



Department of Veterans Affairs
Office of Inspector General

Office of Healthcare Inspections

Report No. 13-01819-133

Healthcare Inspection

Improper Procurement and Billing Practices for Anesthesiology Services George E. Wahlen VA Healthcare System Salt Lake City, Utah

May 6, 2014

Washington, DC 20420

To Report Suspected Wrongdoing in VA Programs and Operations:
Telephone: 1-800-488-8244
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Executive Summary

The VA Office of Inspector General Office of Healthcare Inspections conducted an inspection in response to allegations about improper procurement of and billing practices for anesthesiology services provided by an affiliated school of medicine, the University of Utah School of Medicine (U of Utah), at the George E. Wahlen VA Salt Lake City Health Care System (VASLCHCS), Salt Lake City, UT.

We substantiated the allegation that until April 2011, there had been no formal negotiated contracts for anesthesiology services between VASLCHCS and U of Utah since 2002; VASLCHCS was paying for services performed at the VA facility through the use of purchase orders.

We substantiated the allegation that U of Utah billed VASLCHCS for work performed by an anesthesiologist employed by VASLCHCS.

We substantiated the allegation that VASLCHCS was billed at unsupported rates as set forth in VA Directive 1663 for medical services performed by U of Utah anesthesiologists.

We recommended that the Under Secretary for Health develop and implement a plan of action to ensure that procedures described in VA Directive 1663 are followed when purchasing medical services from VA affiliated academic institutions and prohibit the use of purchase orders to obtain contract provider services unless the purchase orders contain required clauses.

We recommended that the Veterans Integrated Service Network and VASLCHCS Directors ensure compliance with VA Directive 1663.

Comments

The Under Secretary for Health and the Veterans Integrated Service Network and Facility Directors concurred with our recommendations and provided an acceptable action plan. (See Appendixes B, C, and D, pages 12–18.) We will follow up on the planned actions until they are completed.



JOHN D. DAIGH, JR., M.D.
Assistant Inspector General for
Healthcare Inspections

Purpose

The VA Office of Inspector General Office of Healthcare Inspections conducted an inspection in response to allegations about improper procurement of and billing practices for anesthesiology services provided by an affiliated school of medicine, the University of Utah School of Medicine, (U of Utah) at the VA Salt Lake City Health Care System (VASLCHCS), Salt Lake City, UT. The purpose of this inspection was to review those allegations.

Background

Affiliated Academic Institutions

Affiliation Agreements. Conducting an education and training program for health professions students and residents is one of VA's four statutory missions. VA works to accomplish this mission through affiliations with academic institutions. Agreements with academic affiliates promote common standards for patient care, student and resident education, research, and staff appointments. The benefits of medical school affiliations include the ability for veteran patients to have ready access to university physicians and the opportunity for trainees to work in VA's unique health care environment. In order to support the medical center programs that provide resident training, physician staff at the VA facility must be qualified to provide the training and resident supervision as required by the Accreditation Council for Graduate Medical Education.¹

Sole-Source Contracts with Affiliated Academic Institutions

Sole-Source Contracts. Under Section 8153 of Title 38 of the United States Code, to secure health care resources which otherwise might not be feasibly available, the Secretary has authority to enter into contracts or other agreements for the mutual use, or exchange of use, of health care resources between VA health care facilities and any health care provider, or other entity or individual. The statute also permits VA to enter into sole-source contracts or agreements with an affiliate or entities, such as a practice group, associated with an affiliate, to obtain health care resources. VA Directive 1663 sets forth the policies and responsibilities for implementing and managing VA's health care resources sharing authority, including the process for securing sole-source contracts.²

Under VA Directive 1663, when recruitment efforts for qualified clinicians are unsuccessful (or recruitment is not considered to be in the best interests of the VA), the facility director may either transfer patients to another facility or contract for services. While a competitive bid contract is generally the preferred option, a non-competitive or

¹ The Accreditation Council for Graduate Medical Education is a private professional organization that is responsible for the accreditation of physician-in-training residency programs in 133 specialty and subspecialty areas of medicine.

² VA Directive 1663, *Health Care Resources Contracting – Buying Title 38 U.S.C. 8153*, August 10, 2006.

sole-source contract with an affiliated academic institution is acceptable when education and supervision of graduate medical trainees is required because the affiliated academic institution physicians will have the requisite teaching and resident supervision qualifications.

VA Directive 1663 states that the facility director must submit the request for the sole-source contract through the Network Chief Medical Officer for approval by the Veterans Integrated Service Network (VISN) director. The sole-source contract request is then forwarded to the VA Contracting Office. Prior to solicitation, alternate plans must be established in the event a contract cannot be awarded.

An acquisition team is appointed to prepare and negotiate contract terms. A Contracting Officer (CO) must be a member of the acquisition team. When the total value of a proposed sole-source contract exceeds \$500,000, the proposal must be submitted to the OIG Office of Contract Review (OCR) for a pre-award review. OCR determines whether proposed costs are allowable, fair, and reasonable and makes recommendations to address pricing and other issues. Allowable costs include direct costs rather than indirect ones such as general department or university overhead costs. Pre-award review recommendations from OCR provide a baseline for negotiation.

Interim Contract Authority. VA Directive 1663 estimates that for non-competitive awards, the contracting office should complete the solicitation to award process in 28 weeks. On an emergency basis for short-term needs or as an interim measure to complete the contracting cycle for long-term needs, the CO is allowed to enter into a contract under Interim Contract Authorities for a limited time (180 days). Additional interim contract authority may be granted by the VHA Procurement & Logistics Office (10F), however, total interim contract time should not exceed 1 year.³

Prior OIG Review of VHA Sole-Source Contracts with Affiliated Institutions

In our 2011 report, we determined that VHA had not effectively implemented all the requirements set forth in VA Directive 1663 and had not provided the necessary resources to the Medical Sharing Office (MSO) or adequate training to VHA procurement and non-procurement staff.⁴ In response, VHA undertook a large effort to fully comply with VA Directive 1663 that included adding staff at MSO, implementing a central tracking system, new policies and procedures, and providing comprehensive standardized training. The number of sole-source contracts awarded since the new processes were initiated has more than doubled from 107 in FY 2011 to 277 in FY 2013, and the value of the awards has increased from \$142 million to \$357 million.

Furthermore, VHA has been working on the development of clear and well-defined national standard statements of work for each medical specialty and has completed

³ VA Directive 1663, *Health Care Resources Contracting – Buying Title 38 U.S.C. 8153*, August 10, 2006.

⁴ VA OIG Report No. 09-00981-227, *Review of VHA Sole-Source Contracts with Affiliated Institutions*, July 21, 2011.

ones for a few areas including Radiation and Oncology. VHA has reported that a standard statement of work for the Anesthesiology specialty is near completion.

VASLCHCS and U of Utah

The VASLCHCS is a 121-bed tertiary care facility serving veterans residing within a 25,000 square mile primary service area and is part of VISN 19, also known as the Rocky Mountain Network. VASLCHCS offers traditional services, as well as specialty services such as open-heart surgery, including cardiac transplantation.

VASLCHCS has had an affiliation with the U of Utah School of Medicine since 1946. Medical education is an integral part of U of Utah's relationship with VASLCHCS. While the responsibility for medical education rests with the academic institution and the school of medicine, VA is responsible for the medical care provided at VA facilities.

VASLCHCS Anesthesiology Services

VASLCHCS employs two full time anesthesiologists—one in the operating room (OR) and one in the Pain Management clinic—and five part-time anesthesiologists. The Chief of Anesthesiology, who holds dual appointments at the facility and the U of Utah, fills one of the part-time positions. The other four part-time anesthesiologists perform mostly clinical duties in the OR, Same Day Surgical Unit, Surgical Intensive Care Unit, and other clinics that may require anesthesia care. The total VASLCHCS full-time employee equivalents (FTE)⁵ authorized for anesthesiology is 4.2 FTE, which is not sufficient to provide services for all shifts in all areas requiring anesthesiology services.

In order to provide the needed services, VASLCHCS pays the U of Utah for anesthesiology support in the six operating rooms that function Monday through Friday, 10 hours per day. Additionally, U of Utah anesthesiologists support the Cardiac Catheterization Laboratory, Gastrointestinal Clinic, and other clinics as needed and are on call nights and weekends. The VASLCHCS anesthesiologists have not been required to provide on-call coverage.⁶ For at least 12 years, U of Utah has provided 4.36 FTE (approximately 218 hours per week at 50 hours per FTE) anesthesiologists to the VASLCHCS at a cost of approximately \$1.8 to \$2 million per year. On-call coverage accounts for 118 of the 218 hours of the purchased services.

VASLCHCS has paid U of Utah for services without a formal contract for at least 9 years using purchase orders. VASLCHCS, through the VISN contracting office, has been negotiating a sole-source contract with U of Utah for the provision of

⁵ Generally, the FTE is the number of work force hours required divided by the number of hours that is considered full time. However, the basis for calculating FTE requirements may vary; for example, the total FTE requirement may or may not include additional hours for on call requirements or vacation and other times that staff would be unavailable.

⁶ VA Directive 1663 encourages part-time VA physician employees to provide on-call services on a work without compensation basis proportionate to the percentage of time they devote to the VA (for example, 1/8, 3/8); however, VASLCHCS does not follow this practice.

anesthesiology services for over 2 years without success after awarding an interim contract in April 2011.

Allegations

The allegations included the following:

- There have been no contracts for anesthesiology services between VASLCHCS and U of Utah since 2002.
- U of Utah billed VASLCHCS for work performed by VASLCHCS anesthesiologists.
- U of Utah billed excessive rates for medical services provided by U of Utah anesthesiologists.

Scope and Methodology

We conducted an initial site visit in June 2011 and a follow-up visit in May 2013. Our review was suspended between the two visits while a review of a potential criminal violation was conducted.

We interviewed the Chief of Staff, Chief of Anesthesiology, Acting Chief of Human Resources, Contracting Officers, and other knowledgeable VASLCHCS staff.

We reviewed OIG OCR pre-award review reports from 2002⁷ and 2006,⁸ contracts, invoices, disbursement data, anesthesiology scheduling logs and sign-in sheets, time and attendance reports, medical records, consultation completion reports, credentialing folders, and other related documents. Prior to the site visit, we reviewed VA, VHA, and local policies.

In addition, we reviewed the following OIG reports: *Evaluation of VHA Sole-Source Contracts with Medical Schools and Other Affiliated Institutions*, Report No. 05-01318-85, February 16, 2005, and *Review of VHA Sole-Source Contracts with Affiliated Institutions*, Report No. 09-00981-227, July 21, 2011.

We expanded our review of the VASLCHCS's sole-source contract for anesthesiology services to other VA facilities purchasing anesthesiology services to evaluate whether other facilities encountered similar issues while attempting to secure a long-term contract. We found that 10 other facilities had requested and received a pre-award review of proposals for purchased anesthesiology services. We reviewed the contractual arrangements of the 10 other VA medical centers and compared

⁷ *Review of Proposal Submitted by the University of Utah under Solicitation Number 660-011-02 for Anesthesiology Services at the Department of Veterans Affairs Salt Lake City Health Care System*, November 20, 2002.

⁸ *Review of Proposal Submitted by the University of Utah under Solicitation Number 259-115-05 for Anesthesiology Services at the Department of Veterans Affairs Salt Lake City Health Care System*, May 9, 2006.

VASHCHCS's practices to the other facilities by reviewing documents on the Electronic Contract Management System and payments made through the Federal Procurement Data System.

We conducted the inspection in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency.

Inspection Results

Issue 1: Anesthesiology Services Purchased Without a Contract

We substantiated the allegation that VASLCHCS purchased anesthesiology services using purchase orders without an underlying negotiated contract for almost 9 years (2002–2011). The purchase orders included only an annual price. They did not contain terms and conditions required to protect the Government's interests, such as statements that the U of Utah providers were independent contractors, that they must carry malpractice insurance, or that they must comply with VA policies including VHA's credentialing and privileging process. The CO paid what U of Utah proposed without a price reasonableness determination.

In April 2011, after we started our review, VASLCHCS, through the VISN contracting office, began awarding a series of 6-month interim contracts. Currently, the seventh of a series of interim contracts is in effect, costing \$1.9 million per year. We found that the interim contracts did not receive the required approval by the VHA Procurement Office and exceeded the maximum 1-year period for interim contracts. The use of serial short-term contracts without price negotiation or price reasonableness determination circumvented the required reviews and approval process. We were informed that a long-term contract would be awarded in January 2014.

Issue 2: Inappropriate Billing for VA Staff

We substantiated the allegation that U of Utah billed the VASLCHCS for echocardiography⁹ services performed by a dually employed anesthesiologist while working at the VASLCHCS on VA time. Based on our findings, VASLCHCS was subsequently reimbursed \$60,980 for the improperly billed services. At the start of our review, VASLCHCS did not have an echocardiography services contract but subsequently initiated 2- and 6-month interim contracts beginning in October 2011. When we conducted a follow-up review, we found that this item had been adjusted in subsequent billing invoices. The facility is working on negotiating a long-term contract but continues to purchase these services through short-term interim contracts without price negotiation or price reasonableness determination.

Issue 3: Excessive Billing Rates for Anesthesiology Services

We substantiated the allegation that the VASLCHCS was billed for anesthesiology services at excessive rates because there was no price reasonableness determination or price negotiation.

⁹ An echocardiogram is a test that uses sound waves to evaluate the beating heart; it is usually performed and interpreted by a cardiologist (heart doctor). However, anesthesiologists with special training and experience may perform and interpret echocardiograms.

Since 1999, VA policy has required a pre-award review by OCR for all sole-source health care resource contracts with a total value (base and option years) of more than \$500,000. In 2002, VASLCHCS submitted a proposal to OCR from U of Utah for a sole-source contract for anesthesiology services. The pre-award report, sent to the CO in November 2002, questioned \$418,552.36 of the \$2,616,861.12 (16 percent) of the proposed contract costs and recommended recovery of \$23,046.17 in overbilling for on-call time from February through August 2002. No contract was awarded; yet, VA continued to pay using purchase orders for the services when the prior contract expired at the rates U of Utah requested.

In 2006, VASLCHCS submitted a proposal for a sole-source contract for anesthesiology services valued at \$1.4 million per year for 3.0 U of Utah FTE anesthesiologists¹⁰ to OCR for a pre-award review. OCR determined that approximately 25 percent of the proposed costs either were unallowable (indirect costs such as a dean’s tax and university office maintenance costs) or unsupported (proposed salary and benefits rates exceeded the actual salary and benefits paid to U of Utah anesthesiologists). Negotiations for a contract based on the 2006 proposal were unsuccessful. VASLCHCS continued to pay U of Utah for anesthesiology services without a contract at a rate 25 percent higher than the amounts in U of Utah’s proposal and 50 percent more than the rate recommended by OCR (see table below).

Table 1: 2006 Pre-Award Review Summary and Subsequent Payments

Description	A Proposed Costs	B OCR Pre-Award Recommended Costs	C Paid Invoiced Amounts	C-A Payments in Excess of Proposed Costs	C-B Payments in Excess of Recommended Costs
Base Year - 2006	\$1,407,877	\$1,053,590	\$1,754,544	\$346,667	\$700,954
Option Year - 2007	\$1,407,877	\$1,053,590	\$1,754,544	\$346,667	\$700,954
Total	\$2,815,754	\$2,107,180	\$3,509,088	\$693,334	\$1,401,908

Source: VA OIG

The amounts charged by U of Utah and paid by the VASLCHCS for anesthesiology services have increased roughly 1 percent per year since 2006 to \$1,860,000 in 2011. The April 2011 interim contract used the higher FTE of 4.36 (half of which included coverage for on-call time). The VISN contracting officer who awarded the first interim contract reported in a February 2011 Price Negotiation Memorandum, that “U of Utah was not interested in negotiating the price down and went to VA management threatening to pull the whole anesthesiology program including the residents by July 2011.” The VASLCHCS Chief of Staff determined that “pulling” the program would not be in the best interest of veterans and advised the CO to pay the asking price.

¹⁰ The 2006 proposal cited a requirement of 3.0 FTE while the 2011 contract cited 4.36 FTEs; although, the requirements for coverage reportedly did not change. The discrepancy in the FTE numbers for the same hours of coverage may be attributable to varying criteria for calculating FTE.

The 4.36 FTE included 118 hours on-call time¹¹ per week. U of Utah anesthesiologists receive a lower rate of pay for hours that they are on-call at VASLCHCS than their regular hourly rate of pay for hours providing services. Per the terms of the interim contract, VASLCHCS was billed the regular hourly rate of pay for on-call hours instead of the lower on-call rate of pay for hours that U of Utah anesthesiologists were available for urgent or emergency VA procedures whether or not they were called in to provide anesthesiology services. Our analysis showed that the on-call anesthesiologists have been called into the facility infrequently; less than 9 percent of the on-call time has been spent in the hospital.

FTE Work Load Analysis. We analyzed how the U of Utah purchased anesthesiology services were being utilized by VASLCHCS for 7 months in FY 2013 (Figure 1). Our analysis included a review of anesthesiology caseload for the OR and all clinics that required anesthesiology services. We found the caseload for anesthesiologists at VASLCHCS averaged 57 cases per week during the study period, which required the scheduling on average of 3.4 anesthesiologists in the OR (45 cases) and other clinics (12 cases). Our analysis showed that on average, 1.43 VA anesthesiologist FTE and 2.0 U of Utah anesthesiologist FTE were scheduled each day. The difference between the 2 FTE that U of Utah provides on average each day and the 4.34 FTE interim contract requirement is the additional on-call time of 118 hours per week, which the VA pays at full rate.

Table 2. Average Number of Contract and VA Anesthesiologists Per Day and Case Load

Week Of	Anesthesiologist Weekly Average Vs. Case Load							Average
	1/11/2013	2/15/2013	3/15/2013	4/12/2013	5/10/2013	6/14/2013	7/12/2013	
# of Contract	2	2	2	2	4	1	1	2
# of VA	1	2	2	1	0	2	2	1.43
Case Load	60	60	64	52	50	57	58	57.29

Source: VA OIG

Incidental Findings

Purchasing Echocardiographic Services. In the course of our review, we discovered that VASLCHCS has paid U of Utah nearly \$672,000 for the interpretation of approximately 3,900 echocardiograms per year by specially trained anesthesiologists since 2009. Prior to 2011, similar to the purchase of anesthesiology services, these payments were made using purchase orders that did not contain the terms and conditions required to protect the government's interests. In April 2011, a 6-month short-term contract was put in place to pay 1.25 FTE to interpret echocardiograms. This interim contract has been extended since 2011 and has not undergone the approvals and price reasonableness determination necessary for a long-term contract.

¹¹ On-call time includes hours that a provider may be off-site but ready and available to return to the facility within a pre-designated period if needed for an urgent or emergency procedure.

Sole-source Contracts at Other VA Facilities. We found that the lack of a long-term anesthesiology contract was not unique to VASLCHCS. We reviewed contracts from 10 VA medical centers that OCR had performed pre-award reviews for purchased anesthesiology services from affiliated academic institutions. We identified problems with 7 of the 10 contracts and found that only 3 facilities had long-term contracts in place. Five of the 10 were using 6-month interim contracts, and 2 were purchasing anesthesiology services using purchase orders without long-term contracts.

OIG has previously issued reports on sole-source contracts with affiliated academic institutions.¹² VHA concurred with the reports' recommendations that included tracking all health care contracting and spending with affiliated academic institutions for health care services (including interim agreements), limiting overhead and on-call costs, developing medical specialty performance work statements, and establishing FTE standards by specialty. In response to the 2005 OIG report, VA issued Directive 1663. However, there has been a significant lack of compliance, oversight, and controls relating to sole-source contracts.

Conclusions

Our findings demonstrated inadequate oversight of the procurement of medical services with no apparent repercussions for non-compliance over a long period. We found that managers at the VHA Procurement & Logistics Office, VISN, and VASLCHCS were aware of the long-standing contracting problems. We substantiated the following allegations:

1. VASLCHCS did not have a long-term negotiated contract in place for anesthesiology services between 2002 and 2011. Since April 2011, VASLCHCS has been relying on interim contracts that do not comply with VA Directive 1663.
2. VASLCHCS was improperly billed for services provided by a physician holding dual appointments at VASLCHCS and U of Utah when working at the VASLCHCS on VA time. VASLCHCS has taken steps to resolve improper billing.
3. VASLCHCS paid for anesthesiology services at non-negotiated prices that were 25 percent higher than those proposed in response to a solicitation for a long-term contract and 50 percent more than the amount recommended by OCR.

VA allows sole-source (non-competitive) contractual agreements between affiliated academic institutions and a VA facility with the expectation that both parties enter into this arrangement in a spirit of mutually benefitting through an equitable contribution of resources that is not motivated by profit. VASLCHCS leaders have an obligation to

¹² OIG issued Report No. 05-01318-85, *Evaluation of VHA Sole-Source Contracts with Medical Schools and Other Affiliated Institutions*, February 16, 2005, and OIG issued Report No. 09-00981-227, *Review of VHA Sole-Source Contracts with Affiliated Institutions*, July 21, 2011.

ensure that VA pays fair and reasonable prices and resources are spent appropriately. We found little or no evidence that an alternate plan was pursued that would either obviate the need for a sole-source contract or improve VASLCHCS negotiating position.

After reviewing the contractual arrangements of 10 affiliated academic institutions, we concluded that the inability to successfully negotiate a long-term contract has not been a problem unique to VASLCHCS. Only 3 in 10 had a long-term contract in place after a pre-award review. Although progress has been made, we noted that VHA has not fully implemented the action plans from previous OIG reports¹³ that reviewed sole-source contracts with affiliates. The failure of VHA to address these contracting issues is evident by the difficulties in establishing beneficial contractual relationships with affiliated academic institutions.

Recommendations

1. We recommended that the Under Secretary for Health develop and implement a plan of action to ensure that VA purchase of medical services from affiliated academic institutions is in compliance with VA Directive 1663 and procurement laws and regulations.
2. We recommended that the Under Secretary for Health ensure that VA prohibits the use of purchase orders to obtain contract provider services unless the purchase orders contain the required clauses identified in the report.
3. We recommended that the Veterans Integrated Service Network Director ensure that the procurement of specialized medical services is in accordance with VA Directive 1663.
4. We recommended that the Veterans Integrated Service Network Director ensure that Interim Contract Authority is appropriately granted and used as outlined in VA Directive 1663.
5. We recommended that the VA Salt Lake City Health Care System Director develop and implement as necessary an alternate source plan for the provision of anesthesiology services that complies with VA Directive 1663.

¹³ OIG issued Report No. 05-01318-85, *Evaluation of VHA Sole-Source Contracts with Medical Schools and Other Affiliated Institutions*, February 16, 2005, and OIG issued Report No. 09-00981-227, *Review of VHA Sole-Source Contracts with Affiliated Institutions*, July 21, 2011.

Pre-Award Reviews of Anesthesiology Contracts

Table 3: Facilities Where Anesthesiology Contracts Underwent Pre-Award OCR Review Between 2003 and 2013 by Type of Contract

VA Facility	Last Contract eCMS	Contract Type	Affiliate	Year of Last Pre-Award Review
South Texas Healthcare System (San Antonio)	VA-257-13-C-0133	Long Term	Univ of Texas San Antonio	2012
Seattle VA Medical Center	VA260-13-C-0065	Long Term	Univ of Washington	2003
Birmingham VA Medical Center	VA247P-0683	Expired Contract	Univ of Alabama	2009
Miami VA Medical Center	VA248-P-1726	Expired Contract	Univ of Miami	2004
Robley Rex VA Medical Center (Louisville)	VA249-13-C-0057A	Long Term Contract	Univ of Louisville	2012
VA Ann Arbor Healthcare System	VA251-13-D-0042	Short Term Contract	Regents of the Univ of Michigan	2007
Durham VA Medical Center	VA246-14-C-0211	Short Term Contract	Duke Univ Medical Center	2013
Pittsburgh VA Medical Center	VA244-14-C-0079	Short Term Contract	Univ of Pittsburgh	2010
VA Nebraska-Western Iowa Healthcare System	VA-263-13-C-0260	Short Term Contract	Univ of Nebraska Med Center	2008
Salt Lake City Healthcare System	VA-259-13-C-0239	Short Term Contract	Univ of Utah	2006

Source: VA OIG

Under Secretary for Health Comments

**Department of
Veterans Affairs**

Memorandum

Date: March 18, 2014

From: Under Secretary for Health (10)

Subject: Office of Inspector General Draft Report: Healthcare Inspection—
Improper Procurement and Billing Practices for Anesthesiology
Services, VA Health Care Systems, Salt Lake City, Utah (VAIQ
7441668)

To: Director, Healthcare Financial Analysis Division, Office of
Healthcare Inspections (54D)

1. I have reviewed the draft report and concur with the report's recommendations. Attached is the Veterans Health Administration's corrective action plan to address the report's recommendations.
2. If you have any questions, please contact Karen M. Rasmussen, M.D., Director, Management Review Service (10AR) at (202) 461-6643.


Robert A. Petzel, M.D.

Attachment

Comments to OIG's Report

The following Under Secretary for Health comments are submitted in response to the recommendations in the OIG report:

Recommendations/ Actions	Status	Completion Date
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Recommendation 1. We recommended that the Under Secretary for Health develop and implement a plan of action to ensure that VA purchase of medical services from affiliated academic institutions is in compliance with VA Directive 1663 and procurement laws and regulations.

VHA Comments:

Concur

Target date for completion: May 31, 2014

Health Care Contract actions, including medical services from affiliated academic institutions, are managed through the VHA Medical Sharing/Affiliate Office (MSO) technical review process that includes detailed scrutiny to ensure compliance with VA Directive 1663, *Health Care resources Contracting-Buying Title 38 U.S.C 8153*. Recommendation 1 has been addressed by VHA MSO in numerous action plans that were developed in response to OIG Report *Review of VHA Sole-Source Contracts With Affiliated Institutions (Report Number-09-00981-227)* and *Evaluation of VHA Community Based Outpatient Clinic Fiscal Year 2012 (Report Number-13-00090-346)*.

VHA MSO has developed and provides ongoing comprehensive standardized training on the requirements of VA Directive 1663 to procurement and non-procurement staff who have responsibilities relating to sole source contracting with affiliates. The VHA Procurement Manual also includes detailed Standard Operating Procedures (SOPs) on Acquisition Planning and a supplemental acquisition planning guide. Clear and well defined national standard Performance Work Statements (PWS) and Quality Assurance Surveillance Plans (QASP) for Health Care specialties, traditionally acquired from VHA Affiliated Institutions, have been created for many of the healthcare specialties and is an ongoing effort for MSO.

MSO ensures all purchases of medical services from affiliated academic institutions submitted to MSO are in compliance with VA Directive 1663 and procurement laws and regulations. MSO has developed and implemented a tracking system for procurement actions submitted to MSO. This report, however, does not cover actions awarded outside of Electronic Contract Management System (eCMS) nor those under MSO review thresholds. MSO will work with Integrated Funds Distribution Control Point (IFCAP) experts and the National eCMS coordinator to develop a report to try and catch any sole source affiliate awards completed in IFCAP or eCMS and send monthly reports

to the Directors of Contracting informing them of any apparent incorrect actions so that they may take action.

Recommendation 2. We recommended that the Under Secretary for Health ensure that VA prohibits the use of purchase orders to obtain contract provider services unless the purchase orders contain the required clauses identified in the report.

VHA Comments:

Concur

Target date for completion: Completed

VHA has implemented the requirements of the *VA PROCUREMENT POLICY MEMORANDUM (PPM) - Mandatory Usage of VA's Electronic Contract Management System (eCMS)*. This PPM applies to all acquisitions above the micro-purchase threshold, except task or delivery orders placed by an Ordering Officer designated by a contracting officer. The implementation of eCMS prohibits the use of purchase orders to obtain contract provider services and the use of eCMS supports legal and technical compliance by populating contract documents with up-to-date provisions and clauses. The PPM is implemented via the VHA Procurement Manual Chapter IV: eCMS SOP. The first eCMS SOP was released June 25, 2010. VHA Procurement leadership also issued a memorandum on July 13, 2011 reinforcing this action. Please note the findings from the OIG report occurred prior to the release of the VHA policies.

VISN Director Comments

Department of
Veterans Affairs

Memorandum

Date: February 20, 2014

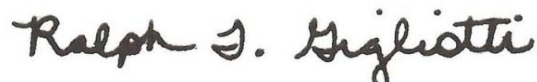
From: Director, VA Rocky Mountain Network (10N19)

Subject: **Healthcare Inspection—Improper Procurement and Billing Practices for Anesthesiology Services, George E. Wahlen VA Healthcare System, Salt Lake City, UT**

To: Under Secretary for Health (10)

I have reviewed and concur on the responses for Recommendations 3 – 5 for the OIG Healthcare Inspection Report on the Improper Procurement and Billing Practices for Anesthesiology Services, George W. Wahlen, VAMS, VA Salt Lake City Healthcare System, Salt Lake City, UT.

If you have any questions, please contact Ms. Susan Curtis, VISN 19 HSS at (303) 639-6995.



Ralph T. Gigliotti, FACHE

Comments to OIG's Report

The following Director's comments are submitted in response to the recommendations in the OIG report:

OIG Recommendations

Recommendation 3. We recommended that the Veterans Integrated Service Network Director ensure that the procurement of specialized medical services is in accordance with VA Directive 1663.

Concur

Target date for completion: Completed

VISN response:

The Network Contracting Office (NCO) 19 recognizes the necessity and value of procuring specialized medical services and assures they are procured in accordance with VA Directive 1663. In 2011, NCO 19 contracting successfully transitioned from procuring anesthesiology services via purchase orders to contracts.

Recommendation 4. We recommended that the Veterans Integrated Service Network Director ensure that Interim Contract Authority is appropriately granted and used as outlined in VA Directive 1663.

Concur

Target date for completion: Completed

VISN response:

The NCO 19 obtains Interim Contract Authority (ICA) from the VA PL&O MSO only when appropriate (when there is insufficient time to process a long-term contract) and per VA Directive 1663.

VASLCHCS Director Comments

Department of
Veterans Affairs

Memorandum

Date: February 14, 2014

From: Director, VA Salt Lake City Health Care System (660)

Subject: **Healthcare Inspection—Improper Procurement and Billing Practices for Anesthesiology Services, George E. Wahlen VA Healthcare System, Salt Lake City, UT**

To: Director, Rocky Mountain Network (10N19)

I concur with the Office of Inspector General's recommendation for the subject report. The action has been completed.



Steven W. Young, FACHE

Comments to OIG's Report

The following Director's comments are submitted in response to the recommendations in the OIG report:

OIG Recommendations

Recommendation 5. We recommended that the VA Salt Lake City Health Care System Director develop and implement as necessary an alternate source plan for the provision of anesthesiology services that complies with VA Directive 1663.

Concur

Target date for completion: Completed.

Facility response: VASLCHCS and the University of Utah Department of Anesthesiology have been collaboratively recruiting staff anesthesiologists to work part-time at VASLCHCS and part-time at the University of Utah. To date, four individuals, constituting 1.625 FTEE have been hired and work in the Operating Rooms (additional physicians with anesthesia background work as Intensivists in the Surgical Intensive Care Unit and in Interventional Pain Management). If on-going joint recruitment is unsuccessful and if the Contracting Officer is unable to reach agreement with the University of Utah Department of Anesthesiology, then VASLCHCS would recruit full-time non-academic staff anesthesiologists or seek contractual arrangements with other healthcare providers in the Salt Lake Valley. It should be noted that while this is a viable alternative, this action has significant and profound consequences as the relationships between University of Utah academic departments and VASLCHCS cannot be viewed in isolation.

OIG Contact and Staff Acknowledgments

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