Restoration efforts directed toward achieving optimal functioning [sic] of the nursing home patient are available in the hospital. These technical skills are integral to the quality of health care provided nursing home patients."

Operating costs higher
by splitting facilities

In its January 1977 report to the Appropriations Committee, VA stated that over the life of the hospital (50 years), split facilities--Portland and Vancouver--would result in higher costs. These higher costs ranged from about \$75 million to about \$100 million, depending on facility configuration. The following schedule shows the cost comparison for the various sites.

Portland Replacement Alternative Cost Comparison

(Millions of Dollars)

<u>Alternative</u>	<u>Estimated construction cost</u>	<u>Estimated annual operating cost</u>	<u>50-year life cycle cost</u>
	(millions)		
Portland VA Hospital site (note a)	\$154.6	\$41.5	\$2,230.0
Medical Hill site (note a)	149.9	41.5	2,225.0
Medical School site (note a)	147.3	41.5	2,222.0
Emanuel site	148.2	41.5	2,223.0
Portland VA Hospital/Vancouver (note b)	151.1	43.1	2,306.0
Medical Hill/Vancouver (note b)	151.0	43.1	2,306.0
Medical School/Vancouver (note b)	148.0	43.1	2,303.0
Emanuel/Vancouver	153.4	43.1	2,308.0
Portland/Vancouver (note c)	161.5	43.2	2,322.0
Medical Hill/Vancouver (note c)	161.8	43.2	2,322.0
Medical School/Vancouver (note c)	158.8	43.2	2,319.0

a/Options have 770 acute care hospital beds and 120 nursing home beds.

b/Options have 640 acute care hospital beds at Portland site and 130 hospital and 120 nursing home beds at Vancouver.

c/Includes outpatient facility at Emanuel, otherwise same as b/.

The annual operating cost for a split facility is about \$1.6 million greater than for a single facility configuration. According to a VA official, the \$1.6 million covers the cost of additional personnel needed to operate the Vancouver facility. VA estimated that 100 full-time personnel would be needed to staff a Vancouver facility. These costs were developed for an assumed configuration of 220 hospital beds and 120 nursing care beds at the Vancouver site.

GAO observations on VA's assessment
of using the Vancouver site

VA's objections to locating part of the new facility in Vancouver because of the effect split facilities might have on quality of patient care is based more on policy considerations than on documented evidence. For example, VA officials were unable to provide us with documentation showing that separation of the facilities reduces the quality of care. Also, they told us that no studies had been done that show how often nursing home patients need to be readmitted to the hospital nor how often their emergency readmissions would require a transfer in less than 30 to 45 minutes. The Vancouver VA hospital is about 17 miles from the present Portland VA hospital, and travel time by ambulance is estimated to be about 30 minutes.

In our discussions with VA officials on this matter, we noted that most private nursing homes, including those that have contracts with VA, are not adjacent to hospitals. We asked them why they believed it necessary to locate VA nursing homes so near to its hospitals. These officials told us that VA nursing home patients are more ill than patients in private nursing homes.

VA's justification for eliminating Vancouver as a possible site on the basis of higher operating costs is, in our opinion, not adequately documented. For example, VA has estimated that an additional 100 full-time employees would be needed for the split facility option and that this would increase annual operation costs by \$1.6 million. We question this estimate in three areas.

--The actual positions and grades have not been specifically identified. A VA official told us that he would expect this number to include a few upper level administrative positions and most of the remaining employees would be in custodial and guard-type positions.

--The \$1.6 million in additional costs is questionable because it is based on an average of all VA salaries paid in 1976. It appears that if the positions are basically for custodial and guard personnel, average salaries would be substantially lower, and therefore, the annual cost increase would also be lower.

--The need for 100 positions was based on a bed configuration different from that used in the life cycle cost analysis. The earlier configuration had a complement of 340 beds at Vancouver compared to the 250 beds used in the life cycle cost analysis. It might reasonably be expected that a different bed configuration--90 fewer beds--would require fewer employees.

In discussing this report with VA officials we were told that VA now has a listing of the actual grades and positions needed because of the use of split facilities. VA officials also told us that the need for approximately 100 additional employees has nothing to do with the number of beds, and that they feel that the \$1.6 million cost estimate remains accurate. However, this information was not provided to us in time for our analysis and consideration.

CONCLUSIONS

We do not believe that VA has adequately documented its selecting the present Portland VA hospital site as the location for the new replacement facility. Moreover, the validity of data used to support VA's decision not to locate some of the new facilities in Vancouver is questionable.

For example, VA contends that locating nursing homes apart from an acute care facility adversely affects patient care because patients must be rapidly transferred to the hospital if the need arises. However, VA was unable to provide any data on (1) how often and why these transfers take place or (2) why the VA system is or should be different from that in the private sector, where very few nursing homes are adjacent to hospitals.