

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Health Administration

*Review of Alleged
Mismanagement of
The Villages Outpatient Clinic,
Marion County, Florida*

August 7, 2012
12-00319-240

ACRONYMS AND ABBREVIATIONS

CBOC	Community Based Outpatient Clinic
NF/SGVHS	North Florida/South Georgia Veterans Health System
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPC	Outpatient Clinic
SPECT	Single Photon Emission Computed Tomography
VAMC	Veterans Affairs Medical Center
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

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Report Highlights: Review of VHA's Alleged Mismanagement of The Villages Outpatient Clinic, Marion County, Florida

Why We Did This Review

The Office of Inspector General received an allegation that the North Florida/South Georgia Veterans Health System of the VA Sunshine Healthcare Network underutilized The Villages Outpatient Clinic in Florida. This review assessed the allegation that four operating rooms intended for minor surgeries and three procedure rooms intended for gastrointestinal and pulmonary procedures had not been used since the clinic opened in October 2010.

What We Found

We substantiated the allegation that The Villages Outpatient Clinic was underutilized during the first 18 months of operation. We found primary care, mental health, and specialty care were not provided as planned. The surgical suite had not been used since the facility opened in October 2010 and the nuclear medicine suite was underutilized.

This occurred because of a lack of oversight over the planning and operation of The Villages Outpatient Clinic. As a result, the North Florida/South Georgia Veterans Health System inefficiently spent \$1.9 million on underutilized facility and equipment costs as well as on staff salaries and benefits. These funds represent a lost opportunity to provide veterans with additional access to medical care in an underserved area of need.

What We Recommended

We recommended that the VA Sunshine Healthcare Network Director conduct a thorough utilization review of The Villages Outpatient Clinic to ensure facility resources efficiently meet the medical needs of the most underserved veterans. Further, the Director needs to determine if the unused nuclear medicine machine needs to be relocated to another VA medical facility.

Agency Comments

The VA Sunshine Healthcare Network Director agreed with our finding and recommendations and plans to complete all corrective actions by December 2012. The Director advised a facility and VISN analysis of the effectiveness and utilization of all clinics is on-going. The VISN also created a new policy to monitor CBOCs, which includes a requirement for Medical Centers to report progress on achieving workload, staffing and other goals.

We consider these planned actions acceptable, and we will follow up on their implementation. Appendix B contains the full text of the comments from the VA Sunshine Healthcare Network Director.

A handwritten signature in blue ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

This review assessed an allegation submitted to the Office of Inspector General (OIG) that the North Florida/South Georgia Veterans Health System (NF/SGVHS) underutilized The Villages Outpatient Clinic (OPC).

Hotline Complaint

On October 1, 2011, the OIG received an allegation that The Villages OPC was underutilized by the NF/SGVHS. The complainant alleged that four operating rooms intended for minor surgeries and three procedure rooms intended for gastrointestinal, pulmonary, and bone marrow density testing procedures had not been used since the OPC opened in October 2010.

North Florida/South Georgia Veterans Health System

The NF/SGVHS is part of Veterans Integrated Service Network 8 (VISN) and consists of:

- Malcom Randall VA Medical Center (VAMC), Gainesville, Florida
- Lake City VAMC, Lake City, Florida
- Eleven clinics located in North Florida and South Georgia

The NF/SGVHS provided medical services to about 120,000 unique veterans and had a total budget of about \$800 million in FY 2011.

Description of The Villages Outpatient Clinic

The Villages OPC is a large multi-specialty OPC in The Villages, FL, which is located about midway between Tampa and Gainesville, FL. Congress approved funding in VA's FY 2005 budget submission for a 20-year lease with annual lease payments of about \$1.2 million for The Villages OPC. This OPC was to operate as an Ambulatory Surgery Center that would provide primary care, mental health, and a wide range of specialty services. The specialty services included cardiology, orthopedics, minor surgery, and nuclear imaging.

The NF/SGVHS's approved plan would allow existing Community Based Outpatient Clinics (CBOCs) in Ocala and Leesburg, FL to refer mental health and specialty care veterans to The Villages OPC. The approved plan was supported by an Office of Management and Budget (OMB) Exhibit 300 Acquisition Application dated March 17, 2004. The CBOCs in Ocala and Leesburg are primary care clinics and according to VA's proposal, the opening of The Villages OPC would enhance the quality of life for veterans by ensuring VA provides the same standard of care throughout the system and enable VA to provide primary care, mental health, and specialty care services at one location.

RESULTS AND RECOMMENDATIONS

Allegation The Villages Outpatient Clinic Was Underutilized

We substantiated the allegation that the NF/SGVHS underutilized The Villages OPC during the first 18 months the facility was open. We found the following.

- Primary care, mental health, and specialty care were not being provided as planned.
- The surgical suite has not been used since the facility opened in October 2010, and the use of the nuclear medicine suite has been marginal.

This occurred because of a lack of oversight over the planning and operation of The Villages OPC. As a result, NF/SGVHS officials paid more than \$1 million for a nuclear medicine scanner that was only used 28 times. In addition, the OPC expended about \$668,000 in salary costs for the unproductive time of three physicians and about \$263,000 in lease costs for the portion of the facility that went unused. These funds represented a wasted opportunity to provide veterans with additional access to medical care in an underserved geographic area.

VA's Request for Funding

NF/SGVHS requested to lease a 53,000-square-foot multi-specialty outpatient clinic in Marion County, FL. The NF/SGVHS's proposal stated that the facility would handle between 80,000 and 120,000 visits per year and provide primary care; mental health services; and 13 specialty care services, including cardiology, orthopedics, minor surgery, and nuclear imaging. Congress approved funding of estimated annual lease payments of about \$1.2 million for the OPC in VA's FY 2005 budget submission. In October 2005, VA informed Congress that they incorrectly reported the OPC square footage at 53,064 instead of 74,714. As a result, VA estimated the lease payments would increase to about \$1.7 million.

The Veterans Health Administration (VHA) entered into the lease agreement in September 2007 and took possession of the building in August 2010. VHA provided the lessor with a one-time payment of about \$3.7 million for equipment and other items not included in the annual payments and began making the actual scheduled lease payments of about \$1.5 million per year for the next 20 years, which was less than the 2005 estimate provided to Congress. The clinic officially opened in October 2010.

Services Not Provided as Planned

The Villages OPC was significantly underutilized during the first 18 months of operation. The facility has not provided as much care or the types of specialty care in FY 2012 as proposed in NF/SGVHS's original business justification.

Primary, Mental Health, and Specialty Services Underutilized

The Villages OPC is not on track to provide the number of primary, mental health, and specialty care visits as VHA originally planned in its proposal. Based on data from the first 5 months of FY 2012, OPC is likely to achieve only 41 percent of primary care, 34 percent of mental health care, and 24 percent of specialty care visits planned for FY 2012. Table 1 provides the planned number of clinic visits and the estimated clinic visits for FY 2012.

Table 1

FY 2012 Planned Versus Estimated Clinic Visits			
Type of Care	Clinic Visits Planned	Estimated Visits FY 2012	Percent of Planned Visits Provided
Primary	76,530	31,474	41%
Mental Health	24,383	8,174	34 %
Specialty	97,397	23,254	24 %

Source: VHA Decision Support System data

This utilization data supported our auditors' observations during two site visits. We observed a general lack of activity at the OPC including many empty exam rooms, waiting rooms, and several empty specialized areas, such as the physical therapy and rehabilitation room. Figure 1 shows one of several empty waiting rooms during our mid-morning weekday site visit at the OPC.

Figure 1



Source: VA OIG—Wednesday, April 25, 2012, 10:00 a.m.

*Specialty Care
Not
Implemented as
Proposed*

The proposal approved by Congress showed 13 specialty services NF/SGVHS were planned as part of the intended healthcare services at the OPC. However, only seven of these services were available at the time of our site visit on April 25, 2012, about 18 months after the clinic opened. Further, Ophthalmology was only partially available because staff were unable to perform surgical procedures, such as cataract surgery, at the facility. Table 2 shows the 13 proposed specialty services that were fully, partially, or not available at the OPC at the time of our site visit.

Table 2

Availability of Proposed Specialty Services			
Specialty	Fully Available	Partially Available	Not Available
Audiology	✓		
Cardiology	✓		
Computed Tomography Scan	✓		
Fluoroscopy	✓		
Magnetic Resonance Imaging	✓		
Ultrasound	✓		
Ophthalmology		✓	
Dermatology			✓
Gastroenterology			✓
Minor Surgeries			✓*
Nuclear Medicine			✓**
Orthopedics			✓
Urology			✓

Source: Approved proposal (OMB Exhibit 300) and NF/SGVHS officials

**Due to new facility infrastructure requirements implemented by VHA in October 2011, The Villages will not be able to provide minor surgeries in the foreseeable future.*

***Nuclear Medicine was offered until May 23, 2011, before the service was ended with no plans to continue.*

VISN 8 officials stated that the NF/SGVHS was responsible for determining which specialties to provide and when to begin offering those services at the OPC. However, NF/SGVHS officials were unable to support how they determined the need for each of the 13 planned specialty services listed in their proposal to Congress.

In addition, the OPC staff were providing seven specialties and planned to provide an additional three specialties, none of which were included in their original proposal. NF/SGVHS officials stated that at the time of our site visit, there were not enough requests to justify the additional three specialty services. However, NF/SGVHS had allocated space for these additional

specialty areas before determining there was insufficient demand, including gynecology, pulmonary care, and bone mineral density testing.

Figure 2 shows the gynecology and pulmonary medicine areas at the OPC. We observed only a small number of people in this area of the building during mid-morning business hours.

Figure 2



Source: VA OIG—Wednesday, April 25, 2012, 10:40 a.m.

Table 3 shows the 10 specialty services not in the original proposal.

Table 3

Availability of Planned Specialty Services			
Specialty Service	Service Fully Available	Service Partially Available	Not Available
Dental	✓		
Nutrition	✓		
Optometry	✓		
Prosthetics	✓		
Physical Medicine & Rehabilitation	✓		
Telemedicine	✓		
Podiatry		✓	
Bone Mineral Density Testing			✓
Gynecology			✓
Pulmonology			✓

Source: Approved proposal for funding new construction (OMB Exhibit 300) and NF/SGVHS officials

**Surgical Suite
Not Utilized**

The OPC has not used the surgical suite since the facility opened in October 2010. The surgical suite consists of four fully equipped operating rooms and three gastrointestinal procedure rooms. The surgical suite and procedure rooms share a common eight-bed surgical recovery area, which is also fully equipped. Figure 3 shows one of the unused operating rooms, which was used to store equipment at the time of our site visit.

Figure 3



Source: VA OIG auditors—Wednesday, April 25, 2012 10:00 a.m.

Between January and July 2011, the NF/SGVHS hired an ophthalmologist, a podiatrist, and a gastrointestinal surgeon, who all expected to perform surgical procedures at the OPC shortly after starting their positions. All three physicians were consistently underutilized. The podiatrist only conducted specialty appointments at the OPC. The ophthalmologist conducted specialty appointments at the OPC and performed surgical procedures one day a week at Malcom Randall VAMC. The gastrointestinal surgeon only performed surgical procedures one day a week at Malcom Randall VAMC.

According to their service chiefs, the ophthalmologist and gastrointestinal surgeon performed surgical procedures at the Malcom Randall VAMC in order to perform the minimum number of procedures necessary to maintain their competency requirements and surgical privileges. In addition, the service chiefs stated that other NF/SGVHS physicians would have performed those procedures if these two physicians had not performed them. Therefore, the portion of these two physicians' time spent performing these procedures did not raise the overall productivity of the NF/SGVHS.

The podiatrist and ophthalmologist did increase the overall productivity of the NF/SGVHS by conducting their appointments at the OPC. However, their productivity was well below VA workload expectations. Based on

standard VA workload expectations for each specialty, we estimate that the podiatrist was only productive 60 percent of the time and the ophthalmologist was productive only 20 percent of the time. VA paid about \$668,000 in salaries and benefits for the portion of these three physicians' time that was unproductive during their employment for the NF/SGVHS.

**Nuclear
Medicine Suite
Underutilized**

The Villages OPC has a Nuclear Medicine suite composed of six rooms. The NF/SGVHS paid about \$1 million in June 2010 for a Single Photon Emission Computed Tomography (SPECT) machine to provide nuclear medicine and hired a nuclear medicine technician prior to the OPC opening in October 2010. However, Nuclear Medicine Services only provided 28 treatments between the time the facility opened and the end of May 2011 when they discontinued nuclear medicine services. The technician was transferred to Malcom Randall VAMC because of insufficient demand for services.

Figure 4



Source: VA OIG—Wednesday, April 25, 2012, 10:31 a.m.

**Reasons for
Underutilization
of the OPC**

This occurred because of a lack of oversight over the planning and operation of the OPC. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that management needs to compare actual performance to planned results and analyze significant differences. Specifically, VISN 8 officials did not perform adequate ongoing monitoring of The Villages OPC as required by VHA policy to determine whether the facility was meeting the business purposes, goals, and objectives as presented in the proposal.

In addition, NF/SGVHS officials did not effectively determine the overall demand for medical care or the types of specialty services needed most in the OPC geographical area. NF/SGVHS officials could not document that the demand justified the size of the OPC or that the specific health care needs of

the local veterans justified each of the 13 specialty services planned in their proposal. The following is an illustration of NF/SGVHS management's inadequate planning of OPC operations.

The Villages OPC surgical suite was not used because NF/SGVHS officials did not request approval to perform surgical procedures timely. In March 2011, more than 4 months after the OPC opened, NF/SGVHS management learned VHA Directive 2009-001 (January 5, 2009) required the Under Secretary for Health's approval to begin providing surgical procedures at the OPC. In July 2011, while still developing its request to perform surgical procedures, VISN 8 informed NF/SGVHS that VHA added a requirement for a General Surgeon to be available at The Villages OPC before NF/SGVH could perform ambulatory surgeries at the facility. However, NF/SGVHS took an additional 5 months to submit a revised proposal to VA Central Office. In May 2012, the Under Secretary for Health approved NF/SGVHS's request to provide podiatry, ophthalmology, and gastrointestinal surgical procedures and enhanced diagnostic imaging services.

Effects of Underutilization

As a result, the NF/SGVHS spent \$1.9 million inefficiently on facility and equipment costs as well as on staff salaries and benefits. We conservatively estimate that between October 2010 and April 2012, the NF/SGVHS incurred about \$1 million in costs for equipment that went virtually unused. Further, approximately \$668,000 in salaries and benefits for three surgeons, and about \$263,000 for facility space was spent but fully or effectively utilized. These funds represent a lost opportunity to provide veterans with additional access to medical care in an underserved geographic area.

Conclusion

We substantiated that NF/SGVHS management underutilized the OPC during the first 18 months of operation. Proper planning and implementation of major leasing projects is critical to ensure VA has the right-sized facilities at the right place to deliver the best services possible to veterans at the best value to the taxpayer.

At a recent congressional hearing on VA's major construction practices, committee members focused on VA exceeding the size and scope of requested authorizations, conducting haphazard due diligence, and not being forthcoming about its actions to Congress. The issues discussed at the hearing were similar to those found at The Villages OPC. We also have concerns that VA's planning and approval process used to determine the size, placement, type of facility, and type of services to provide at large outpatient clinics needs improvement. As a result, we plan to conduct a nationwide audit of VA's Major Construction Program to determine if there are systemic problems with VA's construction planning and oversight procedures.

- Recommendations**
1. We recommended that the VA Sunshine Healthcare Network Director determine the most cost-effective location for the Single Photon Emission Computed Tomography machine currently located at The Villages Outpatient Clinic.
 2. We recommended that the VA Sunshine Healthcare Network Director conduct a thorough utilization review of The Villages Outpatient Clinic to ensure facility resources efficiently target meeting the medical needs of the most underserved veterans.

**Management
Comments and
OIG Response**

The VA Sunshine Healthcare Network Director agreed with our finding and recommendations and provided responsive implementation plans to address our recommendations. VISN 8 officials have discussed the most cost effective location for the SPECT machine with VHA Chief Medical Officers and have received several positive responses which will enable them to expedite relocating the machine. The VISN has also studied existing waitlists and Future Pending Appointment Reports and determined there are several areas where medical care is not meeting the existing demand. As a result, the VISN authorized additional staff and equipment at The Villages OPC. In addition, the VISN added a requirement for its medical centers to monitor workload, staffing, and other goals at their CBOCs and report progress to the VISN. The VISN will analyze the effectiveness and utilization of all VISN clinics on an on-going basis.

The implementation plan is acceptable, and we will follow up on the planned actions until they are completed. Appendix B contains the full text of the VA Sunshine Healthcare Network Director's comments.

Appendix A Scope and Methodology

We conducted our work from March through June 2012. We conducted site visits to the NF/SGVHS, The Villages OPC, VISN 8, and VA Central Office. We reviewed the congressionally approved proposal (OMB Exhibit 300), The Villages OPC lease, other planning documents, and workload reports. We also reviewed the activation process, including the process used to activate use of the surgical suite and choose specialty care. We interviewed the complainant, the NF/SGVHS Acting Director, the Chief of Staff, and clinical and administrative staff at NF/SGVHS and The Villages OPC. We also interviewed senior management officials from VISN 8 and VA Central Office. During our site visit of the OPC, we toured the facility and took photographs that represented the conditions we observed.

Data Reliability

We used computer-processed data obtained from VHA's Decision Support System to determine The Villages OPC workload. To test the reliability of this data, we compared relevant computer-processed Decision Support System data with Veterans Health Information Systems and Technology Architecture data and made direct observations. We also used computer-processed data obtained from VA's Personnel and Accounting Integrated Data system to determine total salary and benefit costs. To test the reliability of this data, we verified the salary rate directly with each staff member. We found no significant discrepancies and concluded the workload data were sufficiently reliable for the review objective.

Government Standards

We conducted this review in accordance with CIGIE Inspection and Evaluation Standards, January 2011.

Appendix B VA Sunshine Healthcare Network Director Comments

Department of Veterans Affairs

Memorandum

Date: July 13, 2012
From: Network Director (10N8)
Subj: Response to Draft Report: Review of Alleged Mismanagement of The Villages Outpatient Clinic, Marion County, FL
To: Director, Seattle Audit Operations Division (52SE)
Thru: Director, VA Central Office (10N)

1. The following response is provided regarding the Office of the Inspector General's draft report of allegations regarding mismanagement of The Villages Outpatient Clinic.
 - a. Recommendation 1. We recommend that the VA Sunshine Healthcare Network Director determine the most cost-effective location for the Single Photon Emission Computed Tomography machine currently located at The Villages Outpatient Clinic.

Concur

Target Completion Date: November 12, 2012

Action Taken: At the time of planning / design, the VHA Support Service Center (VSSC) did not have any projected utilization for Ambulatory Nuclear Medicine of the location that would become The Villages Outpatient Clinic. The current medical practice at the time was increased use of this technology for the diagnosis of heart disease. The decision to include it was based on this increased use trend. Changing medical trends and patient workload created a scenario where insufficient utilization precluded technical support staff from maintaining adequate proficiency. The VISN 8 Chief Medical Officer has conferred with all the Chiefs of Staff within the VISN and has made contact with other VISN Chief Medical Officers to determine the most cost effective location for placement of the Gamma Camera. The VISN has received several positive responses. The VISN will continue to monitor and will expedite the re-location of the equipment.

- b. Recommendation 2. We recommend that the VA Sunshine Healthcare Network Director conduct a thorough utilization review of The Villages Outpatient Clinic to ensure facility resources efficiently target meeting the medical needs of the most underserved veterans.

Concur

Target Completion Date: October 12, 2012

Action Taken: The VISN has determined that there are several areas where medical care is not meeting the existing demand. These gaps were determined by a careful study of existing Waitlists and Future Pending Appointment reports that indicate access for these services is not meeting VHA standards. As a result of these data, additional staff and equipment have been authorized for several areas of care including, Audiology, Optometry, Podiatry, Dermatology, Gastroenterology, and Primary Care. Primary Care demand has grown at over 10% per year since opening and it is expected that these new primary care patients will create a greater demand for specialty services as well. Telemedicine is being used to provide some specialty services in the The Villages Outpatient clinic as well. Mental Health Services has also shown a gap in services and so additional staff is being recruited for this site as well as the rest of VISN 8 to meet this demand. At the time of the Inspectors' visit, approval to start Gastroenterology procedures had not been received from VA Central Office. Approval for these procedures as well as Podiatry and Ophthalmologic procedures was received May 8, 2012. Low rate production has begun for the Gastroenterology procedures to ensure safe patient handling and is expected to ramp up over the summer. Podiatry procedures have moved from procedures done in a provider's office to the minor surgery suite and Ophthalmologic procedures are scheduled to begin in August. This phased approach was chosen to ensure the highest possible patient safety standards were observed. Facility and VISN analysis of the effectiveness and utilization of all clinics is on-going. New regulations require VHA approval for any substantial changes to care delivered by any clinic at this time. The VISN has created a new policy on monitoring of CBOCs which was approved by the VISN Governance Board on June 26, 2012. This includes a requirement for Medical Centers to report progress on achieving workload, staffing and other goals. The VISN and Medical Center will conduct an analysis of the ongoing needs of The Villages, utilizing Strategic Planning categories and projected workload for the OPC. This analysis will identify the future needs and the VISN will ensure facility resources efficiently target meeting the medical needs of the most underserved veterans.

2. Please contact Donald F. Davis, VISN 8 Strategic Planner at 727-575-8026 if you have any questions.

Nevin M. Weaver

Nevin M. Weaver, FACHE
Network Director, VISN 8

Appendix C Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Gary Abe, Director Kevin Day Chris Enders Barry Johnson
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