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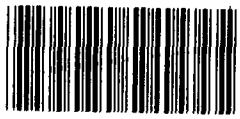

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Health Care for Hawaii Veterans

Statement of
David P. Baine, Director
Federal Health Care Delivery Issues
Human Resources Division

Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives

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SUMMARY

As part of a broader effort to assess the effects of state health insurance mandates on the demand for VA services, GAO has reviewed the justification for VA's current plans to construct a medical center in Hawaii. Hawaii is one of the two states--Alaska is the other--that do not have a VA hospital. Because there is no VA hospital, acute inpatient care is provided through a sharing agreement with Tripler Army Medical Center and through community and municipal hospitals.

GAO found that additional acute care capacity to care for Hawaii veterans is not needed. Sixty-nine beds were included in the recently completed construction and renovation at Tripler specifically to meet the acute care needs of veterans. In addition, there is considerable unused acute care capacity at Tripler. Compared to the use of this existing unused capacity, VA's plans to construct 105 additional acute care beds in Tripler's E-Wing would substantially increase costs. The construction costs might be justified if the project were likely to increase veterans' access to health care. However, access and options for VA-sponsored care will be reduced once the additional acute care beds are constructed. This is particularly true for veterans living on the outer islands, who will be required to use the new hospital rather than municipal hospitals closer to home.

GAO believes there are ways to establish a separate and visible VA presence in Hawaii that will complement rather than duplicate the acute care capability that already exists. GAO believes that by exploring such options, VA can improve health services to Hawaii veterans sooner, at lower cost, and without negatively affecting access to care for outer island veterans.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our preliminary views concerning the Department of Veterans Affairs' (VA) plans for establishing a medical center on the grounds of the Tripler Army Medical Center. Our work is being conducted at the request of Senator Frank Murkowski as part of a broader effort to assess the effects of state health insurance mandates on the demand for VA services.

VA's plans to establish a medical center stem from recommendations made in a 1987 VA task force report on health care for Hawaii veterans. Because the task force's findings and recommendations continue to provide the primary justification for constructing additional acute care beds, my testimony today will focus primarily on our concerns about the validity of some of the task force's findings.

These concerns lead us to conclude that additional acute care capacity to care for Hawaii veterans is not needed. Adequate capacity was included in the renovated Tripler Army Medical Center to meet the current and future needs of Hawaii's veterans. More importantly, construction of additional VA acute care beds would likely increase costs but decrease access to VA sponsored care for many of the state's veterans.

Mr. Chairman, as I will discuss in a few moments, we believe

that alternatives to the construction of additional acute care capacity exist that will more than adequately meet the needs of Hawaii's veterans.

BACKGROUND

As you know, veterans' health care in Hawaii differs from that on the mainland in several respects. First, Hawaii and Alaska are the only two states that do not have a VA hospital. Because Hawaii has no VA hospital, acute inpatient care is provided through a sharing agreement with Tripler Army Medical Center and through community and municipal hospitals. In fiscal year 1990, about 40 veterans a day received VA-sponsored inpatient care at Tripler, and another 27 received care at VA expense at community or municipal hospitals.

Similarly, there is no VA nursing home in Hawaii. Nor is there a state veterans' home. As a result, VA relies entirely on contracts with community nursing homes to meet veterans' demands for nursing home care. In fiscal year 1990, VA paid for an average of 20 patients a day in community nursing homes.

VA's presence in Hawaii is currently centered around an outpatient clinic located in Honolulu's federal building and primary care clinics on the outer islands. Those primary care clinics were established to improve access to VA services for

outer island veterans following a 1987 Senate hearing chaired by the late Senator Spark Matsunaga.

GAO's involvement in veterans' health care in Hawaii dates to 1978, when we reported that better coordination between VA and the Department of Defense (DOD) could improve the provision of health care services to all federal beneficiaries in Hawaii.[1] At that time, plans were being made for major renovation and construction at Tripler Army Medical Center. During the next several years, VA and DOD reached a series of agreements for increased interagency sharing at Tripler. The most significant was an agreement that the Army would provide acute care to veterans in its newly renovated facility and turn its E-Wing over to VA for renovation into a nursing home and long-term psychiatric facility. VA officials repeatedly expressed their commitment to this sharing arrangement over the next several years.

The agreement began to fall apart, as evidenced by the 1987 Senate hearing in which there were repeated calls for a distinct VA "presence" in Hawaii and frequent complaints about the treatment of veterans at Tripler. Following that hearing, VA established a task force to study health care for Hawaii veterans.

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[1]Better Coordination Could Improve the Provision of Federal Health Care in Hawaii (HRD-78-99, May 22, 1978).

The task force found that VA spends less on veterans in Hawaii than in several states with smaller veteran populations, that Hawaii veterans use fewer inpatient hospital services than their counterparts on the mainland, and that veterans were generally dissatisfied both with the way they were treated and with the quality of the services available at Tripler. The task force attributed the lower spending and utilization to suppressed demand and recommended the construction of a freestanding 105-bed acute care hospital and 60-bed nursing home.

Although VA has shifted its plans from constructing a freestanding hospital to renovating the E-Wing, the task force's acute care bed need projections continue to be the primary justification for the planned VA project. The project as currently envisioned by VA involves renovating Tripler's E-Wing to add 105 VA acute care beds and constructing a new outpatient clinic, 60-bed nursing home, child care center, temporary and permanent housing, and administrative offices. A joint venture team appointed by VA and DOD is working out further details of what services and facilities will be shared and what facilities VA will construct as part of the E-Wing renovation. These plans, which have not been approved by VA's central office or DOD's Assistant Secretary for Health Affairs, include the construction of 8 VA surgical suites, 4 DOD surgical suites, and a 16-bed VA intensive care unit. In addition, the team is

considering a joint venture animal research facility. No estimates are available of the cost of the currently planned medical center or its individual components.

ADDITIONAL ACUTE CARE BEDS NOT JUSTIFIED

As I have mentioned, VA's plans to establish a medical center with 105 acute care beds are based on the findings of the 1987 task force. We have several concerns about the validity of the task force's findings. First, the task force based its projected bed needs on some questionable assumptions. It calculated the size of the VA acute care facility based on total veteran utilization of Tripler, community, and municipal hospitals. This, in our opinion, is not appropriate because some care to veterans will, of necessity, continue to be provided by those other hospitals. For example, emergency care would continue to be provided in community and municipal hospitals and by the Army at Tripler. Similarly, as a secondary care facility, much of the specialty care would be referred to Tripler or community hospitals. VA, however, is unable to estimate how much of the care currently provided to veterans would fall in those two categories. Similarly, VA bases its projections on the assumption that all veterans on the outer islands will use the new VA facility. As I will discuss later, we think it is unreasonable to expect outer island veterans to fly to Honolulu

for inpatient care when such care is readily available closer to home.

The task force increased the acute care bed needs to compensate for what it termed "suppressed demand," estimated by the task force to be 17 percent. The task force concluded there was suppressed demand in Hawaii by comparing utilization of inpatient hospital services by Hawaii veterans to that of mainland veterans. The lower utilization of VA services, could, however, be explained by other factors. For example, the state health insurance mandates in Hawaii may have decreased the demand for VA services.

STATE MANDATES COULD REDUCE DEMAND FOR VA SERVICES

Let me focus briefly on this last point because it could have a profound effect on the demand for VA services not only in Hawaii but in other states that either have enacted health insurance mandates or are considering doing so.

Hawaii is the only state in the nation that requires that employers provide health insurance to employees working over 20 hours per week. A new program was implemented in 1990 to offer basic health care coverage to those not covered by the mandates. As a result, the percentage of Hawaiians without any health

insurance has declined, according to Hawaii's Director of Health, from about 17 percent before the mandates to around 2 percent now.

This decline is significant because veterans with health insurance are much less likely to use a VA hospital. According to the 1987 VA Survey of Veterans, less than 1 percent of all insured veterans nationally had used a VA hospital in the past year compared to about 8 percent of uninsured veterans. This indicates that a decline in the percentage of uninsured veterans from 12.7 (the national average in 1987) to 5 could reduce the number of veterans using a VA hospital by nearly 30 percent.

We have been unable to obtain veteran-specific data on health insurance coverage in Hawaii, but veterans, in general, are more likely to have health insurance than the general public. I think you can see, then, that increases in health insurance coverage, such as that experienced in Hawaii, can have a profound effect on the likelihood that veterans will avail themselves of VA services.

TRIPLER'S QUALITY OF CARE NOT A PROBLEM

The VA task force also cited veterans' complaints about the quality of care at Tripler in its justification for building a separate VA hospital. The task force did not assess the quality of care at Tripler beyond such anecdotal evidence. More importantly, however, the complaints came in the midst of the renovation and construction at Tripler. Tripler is now a state-of-the-art DOD facility that received one of the highest ratings given by the Joint Commission on Accreditation of Healthcare Organizations. The director of the VA outpatient clinic in Honolulu told us that he rarely receives complaints about the care provided at Tripler.

TRIPLER CAPACITY ADEQUATE TO MEET VA NEEDS

As I mentioned earlier, Tripler was sized and renovated to meet the acute care needs of Hawaii's veterans. Sixty-nine beds were included in the renovation project to enable Tripler to provide acute care to Hawaii's approximately 100,000 veterans. Tripler currently has about a 75-percent occupancy rate for its staffed and operating beds and significant unused capacity: three medical/surgical wards with a total of 72 beds and a 15-bed psychiatric ward. Thus, Tripler appears to have adequate

capacity to meet the acute care needs of veterans even under the questionable bed needs projections I discussed earlier.

Tripler also appears to have adequate capacity in its operating rooms and intensive care units to meet VA's needs; an operating room and two 8-bed intensive care units are currently unused. Previous GAO studies have shown that one operating room should be adequate to support the 30 surgery beds VA plans to construct.[2] As I mentioned earlier, the VA and DOD joint venture team is, however, proposing the construction of 8 VA operating rooms. It is also important to keep in mind that Tripler is already providing two-thirds of all the inpatient surgical care for VA beneficiaries in Hawaii. Thus the increase in inpatient surgeries that would result from construction of 30 additional surgery beds should be minimal.

CONSTRUCTION OF MORE ACUTE CARE BEDS WILL INCREASE COSTS

When compared to VA's making greater use of existing excess capacity in the recently renovated Tripler facility, VA's plans to construct an additional 105 acute care beds in Tripler's E-Wing will increase costs substantially. Although VA has not

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[2]Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms (HRD-81-54, Mar. 3, 1981); VA Health Care: Too Many Operating Rooms Being Planned and Built (GAO/HRD-86-78; Apr. 29, 1986).

developed cost estimates for the individual components of the construction project, its 5-year medical facility development plan for fiscal years 1990-94 placed the cost of the entire project at about $170 million. If the project were to be constructed as currently envisioned, construction costs can be expected to be even higher.

ACCESS COULD BE REDUCED FOR SOME VETERANS

The construction costs of the proposed acute beds might be justified if the project could be expected to increase veterans' access to health care. As currently planned, however, access and options for VA-sponsored acute care could be reduced once the medical center is completed. This is particularly true for the 22 percent of Hawaii's veterans living on the outer islands. Such veterans, who normally use municipal hospitals at VA expense on their home island for routine care, would, according to VA, be required to obtain all but emergency care at the new VA medical center.

During a 1990 Senate hearing, veterans' groups from the outer islands expressed considerable concern about VA's plans to require outer island veterans to use the new hospital rather than municipal hospitals. Similar concerns were expressed in our recent conversations with veterans' groups on Maui and Hawaii.

This is because plane travel from the outer islands costs $80 to $110 roundtrip. This could have a negative effect on the ability of family and friends to visit patients.

OTHER CONSTRUCTION PLANS SHOULD BE REEVALUATED

To this point, I have focused exclusively on the justification for additional acute care beds. Other portions of the construction plans--the nursing home, outpatient clinic, housing, and administrative offices--would need to be reevaluated if a decision is made not to build additional acute care beds in the E-Wing. For example, the plans to build office space and a freestanding nursing home elsewhere on the Tripler grounds would need to be reevaluated to determine whether one or both of those functions could be consolidated in the E-Wing at less cost. Similarly, further justification would be needed before proceeding with plans to construct housing units for VA employees.

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In summary, Mr. Chairman, it is our opinion that construction of additional acute care capacity at Tripler is not in the best interests of either the government or Hawaii's veterans. It is not in the best interests of the government

because it will (1) create additional capacity in a hospital that already has significant excess capacity and (2) increase health care costs. It is not in the best interests of Hawaii's veterans because it will reduce their freedom of choice in selecting health care providers and, for outer island veterans, reduce the ability of family and friends to visit hospitalized veterans.

Finally, Mr. Chairman, we understand the desire on the part of many involved in this issue for a separate and visible VA presence in Hawaii. However, we believe that this desire can be met in ways that will complement rather than duplicate the capability that already exists in the state to meet veterans' health care needs. For example, VA could move its outpatient clinic to Tripler, use Tripler's existing inpatient capacity under an expanded joint venture agreement, and incorporate its planned nursing home into E-Wing. This could enable VA to improve health services to Hawaii veterans more quickly than now anticipated, at lower cost, and without negatively affecting access to care for outer island veterans.

Mr. Chairman, that concludes my prepared statement. We will be glad to answer any questions you and members of the Subcommittee may have.