

TRANSFORMING HEALTHCARE:

Observations from the VA

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Presentation Overview

- What is the VA healthcare system?
- What are some of the highlights of VA's transformation?
- Are there some observations from this "real world" transformation that might have cross-cultural implications?

The U.S. Veterans Health Care System

- The largest health care system in the U.S. (8 million enrollees, >1300 care sites and \$30 billion in expenditures in 2006)
- An anomaly in U.S. health care because it is both financed and managed by the federal government
- Between 1995 and 1999, the system underwent the greatest transformation to occur since it was established in 1946

The U.S. Veterans Health Care System

- **Outperforms Medicare and premier private systems on standardized quality metrics**
- **Has surpassed private sector healthcare in customer satisfaction every year for the past 6 years**
- **Costs about half to two-thirds of Medicare FFS or private healthcare**

The VA Healthcare System

VA Health Care-Core Missions

- **Medical care**
- **Health professional training**
- **Research**
- **Emergency management**
- **Homelessness**

VA Health Care – Assets (1999)

- 172 hospitals
- >600 ambulatory care clinics
- 131 nursing homes, 40 residential care facilities
- 94 state veterans homes
- 73 primary care at home programs
- 206 counseling centers
- >1200 sharing agreements (eg universities)
- Contract and fee-basis care (\$1.5B)
- 75 laundries
- 29 fire departments
- Veterans Canteen Service (retail stores)
- 1740 historic buildings

VA "Special Populations"

- Spinal cord injury
- Amputees
- Seriously mentally ill
- Substance abuse
- PTSD
- Traumatic brain injury
- Blindness
- POWs
- Homeless
- Persian Gulf War Veterans

VA Health Care – Problems (1994)

- Care highly fractionated; hospital-focused, specialist-based, episodic treatment of illness
- Quality of care variable; too often lower than it should have been
- Inefficient, wasteful, lengths of stay way too long
- Independent, competing medical centers (not functioning as a “system”); care too difficult to access
- Centralized, hierarchical, micro-management
- Decision making and capital investment decisions highly politicized
- Staff demoralized

VA Transformation

VA Transformation...

The Vision

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

VA Transformation...

The Vision

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

What is Healthcare Value?

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

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

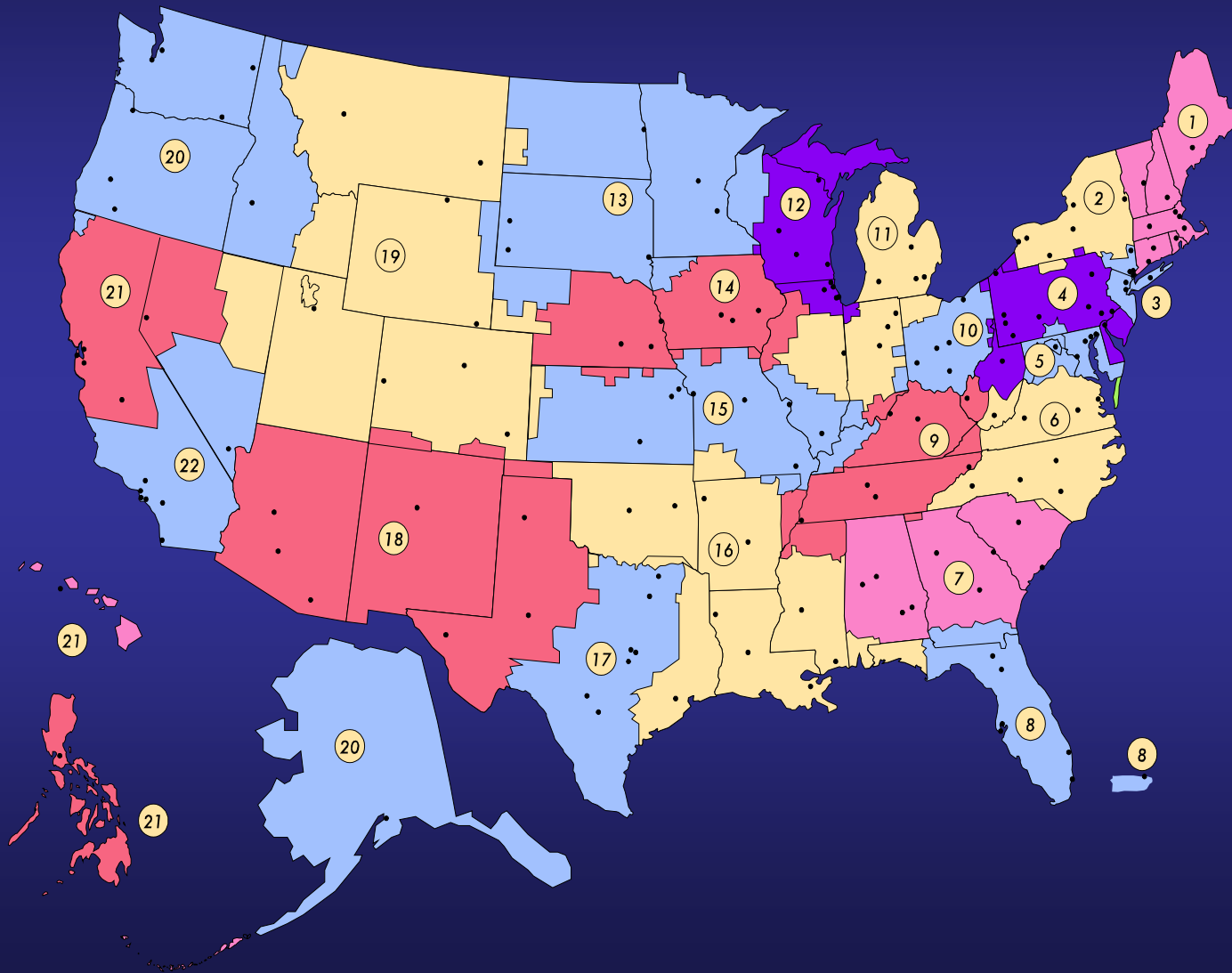
VA Transformation...

A New Operational Model

Veterans Integrated Service Networks (VISNs)

- Based on patient referral patterns
- Able to provide a continuum of primary to tertiary care
- Geographical/political boundaries
- Predicated on the concept of value

22 Veterans Integrated Service Networks



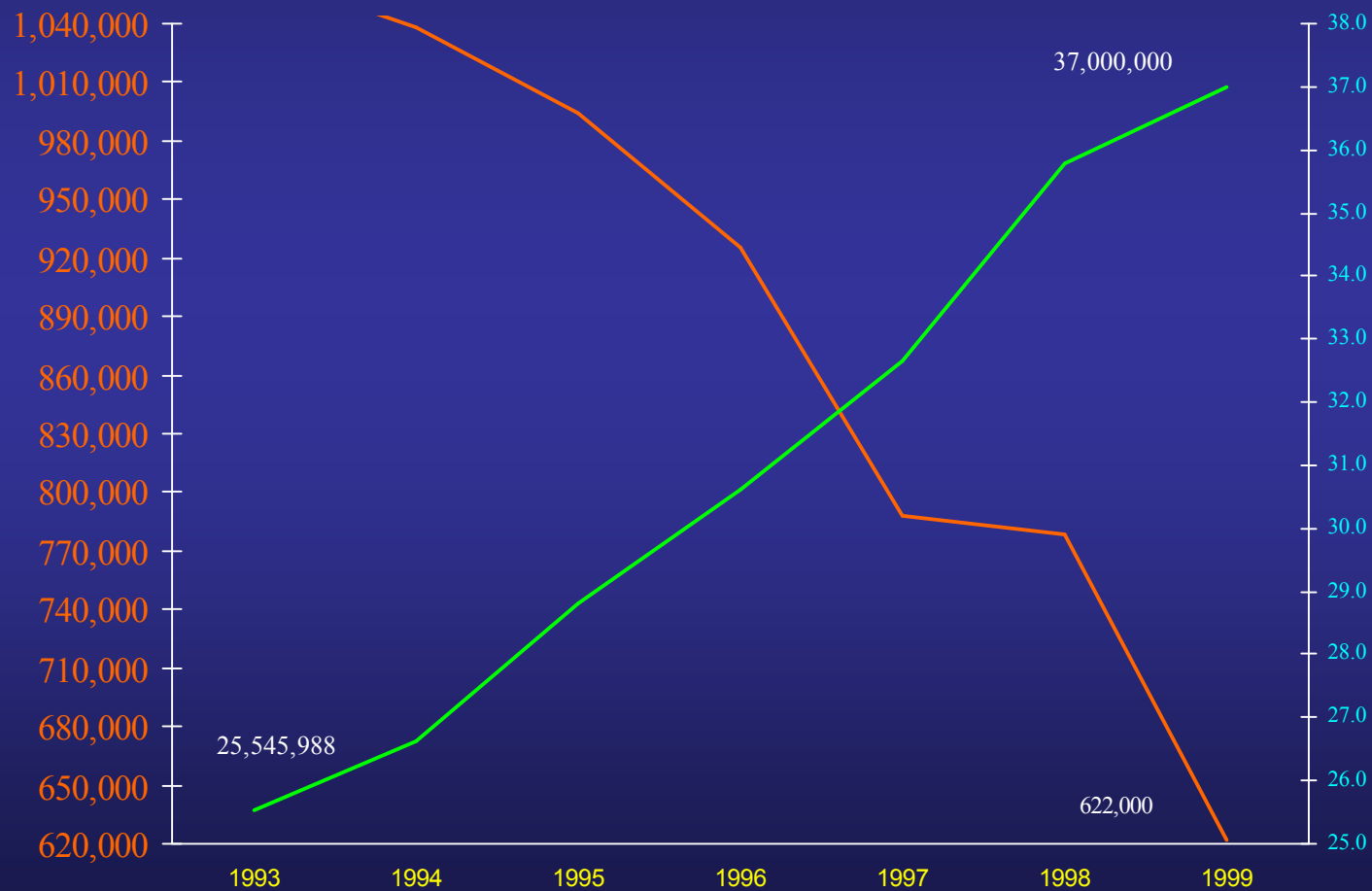
VA Transformation...

Selected Highlights - FY 1995-1999

- **Implemented universal primary care**
- **Focus on prevention and health maintenance**
- **Care management widely employed**
- **Closed 55% (28,986) acute care hospital beds**
- **Reduced BDOC per 1000 patients by >68%**
- **>700,000 (24%) new patients treated**
- **Increased ambulatory surgeries from <35% to >80% all surgeries**
- **Reduced admissions by 36% (350,000) per year**
- **48% increase (25 to 37 million) in ambulatory care visits**
- **Decreased staffing by 12% (25,867 FTE)**

VA Transformation...

Key Structural and Process Changes



VA Transformation...

Key Structural & Process Changes

Modernized information management

- ✓ **Implemented systemwide electronic health record (VistA)**
- ✓ **Standardized information systems systemwide**
- ✓ **Eliminated 72% (2,793) forms; automated the rest**
- ✓ **Universal access and ID card**

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.

VA Transformation...

Rationalize Resource Allocation

Veterans Equitable Resource Allocation (VERA) Methodology - FY 1999

- **Basic Care - \$2,857 (PMPM - \$238)**
 - ✓ 96% patients
 - ✓ 62% funds

- **Complex Care - \$36,955 (PMPM - \$3080)**
 - ✓ 4% patients
 - ✓ 38% funds

VA Transformation...

Selected Highlights - FY1995-1999

- **New performance management system**
- **Substantially improved access; >300 new community based clinics**
- **Merged the management and operations of 52 hospitals into 25 locally integrated systems**
- **Reduced operating costs (25.1% reduced per patient cost in constant dollars)**
- **Marked increases in service satisfaction and quality of care**

VA Transformation...

American Customer Satisfaction Index

- **1999 - 80 percent of VA users more satisfied than two years earlier**
- **1999 -VA's score on the index is 79 compared to 70 for private hospitals**
- **2005 - 6th year in a row VA scored higher than private sector**

VA Transformation...

Quality Indicators: VA vs Medicare

- A comparison of VA's performance to itself (1994 vs 2000) and to Medicare FFS
- Significant to marked improvement in all indicators in VA
- 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

VA Transformation...

Hospitalization and Outcomes of Vulnerable Cohorts

- 9 cohorts followed for 5 years: CRF, CHF, COPD, DM, IHD, Pneumonia, Psych (x3)
- Bed day rates fell by 50%
- Urgent care visits fell by 35%
- Medical clinic visits increased moderately
- 1 year survival rates stayed the same or improved

Ashton, et al. NEJM 2003; 348: 1637-1638

VA Transformation...

Diabetes Management: VA v MCOs

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

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

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

VA Transformation...

Vaccinations and Pneumonia Admissions

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

Jha, et al., Submitted for publication

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 optometrist administers the test. An alert soon flashes on Simberkoff's screen saying the exam has been completed.

On the 11th floor, nurse Lantana 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 Kong-Lopez is mailing the vital statistics of a 57-year-old patient in Queens, sent to her computer via a TeleBuddy 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 he's retaining flu-

PICTURES OF HOPE

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

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

The seamless integration of science, automation, and compassion is the dream of modern health care. Scams like these are not fantasies, however, but daily realities in the

Veterans Health Administration, the federal agency that is the most survival 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 \$10 billion a year, estimates the U.S. Department of Health and Human Services.

Just don't expect that to happen anytime soon. For a \$1.9 trillion industry (8% of GDP), medicine

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

PHOTOGRAPHS BY LISA KRZYWY

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The McGraw-Hill Companies

BusinessWeek

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www.businessweek.com

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



Some Observations...

Some Observations

- Changes in VA healthcare seemingly better known and more studied outside of US
- Rapid and dramatic change is possible in healthcare, even in large, politically sensitive, financially stressed, publicly administered systems
- Improved healthcare quality, better service and reduced cost can all be achieved at the same time.
- Public reporting of performance data using standardized measures is a powerful change strategy

Some Observations

- Alignment of finances with desired outcomes is essential
- For any healthcare change effort to be successful, clinicians have to be continuously part of the planning/development of any such effort from the beginning
- No matter how good or extensive is your planning, you can never foresee all the problems or situations that will arise. You always have to make mid-course corrections.

Healthcare: US versus Japan

- Differences include – Japan has:
 - ✓ Universal coverage
 - ✓ Single payer
 - ✓ Much greater central control
 - ✓ Less differentiation among MDs
 - ✓ Less expensive than US
- Similarities greater than differences

US and Japan Healthcare - Similarities

- Cost is major driver of change
- Quality of care a growing concern
- Efficiency and cost-effectiveness of care are growing concerns; quest for value
- Aging of population is major driver of change
- Public concerned about and engaged on healthcare issues
- Increased transparency sought
- Need for greater use of evidence

US and Japan Healthcare - Similarities

- **High quality healthcare is now highly dependent on medical technology, and will be even more so in the future**
 - ✓ **Information technology**
 - ✓ **Pharmaceuticals/biotechnology**
 - ✓ **Medical devices**
 - ✓ **Genomics/proteinomics**
- **Health services delivery research critical to future changes in delivery models**
- **Healthcare organizations are complex adaptive systems**

Complexity Theory and Healthcare

- Healthcare organizations are governed by the rules of complexity theory
- Change cannot be specified and managed in detail
- Small changes in critical elements (key “change levers” or “leverage points”) produce very large changes in performance

Today's Critical Change Levers in Healthcare

- Public reporting of performance
- Payment linked to performance
- Information management technology
- Promoting a culture of quality
- Shaping/reshaping of expectations of system users and providers