

**GAO**

**Briefing Report to the Honorable  
Richard Shelby, House of Representatives**

September 1986

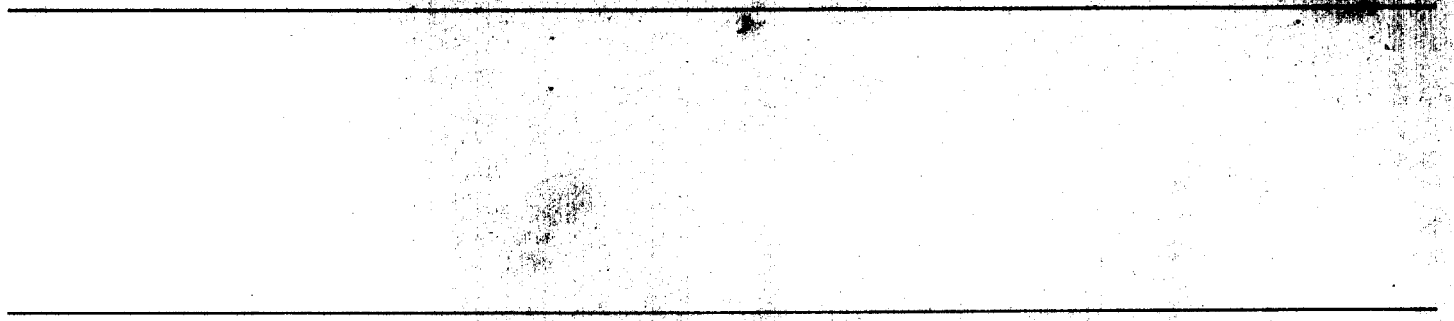
**VA HEALTH CARE**

**VA's Planning for  
Potential Gulf Coast  
Hospitals**



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United States  
General Accounting Office  
Washington, D.C. 20548

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Human Resources Division

B-224814

September 30, 1986

The Honorable Richard Shelby  
House of Representatives

Dear Mr. Shelby:

In response to your November 13, 1985, letter and later discussions with your office, we obtained information on (1) how the Veterans Administration (VA) develops service areas for new hospitals and whether VA used this methodology when establishing the service areas for potential VA hospitals in Mobile, Alabama, and the Florida Panhandle (Okaloosa County), and (2) whether VA should adjust projected workloads for the potential facilities due to a high concentration of military retirees residing in the Panhandle. As discussed with your office, we are also doing an analysis for the Chairman, Senate Committee on Veterans' Affairs, to determine whether it is cost effective for VA to purchase and renovate Providence Hospital in Mobile or build a hospital in Okaloosa County. At the conclusion of that work, we will provide you a copy of our report.

In evaluating VA's development of hospital service areas, we examined VA studies used to (1) justify locating a VA hospital in Okaloosa County and (2) determine the potential size and impact of a VA hospital in Mobile. We also interviewed VA headquarters and medical district officials to obtain information on VA's rationale for establishing these hospital service areas.

To evaluate whether VA should adjust its hospital workload projections because of the high concentration of military retirees in the Panhandle, we interviewed hospital officials at three Panhandle military hospitals and obtained data on the use of these facilities by military retirees. We also obtained retiree population data from the Department of Defense's (DOD's) Resource Analysis and Planning System. Finally, we interviewed VA officials concerning military retirees' use of VA's facilities. The results of our work are summarized below and discussed in detail in this briefing report.

VA did not have written guidance for its planners in 1983 and 1984 when they established service areas for hospitals in Mobile and Okaloosa County. For planning purposes, they assumed that all veterans in a county would seek care at a new hospital if the county's population center were closer<sup>1</sup> to the potential new hospital than to an existing VA hospital. The planners also made judgments about where veterans in certain counties would travel for care. Although VA lacked written guidance for determining service areas, VA planners used essentially the same procedures to establish the hospital service areas for Mobile and Okaloosa County. Also, in establishing a service area for the Mobile hospital, VA planners assumed that a VA hospital would be constructed in the Florida Panhandle.

The concentration of military retirees residing in the hospital service areas for Mobile and Okaloosa County was about 3 to 4.5 times greater than the national average. In its data collection, VA does not differentiate between military retirees and other types of eligible veterans. Therefore, data were not available to determine the extent of military retirees' usage of VA facilities in areas served by both military and VA hospitals. As a result, we are unable to conclude whether VA should adjust its workload projections for the potential Gulf Coast area hospitals.

We did not obtain VA's official comments on a draft of this briefing report. However, we discussed the information contained herein with VA officials, and their views have been incorporated where appropriate.

We are sending copies of this briefing report to the Director, Office of Management and Budget; the Administrator of Veterans Affairs; and the chairmen and ranking minority members of the congressional committees concerned with VA.

Should you need additional information on the contents of this document, please call me on 275-6195.

Sincerely yours,

*Edward A. Hensmore*

*for* David P. Baine  
Associate Director

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<sup>1</sup>VA planners estimate distance using straight-line mileage between county population centers.

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### ABBREVIATIONS

DOD	Department of Defense
MSA	metropolitan statistical area
VA	Veterans Administration

VA'S PLANNING FOR  
POTENTIAL GULF COAST HOSPITALS

BACKGROUND

As a result of growth in the Florida veteran population, language accompanying Public Law 97-101 (enacted Dec. 23, 1981) directed the Veterans Administration (VA) to study the demand for VA health care services in Florida. Three studies by VA medical district planners<sup>1</sup> resulted in a recommendation in 1983 to build a 225-bed hospital in the Florida Panhandle (Okaloosa County).

In February 1984, VA was requested to determine whether the Providence Hospital in Mobile, Alabama, would be appropriate for use as a VA hospital. In March 1984, VA concluded that the facility could be adapted to serve as a VA hospital if there was a need to establish such a hospital in Mobile.

In response to questions from the staff of the House Committee on Veterans' Affairs, VA prepared a report (May 1984) on the potential size of a VA hospital in Mobile and its potential impact on the VA hospital in Biloxi, Mississippi. VA's report included information on which counties would be served by a VA hospital in Mobile. In June 1985, VA concluded that a need did not exist for establishing a hospital in Mobile.

OBJECTIVES, SCOPE, AND METHODOLOGY

At the request of Representative Richard Shelby, we obtained information on (1) how VA develops service areas for new hospitals and whether VA used this methodology when establishing service areas for potential VA hospitals in Mobile and the Florida Panhandle, and (2) whether VA should adjust projected workloads for the potential facilities due to the high concentration of military retirees residing in the Panhandle.

To evaluate VA's development of hospital service areas, we examined (1) VA's 1983 medical district 10 study used to justify locating a VA hospital in Okaloosa County and (2) VA's study of the potential size and impact of a VA hospital in Mobile. In addition, we interviewed VA central office and medical district 10 officials to obtain information regarding VA's procedures for establishing service areas for new hospitals and VA's rationale for including specific counties in a particular service area.

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<sup>1</sup>VA's health care system is divided into 27 medical districts. Medical district 10 covers Alabama and parts of Georgia, Florida, Louisiana, and Mississippi.

To evaluate whether VA should adjust its workload projections for the potential facilities because of a high concentration of military retirees residing in the Panhandle, we visited three military hospitals in the Panhandle (Eglin Air Force Base, Tyndall Air Force Base, and Pensacola Naval Air Station). At these facilities, we interviewed hospital officials and obtained statistics on military retirees' use of the facilities. We also obtained retiree population data from the Department of Defense's (DOD's) Resource Analysis and Planning System. Finally, we interviewed VA officials concerning use of VA facilities by military retirees.

#### VA PROCEDURES FOR DEVELOPING SERVICE AREAS

To determine appropriate workloads for its hospitals, VA establishes service areas. For existing hospitals, VA bases the service areas on actual veteran usage of those hospitals. However, when establishing service areas for potential new hospitals where no usage data exist, planners make judgments about where veterans in certain counties will travel for health care.

According to VA central office and medical district 10 officials, VA had no written guidance for determining hospital service areas when planners established service areas for potential hospitals in Mobile and Okaloosa County. However, VA officials indicated that, for planning purposes, counties whose population centers are closer to the potential new hospital site than to an existing hospital are initially assumed to fall within the new hospital service area. Then, based on such factors as local knowledge of the highway systems and where veterans work and shop, planners make judgments about where veterans in certain counties will travel for care and adjust the service area by including or excluding certain counties. VA planners noted that it is impossible to say with certainty where veterans in a given county will actually travel for care.

With one minor exception (discussed on p. 9), VA planners used essentially the same procedures to establish the service areas for the potential hospitals in Okaloosa County and Mobile.

#### Establishing a Service Area for Okaloosa County

VA's study to locate a hospital in Okaloosa County stemmed from language accompanying Public Law 97-101, which directed VA to study the demand for VA health care services in Florida. VA's Final Report on Future Bed Need and Potential Sites for New VA Hospitals in Florida (June 1983) recommended that a new VA hospital be located in the Florida Panhandle. In September 1983, medical district 10 recommended that the Panhandle hospital be located in Okaloosa County and established a hospital

service area consisting of 18 counties in Florida, Georgia, and Alabama. VA's current veteran population projection for these counties is 106,800 for the year 2000. (VA is using 2000 as its target planning year for determining the appropriate sizes for its facilities.) See appendix I for a list of the counties (and their projected veteran populations) included by VA in the service area for a potential hospital located in Okaloosa County. A map in appendix III shows the county locations and major highways in the area.

All 18 counties included in the hospital service area are closer to Okaloosa County than to existing VA hospitals. However, five Alabama counties that are closer to Okaloosa County were excluded from the service area. The five counties ranged from 2 to 11 miles closer to Okaloosa and had a total projected veteran population of 24,530. Table 1 shows the comparative distances from these counties to the existing and proposed hospitals.

Table 1:

Comparative Distances to Proposed and Existing VA Hospital for Counties Excluded From Okaloosa County's Hospital Service Area

<u>County</u>	<u>Veteran population year 2000</u>	<u>Distance in miles from</u>		
		<u>Existing hospital</u>	<u>Okaloosa County</u>	<u>Difference</u>
Houston, AL	7,270	95	85	10
Coffee, AL	3,770	71	69	2
Conecuh, AL	840	77	66	11
Monroe, AL	1,600	85	83	2
Baldwin, AL	<u>11,050</u>	77	71	6
Total	<u>24,530</u>			

District planners told us that they excluded Houston, Coffee, Conecuh, and Monroe Counties from the Okaloosa County hospital service area because they have better road systems leading to the VA hospital in Montgomery, Alabama, than to Okaloosa County--basically four-lane versus two-lane highways. The planners told us that they excluded Baldwin County because (1) Baldwin County is part of Mobile's metropolitan statistical area (MSA) and they did not want to split the MSA, and (2) veterans from Baldwin County work and shop in Mobile and would go to the same VA hospital (in Biloxi, Mississippi) as veterans from Mobile.



Establishing a Service Area  
for Mobile

VA central office planners established a hospital service area for Mobile using essentially the same methodology as the district planners used for Okaloosa. After medical district 10's study recommended that the Florida Panhandle hospital be located in Okaloosa County, VA was asked to consider the feasibility of purchasing a private hospital in Mobile for use as a VA facility. Also, in response to questions from the staff of the House Committee on Veterans' Affairs, VA prepared a report, Potential Size and Impact of a Medical Center in Mobile, Alabama (May 1984). In this report, central office planners established a hospital service area for Mobile consisting of nine counties in Alabama and Florida. When establishing that service area, the planners relied on information provided by district planners and assumed that a VA hospital would be built in the Panhandle. VA's current veteran population projection for the year 2000 for these nine counties is 98,580. See appendix II for a list of the counties (and their projected veteran populations) included by VA in the hospital service area for Mobile.

Five counties that are closer to Mobile than to existing VA hospitals were excluded from the service area. The five counties excluded ranged from 12 to 33 miles closer to Mobile and had a total projected veteran population of 26,770. Table 2 shows the comparative distances from these counties to the existing and proposed hospitals.

Table 2:

Comparative Distances to Proposed and  
Existing VA Hospital for Counties Excluded  
From Mobile's Hospital Service Area

<u>County</u>	<u>Veteran population year 2000</u>	<u>Distance in miles from</u>		
		<u>Existing hospital</u>	<u>Mobile</u>	<u>Difference</u>
Greene, MS	490	59	47	12
George, MS	1,170	42	30	12
Wayne, MS	1,410	89	73	16
Choctaw, AL	1,240	118	92	26
Okaloosa, FL	<u>22,460</u>	127	94	33
Total	<u>26,770</u>			

A district planner told us that he excluded Greene, George, and Wayne Counties from Mobile's service area because they are in Mississippi and he believed that veterans from these counties might be more likely to seek services within the state. VA's

district planners stated that historically veterans are more likely to go to VA hospitals in their own state when distance is not a major factor. For example, based on actual veteran usage, VA includes two Mississippi counties in the service area for the VA hospital in Jackson, Mississippi, although they are closer to the VA hospital in Birmingham, Alabama. One county is 44 miles closer to Birmingham. VA data for 1984 showed that 16 patients from this county went to Birmingham, while 141 traveled to Jackson. For the other county, which is 9 miles closer to Birmingham, VA data showed that 1 patient went to Birmingham, while 60 traveled to Jackson.

A district planner told us that he excluded Choctaw County, Alabama, from Mobile's service area because veterans generally work and shop in the Selma and Montgomery areas and he believed that these veterans would continue to use the VA hospital in Montgomery.

The central office planners excluded Okaloosa County from Mobile's service area when they prepared VA's May 1984 report on the potential for establishing a VA hospital in Mobile. Although the report was based on the assumption that VA would build a separate facility to serve the Florida Panhandle, a planner told us that he was unaware of where in the Panhandle the new facility would be located. He said that wherever VA decided to locate the Panhandle hospital, veterans in Okaloosa County would be closer to that location than to the hospital in Mobile. (VA planners acknowledged that Okaloosa County would be included in the hospital service area for Mobile if no plans existed for building a new hospital in the Panhandle.)

In establishing a potential service area for the hospital in Mobile, VA central office planners included three counties (Escambia, Alabama; Escambia and Santa Rosa, Florida) that were also included in the potential service area for a hospital in the Panhandle. According to a planner, this was done to acknowledge that VA's potential purchase of the Providence Hospital in Mobile would affect the location and size of a potential VA hospital in the Panhandle. The planner told us that establishing a medical center in Mobile would require that the Panhandle hospital be located in the eastern sector of the Panhandle, farther from Mobile. Since he did not know specifically where the Panhandle hospital would be located, he was unable to strictly apply the distance criteria. If the location of the Panhandle hospital remained in Okaloosa County, these three counties might be more appropriately included in the service area for the Panhandle hospital because they are closer to Okaloosa than Mobile. However, veterans from Escambia County in Alabama, which is only 2 miles closer to Okaloosa than to Mobile, might seek care at Mobile because of state affiliation.

Central office planners included Conecuh County, Alabama (with a projected veteran population of 840), in Mobile's service area even though it is 7 miles closer to the VA hospital in Montgomery, Alabama. A district planner told us that a VA hospital in Mobile would attract veterans from Conecuh County only if the hospital were large enough to provide a broader range of services than are provided by small hospitals. He said that a VA hospital in Mobile would be large enough to provide a broader range of services if it would serve the Panhandle as well as southern Alabama. However, when establishing the service area for Mobile, central office planners assumed that a VA hospital would be established in the Panhandle. Consequently, including Conecuh County in Mobile's service area was inconsistent with this assumption.

DATA NOT AVAILABLE TO DETERMINE  
MILITARY RETIREES' IMPACT ON  
VA WORKLOAD PROJECTIONS

There are three DOD hospitals in the Florida Panhandle. These hospitals are located at the Pensacola Naval Air Station (Escambia County), Eglin Air Force Base (Okaloosa County), and Tyndall Air Force Base (Bay County).

DOD estimates the number of military retirees by hospital catchment areas (defined generally as a 40-mile radius around the military facility). For fiscal year 1984, DOD estimated that there were 10,914 military retirees residing in Pensacola's catchment area, 8,534 in Eglin's, and 4,393 in Tyndall's. All three military hospitals fall within the service area for the potential VA hospital in Okaloosa County. In 1984, the 23,841 military retirees accounted for 21.6 percent of the total veteran population in that service area.

As discussed on page 8, Mobile's hospital service area could include or exclude Okaloosa County depending on assumptions made regarding the building of a new hospital in the Panhandle. If VA were not to build a hospital in the Panhandle, Mobile's hospital service area would include 19,448 military retirees residing in Pensacola's and Eglin's catchment areas. In 1984, these retirees accounted for 15.3 percent of the total veteran population in Mobile's service area.

By comparison, military retirees accounted for only about 4.8 percent of the total estimated veteran population nationwide in 1984. Thus, the concentration of military retirees residing in these hospital service areas was about 3 to 4.5 times greater than the national average.

In its data collection efforts, VA does not differentiate between military retirees and other categories of veterans it serves. Therefore, data were not available to determine the

extent of military retirees' usage of VA facilities in areas served by both military and VA hospitals. In projecting the workloads for both Okaloosa County and Mobile, VA used national VA hospital usage rates. If military retirees' usage of VA hospitals in areas also served by military hospitals is less than the national veteran usage rate, then VA may have overstated its workloads for the potential hospitals in Okaloosa and Mobile. This is due to the higher concentration of military retirees in these hospital service areas as compared to the nation as a whole. However, because of the lack of information, we are unable to conclude whether VA should adjust its workload projections for the potential Gulf Coast area hospitals.

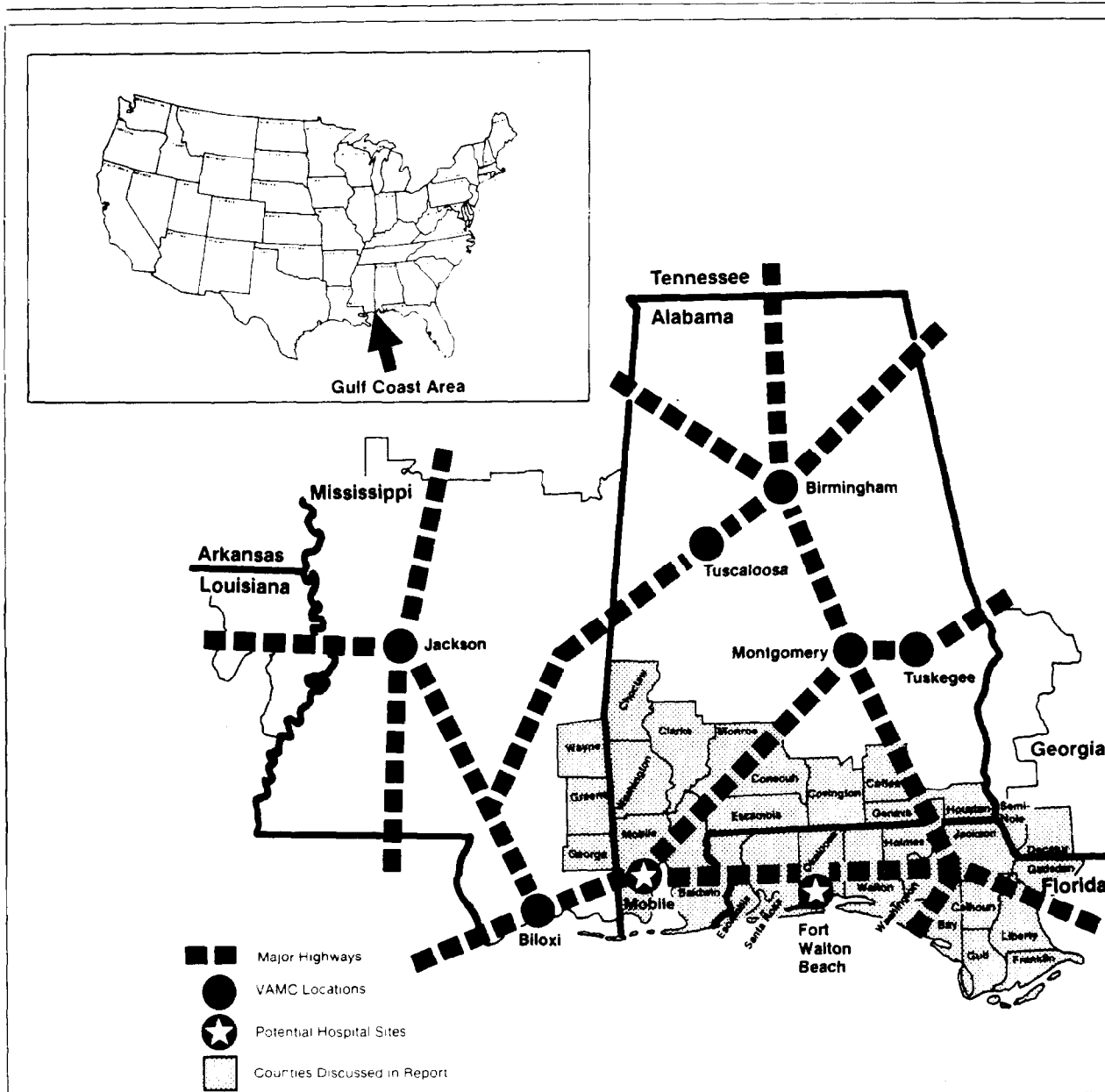
COUNTIES INCLUDED IN OKALOOSA COUNTY'S  
HOSPITAL SERVICE AREA BY  
VA MEDICAL DISTRICT 10 STUDY  
ON A HOSPITAL SITE FOR THE FLORIDA PANHANDLE

<u>County</u>	<u>Projected veteran population (year 2000)</u>
Covington, AL	3,340
Escambia, AL	2,570
Geneva, AL	1,760
Bay, FL	14,060
Calhoun, FL	600
Escambia, FL	35,070
Franklin, FL	880
Gadsden, FL	2,970
Gulf, FL	1,010
Holmes, FL	1,370
Jackson, FL	3,390
Liberty, FL	520
Okaloosa, FL	22,460
Santa Rosa, FL	8,820
Walton, FL	3,530
Washington, FL	1,720
Decatur, GA	2,090
Seminole, GA	640
	<hr/>
Total	106,800
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COUNTIES INCLUDED IN MOBILE'S HOSPITAL SERVICE AREA  
IN VA'S STUDY ON POTENTIAL SIZE AND  
IMPACT OF A MEDICAL CENTER IN MOBILE, ALABAMA

<u>County</u>	<u>Projected veteran population (year 2000)</u>
Baldwin, AL	11,050
Conecuh, AL	840
Clarke, AL	1,920
Escambia, AL	2,570
Mobile, AL	35,610
Monroe, AL	1,600
Washington, AL	1,100
Escambia, FL	35,070
Santa Rosa, FL	<u>8,820</u>
Total	<u><u>98,580</u></u>

COUNTY LOCATIONS AND MAJOR HIGHWAYS  
IN THE GULF COAST AREA



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