



STATEMENT OF
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BEFORE
THE DEPARTMENT OF VETERANS AFFAIRS'
CARES COMMISSION
HEARING ON CAPITAL ASSET REALIGNMENT FOR ENHANCED SERVICES
WITHIN VISN 9
Convention Center
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Mr. Chairman, members of the Commission, distinguished veterans and guests - good morning. I am pleased to be here today to address the CARES Commission regarding the Mid South Healthcare Network's actions relative to the national CARES process.

Working with the national Cares Program Office the VISN reviewed population projections as well as historic utilization patterns at the county - and in some instances zip code levels. Based on information provided from NCPO and our own validation of historic and projected utilization VISN 9 identified four primary markets within our network: North, Central, East, and West.

Market areas were also defined as urban, rural or highly rural based on national planning parameters. Careful consideration was given to distance and travel time, as well as terrain and topography.

As we examined market service capacity, we also completed a very specific and detailed inventory of current clinical services provided by each Medical Center and Outpatient Clinic within the network. This inventory was more extensive than just a listing of services. It included identification of where the service was provided, if the services were provided directly by VA staff, through a contract, fee for service arrangement, or by other VA medical centers. This inventory served as the basis for looking at the gaps in service delivery based on demand and projected utilization.

While the overall veteran population is anticipated to experience a decline, forecasts for each market within VISN 9 identified growth in veteran's use of our medical facilities. Common among the four market areas is an anticipated increase in demand for primary care and subspecialty care.

The Central and West market forecasts indicate an increased demand for inpatient medicine beds; the East and North market forecasts indicate there will be an increased demand for outpatient mental health services. In our network, there is projected increased demand for services through 2012; by 2022 demand is projected to decline, but will remain greater than our current demand.

Given the national scope of CARES, our network chose to closely manage the process at the executive level. In August of 2002 we established a VISN 9 CARES Committee that developed individual market workgroups, our stakeholder inclusion strategy, a communication process, and a process for data development and analysis. The CARES committee and workgroups were lead by our senior managers. The VISN 9 Executive Leadership Council carried out final selection and approval of the service delivery options.

A great deal of effort and attention was paid to the development of the market workgroups since these individuals would be responsible for analysis of the CARES data, aligning the data with national and network criteria, and eventually the development of alternative solutions and final recommendations. Over 50 individuals representing each medical center within the network were involved in the market workgroups.

Workgroup membership was weighted heavily towards clinical staff and also included at least one labor partner representative on each of the four market workgroups.

Equal priority was given to the development of a stakeholder process, which included the use of multiple focus groups within each defined market. Focus group meetings were held twice at each medical center during the CARES process. The initial focus group sessions centered on questions of how to meet projected increasing service demands. The second round of focus group meetings centered on the alternatives. Information gleaned from these sessions was provided to our market workgroups and utilized in the development of the service delivery options.

A need for further analysis was identified when projected in-house costs exceeded projected contract costs by more than 115% for a given alternative. The value of 115% was deemed a flag for further review and analysis rather than a goal.

After extensive review, service delivery options were accepted in April of 2003 by the Network Executive Leadership Council and entered into VA CARES portal.

The underlying foundation of the VISN 9 assessment process was the determination of the service delivery option impact on access, quality, and the cost of providing healthcare. It also encompassed an assessment of any potential negative impacts on stakeholders and the consideration of strategies to mitigate the negative effect. One of our expectations of the CARES process was that it would serve also as an enhancement to ongoing network strategic planning efforts. The VISN 9 objective was not only to complete the CARES project, but also provide us with a meaningful strategic planning document.

 A strong consideration was placed on enhancing access rather than expanding existing medical centers. If expansion was necessary, contracting was considered as a preferable alternative.

Preference was also placed on Service Delivery Options that considered consolidation or complementary mission reorganization of existing VA-owned infrastructure.

VISN 9 internal criteria also placed a preference on reducing VHA owned infrastructure. This approach was deemed prudent in order to (1) enhance patient access, (2) reduce recurring capital expenditures to build and/or maintain infrastructure, and (3) to reduce recurring capital expenditures for high-tech equipment. It was recognized that by the time major construction projects were designed, approved, and constructed; the peak patient demand would have passed and the additional capacity would no longer be required. It was also acknowledged that if demand declines over time as projected, it would be easier to discontinue contracts and leases than dispose of buildings and reduce staffing levels.

The VISN 9 CARES recommendations are predicated on and supported by the analysis of CARES data and common sense. It is an approach that suggests a realignment and reorganization of certain market areas within the network. The strategy moves beyond the "quick-fix". It offers solutions that are long-term in nature, and proactively addresses the challenges

before VISN 9.

The VISN 9 Executive Leadership Council and I reviewed and discussed at length the service delivery options developed by the market workgroups. VISN and Network Executive Leadership Council support and endorse the options provided the Commission, which I will briefly outline:

The Central Market consists mainly of counties in Tennessee with some counties along the Tennessee/Kentucky border and a small part of Georgia. The Central market is a mix of a few urban areas and a majority of rural areas. Movement towards the Sunbelt is a factor in this market's projected growth pattern. In the Central Market the 2012 veteran population is projected to be 300,000 with an enrollment of 106,525. VA facilities in the Central Market are well situated to provide acute and tertiary level services. Expansion of some sites - such as Chattanooga - will be needed to provide greater levels of access to specialty care services. In the state of Tennessee the availability of mental health services is limited at the state and private sector levels. The Central Market is the network resource site for chronic mental health care and offers significant opportunities to expand community-based mental health services to compliment existing inpatient acute psychiatric programs. The market is rich in primary care services available to the general public and long-term care capability is adequate to meet present and projected needs.

Our proposed service delivery options for the Central Market include the following:

- Addressing realignment of services between the Alvin C. York and Nashville campuses to configure complementary missions and eliminate duplication of services.
- Consideration of inpatient acute surgical bed viability at the York campus and realignment of service to the Nashville campus.
- Enhancement of services offered in the Chattanooga, TN area including selected specialty and inpatient services.

The East Market area has 36 counties in three states with the greatest number of counties in Tennessee, but also counties in Kentucky and Virginia. There is one defined urban area, Knoxville Tennessee. There are three counties in North Carolina and one additional county in Virginia that were considered as part of the East Market rather than as part of VISN 6. The FY 2012 veteran population is projected to be 160,000 with and enrollment of 65,250. The primary service delivery facilities in this market are the James H. Quillen VA Medical Center in Johnson City and the Knoxville Outpatient Clinic.

Service Delivery Options for the East Market include:

- Enhancement of services offered in the Knoxville, TN area including selected specialty and inpatient services.
- Collaborative opportunity exists with the National Cemetery by expanding capacity on the campus of the Mountain Home VA Medical Center.

The West Market consists mainly of 53 counties in Tennessee with border areas of Mississippi and Arkansas. This area has traditionally been served

by the Memphis VAMC and there are some natural boundaries including the Mississippi and Tennessee rivers and central interstate I-55 and I-40 that serve as the central defining aspects of this area. Service Delivery Options for the West Market include:

- Establishment of new access points throughout the market area including a major sub market in Jackson, TN.
- Addressing projected Special Disability demand for 20 long-term care spinal cord injury beds through internal realignment at the Memphis VA Medical Center.

IN CONCLUSION Mr. Chairman, I am proud of the efforts among employees and stakeholder groups in VISN 9 to address the difficult issues raised within the CARES process. Independent of the final outcomes of the Secretary's decision on CARES recommendations, this process has been fruitful in identifying not only the significant demand for patient care services that VISN 9 will face in the future. Additionally, it brought to light significant capital, infrastructure and organizational issues which we must begin addressing now in order to meet the needs of our veterans.

This concludes my formal remarks. My staff and I would be pleased to answer any questions the commission may have.



(NORTH MARKET INFORMATION ON NEXT SHEET)

The North Market consists of 78 counties in Kentucky, 12 counties in Indiana, 10 counties in West Virginia, and 2 counties in Ohio. The primary VISN 9 VA Medical Centers that serve this area are Louisville, Lexington and Huntington. Medical Centers from other VISN's that have some overlapping areas are mainly the Cincinnati, Ohio and Beckley West Virginia VAs.

The major interstates are I-65 and I-64, but a large segment of the eastern portion of this area is highly rural with no interstate access.

This geographically large market area was defined based on the high concentration of veterans in and around the urban Louisville area and secondarily around the Ft. Knox DoD facility. The FY 2012 veteran population in this market is projected to be 307,000 with an enrollment of 145,000. A large segment of the eastern portion of this area is highly rural with no interstate access. The options for consideration in the North Market include:

- Consideration of a replacement facility for the Louisville VAMC.
- Consideration of a collaborative opportunity between VBA and the Louisville VAMC were identified and conceptual agreement on the desire for a jointly located facility was reached and considerations will depend on potential for development of a new Louisville facility.
- Consider consolidation of Lexington VAMC operations to one campus and exploring enhanced-use lease opportunities for the other campus.
- Addressing a tertiary level proximity issue within the market between the Lexington and Louisville VA Medical Centers and potential realignment of the Lexington and Louisville medical centers resulting in consolidation of the tertiary requirements within the northern market.
- Potential enhanced-use arrangement with Eastern State to establish long-term psychiatry services on the Leestown campus. Eastern State is Kentucky's acute and long-term psychiatric institution.