

TRANSFORMATION CASE STUDIES: The Veterans Healthcare System

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The U.S. Veterans Healthcare System

- Ø Established in 1946; grew rapidly
- Ø An anomaly in U.S. healthcare in that it is a centrally administered, integrated system of care that is both paid for and provided by the federal government
- Ø The largest integrated healthcare system in the U.S. today
- Ø Praised 1950's/60's; ridiculed 1980's/90's
- Ø Between 1995 and 1999, the system underwent the greatest re-engineering to occur since it was founded

BEST U.S. HOSPITAL SYSTEM (P.50) | PARKER ON WINE FUTURES (P.78)

The McGraw-Hill Companies

BusinessWeek

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Health Hospitals

The Best Medical Care In the U.S.

How Veterans Affairs transformed itself—and what it means for the rest of us

BY CATHERINE ARNST

RAYMOND B. ROEMER, 83, has earned his membership in “the greatest generation.” A flight engineer during World War II, his

is a hellish health-care world, understaffed, underfunded, and uncaring. They couldn’t be more wrong. According to the nation’s hospital-accreditation panel, the VA outpaces every other hospital in the Buffalo region. “The care here is



The U.S. Veterans Healthcare System

Ø A highly complex system

- ü Medical care
- ü Health professional training
- ü Research
- ü National emergency contingency support
- ü Homelessness
- ü Insurer
- ü National retail business
- ü Largest laundry service in the world
- ü Historic buildings

VA Healthcare – Problems (1994)

- Ø Fragmented and disjointed care - hospital-focused, specialist-based, episodic treatment of illness
- Ø Facilities not working together as a system - independent, competing medical centers
- Ø Marked inter-facility variation in care and services
- Ø Irregular and unpredictable quality of care
- Ø Centralized and hierarchical but unaccountable management; reams of policies and procedures
- Ø Extreme micro-management from the “Central Office”
- Ø Frequently changing leadership

VA Healthcare – Problems (1994)

- Ø Care difficult to access; excessive waiting times
- Ø Capital investment decisions highly political and poorly correlated with need
- Ø Unable to strategically manage capital assets
- Ø Organization inwardly focused and out of synch with larger healthcare environment
- Ø Continually changing governing board with widely disparate views of the VA's mission and a long-term planning lens of 12-18 months
- Ø Patients dissatisfied; staff demoralized

RE-ENGINEERING
VA
HEALTH CARE

VA Transformation

The Vision

The Veterans Health Administration will provide a seamless continuum of consistent and predictable high quality, patient-centered care that is of superior value.

Strategic Objectives

1. Create an accountable management structure and management control system
2. Integrate and coordinate care
3. Improve and standardize quality of care
4. Modernize information management
5. Align finances with desired outcomes

Priority Outcomes Sought

1. The system would be able to demonstrate good healthcare value that was equal or better than the private sector
2. Superior quality would be predictable and consistent throughout the system
3. Decision making would be at the lowest appropriate level in the organization
4. The change strategies would be mutually reinforcing and promote rapid organizational learning (adaptation)

What is Healthcare Value?

- ∅ V = Value
- ∅ C = Cost/price
- ∅ A = Accessibility
- ∅ TQ = Technical quality
- ∅ FS = Functional status
- ∅ SS = Service satisfaction

$$V = \frac{A+TQ + FS + SS}{C}$$

Create an Accountable Management Structure and Management Control System

Accountable Management Structure

1. Establishment of VISNs
2. Performance contracts
3. Decentralized decision-making
4. Consistent messaging

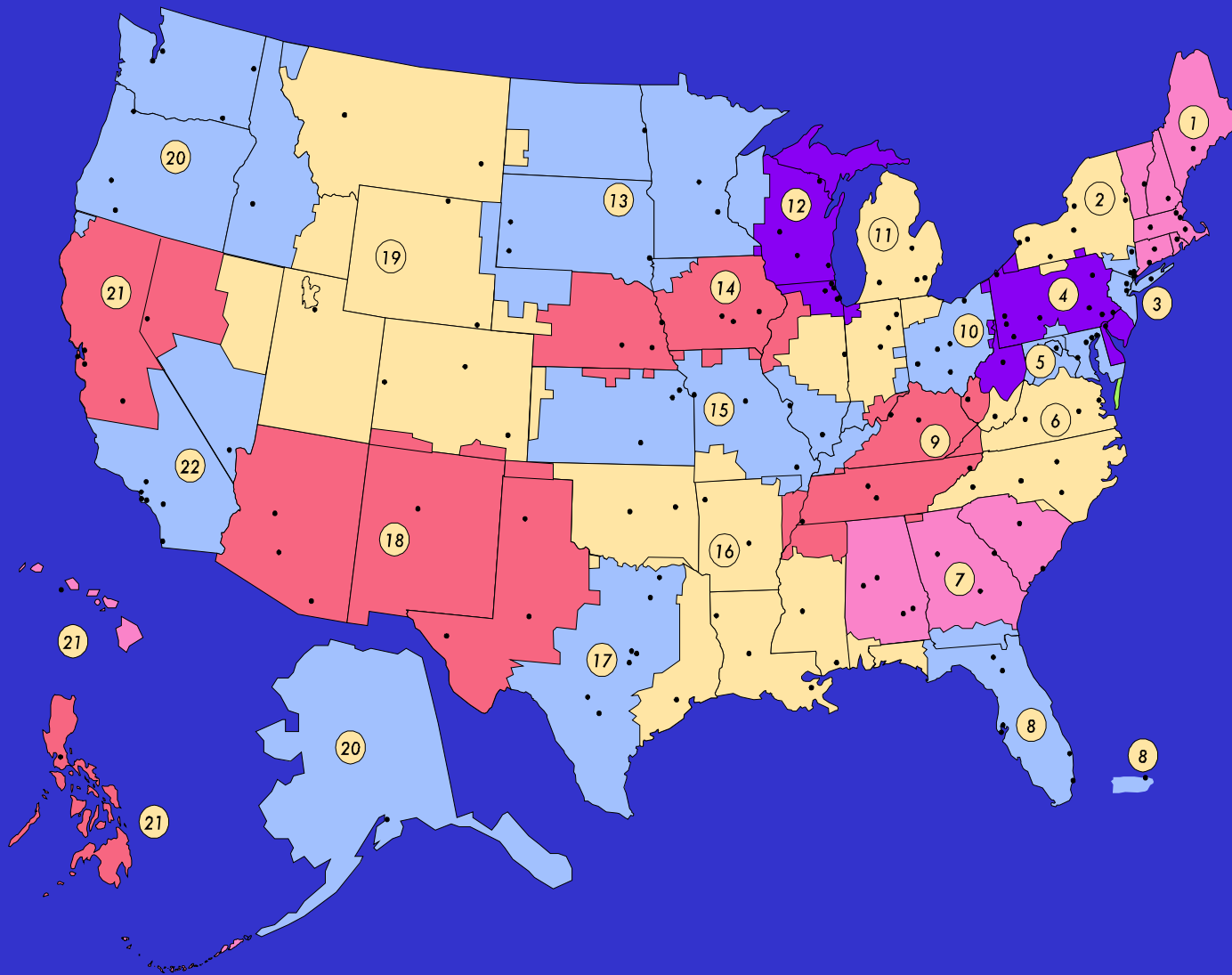
VA Transformation

A New Operational Model

Veterans Integrated Service Networks (VISNs)

- Ø Encompassed a defined population of about 200,000 users
- Ø Based on patient referral patterns
- Ø Able to provide a continuum of primary to tertiary care
- Ø Geographical/political boundaries
- Ø Predicated on the concept of value

22 Veterans Integrated Service Networks



VA Transformation

Integrated Service Network: Typical Assets

- Ø 7-10 Hospitals
- Ø 25-30 Ambulatory care clinics
- Ø 5-7 Nursing homes
- Ø 1-2 Residential care facilities
- Ø 10-15 Counseling centers

VA Transformation

Performance Management System

- Ø Align vision and mission with quantifiable strategic goals
- Ø Link strategic goals to performance measures
- Ø Track performance
- Ø Hold managers accountable for achieving results through performance contracts

Integrate and Coordinate Care

Integration of Care

1. Primary care
2. Care management
3. Focus on health maintenance and disease prevention
4. Community-based clinics
5. Rewrote eligibility laws governing care
6. Network-based service lines
7. Merged nearby hospitals under common management
8. Other

Improve and Standardize Quality of Care

Improving Quality of Care

1. Performance measurement and public reporting
2. Performance contracts
3. Customer service standards
4. National formulary
5. Clinical initiatives (e.g., pain management, EOL)
6. IHI Collaboratives
7. National Surgical Quality Improvement Program
8. Promoted a new culture based on demonstrating value, quality and safety
9. Other

Modernize Information Management

Modernize Information Management

1. System-wide electronic health record (CPRS VistA)
2. Standardized other systems
3. Semi-smart access card
4. Telephone-linked care
5. Eliminated paper

Align Finances with Desired Outcomes

Align Finances with Desired Outcomes

1. Designed and implemented a new capitation-based resource allocation system (VERA)
2. Diversified funding base – increased private insurance billings
3. Reduced operating costs
4. Expanded contractual authority to facilitate virtual integration
5. Performance contracts

VA Transformation

Rationalize Resource Allocation

Veterans Equitable Resource Allocation (VERA) – a capitation-***based*** resource allocation system .

Funds allocated to the VISNs according to the number of patients who were provided care (averaged over the prior 3 years) and adjusted according to acuity and certain other factors.

SELECTED RESULTS

VA Re-engineering

Financing the Change: 5 year Aggregate Budget Increases

Ø FY 1990-1994 – 38%

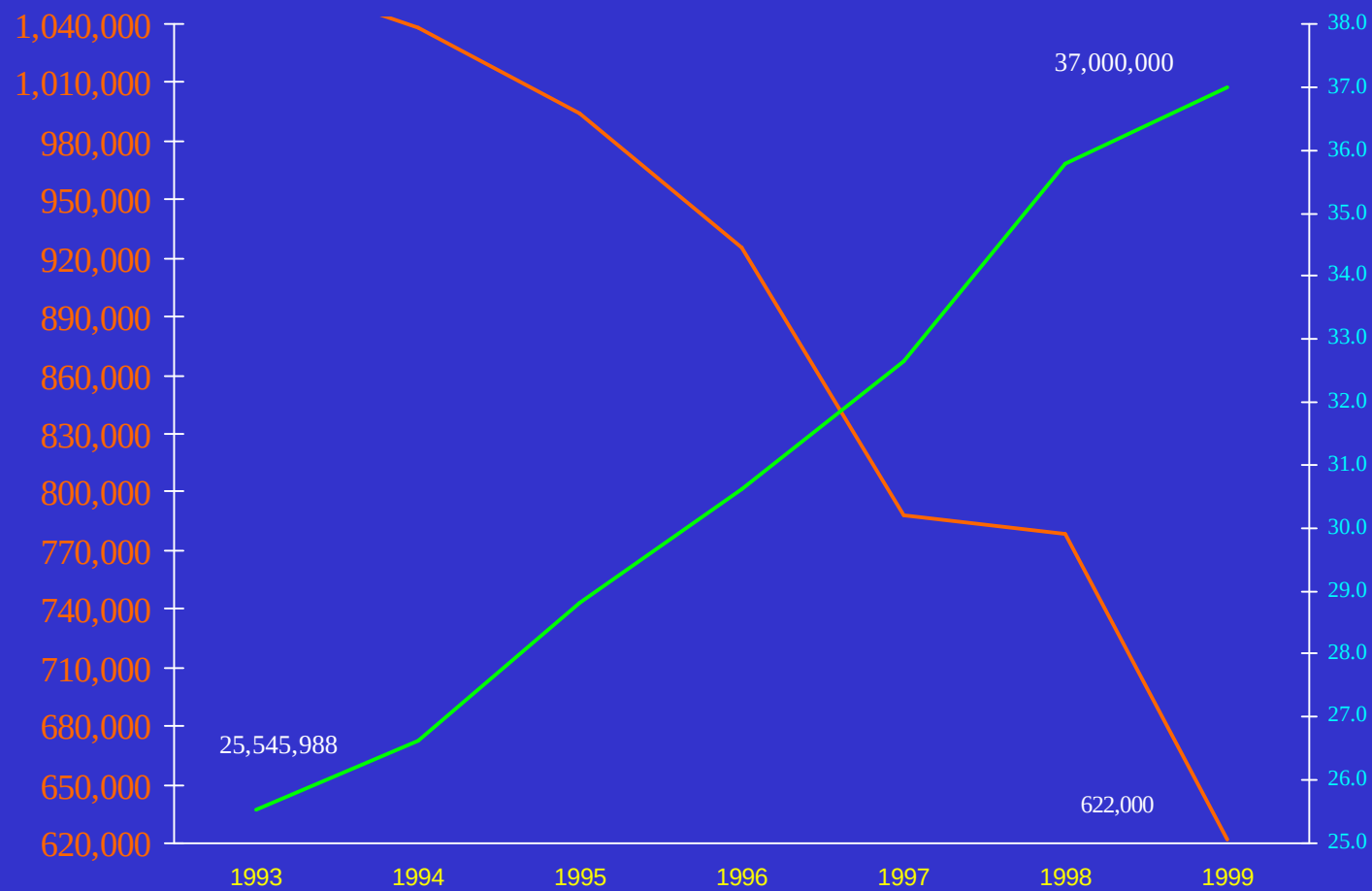
Ø FY 1995-1999 – 6%

Ø FY 2000-2004 – 58%

VA Transformation...Selected Results

- Ø 24% more patients treated (>700,000 patients per year)
- Ø Staffing reduced by 12% (25,867 FTEE)
- Ø Improved access - 302 new community-based clinics; reduced waiting times, better compliance
- Ø Universal primary care implemented
- Ø Implemented national formulary
- Ø Dramatic shift to outpatient care (closed 28,986 acute care beds; BDOC reduced 68%; 350,000 fewer admissions/year)

VA Transformation...Selected Results



VA Transformation...Selected Results

- Ø Merged the management and operation of 52 hospitals into 25 locally integrated facilities
- Ø Implemented a system-wide electronic health record (CPRS VistA)
- Ø Eliminated 72% (2,793) of all forms and automated the rest
- Ø Universal access and identification card
- Ø Reduced operating costs; 25.1% decrease in per patient cost in constant dollars
- Ø Marked increases in quality and service satisfaction

VA Transformation...Selected Results

- Ø Ambulatory surgery increased from 35% to >75% of all surgeries
- Ø Overall 30-day surgical mortality and morbidity rates dropped 9% and 30%, respectively, from 1994 to 1997, with no change in patient risk profile
- Ø Mortality rates lowest or equal to U.S. lowest for:
 - Colectomy
 - Abdominal aortic aneurysm repair
 - Carotid endarterectomy
 - Cholecystectomy
 - Hip replacement

VA Transformation

American Customer Satisfaction Index

- Ø 1999 - 80 percent of VA users more satisfied than two years earlier
- Ø 1999 - VA's score on the index is 79 compared to 70 for private hospitals
- Ø 2006 - 7th year in a row VA scored higher than private sector

VA Transformation

Quality Indicators: VA vs Medicare

- Ø Significant to marked improvement in all indicators in VA
- Ø VA's performance superior to Medicare FFS on all indicators 1997-1999 and on 12 of 13 in 2000

Jha, et al. NEJM 2003; 348: 2218-2227

Hospitalization of Vulnerable Cohorts

- Ø 9 cohorts followed: CRF, CHF, COPD, DM, IHD, Pneumonia, Psych (x3)
- Ø Bed day rates fell by 50%
- Ø Urgent care visits fell by 35%
- Ø Medical clinic visits increased moderately
- Ø 1 year survival rates stayed the same or improved

VA Transformation

Diabetes Management: VA v MCOs

- Ø VA compared with commercial MCOs on 7 process, 3 outcome and 4 care satisfaction measures
- Ø VA scored better on all process PMs
- Ø HTN-control equally poor in both
- Ø LDL Cholesterol and HbA_{1c} better in VA
- Ø Satisfaction similar in both

Kerr, et al. Ann Intern Med 2004; 141: 272-281

VA Transformation

Cross-sectional Comparison of Quality: VA v Commercial Insurance

- Ø 12 local VA health systems compared to 12 communities, 1997-2000, using RAND's Quality Assessment Tools system (348 quality indicators , 26 conditions)
- Ø Overall quality – VA 67% vs Comm 51%
- Ø Chronic disease – VA 72% vs Comm 59%
- Ø Preventive care – VA 64% vs Comm 44%
- Ø Acute care – VA 53% vs Comm 55%

Asch, et al. Ann Intern Med 2004; 141: 938-945

VA Transformation

Vaccinations and Pneumonia Admissions

- Ø Influenza vaccination rose from 27% (1995) to 70% (2003)
- Ø Pneumococcal vaccination rose from 28% (1995) to 85% (2003)
- Ø Variation in rate due to geography, indication and type of facility nearly eliminated
- Ø Hospitalization due to CAP fell by 50% in VA (compared to a 15% increase in Medicare)

Jha, et al., AJPH 2007 (December)

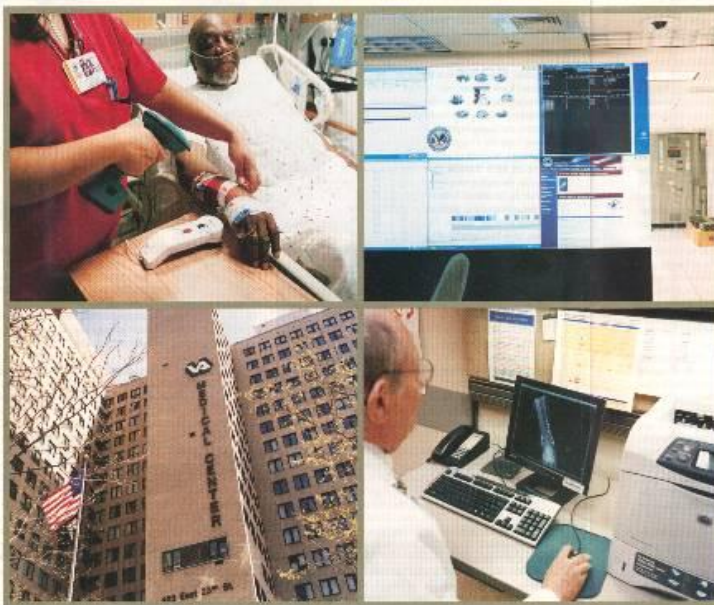
Investing in Nukes ■ Saving Sotheby's ■ Coke at a Crossroads

FORTUNE

DISPLAY UNTIL MAY 22, 2006

TECH Rx

HOW THE VA HEALED ITSELF



Veterans' hospitals used to be a byword for second-rate care or worse. Now they're national leaders in **efficiency and quality**. What cured them? A large dose of technology. BY DAVID STIRES

An avuncular man with a gravelly voice, Dr. Michael Simberkoff, 69, fires up his computer. With a keystroke, he's on a page that lists a patient's complete health record, including office visits, drug prescriptions, and lab tests. "Absolutely everything is available," says the chief of staff at the Manhattan campus of the VA New York Harbor Health Care System. Up pops a reminder telling him the patient—a 44-year-old

diabetic—is due to have an eye exam. Simberkoff dispatches the nurse to the eye clinic on the second floor, where an ophthalmologist administers the test. An alert soon flashes on Simberkoff's screen saying the exam has been completed.

On the 11th floor, nurse Lazzara Romano is using the same computer network to make sure she's giving the right medication to a 60-year-old patient with high blood pressure. With a handheld device, she scans a bar-coded bracelet on her patient's wrist and then a bar code on the drug's bottle. A nearby computer linked to the hospital pharmacy confirms that she's giving the right drug to the right patient.

In the Tele Health unit on the sixth floor, nurse Maggie Kott-Lopez is reviewing the vital statistics of a 57-year-old patient in Queens, sent to her computer via a Telebody that the VA has rigged at his home. Today the news is worrisome: The patient, who is suffering from heart disease, has gained three pounds overnight, indicating that he's retaining flu-

PICTURES OF HOPE
A VA hospital in Manhattan (lower left), then clockwise: bar-coding a vial; the servers that serve those who served; and Dr. Simberkoff at work.

ids. After a few quick phone calls to the patient and his doctor, she tells him to double his diuretic medication today. "We caught him before his condition got worse," she says with satisfaction.

The seamless integration of science, information, and compassion is the dream of modern health care. Scenarios like these are not fantasies, however, but daily realities at the Veterans Health Administration, the federal agency that is the most wired and cost-effective health system in the land. By making medical information both more centralized and easier to access, wiring health facilities can reduce the errors that the Institute of Medicine, a nonprofit research group that is part of the National Academy of Sciences, says cause at least 44,000 deaths a year. A national health-information network could also save \$100 billion a year, estimates the U.S. Department of Health and Human Services.

Just don't expect that to happen anytime soon. For a \$3.9 trillion industry (8% of GDP), medicine

Which companies will benefit from the massive changes rolling health care? David Stires has some hot prospects, exclusively on Fortune.com.

PHOTOGRAPHS BY LISA KOTRISZ

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