

September 9, 2003

Mr. Everett Alvarez, Jr.
Chairman, CARES Commission
Office of the Secretary
Department of Veterans Affairs
810 Vermont Avenue
Washington, DC 20420

Dear Mr. Alvarez:

Thank you for the opportunity to submit a response as input to the CARES Commission Vancouver public hearing on 26 September 2003. It is a pleasure to submit a joint proposal prepared by the staffs of the VA Puget Sound Health Care System and Madigan Army Medical Center for movement of the medical-surgical inpatient service and the emergency service of the VA's American Lake campus to co-locate with Madigan Army Medical Center.

Both staffs and both regional leaderships agree that the co-location is in the best interest of South Puget Sound veterans, who would benefit in terms of immediate access to the multiple subspecialty services of Madigan Army Medical Center that are not present at American Lake and that might be required for the highest quality of inpatient care. The alternative of transport of already-hospitalized South Puget Sound veterans who require high complexity inpatient care to the VA's Seattle campus is not desirable in terms of patient-friendly access and immediate proximity to quality care, nor does it serve the interest of the federal government as a whole or taxpayers.

I respectfully request that the CARES Commission join with Dr. Leslie Burger and me in supporting immediate adoption of the proposal.

Sincerely,

Original signed

Michael A. Dunn, M.D.
Brigadier General, US Army
Commanding General

**VA Puget Sound Health Care System (VAPSHCS) and
Madigan Army Medical Center (MAMC)
Inpatient and Emergency Services Demonstration Project Proposal**

Executive Summary

VA Puget Sound Health Care System (VAPSHCS) and Madigan Army Medical Center (MAMC) are jointly applying to be a demonstration site for a VA/DoD Health Care Resources Sharing Project in two areas. This document addresses criteria for site selection and the coordinated management systems to be tested: the Coordinated Staffing and Assignment System and Medical Information and Information Technology Systems.

The demonstration project involves relocating medical inpatient and emergency care services from the VAPSHCS-American Lake (AL) campus to MAMC (facilities only 6 miles apart). The medical inpatient services will be handled by creating a fourth medical physician team at MAMC and an additional 15 beds of inpatient capacity, which would be staffed by VA physician and nursing personnel. The emergency department at MAMC will be augmented by VA nurses and social workers. The Information Technology component of this proposal details a plan to further improve electronic medical information exchange between the two organizations.

The medical sharing agreement will provide Veterans improved access to after hours emergency care, specialty care locally at MAMC and improve the training experience for MAMC residents. It will also improve the coordination, efficiency, and effectiveness of care between the VA and MAMC for those 5,000 dual eligible patients who receive care from both organizations and remove inpatients from a seismically risky building at American Lake.

The workload is based on historical levels and estimated at 4,300 bed days of care and 3,800 ER visits annually. The business model is based on the relevant marginal costs required to relocate the VA workload to MAMC. There are one-time expense items of \$380,000 for MAMC facility modification, beds, equipment, and seclusion room and information technology costs of \$950,000 in FY 2004 and \$700,000 each in fiscal years 2005 – 2007.

**VA Puget Sound Health Care System (VAPSHCS) and
Madigan Army Medical Center (MAMC)
Inpatient and Emergency Services Demonstration Project Proposal**

Introduction

VA Puget Sound Health Care System and Madigan Army Medical Center are jointly applying to be a demonstration site for a VA/DoD Health Care Resources Sharing Project. The Coordinated Management Systems to be tested are the Coordinated Staffing and Assignment System and Medical Information and Information Technology Systems.

Both organizations have voluntarily gone through an extensive, detailed, collaborative planning process over the past 12 months that has resulted in a mutually agreeable Concept of Operations document that has been approved by the VISN Director and is in the final approval process at The Surgeon General's office. (A copy of the Concept of Operations is attached for reference). The pertinent portions of the Concept of Operations are summarized below and further detailed in the attached documents.

This Proposal consists of three sections: Criteria for Site Selection, Coordinated Management - Staffing and Assignment and Coordinated Management - Medical Information and Information Technology Systems.

1. Criteria for Site Selection:

a. Written summary of the proposal for the coordinated management system.

The demonstration project involves a medical sharing agreement between VA Puget Sound Health Care System (VAPSHCS) and Madigan Army Medical Center (MAMC) to relocate medical inpatient and emergency care services from the VAPSHCS-American Lake (AL) campus to MAMC. The facilities are located within 6 miles of each other. Both organizations participated in an in-depth planning process over the past 12 months that resulted in the VAPSHCS and MAMC Inpatient and Emergency Services Joint Venture Concept of Operations and Implementation Plan Milestones (attached to this submission).

The project will relocate the Medical inpatient services by creating a fourth medical physician team at MAMC and providing resources for an additional 15 beds of inpatient capacity. Some VAPSHCS nursing personnel will relocate to and integrate into the MAMC inpatient nursing structure with VAPSHCS funding any remaining nursing requirements needed to achieve the additional 15 beds of capacity. The American Lake Emergency Room workload would also be relocated to MAMC. The plan calls for additional Medical Social Work assets to support both the inpatient and emergency department care of veterans. Ancillary services at MAMC (Pharmacy, Radiology, Laboratory, etc.) have identified their personnel and equipment requirements necessary for taking on this additional workload. Administrative departments (medical information,

patient administration, etc.) have identified policies, procedures and technological solutions necessary to support the agreement. The solutions that have been identified are labor intensive, work-around processes that begin to integrate the systems. If this proposal is approved these issues will be addressed to fully integrate both health care systems.

The Joint Venture workload to be relocated is based on historical levels and is estimated at 4,300 bed days of care and 3,800 ER visits annually. The business model to support this plan examined the relevant marginal costs required to relocate the VA workload to MAMC. These costs totaled \$3.7 million for inpatient care and \$728,000 for ER Care, approximately \$4.4 million annually. VA PSHCS is proposing to offset a portion of this cost by the staff provided to MAMC as part of this agreement (estimated at \$2.2 million annually), and paying the remaining \$2.2 million in dollars. A joint VAPSHCS-MAMC executive committee will meet at least quarterly to review operational issues, workload targets and agreed upon business calculations to assess the viability of the agreement and ensure budget neutrality.

In addition, there are one-time expense items of \$380,000 for MAMC facility modification, beds, equipment, and seclusion room and Information Technology costs of \$950,000 in FY 2004 and \$700,000 in fiscal years 2005 - 2007.

b. Scope of services and unmet needs

There are 81,364 patients enrolled to MAMC. (Source Data: M2 data as of July 03) VA Puget Sound Health Care System serves a 16 county area in Western Washington with a veteran population of over 460,000. It has over 103,000 enrollees and provides care to over 55,000 patients annually. The American Lake division treats over 25,000 veterans annually. Approximately 5,000 veteran patients are dual eligible and receive care at both MAMC and VA Puget Sound.

The VA Seattle Division is located 42 miles directly north of American Lake and supports inpatient and post-discharge follow-up outpatient specialty care for veterans in the South Puget Sound area. Providing these services within the South Puget Sound area is more convenient for veterans and their families and is consistent with customer service and access goals established by the Veterans Health Administration (VHA). The VA has a long-standing relationship and various sharing agreements with MAMC to include acute medical and surgical care, intensive care, mammography, after-hours ancillary support, geriatric resident education, ENT, ophthalmology, podiatry, and outpatient emergency care. The proposed arrangement represents a natural extension of cooperation between the two organizations in providing medical care to veterans.

MAMC has a need for patients with select diseases for its Graduate Medical Education Program in some of the sub-specialties. The VA patients have the potential to provide this experience and enhance the training program.

c. Collaborative methods to resolve unmet needs.

The proposed Medical Sharing agreement will address these needs by providing improved access to specialty care locally at MAMC and improve the training experience for MAMC residents. Operational issues will be addressed by the Joint Executive Council and quarterly reconciliation will ensure that the veteran workload is adequately supported by resources.

d. Joint Goals to be achieved by partners.

- Provide specialty services within the South Puget Sound area for veterans and their families.
- Improve the coordination, efficiency, and effectiveness of care between the VA and MAMC for those 5,000 dual eligible patients who receive care from both organizations.
- Enhance the MAMC DoD Graduate Medical Education programs.
- Remove inpatients from a seismically risky building at American Lake.

e. Statutes, regulations or policies that may have to be waived.

Currently there is a request by both organizations to the VA/DoD Sub-committee of the HEC for a waiver to the reimbursement methodology of the CHAMPUS Maximum Allowable Charge (CMAC) less 10% as outlined in the VA/DoD Health Executive Council Memorandum of Agreement (a copy of that request is attached for reference). The basis of the request is to allow the agreement to be reimbursed at the marginal cost of about \$4.4 million annually to the VA (\$2.6 million in staff cost and \$1.8 million in supply cost) instead of the standard total cost CMAC less 10% rate of \$5.8 million annually. The \$1.4 million difference represents the cost of administrative overhead. MAMC has indicated it will not hire additional administrative staff to support this project. Approval of this request is a critical part of the agreement.

In other words the (Staff + Supplies) is less than 90% CMAC.

The VA is requesting a waiver to allow it to maintain the VPN Gateway hosted on site. This gateway has undergone a thorough certification process, including a \$30K contracted penetration study, which it passed with flying colors. The gateway has been tested and proven to be a useful, short-term solution for accessing CPRS from MAMC. It has been successful in configuring a secure "Dual tunnel" mode which facilitates ongoing communication with MAMC. This configuration required significant tweeking of the hardware at both ends and it is unlikely we could accomplish this with the national One-VA VPN solution. Ultimately, this project will require a leased line point-to-point gateway between the two sites in order to accommodate the imaging bandwidth demands. The request process has already started for this and this proposal includes resources to support a comprehensive certification for this type of gateway, including a penetration study.

f. Hurdles to success and plans to mitigate these hurdles.

A significant hurdle is the standard billing and payment process of using CMAC less 10%. A waiver has been submitted to this policy by both organizations to allow billing and payment using an agreed upon marginal cost methodology..

A significant hurdle is the difficulty in sharing electronic medical record information between the two facilities. The pilot is designed to address this issue.

g. List of reasons why the proposal should be considered and selected as a demonstration test site.

- The Coordinated Staff and Staffing Assignment pilot should produce new approaches to staff utilization that can be exported to other VA/DoD joint sites.
- The Medical Information and Information Technology pilot should produce new approaches to electronic medical record portability that can be exported to other VA/DoD sites.
- VA PSHCS and Madigan can provide an exceptional test environment for the IT proposal. VA Puget Sound has been a beta test site for CPRS and several other national packages for many years. They also have extensive experience with developing and testing hardware/software interfaces. This includes being a test site for the national Federal Health Information Exchange (FHIE) System. In addition, they have worked closely with a national developer in perfecting and implementing an interface between the VistA Radiology Package and the Dictaphone Enterprise Dictation System and have a well-established and documented process for thoroughly testing software and hardware.
- Both organizations are leaders in Information Technology in their respective Departments. Because of this staff expertise, there is great potential and initiative to develop a seamless electronic medical record system that communicates patient level information, between the organizations, to the point of care. Lessons learned from this demonstration project, could be exported to the entire Federal Healthcare System.
- In addition to the long history of software testing, VAPSHCS and Madigan Medical Center are large acute care facilities that serve a diverse patient population. This provides the opportunity to thoroughly test all aspects of the interface in a real-time setting.
- A strong collaborative relationship exists between the local VA and DoD staffs. Both organizations have devoted a year to jointly planning for this project and are already in agreement with the project and its operating principles.

- Providing these services within the South Puget Sound area is more convenient for veterans and their families and is consistent with customer service and access goals established by the Veterans Health Administration (VHA). The VAPSHCS-AL has a long-standing relationship and various sharing agreements with MAMC to include acute medical and surgical care, intensive care, mammography, after-hours ancillary support, geriatric resident education, ENT, ophthalmology, podiatry, and outpatient emergency care. The proposed arrangement represents a natural extension of cooperation between the two organizations in providing medical care to veterans.
- The proposal enhances the MAMC DoD Graduate Medical Education programs.
- The proposal removes inpatients from a seismically risky building at American Lake.
- Combining portions of the two delivery systems is more efficient than maintaining two separate Federal health care systems that are only six miles apart.
- The project has potential to expand inpatient services and improve specialty care locally for Veterans

h. Space to accommodate any expansion of services to meet VA CARES or DoD gaps.

One Time Expenses – Relocation of existing clinical services from MAMC’s 6th floor to other locations within MAMC to accommodate the expanded inpatient capacity and psychiatric seclusion room in MAMC’s ER requires one-time expenses of approximately \$380K.

i. Estimated annual funding and resource requirements for the demonstration project.

See above for one-time expense for space modification at MAMC (\$380K).

Additional funds will be required to support the development of a seamless electronic medical record between the two facilities. The estimated costs by fiscal year are summarized below. (See section three for a description of these costs.)

	FY04	FY05	FY06	FY07
Total Cost	\$950K	\$700K	\$700K	\$700K

The estimated cost to the VA for care under this agreement (\$4.4 million annually for the marginal cost proposal) will be paid by the VA in staff working at MAMC (estimated at \$2.2 million annually) and \$2.2 million in additional payments for MAMC employed staff and variable supply cost.