



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

29 January 2003

The Honorable Duncan L. Hunter
Chairman, Committee on
Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As directed by the Fiscal Year 2003 National Defense Authorization Act 107-436, the enclosed report addresses North Chicago VA Medical Center and Naval Hospital, Great Lakes, Illinois.

Specifically, the report discusses the accomplishments, in resource sharing, of the two facilities. It also addresses future action to include a detailed plan to provide for the future of the North Chicago VA/DoD health system.

Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Navas, Jr.", written over a printed name.

William A. Navas, Jr.
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Enclosure

REPORT TO CONGRESS
ON
THE DEPARTMENT OF THE NAVY
AND
THE DEPARTMENT OF VETERANS AFFAIRS
MAXIMIZING THE USE
OF
THE NORTH CHICAGO VETERANS AFFAIRS MEDICAL CENTER

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I. Report Requirement

The Fiscal Year 2003 National Defense Authorization Act Committee on Armed Services, House of Representatives Report (107-436) directed the Secretary of the Navy to consult with the Secretary of Veterans Affairs and provide report on the plan required by the Fiscal Year 2002 National Defense Authorization Act, report of the Committee on Armed Services House of Representatives Report (107-194). Report 107-194 required the Secretary of the Navy to consult with the Secretary of Veteran Affairs to develop plans to jointly make maximum use of the North Chicago Veterans Affairs Medical Center.

The committee believes that any joint venture undertaken at Great Lakes Naval Hospital and the North Chicago Veterans Affairs Medical Center should meet jointly identified needs in a cost effective manner, be mutually beneficial to the beneficiaries of both departments, and incorporate the best business practices and lessons learned from previous joint ventures. To this end, the Secretary of the Navy, in coordination with the Secretary of Defense, and the Secretary of Veterans Affairs shall consult on further development of compatible budget, reimbursement and accounting systems, and information technology goals. The consultation shall seek to identify restrictive regulations, policies and regulatory redundancies that inhibit resource sharing and provide milestone dates to address each identified issue.

II. Background

Since Congress enacted the VA/DoD Sharing Act in 1982, sharing of resources and services have occurred between the Department of the Navy and the Department of Veterans Affairs to varying degrees, based on written sharing agreements and informal arrangements. The services and functions include clinical and administrative services, joint procurement of pharmaceuticals, supplies and equipment, and employee education and training. Naval Hospital Great Lakes (NHGL) and the North Chicago Veterans Administration Medical Center (NCVAMC) have pursued sharing opportunities for a number of years and have executed numerous sharing agreements that enhance the care provided to both the VA and DoD beneficiary populations.

Optimizing two separate federal health care systems that have historically had and still do have different health care delivery missions and unique medical capability requirements has required the highest level of cooperation and coordination between organizations. Care and attention must be given to each detail of the plan to ensure that quality and safety are not diminished, that expected consequences have been properly planned for, and that mechanisms are in place to quickly identify and resolve unintended consequences of any sharing agreements.

During the past year and a half there has been significant progress at the tactical, facility-to-facility, level between NCVAHC and the NHGC. Great progress has also occurred at the strategic, Department-to-Department level where a joint VA/DoD Task Force developed the optimal health care delivery model for the North Chicago area. The model was approved by the Assistant Secretary of Defense (Health Affairs) and the VA Under Secretary for Health in October 2002. This document now forms the framework around which the Navy and Veterans Administration are moving forward to optimize VA and DoD health facilities and services in the North Chicago area.

III. Action Taken

a. Strategic Action Taken

In 2001, the Co-Chairs of the Department of Veterans Affairs/Department of Defense Executive Council directed the establishment of NCVAMC/NHGL Task Force in coordination with the Joint Facility Utilization and Resource Sharing Working Group. Their task was to identify areas for improved resource utilization through partnership between NCVAMC and NHGL and to maximize the coordinated, joint or integrated resources and healthcare infrastructure for VA and DoD beneficiaries. Recommendations of the Task Force were to be based upon a business case analysis demonstrating mutual benefit to VA and DoD.

The Task Force included members of the Joint Facility Utilization and Resource Sharing Work Group, VHA Headquarters, DoD Health Affairs, TRICARE Management Activity, the Navy Bureau of Medicine and Surgery, Naval Hospital Great Lakes, North Chicago VA Medical Center, DoD Lead Agent Region 5, and VISN 12. In May 2002 the Task Force submitted an Executive Council Decision Memorandum to

the VA/DOD Executive Council in which they recommended the following course of action.

In lieu of a replacement hospital at NHGL, construct a Navy Ambulatory Care Center (NACC) based on a family practice/primary care model. The NACC will be sized to meet the projected workload, including specialty outpatient services required to support the Naval Training Command (NTC) mission. Navy will continue to provide outpatient mental health services at NTC locations. VA outpatient care would remain at the NCVAMC. Occupational therapy will be provided to VA and DoD beneficiaries at the NCVAMC. Navy would continue to provide PT services to Navy patient in the outpatient setting at the NACC.

Inpatient Services

- Mental Health Care - Navy will admit appropriate DoD (adult, age 18 and over) beneficiaries requiring inpatient mental healthcare in the VA staffed and operated nursing unit, located in building 131, at the NCVAMC. VA attending physicians will treat the DoD patients. DoD providers may consult with the VA attending providers to maintain continuity of care.
- Medical and Surgical Care - Navy will admit and follow appropriate adult and pediatric DoD beneficiaries requiring inpatient medical and surgical care to the NCVAMC on VA staffed and operated nursing units. DoD physicians may also follow veteran patients admitted for surgical care at the NCVAMC. VA and Navy may refer appropriate selected surgical cases to other facilities with VISN 12.

Surgical Services

- Operating Room suite at NCVAMC - would be upgraded to meet the higher VA or DoD standards and criteria and would accommodate the projected inpatient and ambulatory surgery requirements for Navy and VA.

Urgent Care/Emergency Services

- Appropriate urgent care services will be provided at

the NACC to support the mission at the NTC. NCVAMC would be upgraded per VA and Navy standards and criteria to provide emergency room services to VA and DoD beneficiaries.

Other Services

- Navy would use its external resource sharing arrangements for Obstetrical care.
- VA outpatient care and long-term care would remain at NCVAMC.
- Reimbursement agreements would be developed to accurately reimburse VA and DoD for respective services provided.

The Task Force found this option to be the best solution for maximizing use of the NCVAMC and ensuring the highest quality of health care service to both Veterans Administration and Department of Defense beneficiaries in the area. Specifically this action will:

1. Provide Navy with a modern ambulatory care center to meet increasing workloads in the outpatient arena.
2. Provide VA beneficiaries with increased access to surgical procedures closer to their homes and families.
3. Provide DoD surgeons with the surgical caseload to maintain surgical competencies.
4. Utilize vacant patient care space at the NCVAMC.
5. Consolidate all VA and DoD inpatient care into the NCVAMC, which should reduce overall operating costs for both the Veterans Administration and the Navy.
6. Cost less than other options considered by the Task Force.

In making this recommendation the Task Force recognized that this recommendation would require the close coordination of VA and DoD to effectively address the issues of governance and the management and oversight of inpatient care. In addition, the Task Force identified the following issues that would need to be addressed in order to successfully execute this option.

1. Medical liability
2. Joint bylaws
3. Credentialing and privileging
4. Employee relations
5. Cost sharing
6. Quality assurance
7. Stakeholder relations
8. Graduate medical education programs

The Task Force noted that an appropriate reimbursement system had to be developed to compensate VA and Navy for marginal costs, and that the billing system should be consistent with the single regionally adjusted discounted rate structure developed by the VA/DoD Financial Management Work Group. In addition, the Task Force recognized the incompatibility of the two patient information management systems as a significant barrier, and that an interim solution would need to be pursued using existing technology, similar to those developed at other VA/DoD joint ventures such as Albuquerque and Las Vegas.

The Assistant Secretary of Defense (Health Affairs) and the VA Under Secretary of Health approved the Task Force recommendation on October 16, 2002 for the VA/DoD Executive Council. By this approval the VA and DoD were directed to pursue this course of action to maximize the use of the North Chicago Veterans Affairs Medical Center.

b. Tactical Action Taken

(1) The Task Force also identified numerous short-term sharing opportunities in the following areas for the NCVAMC and NHGL to address immediately:

1. Psychiatry
2. Surgery
3. Rehabilitation

4. Specialty support
5. Educational opportunities
6. Biomedical engineering
7. Imaging
8. Laboratory services
9. Pastoral care
10. Pharmacy
11. Patient data exchange
12. Credentialing and privileging of medical providers
13. Contracting and acquisition
14. Operating room/surgery
15. Emergency medical services
16. Nutrition and food services
17. Patient safety and performance improvement

(2) At the facility-to-facility level the NHGL and the NCVAMC have a long history of cooperative engagement and exchange of goods and services to benefit the patients served at each respective organization. Significant to this ongoing effort is the Navy/VA Steering Team. Established in April 2001, the Team has been directed to continue to improve, explore and expand opportunities to share excess capacities between NCVAMC and GLNH. The Steering Team is comprised of key executive, clinical, ancillary, administrative and support members of NCVAMC and GLNH. These members are formed into Clinical Work Groups, Administrative Work Groups, and Legal Policy Work Groups that address relevant issues in their respective areas. To date these groups have addressed and resolved issues in the areas of:

1. Referrals/Exchange of Record Information

2. Reconciling and Updating Costs
3. Communication/Access to Naval Station Great Lakes
4. Expansion of Services
5. Application of VA and/or Navy policies and procedures

IV. Accomplishments

a. Final decision by the VA/DoD Executive Council outlining the future structure of a viable strategic VA/DoD health care delivery system in North Chicago that is mutually beneficial to the beneficiaries of both departments and that makes maximum use of the NCVAMC in a cost effective manner.

b. Addressed short-term initiatives identified by the NCVAMC/NHGL Task Force that have improved jointly identified needs in a cost effective manner and incorporated best business practices and lessons learned from previous joint ventures. Status of short-term initiatives is contained in attachment (1).

c. Established an ongoing collaborative Steering Team between NCVAMC and NHGL that have identified and resolved day-to-day needs, including policy and regulatory redundancies that inhibit resource sharing and efficiency that occur as these two organizations become more interdependent.

IV. Future Action

The NHGL and NCVAMC have met and started to discuss the details of implementing the VA/DoD Executive Council decision. A team has been assembled with representatives from both facilities and members of VISN 12 and the Bureau of Medicine and Surgery. This team is developing a detailed implementation plan to address facility, staffing, technology, governance, reimbursement, administrative, as well as other requirements and will develop milestones for completion of each specific task required to implement the future North Chicago VA/DoD Health System.

**North Chicago Veterans Administration Medical Center/Naval
Hospital Great Lakes Short-Term Initiative Status**

Sharing Opportunity	Goal	Current Status
Credentialing & Privileging of Medical Providers	Credentialing/Privileging to enhance partnering.	VA Radiologist credentialed; VA/NHGL credentialing staffs and ECOMS working together.
<p>Contracting & Acquisition</p> <p>Office Supplies</p> <p>Durable Medical Equipment</p> <p>Calibration of Test Equipment</p> <p>Ultrasound</p>	<p>Utilize each facility's contract for best cost.</p> <p>Determine possible joint purchase of adaptive & durable medical equipment to be used at both facilities.</p> <p>Joint contracting (vendor discounts).</p> <p>Provide NHGL with additional support.</p>	<p>NHGL has successfully piloted VA's prime vendor for office supplies; Ongoing.</p> <p>NCVAMC provided NHGL with replacement beds for 12E at savings of \$80000.</p> <p>NHGL evaluating potential savings of VA's capabilities in calibrating NHGL equipment.</p> <p>NHGL evaluating contract.</p>
OR/Surgery	Consolidate OR/Surgery at one facility.	Developing milestones in light of recent signed DOD/VA Memorandum.

Sharing Opportunity	Goal	Current Status
EMS/Emergency Dept. Operations	Consolidate AEU/ER Operations at one facility.	Developing details for ambulance and ED support at NCVAMC.
Psychiatry	Consolidation of inpatient services.	Developing milestones in light of recent signed DOD/VA Memorandum.
Imaging Mammography	Establish joint on site support in lieu of contracting out by NCVAMC.	Resolving local referral processes issues; reviewing legislative guidance; developing workload and staffing requirements.
Pharmacy	Optimize pharmacy service availability to between facilities.	NCVAMC continues to provide specialized supplements for NHGL as need arises. Pending outcome of A76 review.
Nutrition & Food Services	Optimize nutrition and food service capability between facilities.	NCVAMC continues to provide specialized supplements for NHGL as need arises. Pending outcome of A76 review.

Sharing Opportunity	Goal	Current Status
NEW: Patient Safety and Performance Improvement Initiatives	Share best practices; share benchmarking data.	Template being developed to identify benchmarks; Both institutions approaching separate JCAHO inspections together; sharing safety initiatives.