United States General Accounting Office

GAO

Report to Congressional Requesters

May 1998

VETERANS' HEALTH CARE

Chicago Efforts to Improve System Efficiency

GAO/HEHS-98-118

GAO

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

Health, Education, and
Human Services Division

B-274869

May 29, 1998

The Honorable Carol Moseley-Braun
United States Senate

The Honorable Luis V. Gutierrez
House of Representatives

The Honorable Lane Evans
House of Representatives

The Department of Veterans Affairs' (VA) health care system is one of the nation's largest direct health care delivery systems. VA operates 173 hospitals, over 400 outpatient clinics, 133 nursing homes, and 40 domiciliaries organized into 22 service networks, covering specific geographic areas that reflect patient referral patterns and the availability of medical services. Facility integrations are part of VA's nationwide strategy to restructure its health care delivery system to improve the access to and the quality and efficiency of care provided to U.S. veterans. These integrations reflect, in large part, changes that have been under way in the private sector. Profound changes in health care brought about, in part, by technological advances and the rise of managed health care, among other things, have caused a dramatic shift away from inpatient care and a corresponding move to outpatient care. Toward this end, VA has been increasing the number of ambulatory care access points, emphasizing primary care, decentralizing decision-making, and integrating facilities.

In June 1996, the Secretary of Veterans Affairs announced the integration of two Chicago hospitals—Lakeside and West Side hospitals—under one director; these hospitals became the VA Chicago Health Care System (VACHCS) within the Great Lakes network. The Great Lakes network includes portions of Illinois, Indiana, Wisconsin, and Michigan and operates 8 hospitals and 12 outpatient clinics.

Lakeside and West Side are tertiary care hospitals, providing acute inpatient medical, surgical, and psychiatric care, and are located about 6 miles apart in downtown Chicago. VACHCS spent over $212 million, employed 2,257 staff, and served over 41,000 veterans in fiscal year 1997. Both hospitals are affiliated with medical schools, Lakeside with Northwestern University and West Side with the University of Illinois at Chicago.

The VACHCS integration began at a time when VA was experiencing dramatic decreases in its staffing levels nationwide. Since fiscal year 1996, VA has reduced staffing by about 19,500. During this period, the Great Lakes network reduced staff by over 2,000, and VACHCS reduced staffing by 573. VACHCS staffing reductions are similar to the cuts nationwide and at the other hospitals within the Great Lakes network that were not undergoing integrations.

You asked what impacts the VACHCS integration has had on veterans, employees, and medical schools in the Chicago area. As a result of discussions with your offices, we agreed to describe (1) VACHCS's integration process; (2) the integration decisions made; (3) the impacts on veterans, employees, and medical schools; and (4) dollar savings for these decisions. In addition to this report, we have issued two other reports[1] related to VA medical facility integrations. We reported that VA could serve all veterans in the Chicago area in three hospitals instead of four and also reported that VA facility integration processes can be improved by adopting comprehensive planning and completing planning before implementation begins.

To identify integration impacts, we reviewed all documents of the Integration Coordinating Committee and working groups involved in the integration process. In addition, we interviewed chiefs of services or chairpersons of the work groups to obtain the implementation status of each integration recommendation and its potential impact on veterans, employees, medical schools, and dollar savings.

We performed our review between November 1997 through April 1998 in accordance with generally accepted government auditing standards.

Results in Brief

VACHCS' integration process, which began in 1996, included 28 work groups that studied administrative, patient support, and direct care services and made recommendations to an Integration Coordinating Committee (ICC). The ICC reviewed, reworked, and modified work group recommendations. Work group recommendations approved by the ICC were sent to the VACHCS director for review, approval, and implementation. Recommendations involving changes to clinical services were also reviewed and approved by the Great Lakes network director and the Veterans Health Administration (VHA) Under Secretary for Health. VACHCS involved stakeholders, such as

[1]VA Health Care: Closing a Chicago Hospital Would Save Millions and Enhance Access to Services (GAO/HEHS-98-64, Apr. 16, 1998) and VA Health Care: Lessons Learned From Medical Facility Integrations (GAO/T-HEHS-97-184, July 24, 1997).

Members of Congress, medical school and veterans' organization representatives, and labor unions and community groups, in its integration process, including them in work groups or on committees.

The VACHCS integration (1) unified the management of 16 services; (2) reengineered 23 services by standardizing operating policies, practices, and databases or by establishing more efficient practices; and (3) consolidated parts of 8 services in a single location. Also, a new joint (medical school) deans' committee has been established to make future integration recommendations to the VACHCS director concerning 12 services, including medicine, surgery, and psychiatry—the largest, most significant, and most difficult services to integrate.

The integration appears to have had a small but positive impact on veterans, employees, and medical schools. The direct-care services, such as medicine, surgery, and psychiatry, continue to be provided at both Lakeside and West Side. VACHCS officials report that they have maintained the level of service to veterans and, in some instances, even improved access and quality while minimizing the hardship on VA employees by not dismissing any current employees. Instead, unstaffed positions were eliminated. Medical school affiliations remain largely unchanged, and medical education continues to be provided at both hospitals, using the same management structure and operating practices. In addition, the VACHCS integration saved about $7 million. VACHCS saved about $4 million by eliminating 80 positions, of which 74 were vacant, and approximately $2 million by avoiding the purchase of duplicate equipment and related construction. Other savings resulted from decisions such as standardizing drug formularies.

VA Chicago Health Care System's Integration Process

The Great Lakes network director established the VACHCS integration process. This separate and temporary process involved an ICC, a Stakeholders Advisory Group (SAG), and service-specific work groups. (See app. I for an illustration of VACHCS' integration process.) The network director, the VACHCS director, service chiefs, and stakeholders determined the membership of the committees and the groups participating in the VACHCS integration process.

The Chief of Staff, VA New Jersey Health Care System, chaired the ICC, which consisted of 15 members. The other 14 members included representatives from the Great Lakes network, unions, VACHCS employees, Chicago medical schools, and the veterans service organizations (see app.

II for a list of ICC members). The ICC held its first meeting in October 1996 and established service-specific work groups to review services and propose recommendations for integration. Between October 1996 and October 1997, the ICC held nine meetings to review, rework, and modify work group recommendations. Work group recommendations approved by the ICC were forwarded to the VACHCS director for review, approval, and implementation. Any integration recommendations having an impact on network initiatives were reviewed and approved by the network director. The VHA Under Secretary for Health reviewed and approved integration recommendations affecting clinical services and programs.

The service-specific work groups had responsibility for conducting analyses and proposing integration recommendations to the ICC. Work group participants included VACHCS staff, representatives of affiliated medical schools, unions, community groups, and veterans' representatives.

The service-specific work groups fell into three categories: administrative, direct patient care, and patient support. Five work groups reviewed administrative services, such as engineering, information resource management, and medical administration services. Fourteen work groups reviewed direct patient care services, such as medical, surgical, psychiatric, and dental. The remaining nine work groups analyzed patient support services, such as chaplain, nutrition and food, and pathology and laboratory services. (App. III contains a list of the services, by category.)

The Stakeholders Advisory Group provided input and advice to the ICC regarding work group activities and proposed integration recommendations. The SAG consisted of 17 members, including representatives of elected officials, affiliated medical schools, community groups, labor unions, and veterans service organizations (see app. IV for a list of members). It met seven times over a 12-month period.

In addition, the ICC, the SAG, the network director, and the VACHCS director determined that voluntary, recreational therapy, and payroll services did not require work groups. The VACHCS director made integration decisions for these three services.

Integration Decisions

The VACHCS integration process produced a total of 200 integration recommendations. Forty-six recommendations maintain the status quo or will not be implemented; therefore, no changes occurred within the services as a result of those recommendations. Thirty-eight

recommendations have been deferred to the VACHCS director or the deans' committee for further consideration. The remaining 116 integration recommendations are in various stages of implementation, with 90 percent either having been or in the process of being implemented, as table 1 shows.

Table 1: Status of Integration Decision Implementation, by Service Category

Service category	Implementation complete	Implementation in process	Implementation not started	Total
Administrative	19	8	3	30
Direct care	12	21	2	35
Patient support	28	17	6	51
Total	**59**	**46**	**11**	**116**

Source: Service chiefs provided this information between November 1997 and March 1998.

Most integration decisions will reengineer services, while the least number of decisions will consolidate services, as table 2 shows.

Table 2: Number of Integration Decisions, by Service Category and Decision Type

Service category	Unified management	Reengineered services	Consolidations	Total
Administrative	5	22	3	30
Direct care	4	27	4	35
Patient support	7	41	3	51
Total	**16**	**90**	**10**	**116**

Source: Service chiefs provided this information between November 1997 and March 1998.

When unifying management, VACHCS eliminated a chief of service position at one of the two hospitals. For example, before the integration, a service, such as medical administration, had two chiefs of service—one at each hospital. By unifying management, one chief assumed responsibility for the service at both hospitals, and the chief's position at one hospital was eliminated.

Reengineering may involve either standardizing VACHCS policies, procedures, and databases within a service for both hospitals or establishing more effective or efficient approaches for conducting business. Before the integration, each service at each hospital had its own policies and procedures. Several chiefs of service told us they adopted the best policy or procedure from one hospital and created a standard to be

used at both hospitals. For example, the nursing service standardized the professional standards boards for registered and licensed practical nurses at both hospitals. The medical administration service created a more efficient approach to its transcription activity by negotiating one transcription contract, which resulted in enhanced productivity and consistency for discharge summaries and other patient-related reports.

Consolidation may involve moving an entire service, or some part of a service, to a single location. VACHCS decisions consolidated parts of a service, not an entire service. For example, the VACHCS director consolidated payroll, within the fiscal service, by transferring five employees from West Side Hospital to Lakeside Hospital. In addition, specific testing is now done at one hospital within the pathology and laboratory service.

Although the VACHCS ICC has completed its work, future integration recommendations for 12 services have been deferred to the newly created joint deans' committee. (See app. V for a list of these services.) Integration recommendations to unify management and to reengineer and consolidate the largest services, such as medicine, surgery, and psychiatry, could be the most significant and most difficult to accomplish.

Impacts of Integration

The VACHCS integration decisions affected veterans, employees, and medical schools. Most of the integration decisions affected the administrative and patient support services. Integration decisions affecting the direct patient care services, such as medicine, surgery, and psychiatry, have been deferred. These services continue to be provided at both hospitals.

Impact on Veterans

VACHCS integration appears to have had a small but positive impact on veterans. Veterans continue to obtain medical, surgical, and psychiatric services at the same hospitals as they have in the past. VACHCS officials reported that the level of service to veterans is being maintained while some changes enhance access and quality of care. For example, the pharmacy service reported reducing patient prescription waiting time from 90 minutes to 20 minutes by expanding its hours of operation and using new technology to fill prescriptions. Also, VACHCS officials stated that veterans' access to the social work service improved by transferring some administrative activities to the medical administration service, thus giving social workers more time to spend with patients. In addition, a greater

percentage of nurses are spending more time with patients, thus enhancing the quality of care, according to VACHCS officials.

Three VACHCS consolidation decisions affected veterans. As a result, the number of veterans who may be inconvenienced by traveling to either Lakeside Hospital or West Side Hospital for such care is small, as shown in table 3.

Table 3: Annual Number of Veterans Treated Who May Be Inconvenienced

Consolidation decisions	Number of veterans
Nuclear medicine: bone density studies and in vitro assays	25
Nuclear medicine: myocardial perfusion imaging	430
Prosthetics: amputee clinic	2
Total	**457**

Source: Service chiefs provided this information between November 1997 and March 1998.

Although there were seven other consolidation decisions, they will not affect where veterans receive their care. For example, consolidation of flow cytometry within the pathology and laboratory service at Lakeside will not affect veterans because only the blood sample is sent to Lakeside for analysis. The veteran can have blood drawn at West Side, if that is more convenient, and the sample will be sent to the laboratory at Lakeside.

Impact on VA Employees

The VACHCS integration affected employees in three ways. First, it eliminated 80 positions; however, only 6 positions were staffed at the time of their elimination. The remaining 74 positions were unstaffed, as table 4 shows.

Table 4: Number of Positions Eliminated by the Integration

	Number of positions eliminated		
Service category	**Unstaffed**	**Staffed**	**Total**
Administrative	26	1	27
Direct care	7	1	8
Patient support	41	4	45
Total	**74**	**6**	**80**

Source: Service chiefs provided this information between November 1997 and March 1998.

In anticipation of the integration of the Lakeside and West Side hospitals, vacancies created by attrition were left unstaffed with the expectation that a smaller number of employees would be required, according to the VACHCS director. By eliminating unstaffed positions, VACHCS minimized the hardship on currently employed staff.

Second, employees from one hospital were transferred to the other hospital. VACHCS officials reported transferring about 29 employees. For example, 5 employees performing payroll functions were transferred from West Side to Lakeside, and 10 employees performing medical care cost recovery functions were transferred from Lakeside to West Side.

Third, employees will travel intermittently to each hospital to perform work. For example, 14 single chiefs of service told us they will shuttle the 6 miles between the Lakeside and West Side hospitals to perform their duties.

Impact on Medical Schools

VACHCS integration appears to have had a positive impact on the affiliated medical schools. Clinical services, such as medicine, surgery, and psychiatry remain unchanged. These services and medical education continue to be provided at both hospitals using the same management structure and operating procedures. However, educational opportunities for residents and research opportunities for staff have been enhanced in limited instances by integrating the two hospitals, according to VACHCS officials. For example, the goal of the new joint deans' committee is to offer privileges to residents at both hospitals. This will provide affiliates with greater diversity in their education and research programs.

Integration Savings

VACHCS officials estimated that integration decisions will result in savings of several million dollars, although it is not possible to estimate the full magnitude of savings at this time. This is because most savings involved reengineering decisions. These savings, by their nature, are difficult to estimate in terms of the extent of efficiencies that will be realized.

Measurable Savings

At present, VACHCS officials estimate that a savings of at least $4.9 million annually and about $2.25 million in one-time savings can be attributed to the integration. Most of the recurring savings generated came from decisions to reengineer patient support services, as table 5 shows.

Table 5: Estimates of Recurring Savings, by Service Category and Decision Type

Service category	Unified management	Reengineered services	Consolidations	Total
Administrative	$228,990	$857,940	0	$1,086,930
Direct care	193,086	831,654	$2,000	1,026,740
Patient support	446,534	2,357,669	0	2,804,203
Total	**$868,610**	**$4,047,263**	**$2,000**	**$4,917,873**

Source: Service chiefs provided this information between November 1997 and March 1998.

Given that hospitals are service providers and are labor intensive, most recurring savings generated came from eliminating personnel positions. Of the estimated $4.9 million, about $3.7 million of the savings are attributed to eliminating 74 unstaffed positions and 6 staffed positions. Other savings resulted from decisions such as standardizing drug formularies and reducing the need for contracting by performing activities in-house.

The VACHCS integration generated one-time savings of about $2.25 million. For example, the network director approved replacement of only one angiography suite for VACHCS, resulting in a one-time cost avoidance of $1.25 million. In addition, VACHCS officials said that by replacing only one of two cameras in the nuclear medicine service, VACHCS avoided spending $500,000. Furthermore, it refrained from spending another $500,000 by sharing one computer system and thus eliminating the need to upgrade a second system.

Other Potential Savings

VACHCS officials reported that the integration will likely lead to additional savings but that the annual savings were not measurable at this time. For example, the Lakeside and West Side hospitals will be jointly purchasing supplies and equipment. VACHCS officials believe that this joint purchasing will result in lower costs, but they were unable to estimate the amount of the savings. Overall, the officials who reported nonmeasurable savings also indicated that the amounts would be insignificant compared with the measurable savings.

Agency Comments

We provided copies of a draft of this report for review and comment to VA, the University of Illinois College of Medicine, and Northwestern University Medical School, and we received comments from each of them. These comments are summarized in the following sections. The comments in their entirety are in appendixes VI, VII, and VIII, respectively.

Department of Veterans Affairs

The VHA Under Secretary for Health reviewed the report and acknowledged that it will be of interest to the Great Lakes network in its future planning as well as to other networks contemplating integrations of their facilities. In this regard, he noted that the report will be provided for consideration in the planned contractor study of health care delivery in the Great Lakes network. This study is being done in response to our recent report, VA Health Care: Closing a Chicago Hospital Would Save Millions and Enhance Access to Services (GAO/HEHS-98-64, Apr. 16, 1998).

University of Illinois College of Medicine

The Dean of the University of Illinois College of Medicine commented that our report accurately reflects the recent VACHCS integration process and decisions to date. He emphasized that future integration recommendations are being evaluated by the deans' committee, which is expected to assist VACHCS in realizing further operational efficiencies, preserving high-quality care for U.S. veterans, and maintaining the educational and research environment afforded by the VA health care system. He noted that the goal of the new deans' committee is to offer privileges to residents at both hospitals, thus providing affiliates with greater diversity in their education and research programs. Finally, he stated that the deans' committee should be given sufficient time to complete its work and have its performance evaluated before future changes are considered. He noted that integration recommendations to unify management of, reengineer, and consolidate the largest services, such as medicine, surgery, and psychiatry, could be the most significant and most difficult to accomplish. These areas have yet to be considered by the deans' committee.

Northwestern University Medical School

The Dean of Northwestern University Medical School commented that the report accurately describes the VACHCS structure and integration process. He stated that the integration structure and process allowed veterans, employees, health care providers, and affiliated institutions an effective voice in the deliberations. Collaboration between the leadership of the affiliated medical schools and the management of each facility has produced a more efficient health care delivery system for veterans without sacrificing quality, he said. He provided assurance that as the joint deans' committee considers and implements integration decisions on the remaining major services, the issues of access and quality of care for veterans will be at the forefront of its deliberations.

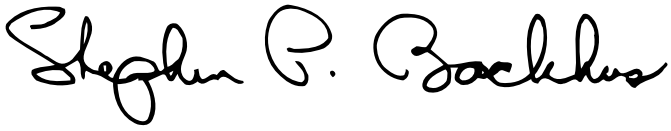
The Dean highlighted a positive impact of the integration that received brief mention in the report. While the integration's predominant goal of

achieving cost savings has been and will continue to be realized, the integration process has created a level of cooperation between all involved institutions that is expected to provide benefits to veterans' health care in Chicago for years to come. In addition, the integration process is building new relationships between the two medical schools that could lead to future collaboration on many levels. Though nearly impossible to quantify, these ancillary benefits are important, he said.

Finally, the Dean commented that with respect to efficiencies and cost savings, additional savings are expected to be realized as decisions about major services are made. He stated that a thorough analysis of the integration process and its benefits cannot be done until all integration decisions have been implemented and the integrated facilities have had sufficient time to absorb the changes and produce results.

As agreed with your offices, copies of this report are being sent to the Secretary of Veterans Affairs, interested congressional committees, and other interested parties. Copies will be made available to others upon request.

Please contact me on (202) 512-7101 if you have any questions about this report. Other GAO contacts and staff acknowledgments for this report are listed in appendix IX.



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

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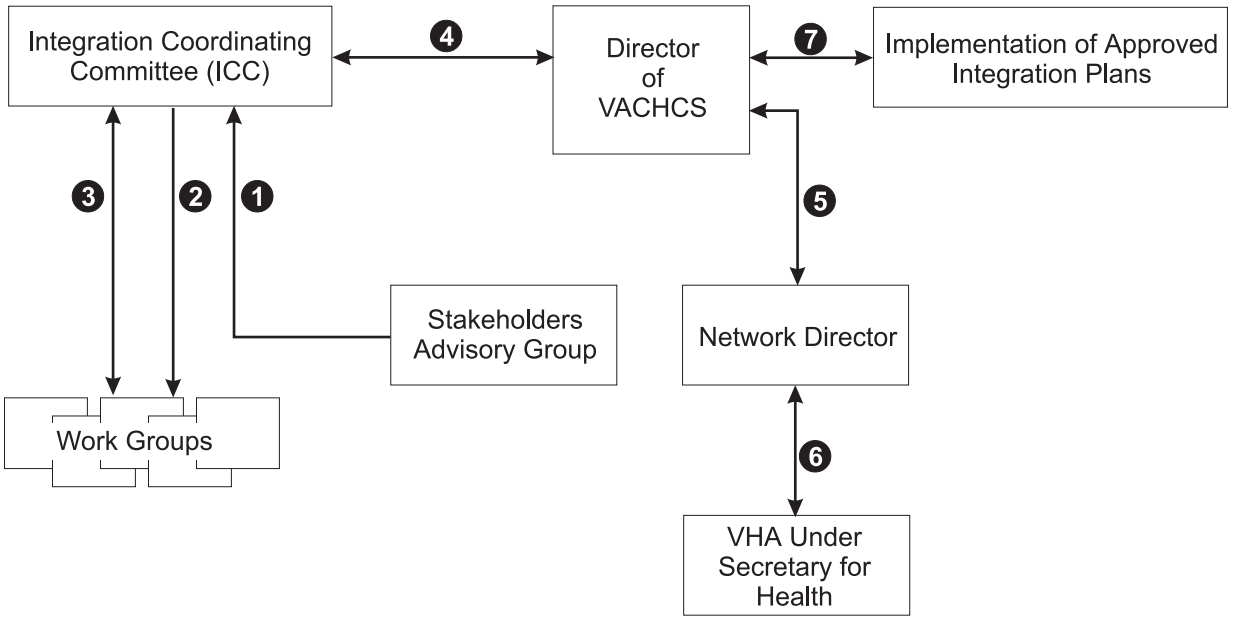
Abbreviations

ICC	Integration Coordinating Committee
SAG	Stakeholders Advisory Group
VA	Department of Veterans Affairs
VACHCS	VA Chicago Health Care System
VHA	Veterans Health Administration

VA Chicago Health Care System Integration Process



1. Provides input and advice regarding work group activities and proposed integration recommendations.
2. Charges are given to work groups.
3. Work groups make recommendations to ICC on different aspects of the integration. ICC reviews work group recommendations and returns for further work if needed.
4. Director receives recommendations for review, approval, and implementation. Director may return recommendations for more review.
5. Network director reviews and approves recommendations that affect network initiatives or changes in clinical services offered at each facility.
6. VHA Under Secretary of Health reviews and approves recommendations that affect clinical services and programs.
7. Approved recommendations are implemented.

Source: Great Lakes network director.

Members of the Integration Coordinating Committee

Chairman:

Chief of Staff, VA New Jersey Health Care System

Members:

Dean, Northwestern University Medical School
Dean, Chicago Medical School
Dean, University of Illinois at Chicago College of Medicine
Dean, Loyola University of Chicago Stritch School of Medicine
President, Local 73, Service Employees International Union
Director, Advisory Council on Veterans Affairs, City of Chicago
Chief, Nursing Service, VACHCS, Lakeside division
Chief, Medical Administration, VACHCS, West Side division
Department Service Officer, Veterans of Foreign Wars
Chief, Medical Service, VACHCS, Lakeside division
Chief, Medical Service, VACHCS, West Side division
Chief, Engineering Service, VACHCS, Lakeside division
Nursing Education, Illinois Nurses Association Representative, VACHCS, West Side division
Clinical Services Manager, Great Lakes network

Services Identified as Administrative, Direct Patient Care, and Patient Support

Category	Services
Administrative	Engineering
	Environmental management
	Information resource management
	Medical administration
	Police and security
Direct patient care	Ambulatory care
	Anesthesiology
	Audiology and speech pathology
	Dental
	Diagnostic radiology
	Home-based primary care program
	Medicine
	Neurology
	Nuclear medicine
	Nursing
	Psychiatry
	Psychology
	Surgery
	Therapeutic radiology
Patient support	Chaplain
	Education
	Library
	Nutrition and food
	Pathology and laboratory
	Pharmacy
	Prosthetics
	Research
	Social work

Notes: Payroll (administrative), recreational therapy (direct care), and voluntary (patient support) services did not have work groups.

The physical medicine and rehabilitation service (direct care) work group did not provide a report by October 1, 1997.

Members of the Stakeholders Advisory Group

Chairman:

Assistant Director, Illinois Department of Veterans Affairs

Members:

Office of Senator Richard J. Durbin
Office of Senator Carol Moseley-Braun
Office of Congressman Stephen E. Buyer
Office of Congressman Danny K. Davis
Office of Congressman Lane Evans
Office of Congressman Luis V. Gutierrez
Office of Congressman Peter J. Visclosky
President, Strategic Planning Analysts, Inc.
Executive Director, Vaughan Chapter Paralyzed Veterans of America
Chairman, Minority Veterans Steering Committee, Montford Point Marine Association
Associate Dean for Administration and Planning, Northwestern University Medical School
Director of Services, Disabled American Veterans
Senior Associate Dean, College of Medicine, University of Illinois at Chicago
National Service Officer, Paralyzed Veterans of America
Illinois Medical District Commission
Vice President for Planning, Northwestern Memorial Hospital

Services Deferred to Joint Deans' Committee

Category	Services
Direct patient care	Ambulatory care
	Anesthesiology
	Diagnostic radiology
	Medicine
	Neurology
	Nuclear medicine
	Physical medicine and rehabilitation[a]
	Psychiatry
	Surgery
Patient support	Education
	Pathology and laboratory
	Research

[a]This service was deferred to the joint deans' committee after the ICC completed its work.

Comments From the Department of Veterans Affairs

DEPARTMENT OF VETERANS AFFAIRS
Veterans Health Administration
Washington DC 20420

APR 29

In Reply Refer To:

Mr. Stephen P. Backhus, Director
Veterans' Affairs and Military Health Care Issues
Health, Education, and Human Services Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Backhus:

The appropriate offices in the Veterans Health Administration reviewed this report. GAO's acknowledgement that the Lakeside/West Side integration has had a positive impact on veterans, employees and the medical schools, and GAO's supporting documentation will be of interest to VISN 12 in its future planning. The report will also be provided for consideration in the planned contractor study of health care delivery in VISN 12 which is being done in response to GAO's recent report, *VA HEALTH CARE: Closing One of Four Chicago Hospitals Would Save Millions While Improving Access to Services* (GAO/HEHS-98-64). Finally, it also provides useful information to other VISNs contemplating integrations or consolidations of their facilities, and we will disseminate it appropriately.

Thank you for the opportunity to review the draft report. If you have any questions, please contact Paul C. Gibert, Jr., Director, Management Review and Administration Service (105E), Office of Policy and Planning, at 202.273.8355.

Sincerely,

Kenneth W. Kizer, M.D., M.P.H.
Under Secretary for Health

Comments From the University of Illinois College of Medicine

UNIVERSITY OF ILLINOIS
AT CHICAGO

College of Medicine
Office of the Dean (MC 784)
1819 West Polk Street, Room 130
Chicago, Illinois 60612-7332

April 27, 1998

Stephen P. Backhus, Director
Veterans' Affairs and Military Health Care Issues
United States General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Backhus:

Thank you for providing me with a draft copy of the proposed report entitled "Veteran's Health Care: Chicago Efforts to Improve System Efficiency." I am pleased to offer the following comments.

This draft report accurately reflects the recent VA Chicago Health Care System (VACHCS) integration process and decisions to date. It is important to note that with the assistance of our Congressional delegation and officials from the Department of Veterans Affairs a process was put in place nearly two years ago to guide the integration and consolidation of clinical and administrative services for the newly created VA Chicago Health Care System (Chicago VA), which includes Westside and Lakeside VA Medical Centers. As the draft report states, the Integration Coordinating Committee (ICC) was established as the principal forum for making recommendations to the VHA for Chicago VA, and last fall the VHA accepted the recommendations of the ICC, which resulted in the integration of clinical and administrative services and produced real cost savings.

I want to emphasize that while the ICC has completed its work, future integration recommendations are being evaluated by the newly created joint Deans' Committee, as the draft report notes. Let me state in this regard that I continue to work closely with my colleague, Dr. Harvey Colten, Dean of the Northwestern University School of Medicine, and we believe this Committee will assist Chicago VA to realize further operational efficiencies, preserve high quality care for our veterans and maintain the outstanding educational and research environment afforded by the VHA system. I was encouraged by the draft report finding that the integration to date has had a positive impact on veterans.

Additionally, the draft report notes that, "educational opportunities for residents and research opportunities for staff have been enhanced in limited instances by integrating the two hospitals, according to VACHCS officials. For example, the goal of the new joint Deans' Committee is to offer privileges to residents at both hospitals which will provide affiliates with greater diversity in their education and research programs." This is particularly significant and important. As I have noted in the past, the University of Illinois and Northwestern University were the first two universities to establish a direct formal relationship with the VA health care system more than a half-century ago. While we have affiliations with other hospitals, none is as qualitatively integral to the educational programs of either institution as the VA hospital affiliations.

Chicago Peoria **UIC** Rockford Urbana-Champaign

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Finally, the GAO recently released a report entitled "VA Health Care: Closing One of Four Chicago Hospitals Would Save Millions While Improving Access to Services." As I have recommended previously, I sincerely hope policy-makers will not view the closure report in isolation, but within the context of this report as well. Furthermore, the integration process to date has produced many positive results and the joint Deans' Committee should be given sufficient time to complete its work and its performance evaluated before further changes are considered. As noted in your draft report, integration recommendations to unify management, reengineer and consolidate the largest services, such as medicine, surgery and psychiatry, could be the most significant and most difficult to accomplish, and these areas have yet to be considered by the joint Deans' Committee.

Thank you again for providing me with a draft copy of the GAO report and for the opportunity to comment.

Sincerely,

Gerald S. Moss, M.D.
Dean
University of Illinois College of Medicine

cc: Senator Carol Moseley-Braun

Representative Lane Evans

Representative Luis Gutierrez

Harvey R. Colten, M.D., Dean
Northwestern University Medical School

Comments From Northwestern University Medical School

Northwestern University Medical School

Harvey R. Colten, MD
Dean
Vice President for Medical Affairs

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April 27, 1998

VIA FAX TRANSMITTAL

Mr. Stephen P. Backhus
Director
Veterans' Affairs and Military
Health Care Issues
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Backhus:

Thank you for the opportunity to comment on the draft of your report, VETERANS HEALTH CARE: Chicago Efforts to Improve System Efficiency (the "Report").

Because the integration of Lakeside and West Side hospitals is an ongoing process, any report on the integration at this time will be less than complete. A thorough analysis of the integration process and its benefits cannot be done until all integration decisions have been implemented and the integrated facilities have had sufficient time to absorb the changes and produce results. Nevertheless, I offer my brief comments on the report and the integration process.

I cannot comment in detail on the Report's estimates of savings from the integration of Lakeside and West Side facilities. From personal observation, it appears that substantial savings were achieved through the elimination of positions and the consolidation of administrative activities and some services. Mr. Joseph Moore, Director of the Chicago Veterans Health Care System, and Dr. Joan Cummings, Director of Veterans Integrated Service Network 12 can provide detailed analysis and comment on the fiscal impact of the changes made. I do note, however, that with respect to efficiencies and cost savings, as the Report recognizes, additional savings are expected be realized as decisions on major services, such as medicine, surgery, and psychiatry, are made.

I was an active participant as a member of the Integration Coordinating Committee, and would like to comment on that process.

The Report accurately describes the structure and process of the ICC. The process that Director Moore designed and implemented has allowed veterans, employees, health care providers, and affiliated institutions an effective voice in the deliberations that led to the integration of Lakeside and West Side. Discussions on the integration of the Lakeside and West Side facilities could easily have degenerated into efforts by administrators and key Medical School affiliates to preserve as much of the status quo as possible at each site. Instead, as the Report confirms, collaboration between the leadership of the affiliated medical schools and the management of

each facility has produced a more efficient health care delivery system for veterans without sacrificing quality. In fact, as noted in the Report, in certain instances veterans have better access and higher quality care as a result of integration decisions. I can assure you that as the joint Deans' committee considers and implements integration decisions on remaining major services, the issues of access and quality of care for veterans will be at the forefront of our deliberations.

It is also important to note the role of the Illinois congressional delegation in moving the VA, Lakeside, and West Side hospitals, the two medical schools, and the other stakeholders towards a successful integration. Northwestern is grateful for their leadership, and appreciative of their continued interest in ensuring that the integrated institutions be allowed an opportunity to exhibit the cost-savings and efficiencies expected to be realized over time as a result of this integration process.

Finally, I wish to highlight a positive impact of the integration that received brief mention in the Report. While the integration's predominate goal of cost savings has been, and will continue to be realized, the integration process has created a level of cooperation between all involved institutions that will continue to provide benefits to veterans health care in Chicago for years to come. For example, the standardization of policies and procedures, determined by sharing policies and procedures and then choosing the best model from one hospital as a standard, should lead to longer term benefits in efficiency as well as patient care. In addition, the integration process is building new relationships between the two medical schools that could lead to future collaborations on many levels. Though nearly impossible to quantify, these ancillary benefits are important and deserve mention.

Permit me one further comment on the draft report. The integration process was data driven. An extraordinary amount of information was collected or created, analyzed, reported, and used in decision- making. Since this and much more was available as a byproduct of the integration process, I am struck by the limited data presented in the Report. A profile of the two institutions, in such terms as veterans served, where they come from, procedures performed, patient/physician ratios, residents by type, and physician workforce (with and without compensation), would provide useful context for Members of Congress and other potential audiences.

Thank you again for the opportunity to comment.

Sincerely,

Harvey R. Colten, M. D.

JCM/HRC:adr

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In addition to those named above, Lesia Mandzia and John Borrelli collected and analyzed information about the status and impacts of the integration recommendations. Joan Vogel provided technical support.

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