

November 1998

# VETERANS' HEALTH CARE

## Service Delivery for Veterans on Guam and the Commonwealth of the Northern Mariana Islands



---

---

**Health, Education, and  
Human Services Division**

B-279603

November 4, 1998

The Honorable Robert A. Underwood  
The Honorable Lane Evans  
The Honorable Paul McHale  
House of Representatives

The Department of Veterans Affairs (VA) offers a range of health care benefits to our nation's veterans, including about 9,400 veterans who reside on Guam and the Commonwealth of the Northern Mariana Islands (CNMI). On Guam alone, about 700 veterans received VA health care in 1997, at a cost of about \$1.2 million. In addition to providing care through its outpatient clinic, VA purchased care from the Navy and private providers on Guam as well as from military and private providers in Hawaii and the continental United States.

Veterans groups have expressed some concerns about the health care provided on Guam and the inconvenience of traveling to Hawaii and other locations when appropriate care is not available on Guam. They have also expressed concern about the possibility that the Navy may reduce or eliminate services in its hospital on Guam in the future. They believe that VA could better meet veterans' health care needs if VA established an inpatient facility at the U.S. Naval Hospital on Guam. Several years ago, the Navy studied whether a VA inpatient facility should be established at the U.S. Naval Hospital on Guam and concluded in a March 1996 report that the veteran inpatient workload at the hospital for fiscal years 1992 to 1995 was too low to support a VA inpatient facility. VA did not conduct its own study, but it agreed with the Navy's conclusion.

In light of veterans' concerns, you asked us to (1) describe how VA currently meets Guam and CNMI veterans' health care needs, (2) estimate these veterans' possible future demand for health care and assess VA's ability to meet this demand, and (3) estimate the cost to establish a veterans' inpatient ward at the U.S. Naval Hospital on Guam.

To examine these issues, we reviewed VA and Department of Defense (DOD) policies and procedures and interviewed VA and DOD officials in headquarters and field locations regarding veterans' health care on Guam. We visited VA and Navy health care facilities on Guam and met with representatives of veterans organizations on Guam and with Government of Guam officials to discuss veterans' concerns with VA health care. We also projected the future veteran population and the possible demand for

---

and use of inpatient health care through the year 2010. Further, we obtained VA estimates of the cost to construct, outfit, and staff a possible veterans' inpatient facility at the U.S. Naval Hospital. We estimated the facility's cost for ancillary, overhead, and other expenses as well as VA's cost to obtain future veterans' health care under its existing sharing agreement with the U.S. Naval Hospital on Guam. We conducted our review between March 1998 and October 1998 in accordance with generally accepted government auditing standards. Appendix I provides more detail on our scope and methodology.

---

## Results in Brief

To meet the health care needs of veterans on Guam and CNMI, VA currently provides services through a network of providers. This network includes outpatient and inpatient care provided on Guam as well as care provided by military or private hospitals in Hawaii or the continental United States, which is accessed through aeromedical evacuations. In discussing their concerns about the VA health care system, veterans on Guam told us that medical evacuations, while necessary, are inconvenient and that they would like the U.S. Naval Hospital on Guam to provide cardiac care to reduce the need for some of these evacuations. However, VA and Naval Hospital records indicate that only 15 percent of the 1,140 medical evacuations provided to military beneficiaries and veterans over the past 3 years were for cardiac care, which, according to DOD officials, is an insufficient workload to maintain quality care for this specialty.

In the future, VA and Navy officials expect to be able to continue to meet veterans' demand for health care. VA and Navy officials told us that they expect to continue providing the same type of health care to Guam and CNMI veterans that is currently available, including the services provided by the U.S. Naval Hospital. Even if there were a significant increase in veterans' demand for inpatient medical care in the future, U.S. Naval Hospital officials believe that their hospital could handle the potential veteran inpatient workload. Currently, the U.S. Naval Hospital has a total capacity of 146 beds—consisting of 29 active (staffed and equipped) beds and 117 inactive (equipped only) beds. In fiscal year 1997, of the 29 active beds, military beneficiaries<sup>1</sup> used 22 beds per a day on average and veterans used less than 1 on average. Our analyses indicate that, under a high-demand scenario, Guam and CNMI veterans would use, on average, 14 inpatient beds per day. While it is highly unlikely that Guam and CNMI veterans' demand for inpatient health care will ever reach this level, Navy

---

<sup>1</sup>The term "military beneficiary," as used here, includes active duty personnel, eligible National Guard and Reservists, and military retirees, as well as survivors and dependents.

---

officials told us that the U.S. Naval Hospital could hire staff and activate additional beds, if needed, to meet this demand. These officials said that apart from a large conflict or war, which they could not predict, they were confident that the U.S. Naval Hospital on Guam could handle any likely increase in veteran inpatient workload.

Establishing an inpatient ward at the U.S. Naval Hospital would be expensive. VA officials estimated that it would cost between \$3.7 million and \$6.9 million to establish a fully outfitted 14-bed VA inpatient facility at the U.S. Naval Hospital. The first estimate is for renovating existing space in the hospital; the second estimate is for constructing an inpatient facility. A VA inpatient facility would have additional average annual operating costs of at least \$4 million. The estimated average annual cost to provide inpatient care to veterans under the existing sharing agreement between VA and DOD is about \$3.7 million.

---

## Background

Guam and CNMI natives are U.S. citizens, and many serve in the U.S. military. Upon discharge from the U.S. military, veterans, based on their eligibility, can obtain health care at VA facilities or from non-VA providers through VA sharing agreements.

Guam is a 212-square-mile island located roughly 6,000 miles west of the continental United States and 1,500 miles southeast of Japan. Guam was ceded to the United States in 1898 and became a territory in 1950. Since its cession, it has had important U.S. military significance, given its strategic location in the Pacific Ocean. In 1995, the population of Guam was estimated at 149,249. As of fiscal year 1997, there were about 9,400 veterans living on Guam and CNMI and about 20,000 military beneficiaries living on Guam.<sup>2</sup>

CNMI is a self-governing commonwealth of the United States.<sup>3</sup> The people of CNMI were granted U.S. citizenship in 1986. CNMI consists of 14 islands with a total land area of about 184 square miles; its main island of Saipan is located about 100 miles northeast of Guam. In 1995, CNMI's population was estimated at 59,913 persons. While CNMI is currently considered part of VA's domestic program, the Director of VA's Health Administration Center, which administers the Foreign Medical Program, recently requested a legal opinion from VA's General Counsel to determine whether veterans residing

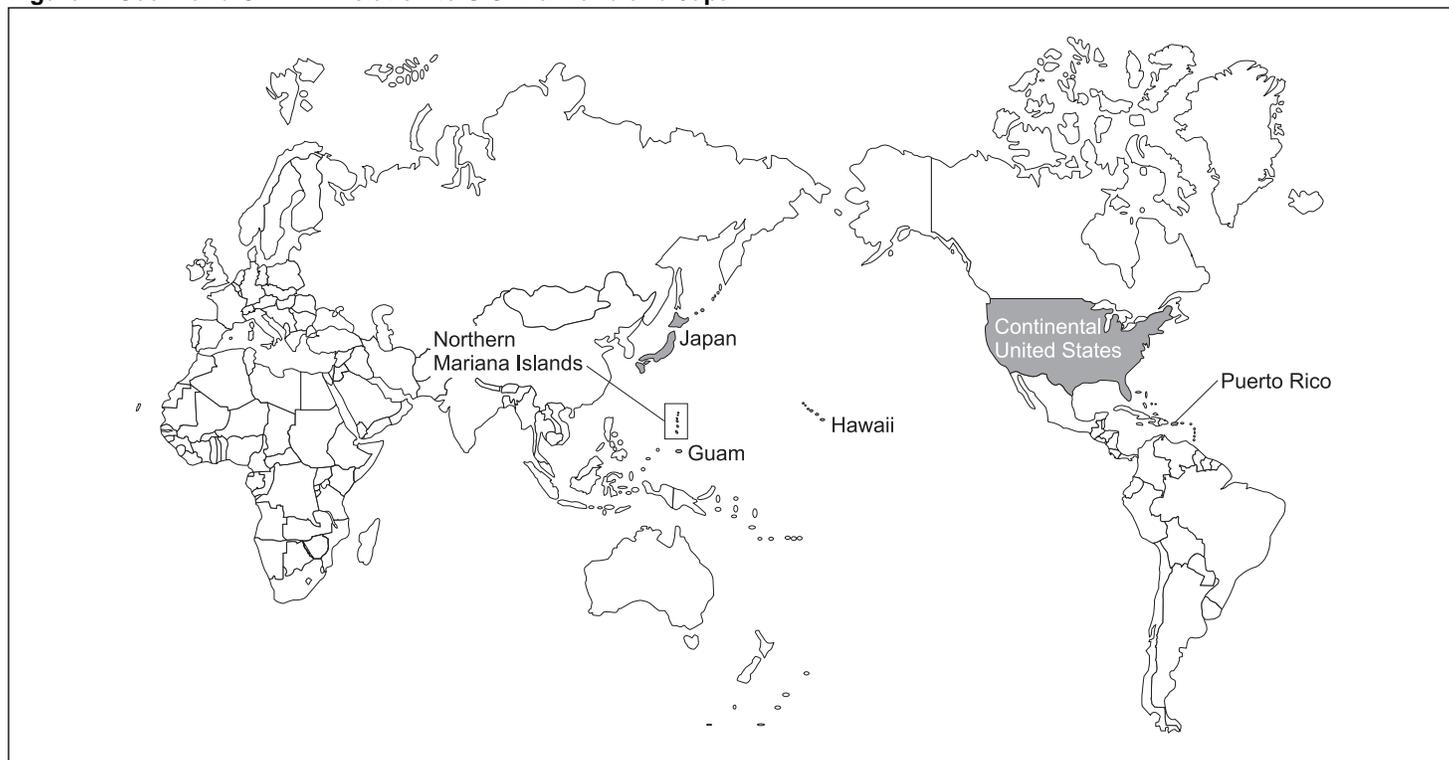
---

<sup>2</sup>Approximately 2,000 of these military beneficiaries are retirees and are included in the 9,400 estimated veterans residing on Guam or CNMI.

<sup>3</sup>As a commonwealth, CNMI is under the sovereignty of the United States.

in CNMI are entitled to benefits under VA's domestic program or whether they should be covered by VA's Foreign Medical Program.<sup>4</sup> At the time our report was issued, however, VA's General Counsel had not yet made a determination on the legal status of veterans residing on CNMI. Figure 1 illustrates the location of Guam and CNMI in relation to the U.S. mainland and Japan.

**Figure 1: Guam and CNMI in Relation to U.S. Mainland and Japan**



VA provides health care services to its veterans on a priority basis, depending on factors such as the presence and extent of a service-connected disability,<sup>5</sup> income level, duration of military service, and type of discharge from the military. VA assigns each veteran to one of

<sup>4</sup>Veterans covered by VA's Foreign Medical Program can travel to a domestic VA facility at their own expense or seek health care locally for treatment of service-connected disabilities on a reimbursable basis.

<sup>5</sup>A service-connected disability is one that results from an injury or disease or other physical or mental impairment incurred or aggravated during active military service.

---

seven priority groups it established for providing health care: (1) veterans with service-connected disabilities rated at 50 percent or higher; (2) veterans with service-connected disabilities rated at 30 or 40 percent; (3) former prisoners of war and veterans with service-connected disabilities rated at 10 or 20 percent; (4) catastrophically disabled veterans and veterans receiving increased nonservice-connected disability pensions because they are housebound or need the aid and attendance of another person to accomplish the activities of daily life; (5) veterans unable to defray the cost of medical care; (6) all other veterans in the so-called “core” group, including veterans of World War I and veterans with a priority for care based on presumed environmental exposure; and (7) all other veterans.<sup>6</sup>

VA recently implemented a change that restricted access to VA health care for some veterans in the Pacific region. In October 1997, VA began phasing out the medical care offered to Pacific region veterans in priority group 7—veterans who have no compensable service-connected disabilities and annual incomes above the statutory threshold. This change affected veterans residing in VA’s Pacific Islands region, including about 30 veterans on Guam.<sup>7</sup> According to VA officials, this change was made as a result of increasing medical costs and declining budgets; these officials stated that VA needed to make this change in order to continue serving Pacific region veterans with service-connected disabilities.

In 1996, VA created 22 Veterans Integrated Service Networks (VISN) to serve as the basic budgetary and decisionmaking units in VA’s health care system for veterans within their geographic boundaries. VISN-21 has geographic responsibility for Northern California and VA’s Pacific Islands region.<sup>8</sup> It relies on the VA Medical and Regional Office Center (VAMROC)—located in Honolulu, Hawaii—to oversee health care and other veterans’ benefits for veterans living in the Pacific Islands region of Guam, CNMI, the Hawaiian Islands, and American Samoa.

In addition to its outpatient clinic on Guam, VA has a sharing agreement with the U.S. Naval Hospital to provide inpatient, specialty outpatient, and ancillary health care services to veterans. The U.S. Naval Hospital opened

---

<sup>6</sup>For a more detailed explanation of VA’s priority groups and how VA delivers medical care to its veterans, see *VA Hospitals: Issues and Challenges for the Future* (GAO/HEHS-98-32, Apr. 30, 1998).

<sup>7</sup>There were no CNMI veterans that sought VA medical care under VA priority group 7, so no CNMI veterans were affected by this change.

<sup>8</sup>See *VA Health Care: Resource Allocation Has Improved, but Better Oversight Is Needed* (GAO/HEHS-97-178, Sept. 17, 1997).

---

on Guam in 1954. Its primary mission is to provide medical support to forward-deployed military personnel and U.S. ships in the Pacific and to respond to wartime medical casualties. It also responds to medical emergencies and disasters, such as caring for typhoon victims and survivors of the recent Korean Airlines plane crash on Guam.

---

**Figure 2: U.S. Naval Hospital on Guam**



Source: U.S. Naval Hospital on Guam.

In 1996, responding to a congressional mandate, the U.S. Navy studied the possibility of establishing a VA inpatient facility within the U.S. Naval Hospital on Guam to serve the health care needs of veterans.<sup>9</sup> The Navy analyzed VA inpatient admissions at the U.S. Naval Hospital from fiscal years 1992 through 1995 and determined that, on average, less than one VA beneficiary received inpatient care at the hospital each day. The Navy also found that these few patients were integrated into normal hospital operations and were cared for in the hospital location most appropriate to their medical condition. The Navy concluded that VA inpatient workload

---

<sup>9</sup>The House National Security Committee in H.R. 104-131, accompanying H.R. 1530, directed the Secretary of the Navy to study a possible cooperative arrangement with VA to establish a veterans' wing within the U.S. Naval Hospital on Guam.

---

data did not support the establishment of a veterans' inpatient facility at the U.S. Naval Hospital. (See app. II for the March 1996 Navy report.)

---

## Guam and CNMI Veterans' Health Care Needs Met Through VA's Network of Providers

Veterans residing on Guam and CNMI receive VA health care through a network of providers, including outpatient care provided through the VA clinic, inpatient and specialty care provided at the U.S. Naval Hospital, and other specialty health care through Guam's private sector. When certain care, such as cardiac care, is not available on Guam, veterans are sent via aeromedical evacuations to VA, military, or private hospitals in Hawaii or the continental United States. Although veterans we spoke with on Guam would prefer that the U.S. Naval Hospital provide cardiac care to avoid medical evacuations, the annual cardiac workload does not meet DOD's minimum workload requirement for this specialty. According to DOD officials, this requirement is needed to maintain the skill level of cardiac specialists and ensure that quality of care is not compromised.

---

## Veterans' Health Care Provided Through a Network of VA, Navy, and Private Sector Providers

Veterans seeking health care on Guam or CNMI typically enter the VA health care system through VA's outpatient clinic. If they cannot receive the needed treatment there, they are referred to one of several providers, depending on the type and availability of care needed. According to VAMROC records and officials, during fiscal years 1995 through 1997, VA spent an average of \$1.2 million per year to provide health care to Guam and CNMI veterans.<sup>10</sup>

The VA outpatient clinic is staffed by one full-time internal medicine physician, one part-time psychiatrist under contract to VA, one full-time psychiatric clinical nurse, and two administrative staff.<sup>11</sup> As the primary point of entry for veterans seeking medical care, the clinic conducts eligibility determinations and provides outpatient services, such as primary care and psychiatric treatment. According to veteran satisfaction surveys from 1995 through 1997, nearly all veterans were very or extremely satisfied with VA care at the clinic.

---

<sup>10</sup>Of this average total, \$370,100 was paid to Navy for care provided through its hospital on Guam: \$256,800 for inpatient care, \$81,500 for specialty outpatient care, and \$31,800 for pharmacy services. The remaining \$856,700 of the average total was for costs such as salaries, VA mail-order prescriptions, and care obtained from health care providers other than Navy. The average total does not include indirect overhead and administrative support costs.

<sup>11</sup>Since October 1995, the Guam VA clinic has sent a physician specializing in internal medicine, a psychiatrist, and a benefits counselor monthly to the Saipan hospital in CNMI.

---

Over the past 3 years, the number of veterans seeking care through VA's outpatient clinic on Guam has increased by 24 percent—from 562 veterans in fiscal year 1995 to 697 in fiscal year 1997.<sup>12</sup> According to VA's outpatient clinic administrator, this increase is partially due to increased outreach by VA and veteran service organizations on Guam to inform veterans of available health care and encourage them to use the clinic.

When veterans on Guam or CNMI require inpatient, specialty outpatient, or ancillary health care services, such as general surgery, preventive medicine, or pharmacy, VA refers them to the U.S. Naval Hospital. In emergency situations, veterans may be treated in or directly admitted to the hospital. During fiscal years 1995, 1996, and 1997, the number of veteran inpatient admissions to the U.S. Naval Hospital were 43, 42, and 36, respectively, representing an average of less than one veteran inpatient admission per week. The hospital's current total bed capacity is 146 beds (29 active and 117 inactive), with an expanded wartime capacity of 266.<sup>13</sup>

The hospital currently provides a number of surgical, medical, and ancillary services. (See table 1.)

---

<sup>12</sup>About 180 of the 697 veterans who sought VA health care during fiscal year 1997 were military retirees.

<sup>13</sup>In the event of a war, the U.S. Naval Hospital would increase its capacity (medical personnel and beds) to provide care to injured active duty military personnel.

**Table 1: Health Care Services Available at the U.S. Naval Hospital on Guam**

<b>Service area</b>	<b>Services</b>
Surgical	<ul style="list-style-type: none"> <li>— General surgery</li> <li>— Orthopedics</li> <li>— Otolaryngology</li> <li>— Ophthalmology</li> <li>— Oral surgery</li> <li>— General dentistry</li> <li>— Obstetrics, gynecology</li> <li>— Anesthesia</li> <li>— Urology</li> </ul>
Medical	<ul style="list-style-type: none"> <li>— Emergency medicine</li> <li>— Family practice</li> <li>— Pediatrics</li> <li>— Psychiatry</li> <li>— Dermatology</li> <li>— Internal medicine</li> <li>— General medicine</li> <li>— Flight surgery</li> <li>— Diving medicine</li> <li>— Preventive medicine</li> <li>— Occupational medicine</li> </ul>
Ancillary	<ul style="list-style-type: none"> <li>— Pathology</li> <li>— Laboratory</li> <li>— Radiology</li> <li>— Optometry</li> <li>— Occupational health</li> <li>— Pharmacy</li> <li>— Diet, food service</li> <li>— Physical therapy</li> <li>— Social work</li> <li>— Family advocacy</li> </ul>

Source: U.S. Naval Hospital on Guam.

The U.S. Naval Hospital on Guam, in some instances, also uses telemedicine as a way to enhance the health care it provides to both military beneficiaries and veterans. Telemedicine is used to transfer patient data—via text, image, and video—among DOD military facilities. The U.S. Naval Hospital is participating in telemedicine with Tripler Army Medical Center in Hawaii in areas such as cancer tumor diagnosis, telepathology, and teleradiology. For example, U.S. Naval Hospital and Tripler physicians meet weekly via teleconferencing to discuss medical cases for U.S. Naval Hospital patients with tumors and examine possible treatment options using current data, which are exchanged over a computer network.

---

If VA's outpatient clinic or the U.S. Naval Hospital cannot readily provide care to a veteran, VA may refer the veteran to the private medical sector on Guam for treatment. For example, VA occasionally refers veterans to physicians on Guam for ear, nose, and throat care because the demand for this care is high and the U.S. Naval Hospital's outpatient specialty clinic sometimes does not have an adequate number of physicians available to treat these conditions. In addition, the U.S. Naval Hospital shares ancillary services such as magnetic resonance imaging and other specialized equipment with the island's one private hospital, Guam Memorial Hospital.

---

**For Cardiac Care and Other Services Not Available on Guam, Aeromedical Evacuations Are Used**

When veterans require health care that is not available on Guam, VA will send them (as DOD does for its military beneficiaries) via a military or commercial aircraft to a VA, military, or private hospital in Hawaii or the continental United States. Regularly scheduled military evacuation flights are provided twice per week from Guam to Hawaii or the continental United States. Because of the routing military evacuation aircraft follow, it can take over 24 hours for the veteran to reach the destination; however, if the condition requires immediate medical attention, a special military medical evacuation can be arranged.<sup>14</sup>

In addition to military aircraft flights, medical evacuations via commercial airlines are available to veterans on Guam. For example, according to VA's outpatient clinic administrator, a commercial airline is used when a veteran does not possess a U.S. passport that would allow entry into Japan, which is necessary on military medical evacuation flights. On nonstop commercial flights, it takes about 7 hours for veterans to reach Hawaii from Guam.

---

**Providing Cardiac Surgery on Guam Could Compromise Quality of Care**

During our discussions with representatives of veterans organizations about VA health care on Guam, they told us that medical evacuations were inconvenient because of the lengthy flight times associated with medical evacuations and the time evacuees spent away from their families. These representatives told us that veterans would prefer to have cardiac surgery available at the U.S. Naval Hospital to eliminate the need for evacuations for cardiac care.

Establishing a cardiac surgery capability at the U.S. Naval Hospital, however, would require much more demand for these procedures than

---

<sup>14</sup>The aircraft's scheduled route on Tuesday is Guam to Okinawa, Japan; to Yokota, Japan; and then on to Honolulu, Hawaii. This flight requires an overnight stay in Japan. The Saturday route is direct from Guam to Yokota, Japan; to Honolulu, Hawaii; and then on to Travis Air Force Base in California.

---

currently exists in order to provide sufficient quality. According to DOD requirements for cardiac surgical procedures, such as coronary bypass and cardiovascular procedures, standards set by the American Board of Cardiothoracic Surgeons and the Health Care Financing Administration require that a hospital perform or expect to perform a minimum of 150 surgical procedures per year to begin providing or maintain this medical specialty. According to DOD officials, these standards are necessary to ensure enough workload to maintain the specialists' skill level and the resultant quality of care.

Overall, the combined military beneficiary and veteran inpatient workload for cardiac care on Guam does not meet DOD requirements for establishing a cardiac surgery unit at the U.S. Naval Hospital on Guam to ensure quality of care. According to VA and DOD records, in fiscal years 1995 through 1997, a total of 1,140 medical evacuations were provided—1,071 for military beneficiaries and 69 for veterans. Cardiac care, which is the most frequently cited reason for medical evacuations, accounted for 15 percent of these evacuations—on average, about 56 per year. The remaining 85 percent were for various medical reasons, including orthopedic, neurological, renal, oncology, and psychiatric treatment.

---

## VA Can Likely Meet Future Demand for Health Care to Veterans on Guam and CNMI

While representatives of veterans organizations on Guam expressed concern about the future availability of health care on Guam, DOD and VA officials believe that VA's network for providing outpatient care, inpatient care, and medical evacuations will continue into the future even if there is an increase in demand for these services. With the aging of the veteran population, if current treatment patterns (in terms of patient treatment rates and average lengths of stay) do not change, these veterans' projected use of inpatient health care could increase from the current one-half bed per day to a little over one bed per day, on average, by the year 2010. If veteran demand for health care on Guam and CNMI mirrored one of the highest utilization rates in the VA system, then use of inpatient care could increase to 14 beds per day by 2010. However, given its current capacity and workload and a continued sharing agreement with VA, the U.S. Naval Hospital should be able to absorb even this unlikely increase in veteran demand for inpatient care.

---

## VA Plans to Continue Providing Care to Guam and CNMI Veterans

In our discussions with representatives of veterans organizations on Guam, concern was raised about potential downsizing at the U.S. Naval Hospital. This concern may stem from the fact that since 1993, the U.S.

---

military presence on Guam has downsized approximately 17 percent in active duty personnel and dependents. In addition, other than health care provided by the VA and U.S. Naval Hospital health care systems, health care options on Guam are limited. For example, there is only one other hospital on Guam.<sup>15</sup>

However, both VA and DOD officials told us that veterans will continue to have access to outpatient and inpatient care through VA, the U.S. Naval Hospital, and the private sector on Guam. VA and DOD recently renewed their sharing agreement at the U.S. Naval Hospital for an additional 5 years. The U.S. Naval Hospital's budget is projected to remain stable through fiscal year 2001, and hospital officials stated that they do not plan to reduce the total bed capacity or the number of medical specialties currently available to veterans at the hospital. Finally, DOD and VA officials expect that necessary medical evacuations—both commercial and military—will continue to be available to Guam and CNMI veterans.

---

### Despite a Slight Decrease in Population, Guam and CNMI Veterans May Demand More VA Health Care in the Future

Although our projections show a slight decrease in the Guam and CNMI veteran population from 1990 through 2010, these veterans may demand more VA health care in the future.<sup>16</sup> In 1990, the combined veteran population on Guam and CNMI was 8,526, according to U.S. Census data. Using VA's veteran population projection methodology, our analysis indicates that this veteran population peaked at about 9,400 veterans in 1996 and will steadily decline to 8,406 in 2010.<sup>17</sup> This represents a 1.4 percent decrease from 1990 and an 11 percent decrease from its peak population in 1996.<sup>18</sup> Although Guam and CNMI veterans are relatively young compared to the veteran population nationwide, they will likely require more frequent and intensive medical care as they age over the next decade. In 1990, only about 41 percent of the veterans on Guam and CNMI were older than 45 years; by fiscal year 2010, over three-quarters—or about 77 percent—of these veterans are projected to be 45 years or older. As indicated by historical inpatient utilization at the U.S. Naval Hospital on

---

<sup>15</sup>This hospital, Guam Memorial, had its accreditation revoked by the Joint Commission on Accreditation of Healthcare Organizations in the 1980s, but hospital officials hope to regain accreditation by the year 2001.

<sup>16</sup>VA annually updates veteran population projections for all 50 states and Puerto Rico; it does not update the veteran projection for Guam and CNMI because annual U.S. Census data are not available for this population.

<sup>17</sup>In fiscal year 1996, about 1,760 of the 9,400 veterans residing on Guam and CNMI were also military retirees.

<sup>18</sup>This projected decrease is much lower than that projected by VA for its total national veteran population, which is expected to decrease by about 26 percent from 1990 to 2010.

---

Guam, veterans aged 35 to 44 had 2.6 inpatient admissions per 1,000, while veterans aged 45 to 54 had 4.4 inpatient admissions per 1,000. Corresponding lengths of stay also increased.

To estimate the potential increase in veteran demand for VA inpatient health care in the future, we analyzed a high-demand scenario and a low-demand scenario. Our low-demand scenario assumes that the current level of veteran demand for VA inpatient care on Guam—one of the lowest utilization rates in the VA system—will continue into the future, adjusted for aging of the Guam and CNMI veteran population. Under this scenario, we estimate that by the year 2010, these veterans could potentially need 1.01 inpatient beds per day, on average, up from the 1997 utilization of about 0.5 beds per day, on average. Our high-demand scenario assumes that the veteran demand for VA inpatient care on Guam would mirror that on Puerto Rico—which has one of the highest utilization rates in the VA system—adjusted for aging of the Guam and CNMI veteran population. Under this scenario, we estimate that by the year 2010, Guam and CNMI veterans could potentially need up to 14 inpatient beds per day, on average.

---

### Projected Future Inpatient Workload Could Be Handled by the U.S. Naval Hospital

With a current capacity of 146 beds—consisting of 29 active and 117 inactive beds—U.S. Naval Hospital officials believe that the hospital could handle even the upper limit of a projected increase in future veteran inpatient workload.<sup>19</sup> In fiscal year 1997, the hospital needed, on average, about 23 beds to care for all its patients, including veterans. U.S. Naval Hospital officials told us that the hospital could handle even the highest potential veteran inpatient need, projected under the high-demand scenario of up to 14 inpatient beds by the year 2010. Although only 29 beds are currently staffed and equipped, U.S. Naval Hospital officials are confident that—using VA reimbursements for veteran inpatient care—they could activate beds and hire additional staff to care for these veterans, if needed.

U.S. Naval Hospital officials told us that their hospital has historically met VA's veteran inpatient and specialty outpatient care needs with existing staffing. Further, DOD officials explained that, while unlikely, the only factors that may limit the hospital's ability to provide health care services to veterans would be (1) war, (2) lack of providers for specialized care, (3) operational commitments, (4) downsizing of staff, (5) cuts in funding,

---

<sup>19</sup>Of the total 146 beds at the U.S. Naval Hospital, 29 beds are currently set up and ready in all respects for care of patients to include supporting space, equipment, and staff. In addition, 117 beds are ready for the care of patients to include supporting space and equipment but not staffing.

---

and (6) increased military presence on Guam. Apart from a large conflict or war, which they could not predict, Navy officials felt confident that they had or could obtain sufficient resources to handle any likely increase in veteran inpatient workload.

---

## A VA Inpatient Facility at the U.S. Naval Hospital Would Cost Millions

According to VA officials, establishing a 14-bed VA inpatient facility could range between \$3.7 million to \$6.9 million in construction costs, depending on whether the facility is renovated or newly constructed. In addition, it would cost at least \$4 million annually to operate such a facility.<sup>20</sup> Further, VA's average annual cost to purchase the care equivalent to the 14 inpatient veteran beds from the U.S. Naval Hospital under the current sharing agreement between VA and DOD is about \$3.7 million.<sup>21</sup>

According to VA officials, if space were available within the U.S. Naval Hospital and no significant upgrades were required by the year 2010, such as adding structural support to make the facility safer during earthquakes, the estimated cost to renovate approximately 12,000 square feet of space for a VA inpatient facility would be about \$3.7 million. This existing space would have to be modified to make it suitable for inpatient health care activities. However, if by the year 2010, space were not available within the U.S. Naval Hospital or significant seismic upgrades were required, the estimated cost to construct and outfit a 14-bed VA inpatient facility adjacent to the hospital would be about \$6.9 million. If a future engineering assessment concluded that a seismic upgrade were required, VA officials told us that renovating the space within the U.S. Naval Hospital could cost more than constructing a new facility.<sup>22</sup>

To determine the average annual operating cost of a possible new veterans' inpatient facility at the U.S. Naval Hospital, VA officials estimated that a 14-bed inpatient facility would need four physicians and 23 other staff (primarily nurses), at an annual cost of \$2.8 million. Other annual operating costs would include ancillary services; other expenses, such as laundry and food service; housekeeping, maintenance, and utilities; and overhead. When added together, staffing and other operating costs total an estimated annual operating cost of at least \$4 million.

---

<sup>20</sup>We did not estimate the cost of establishing a VA inpatient facility under the low-demand scenario of one bed per day.

<sup>21</sup>All cost estimates are stated in current 1998 dollars.

<sup>22</sup>Guam has a high incidence of seismic events.

---

Further, we estimated VA's average annual cost to purchase the care equivalent to the 14 inpatient veteran beds from the U.S. Naval Hospital under the existing sharing agreement between VA and DOD. Currently, when veterans obtain inpatient care at the U.S. Naval Hospital, VA reimburses the U.S. Naval Hospital for this care based on actual veteran admissions. Based on VA's historical expenditures per veteran admission, by age category, we estimated that, under the high-demand scenario, VA's annual costs to deliver care to these same veterans would be about \$3.7 million.<sup>23</sup>

---

## Conclusions

In its March 1996 report, the Navy concluded that a VA inpatient wing was not needed due to the low veteran inpatient workload, and our recent work confirms that the veteran inpatient workload averages less than one bed per day. Also, in the unlikely event that Guam and CNMI veteran demand for services increased significantly, U.S. Navy officials believe that the U.S. Naval Hospital will be able to meet even the highest projected workload. Last, constructing a new VA inpatient facility or renovating space within the U.S. Naval Hospital would cost from \$3.7 to \$6.9 million, with additional annual operating costs of at least \$4 million.

While veterans consider evacuations inconvenient and would like the U.S. Naval Hospital on Guam to offer cardiac surgery procedures to reduce the number of evacuations, the veteran and military beneficiary population on Guam and CNMI has required far fewer than the minimum 150 procedures per year recommended by DOD guidance to ensure acceptable quality of care. Without sufficient workload to maintain the skills of the surgeon and other supporting team members, the U.S. Naval Hospital on Guam would not be able to offer cardiac surgery and ensure quality of care.

---

## Agency Comments and Our Evaluation

We provided a draft of this report to DOD and VA for official comments. DOD and VA agreed with the report's findings. DOD also provided one technical change, which we incorporated.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 13 days from the date of this letter. At that time, we will send copies to the Secretary of Veterans Affairs, the Secretary of Defense, and interested congressional committees. We will also make copies available to others upon request.

---

<sup>23</sup>Under the low-demand scenario of 1.01 inpatient beds needed by veterans in the year 2010, VA's cost to deliver care to these veterans would be about \$358,000.

---

If you have any questions about this report, please call me at (202) 512-7101 or Ronald J. Guthrie, Assistant Director, at (303) 572-7306. Other major contributors to this report were Lisa P. Gardner, Dawn Shorey, Paul Reynolds, Deborah Edwards, Alicia Cackley, Karen Sloan, and Sylvia Shanks.

A handwritten signature in black ink that reads "Stephen P. Backhus". The signature is written in a cursive style with a large, prominent 'S' at the beginning.

Stephen P. Backhus  
Director, Veterans Affairs and  
Military Health Care Issues

---

---

---

# Contents

---

Letter		1
Appendix I Scope and Methodology		20
Appendix II Navy's March 1996 Report on Establishing a VA Inpatient Wing		24
Table	Table 1: Health Care Services Available at the U.S. Naval Hospital on Guam	9
Figures	Figure 1: Guam and CNMI in Relation to U.S. Mainland and Japan Figure 2: U.S. Naval Hospital on Guam	4 6

---

## Abbreviations

CNMI	Commonwealth of the Northern Mariana Islands
DOD	Department of Defense
VA	Department of Veterans Affairs
VAMROC	Veterans Affairs Medical and Regional Office Center
VISN	Veterans Integrated Service Network

---

---

---

# Scope and Methodology

---

We were asked to (1) describe how VA currently meets Guam and CNMI veterans' health care needs, (2) estimate these veterans' possible future demand for health care and assessed VA's ability to meet this demand, and (3) estimate the cost to establish a veterans' inpatient ward at the U.S. Naval Hospital on Guam.

To determine how VA meets Guam and CNMI veterans' health care needs, we met with and obtained information from DOD and VA officials in Washington, D.C.; Hawaii; and Guam. We also reviewed and analyzed relevant laws and regulations pertinent to VA's responsibility and authority to provide care to veterans on Guam and CNMI. Although the legal opinion from VA's General Counsel regarding the status of CNMI veterans—whether they are entitled to benefits under VA's domestic program or should be covered by VA's Foreign Medical Program—is still pending, the decision would not affect the outcome of our analyses in this report.

To learn more about VA and DOD policies and practices for providing health care to veterans on Guam and CNMI, we contacted VA and DOD officials stateside and on Guam. Specifically, we contacted VA officials at VA Headquarters in Washington, D.C.; VISN-21 in northern California; the VA Medical and Regional Office Center in Honolulu, Hawaii; and VA's outpatient clinic on Guam. We contacted DOD officials at the Navy's Bureau of Medicine and Surgery in Washington, D.C.; the U.S. Pacific Command in Hawaii; Tripler Army Medical Center in Hawaii; and the U.S. Naval Hospital on Guam. We also reviewed VA and DOD documents on veteran health care policies, practices, and eligibility as well as budget data. We compiled and analyzed (1) the cost of health care for the last 3 fiscal years provided at the VA outpatient clinic on Guam and the U.S. Naval Hospital, (2) referrals to private sector providers, and (3) medical evacuations to Hawaii or the continental United States. We further analyzed the frequency and medical reasons for medical evacuations provided to veterans and military beneficiaries on Guam. We did not verify the reliability of VA or U.S. Naval Hospital medical evacuation data.

We also met with officials of the Government of Guam Veterans Affairs Office and with Guam representatives of the Veterans of Foreign Wars, Vietnam Veterans of America, and American Legion to better understand and describe veterans' concerns about their VA care. During our meeting with the Guam Veterans Affairs Office, we reconciled differences between its veteran population estimate and the estimate from the Guam 1990

---

Census data.<sup>24</sup> We also reviewed Guam VA outpatient clinic satisfaction survey results for the last 3 years. We further met with Guam Memorial Hospital officials to discuss health care issues on Guam and the hospital's accreditation status.

To assess VA's ability to meet our projected demand, we interviewed VA, DOD, Air Force, and Navy officials and reviewed DOD staffing estimates and U.S. Naval Hospital budget projections.

---

## Estimating Future Demand for Health Care on Guam

To determine Guam and CNMI veterans' possible demand for health care in the future, we estimated the current veteran population on Guam and CNMI and analyzed possible changes in level of veteran demand for care and patterns of inpatient utilization.<sup>25</sup>

We projected Guam's total veteran population to the year 2010 by adjusting 1990 Census data to reflect the aging of the current population since 1990 and recent and expected future separations from the military.<sup>26</sup> We relied on survival data obtained from the Government of Guam Department of Public Health and Social Services and separation data obtained from VA's Office of Policy and Planning for this projection.

To estimate how much VA inpatient care veterans on Guam and CNMI could potentially require over the next decade, we developed two different health care demand scenarios, based on actual low and high veteran inpatient utilization rates within the VA system. These scenarios represent a range of potential demand and are not intended to predict a specific future demand.<sup>27</sup> We then used VA's inpatient planning model and Puerto Rico and Guam current veteran inpatient utilization rates (patient treated rates and average lengths of stay) to compute total bed days of care and

---

<sup>24</sup>The Guam Veterans Affairs Office had originally estimated that 15,000 veterans live on Guam, compared to the 8,526 from the 1990 Census data. An official in the Guam Veterans Affairs Office told us that some of the veterans were deceased or moved away from Guam and estimated the actual number of veterans residing on Guam to be closer to 9,100.

<sup>25</sup>Annual U.S. Census data are not available for the veteran population for Guam and CNMI; therefore, VA does not update the veteran projection for this population.

<sup>26</sup>Separations, as used here, are defined as new veterans separating from the service and returning to Guam and CNMI as their home of record.

<sup>27</sup>To estimate utilization of inpatient health care, we analyzed U.S. Naval Hospital data on veteran inpatient admissions for the last 3 years, including veteran age, length of hospital stay, reason for admission, and cost of care. We did not independently assess the reliability of the U.S. Naval Hospital data we used for this analysis, but these data are used for billing purposes and are reviewed monthly by VA.

---

inpatient bed requirements for both the low- and high-demand scenarios.<sup>28</sup> Both scenarios age the veteran population through the year 2010 and provide for the same type of hospital beds (medical, surgical, and intensive care) that are currently available at the U.S. Naval Hospital.

---

### Estimating the Cost of a VA Inpatient Facility

To estimate the cost of a VA inpatient facility at the U.S. Naval Hospital on Guam, VA prepared two cost estimates for a 14-bed VA inpatient facility within the U.S. Naval Hospital on Guam—one estimate was for renovating the existing space, the other was for new construction. These estimates provided 10 medical or surgical beds and four intensive care beds, all fully outfitted and within 11,588 square feet (VA's space planning criteria). VA officials adjusted its renovation and construction cost estimates to reflect that construction on Guam is twice as expensive as in the continental United States.

Annual operating costs for either VA inpatient facility would consist of staffing; ancillary services; other expenses, such as laundry and food service; housekeeping, maintenance, and utilities; and overhead. VISN-21 estimated staffing costs for 27 VA staff, including 4 physicians. We estimated ancillary and other expenses using the U.S. Naval Hospital average costs per bed day of care in 1997 multiplied by the projected number of VA inpatient bed days of care for 2010. We also estimated housekeeping, maintenance, and utilities based on the U.S. Naval Hospital costs per square foot multiplied by the square footage of the proposed VA facility. We included overhead costs equal to 10 percent of total operating costs. Both a VA and a Naval Hospital official reviewed the methodologies we used to estimate ancillary and other costs and concluded that the approaches would result in a conservative estimate of the potential costs.

Last, we computed the cost to obtain inpatient care required by the projected high- and low-demand scenarios under the existing VA and DOD sharing agreement at the U.S. Naval Hospital. Our estimate was derived by calculating a 3-year historical average cost per veteran admission at the U.S. Naval Hospital by age category. The resulting historical average cost by age group was then applied to the high- and low-demand veteran admissions by age group in 2010.

---

<sup>28</sup>VA uses its inpatient planning model, originally developed in cooperation with GAO, to estimate veterans' future use of hospital beds. The model is driven by several variables, including veterans' ages; average length of hospital stays in selected medical services, such as surgery; and the number of patients treated in selected medical services.

---

**Appendix I**  
**Scope and Methodology**

---

VA and Navy officials reviewed the estimated construction and staffing costs obtained from VA. All cost estimates are in current 1998 dollars.

# Navy's March 1996 Report on Establishing a VA Inpatient Wing



DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
1000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-1000

11 March 1996

The Honorable Strom Thurmond  
Chairman, Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

The House National Security Committee Report 104-131, directed Navy to study a possible cooperative arrangement with the Department of Veterans Affairs to establish a Veterans Administration (VA) wing within U. S. Naval Hospital on Guam. This letter responds to the Committee's request. Although our review did not validate the requirement for one wing of U. S. Naval Hospital Guam to be dedicated solely to VA patients, it did reinforce the value of continuing close ties between the Department of Defense and the VA, to the benefit of both our patients and the U. S. taxpayer.

U. S. Naval Hospital Guam and the VA have had a mutually supportive relationship since 1982, when the VA Outpatient Clinic-Guam (VA OPC-Guam) was established as a satellite of the VA Medical Center and Regional Office Center in Honolulu, Hawaii. Since its inception, the VA OPC-Guam has been located in building 13 on the U. S. Naval Hospital Guam compound. The most recent sharing agreement between VA OPC-Guam and U. S. Naval Hospital Guam was signed on October 1, 1993 with an expiration date of September 30, 1998. The authority for the agreement is Public Law 97-174, "Veterans Administration and Department of Defense Health Resources Sharing and Emergency Operation Act, 38 U.S.C. 501."

The primary mission of the VA OPC-Guam is to provide eligible veterans with access to quality medical care. Secondly, it provides assistance to VA beneficiaries in applying for claims. U. S. Naval Hospital Guam is a 55-bed hospital that provides outpatient and inpatient care to active duty personnel, retirees, and their family members. As established in the sharing agreement, U. S. Naval Hospital Guam also serves as the primary inpatient facility for veterans and as a referral facility for veteran outpatient specialty care (i.e.,

**Appendix II  
Navy's March 1996 Report on Establishing a  
VA Inpatient Wing**

orthopedics, dermatology, urology, general surgery, etc.) and ancillary services (i.e., pharmacy, laboratory, and radiology). Veterans requiring specialty-type procedures not available on-island, such as cardiac surgery, neurosurgery, and cancer treatment, are referred to Honolulu and on occasion, to the west coast. VA patients travel via twice-a-week military medical evacuation system or commercial airlines.

The medical components of the VA OPC-Guam and U. S. Naval Hospital Guam work closely together to provide quality health services to VA beneficiaries. When a patient is referred from the VA OPC-Guam to U. S. Naval Hospital Guam, a VA physician contacts the specific hospital clinic to identify an accepting physician and discuss individual patient care. VA patients admitted to U. S. Naval Hospital Guam receive access to medical care services on the same basis as all other patients. A fee schedule for VA reimbursement to U. S. Naval Hospital Guam is established annually based on the inpatient and outpatient Interagency Rates determined by the Department of Defense Comptroller. Laboratory, radiology, and inpatient pharmaceutical services are provided as part of the standard rate; outpatient pharmacy services are reimbursed at \$1.00 for each new prescription or refill to cover the cost of labor, container, and label. There is no cost sharing or other charges for VA patients.

VA inpatient admissions at U. S. Naval Hospital Guam during the past four fiscal years (FY92-FY95) have varied from 0.7 percent to 1.5 percent of total hospital admissions as noted below.

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
VA Admissions	33	57	38	41
Total USNH Admissions	4388	4314	3669	2749
% VA Admissions	0.7%	1.3%	1.0%	1.5%
VA Average Length of Stay (days)	3.4	5.9	3.8	6.0
VA Average Daily Patient Load	0.31	0.92	0.40	0.67

As shown by the above statistics, on average there is less than one VA beneficiary receiving inpatient care at U. S. Naval Hospital Guam each day. From a practical perspective, seldom are there more than three VA patients in the hospital simultaneously. These few patients are integrated into normal hospital operations

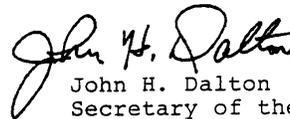
**Appendix II**  
**Navy's March 1996 Report on Establishing a**  
**VA Inpatient Wing**

and are cared for in the hospital location most appropriate to their medical condition. The VA portion of outpatient visits at U. S. Naval Hospital Guam is even smaller, due largely in part to the care provided in the VA OPC-Guam clinic by the VA's own medical staff.

In summary, the VA inpatient workload data does not support the establishment of a separate veterans' wing at U. S. Naval Hospital Guam. However, extensive sharing arrangements between the Navy and VA have been in place for over 12 years and are working extremely well for both VA and DoD patients. We will strive to maintain and increase our joint cooperation in the future.

A similar letter has been sent to Chairmen Spence, Stevens, and Young. As always, if I can be of any further assistance, please let me know.

Sincerely,



John H. Dalton  
Secretary of the Navy

Copy to:  
The Honorable Sam Nunn  
Ranking Minority Member

---

## Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

### Orders by mail:

U.S. General Accounting Office  
P.O. Box 37050  
Washington, DC 20013

### or visit:

Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

[info@www.gao.gov](mailto:info@www.gao.gov)

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Rate  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---

