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The Honorable Bill McCollum
House of Representatives

The Honorable Dave Weldon
House of Representatives

The Department of Veterans Affairs (VA) will assume control of the Naval Hospital in Orlando, Florida, later this year. As you know, VA plans to convert the Naval Hospital into a nursing home, while continuing to operate the existing outpatient clinics. VA also plans to construct a new hospital and nursing home in Brevard County, 50 miles from Orlando.

As Representative McCollum initially requested, we are examining VA's acquisition of the Orlando Naval Hospital and its intended use of this facility. More specifically, we are assessing whether the conversion of the Naval Hospital to a nursing home is the most economical and prudent use of resources. As requested, we are also exploring available options and, if possible, we will suggest a more prudent and economical way to meet VA's service delivery goals for Florida veterans.

On March 26, we briefed Representative McCollum on the preliminary results of our work. At his request, we briefed Representative Weldon on March 28. On April 7 you jointly asked that we address a series of questions relating to information we presented during the briefings, as well as other matters. This letter is our response to your April 7 request. As agreed at the briefings, we are preparing a report that presents the final results of our work.

In developing information in response to Representative McCollum's initial request, we evaluated the information VA developed and considered in making its construction planning decisions in Florida. In general, VA relied on its Integrated Planning Model to project veterans' inpatient, outpatient, and nursing home workload. We examined data that VA developed to support key variables

GAO/HEHS-95-160R VA's Florida Network Planning

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and assumptions used in its model. We focused on the workload projections that VA used to justify its planning decisions concerning the proposed Brevard Hospital and conversion of the Orlando Naval Hospital into a nursing home.

We also visited the Orlando Naval Hospital, as well as each of the three VA hospitals that are currently available to serve veterans residing in the targeted service area for the proposed new hospital and nursing homes. We also visited the outpatient clinic that VA now operates in Orlando. During these visits, we obtained information to test the reasonableness of the data and assumptions VA used in its planning model, as well as the data VA used to justify its decisions concerning the proposed Brevard Hospital and the Orlando Naval Hospital.

Some of the information requested in the April 7 letter was not used by VA in its Florida construction planning. For example, VA's planning did not consider data concerning the availability of VA hospitals serving comparably sized veteran populations in other metropolitan areas throughout the country. As a result, such data were not available to us as a part of our work on Representative McCollum's original request.

As agreed, the enclosed responses to the questions contained in the April 7 letter are based primarily on information we developed or obtained from VA during our work on the original request. In our responses, we indicate where we do not have all the information needed to respond to those questions concerning data that VA did not use in justifying its Florida planning decisions.

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We will send copies of this correspondence to interested parties upon request. Please call me on (202) 512-7101 if you or your staffs have any questions.



David P. Baine
Director, Federal Health Care
Delivery Issues

Enclosure

GAO'S RESPONSES TO QUESTIONS FROM
REPRESENTATIVES BILL MCCOLLUM AND DAVE WELDON

This enclosure contains our responses to questions asked by Representatives Bill McCollum and Dave Weldon on April 7, 1995.

QUESTION 1

In determining the vacancy rate in Florida VA hospitals, did the number of available beds include beds in closed wings, i.e., beds that are not "funded" or staffed by the VA; if so, what is the number of beds in Florida VA hospitals not including beds in closed wings; and, in determining the vacancy rate in VA hospitals in other states, did the number of beds include beds in closed wings; if so, what is the number of beds in VA hospitals of other states not including beds in closed wings?

GAO Response

In our briefing we focused on three VA hospitals in Central Florida. These hospitals have 1,390 beds, not including 205 beds that VA reported to be closed. We reported that 535 of the 1,595 beds in VA Central Florida hospitals may be unused in fiscal year 1995, if veterans' usage continues at the 1994 level (1,060 beds used a day, on average). We included the 205 closed beds in our inventory of unused beds because VA could choose to open them in the event that veterans' demand exceeded the number of beds in open wards (1,390).

In fiscal year 1994, VA reported that 50,656 hospital beds were available in other states, not including 10,194 beds reported to be closed. Of the 50,656 open beds, 12,421 were unused. Thus, VA has a total of 22,615 unused beds nationwide, counting unused open and closed beds.

QUESTION 2

What other metro areas throughout the country, which have approximately the same size veteran population, do not have VA hospitals?

GAO Response

VA did not use veteran population data for other metropolitan areas throughout the country that do not have VA hospitals in justifying its planning decisions for Central Florida. Because our work focused on VA's model for projecting future bed use in Florida and the data used to justify its planning decisions, we

did not collect, or independently develop, data on other metropolitan areas that have approximately the same veteran population and no VA hospitals.

In other work, however, we are collecting information on VA hospitals in selected metropolitan areas (as classified by the Census Bureau); these areas are defined by overall populations rather than veteran population. By size, the Orlando metropolitan area is the 32nd largest in the country and the Melbourne-Titusville-Palm Bay area (Brevard County) is the 84th largest.

Our preliminary analysis of these metropolitan areas suggests that there are four areas of comparable or greater size to the Orlando metropolitan area that do not have a VA hospital. These are Charlotte, North Carolina; Columbus, Ohio; Hartford, Connecticut; and Sacramento, California. Our analysis also suggests that there are over 25 areas of comparable or greater size to the Melbourne-Titusville-Palm Bay metropolitan area that do not have VA hospitals. These include Austin, Texas; Knoxville, Tennessee; and El Paso, Texas.

QUESTION 3

With regard to the hospital utilization numbers, how were each of the following factors used in determining these statistics and what weight was placed on each of these factors: demand, hospital staffing, seasonal effects, equipment shortages, Medicare coverage, alternative coverage, VA population trends, and access to care.

GAO Response

VA's Integrated Planning Model is primarily driven by three variables: veterans' ages, average lengths of hospital stays for selected medical services (e.g., surgery, psychiatry), and numbers of patients treated in the selected medical services. To estimate the number of VA hospital beds expected to be used in VA's target planning year (2005), VA applied historical data for these variables to its projected number of veterans in selected age groups for the target year.

Except for veteran population trends, the factors that you identified are indirectly reflected in the hospital utilization numbers to the extent that they affected veterans' past use of VA hospitals. However, VA does not directly take into account the individual effect of each of these factors. As we discuss in our response to question 6, we believe VA should determine the extent to which such factors may affect veterans' future use.

QUESTION 4

Again, with regard to the hospital utilization numbers, was a model developed for analysis; if so, was this model static and dynamic in its capability?

GAO Response

As previously discussed, VA used its Integrated Planning Model to project veterans' hospital utilization for a target planning year (2005). This model relied heavily on VA's historical hospital utilization data. These data were not adjusted to reflect potential changes in medical care delivery patterns, environmental factors affecting veterans' health care preferences, or other factors that may cause veterans' future use to change significantly from past usage.

QUESTION 5

What are the hospital utilization rates for the various other states, based on the number of VA hospitals per square mile per capita; and how does Florida's hospital utilization rate compare with other states?

GAO Response

In making its construction planning decisions for Central Florida, VA did not consider hospital utilization rates, based on the number of VA hospitals per square mile per capita, for any other individual states. Rather, VA compared veterans' use of VA hospitals in Florida and veterans' use of VA hospitals, on average, nationwide. VA's comparison shows that veterans use Florida VA hospitals at rates (bed use per 1,000 veterans) that are more than 50 percent below veterans' use of VA hospitals nationwide.

QUESTION 6

Please expound upon your conclusions as to why Florida's hospital utilization rates are far below the national utilization rate.

GAO Response

In our briefing, we did not reach a conclusion about why Florida's hospital utilization rates are far below national rates. Rather, we suggested that VA may have inappropriately concluded that this disparity was solely attributable to inadequate resources and geographic inaccessibility of existing

VA hospitals to veterans. We identified several other factors that may help explain the rate disparities and concluded that VA should have determined the extent to which such factors contributed to the disparities before making its construction decisions.

Among the factors we identified as likely to have contributed to Florida VA hospitals' lower utilization rates were

- differences between Florida veterans' health status, economic status, and insurance coverage and those of veterans nationwide; and
- differences in the availability of private sector health care between Florida and other states.

In addition, we stated that the rate disparities may be attributable to differences in operating practices between Florida's VA hospitals and VA hospitals in other states. For example, our visits to the three Central Florida hospitals suggest that these hospitals may be more aggressively adopting private sector efficiency initiatives, such as shifting inpatient care to lower cost outpatient settings or shortening lengths of hospital stays by moving patients to alternative settings.

QUESTION 7

What is the breakout of VA population growth verses national population growth in Florida and the breakout of population growth in other Northeast states verses VA population growth in these states?

GAO Response

The expected population trends in Florida and the nation are generally moving in the same direction, although at different rates. In summary, the veteran population is expected to decline in Florida and the nation over the next 15 years, whereas the total population in Florida and the nation is expected to increase.

VA's data show that the veteran population in Florida VA hospital's service areas grew about 1 percent between 1990 and 1993. VA estimates that the veteran population in Florida will decline by 16 percent over the next 15 years (2010). In contrast, Florida's total population increased by about 6 percent (1990-1993), and it is expected to continue increasing.

Nationwide, VA reported that the veteran population began to

decline in 1980. Between 1990 and 2010, VA expects the decline to be 24 percent. By contrast, the overall population of the United States is expected to increase by 19 percent, according to Census data.

VA's data project that the veteran population will decline in individual states, ranging between 8 percent and 33 percent. The declines in nine Northeast states are expected to be as follows:

State	Percent decline in veteran population (1990-2010)
Connecticut	31.6
Maine	15.8
Massachusetts	32.5
New Hampshire	12.8
New Jersey	33.0
New York	31.0
Pennsylvania	27.9
Rhode Island	30.7
Vermont	16.4

QUESTION 8

Although we understand there is no waiting period for beds in the VA hospitals in Florida, is there a waiting period for specific services; if so, what services, and what is the average waiting period?

GAO Response

Officials of the three Central Florida VA hospitals told us that there are no waiting lists for hospital beds. They noted, however, that elective medical treatments for some veterans were delayed for several weeks earlier this year because of staffing reductions attributable to the administration's overall downsizing initiatives at VA. However, they told us that all veterans received care, as their medical needs required.

VA did not consider data on waiting times for other services in making its planning decisions for Central Florida. Because our focus, as initially requested, was VA's model for estimating

future hospital bed use and the data that VA used to justify its planning decisions, we did not independently collect data on waiting times for other services as part of that work. Moreover, VA does not routinely collect information on waiting times for specific services, and therefore such data were not readily available.

QUESTION 9

A 1982 report entitled "Final Report on Future Bed Need and Potential Sites for New VA Hospitals in Florida" (prepared by VA pursuant to Public Law 97-101) projected the need for 1,281 additional beds by 1995. The just-completed Palm Beach Hospital and the proposed East Central Florida facility were planned as a result of this study. In what sense was the study wrong?

GAO Response

VA's Final Report on Future Bed Need and Potential Sites for New VA Hospitals in Florida significantly overestimated the number of beds needed. VA had 2,916 beds when this report was done. The report estimated that veterans would need 5,037 beds in VA hospitals in Florida in 1995, or an increase of 2,121 beds.

By 1994, however, VA reported having 2,642 beds in Florida--274 fewer beds than were cited in VA's report. Of the 2,642 beds, veterans used, on average, 1,722 beds a day in VA hospitals in Florida, leaving 920 beds unused. When the new 400-bed West Palm Beach Hospital opens later this year, VA will have a total of 3,042 hospital beds in Florida.

We have not done a detailed analysis of VA's report to determine why the number of beds it projected for 1995 exceeds the number actually needed in that year. Our review of the report, however, has identified two factors that may help to explain this disparity.

First, VA deviated from its policy of using local utilization rates (e.g., those for Florida), and instead used nationwide average utilization rates for VA hospitals to project the future need for hospital beds in Florida. Because the average national rates were higher than Florida rates, VA's report contained bed estimates that were higher than they would have been if rates for Florida had been used.

Second, VA's report relied solely on past use and did not attempt to take into account future changes in medical practice, such as reduced lengths of stay or shifts from inpatient to outpatient care. Such changes, as well as others, in our nation's rapidly

evolving health care delivery practices, have contributed to a considerable reduction in hospital bed use.

To achieve the increased utilization in VA's report, Florida VA hospitals would have needed to serve a larger share of the veteran population than they previously did. Experience suggests that the hospitals were unable to achieve the expected level of utilization growth, possibly because VA could not attract enough new veterans or the changing nature of medical care delivery may have reduced veterans' need for hospital care.

QUESTION 10

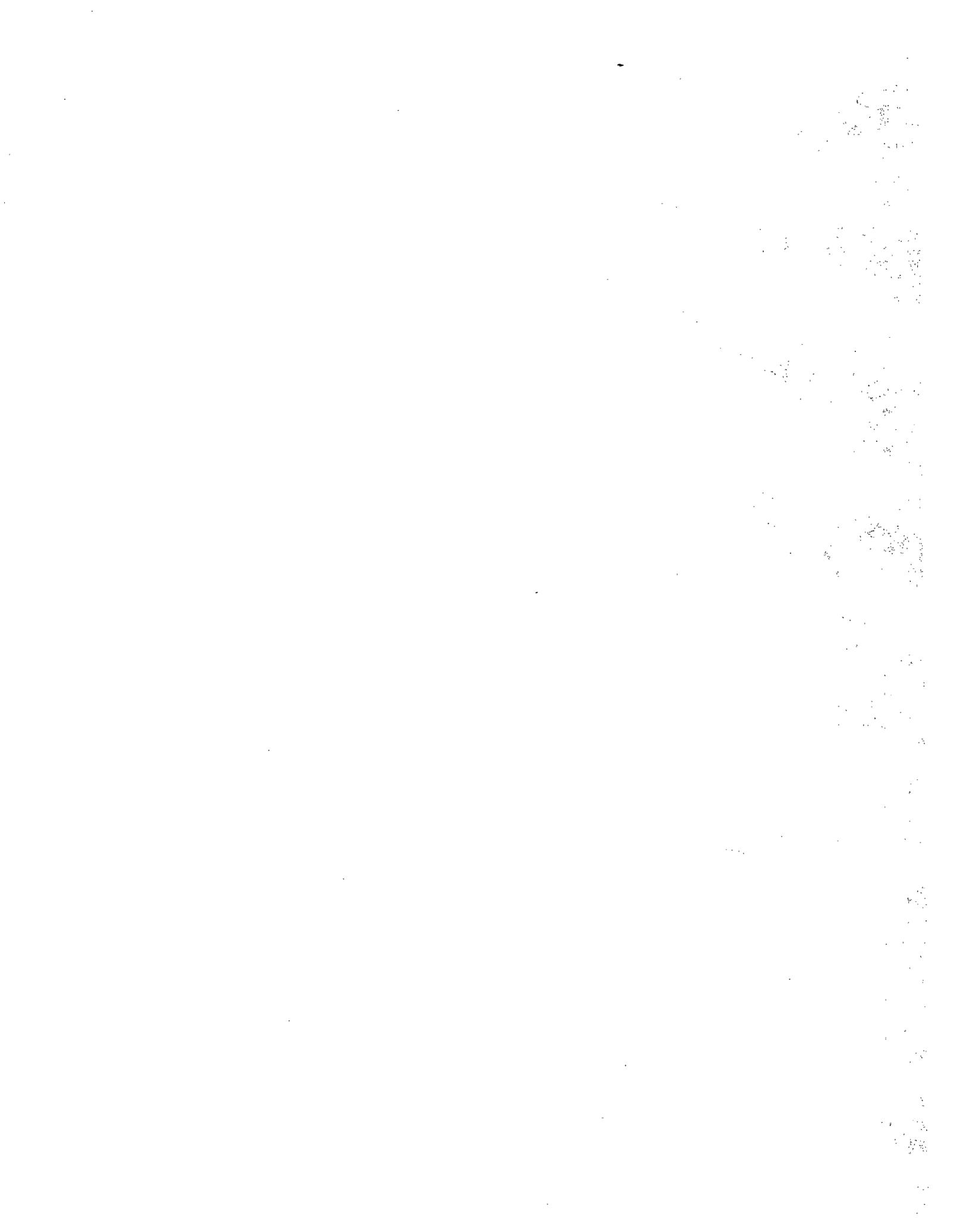
Does the data and analysis on future VA hospital bed demand reflect the aging nature of the state's and region's veteran population and does it reflect the existing statewide, unmet need for long-term psychiatric care beds?

GAO Response

VA's Integrated Planning Model accounts for the aging nature of the veteran population. Basically, VA projects the number of veterans in several age groups for a target planning year, in this case 2005. These population projections are entered into VA's planning model, and the model applies historical hospital use rates to each age group to estimate hospital bed demand for the target year.

VA's data and analyses of future hospital bed demand in Florida reflects an unmet need for long-term psychiatric care. VA planners used VA hospitals' experiences nationwide to project the unmet need for psychiatric care in Florida. These rates were over 50 percent higher than Florida VA hospitals' historical use rates. The difference in rates presumes that there is a large unmet need for long-term psychiatric care. To realize this increased utilization in Florida, VA would have to attract a larger share of the veteran population than previously served. This larger share presumably represents those veterans whose needs would otherwise go unmet.

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