Those who believe that you can't have a good healthcare system in this country without the involvement of private insurance companies should read this Business Week article carefully.

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JULY 17, 2006

HEALTH

The Best Medical Care In The U.S.

How Veterans Affairs transformed itself -- and what it means for the rest of us

Raymond B. Roemer, 83, has earned his membership in "the greatest generation." A flight engineer during World War II, his B-24 was shot down over Potsdam during a bombing run. He managed to parachute out, but the jump landed him in enemy territory. Roemer spent 11 months in a German POW camp until he was liberated by General George S. Patton's troops in April, 1945.

A month later he came home to Buffalo with a Purple Heart and a few crushed vertebrae from that parachute jump. He married his high school sweetheart, started a successful metal-fabricating business, and signed up for health benefits with Blue Cross/Blue Shield. He can afford to be treated at any of some 20 well-regarded hospitals in the area, but Roemer has made what may seem a bizarre choice. He goes to the Veterans Affairs Medical Center in Buffalo, a hulking, gray edifice first opened in 1950. He doesn't go just for his service-related injuries, either. His primary care doctor is at the VA, he fills his prescriptions there, and he uses the hospital for his vision and hearing needs. He even persuaded his 59-year-old son and business partner, Nicholas, a Vietnam War vet, to enroll with the VA.

Every day some 1,400 patients pass through the Buffalo VA's unprepossessing entrance, into what many might assume 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 excellent," says Roemer. "I couldn't be happier, and my friends in the POW group I belong to all feel the same."

LOWER COSTS, HIGHER QUALITY

Roemer seems to have stepped through the looking glass into an alternative universe, one where a nationwide health system that is run and financed by the federal government provides the best medical care in America. But it's true -- if you want to be sure of top-notch care, join the military. The 154 hospitals and 875 clinics run by the Veterans Affairs Dept. have been ranked best-in-class by a number of independent groups on a broad range of measures, from chronic care to heart disease treatment to percentage of members who receive flu shots. It offers all the same services, and sometimes more, than private sector providers.

According to a Rand Corp. study, the VA system provides two-thirds of the care recommended by such standards bodies as the Agency for Healthcare Research & Quality. Far from perfect, granted -- but the nation's private-sector hospitals provide only 50%. And while studies show that 3% to 8% of the nation's prescriptions are filled erroneously, the VA's prescription accuracy rate is greater than 99.997%, a level most hospitals only dream about. That's largely because the VA has by far the most advanced computerized medical-records system in the U.S. And for the past six years the VA has outranked private-sector hospitals on patient satisfaction in an annual consumer survey conducted by the National Quality Research Center at the University of Michigan. This keeps happening despite the fact that the VA spends an average of $5,000 per patient, vs. the national average of $6,300.

To much of the public, though, the VA's image is hobbled by its inglorious past. For decades the VA was the health-care system of last resort. The movies *Coming Home* (1978), *Born on the Fourth of July* (1989), and *Article 99* (1992) immortalized VA hospitals as festering sinkholes of substandard care. The filmmakers didn't exaggerate. In an infamous incident in 1992, the bodies of two patients were found on the grounds of a VA hospital in Virginia months after they had gone missing. The huge system had deteriorated so badly by the early '90s that Congress considered disbanding it.

Instead, the VA was reinvented in every way possible. In the mid-1990s, Dr. Kenneth W. Kizer, then the VA's Health Under Secretary, installed the most extensive electronic medical-records system in the U.S. Kizer also decentralized decision-making, closed underused hospitals, reallocated resources, and most critically, instituted a culture of accountability and quality measurements. "Our whole motivation was to make the system work for the patient," says Kizer, now director of the National Quality Forum, a nonprofit dedicated to improving health care. "We did a top-to-bottom makeover with that goal always in mind."

Keeping that goal in sight will be challenging as more and more Iraq vets come home. Some Sunbelt facilities are already overcrowded as the veterans' population ages and moves south. Much also depends on the amount of money Washington is willing to allocate to veterans' care. Kizer complains that budget allocations did not keep pace with inflation for the entire five years he was at the VA.

MIGHTY FORCE FOR CHANGE

The VA's radical overhaul has caught the attention of health-care policy wonks, who have in turn sung the system's praises in prestigious medical journals. Last year the Canadian journal *HealthcarePapers* devoted an entire issue to the lessons other systems can take from the VA's transformation.

The biggest lesson? A nationwide health-care network that gets its funding from a single payer can institute mighty changes. Proponents of national health-care reform extrapolate even further. "The VA proves that you can get better results with an integrated, organized, national health-care system," says Dr. Lucian Leape, a professor at the Harvard School of Public Health and a leading expert on hospital safety. "We will not achieve even close to the level of quality and safety we need [in the U.S.] as long as we have individual practitioners and hospitals doing individual things."

The VA is, in many ways, the exact opposite of America's fragmented private-sector system, where doctors work for hospitals as independent contractors, and third-party insurers pay the bills as they see fit. By far the largest health-care network in the U.S., the VA serves 5.4 million patients -- double the number it treated 10 years ago. Most veterans are eligible for free or low-cost care, paid for out of the federal budget. The 2006 allocation comes to $35 billion.

Not having to rely on piecemeal insurance payments means the VA can finance large-scale improvements such as the electronic medical-records system, up and running in all of its facilities since 2000. In contrast, only some 20% of civilian hospitals have computerized their patient records. Because the VA is a nationwide health-care system, its electronic network is national, which means all of its facilities can share data. When hospitals were evacuated from New Orleans during Hurricane Katrina, the VA's patients were the only ones whose medical records could be accessed immediately anywhere in the country.

The VA's charter also confers some unique advantages. Because it treats patients throughout their lives, it can invest in prevention and primary care, knowing it will reap the benefits of lower long-term costs. Because the government pays the bills, the VA doesn't have to waste time or money on claims-related paperwork. Unlike Medicare, the VA is allowed to negotiate prices with drug companies and other suppliers, and it uses that power aggressively. The consumer group Families USA estimates that Medicare Part D enrollees, on average, pay 46% more than the VA for the same drugs.

The VA also gets to keep any money it saves through cost efficiencies. In the private sector the savings flow back to whoever is paying the bills. And because its doctors are salaried employees, the VA can implement systemwide changes without having to persuade outside doctors to go along. That doesn't mean it's settling for second-rate physicians. Among the VA staff is a Nobel prize winner, and clinical research is conducted throughout the system. The Buffalo VA recently hired one of the city's top surgeons, Dr. Miguel A. Rainstein, as chief of surgery. He had spent 26 years in private practice, where, he concedes, he made a lot more money, but he was ready for a lifestyle change. "I feel the VA has always gotten a bad rap. They have an excellent medical staff here, in surgery and in specialties."

The staff is happier, too, since much of the bureaucracy that once hobbled the organization has been streamlined. Kizer ended Washington's centralized decision-making and set up a military-like organization of 22 regional divisions. And doctors don't have to worry as much about malpractice lawsuits, since government agencies are somewhat protected. That made it easier for the VA to go out on a limb in 2005 and institute a systemwide policy of apologizing to patients for medical errors -- an act of contrition rarely done in the private sector. "Most families just want to hear an apology when a mistake is made," says Dr. Jonathan B. Perlin, Kizer's successor as Under Secretary for Health.

The "Sorry Now" program, as it's called, is an extension of Kizer's plan to transform the VA from an unaccountable bureaucracy into a transparent system that constantly seeks to improve care. "They've adopted a culture of patient safety and quality that is pervasive," says Karen Davis, president of Commonwealth Fund, which studies health-care issues.

The centerpiece of that culture is VistA, the VA's much praised electronic medical-records system. Every office visit, prescription, and medical procedure is recorded in its database, allowing doctors and nurses to update themselves on a patient's status with just a few keystrokes. In 1995, patient records at VA hospitals were available at the time of a clinical encounter only 60% of the time. Today they are 100% available. Some 96% of all prescriptions and medical orders, such as lab tests, are now entered electronically. The national comparison is more like 8%. "One out of five tests in a civilian hospital have to be repeated because the paper results are lost," says Veterans Affairs Secretary R. James Nicholson. "That's not happening in our hospitals." VistA is a big reason why the VA has held its costs per patient steady over the past 10 years despite double-digit inflation in health-care prices.

VistA has also turned out be a powerful force for quality control. The VA uses the data gathered in its computers to pinpoint problem areas, such as medication errors. The network also allows it to track how closely the medical staff is following evidence-based treatment and monitor deficiencies. Such tracking pays off. When Rand did an extensive study comparing quality of care at the VA with private-sector hospitals, it found that performance measurement played an important role in helping the VA score higher in every category except acute care, where it came in about even.

All of these changes are evident at the Buffalo VA. The patients in its waiting rooms hint at the hospital's special mission -- a mixture of frail old men, Vietnam era vets with ponytails and tattoos, and a scattering of young, clean-cut guys recently back from Iraq. The few women are usually wives since only 7% of veterans are female. A nurse meets with each patient on arrival, updating electronic records so that the doctor can get up to speed immediately. (Patients can also access their own records if they want, a rare option in most medical-records systems.)

At the hospital pharmacy, prescriptions are doled out by robotic devices -- one reason the organization is able to hold co-pays at $8. Each bottle of medicine carries a bar code that is scanned by the computer. If a patient is allergic or takes a conflicting drug, the system will sound an alarm. Similar bar codes are affixed to patient ID bracelets to protect against the wrong patient getting a procedure, a common mixup in hospitals. The bar code idea was thought up by a VA nurse in Topeka, Kan., who noticed that rental cars were checked in with portable bar code scanners and figured the same technology could be used in hospitals.

ELECTRONIC HOUSE CALLS

Dr. John Sanderson, the Buffalo VA's director of medicine, clicks on to VistA as soon as he enters the clinic each morning to check the progress of his patients. Sanderson is a primary care doctor, so he plays point man in the team of specialists assigned to each vet according to the patient's needs. He meets with an elderly man with severe asthma, takes a quick look at his electronic records, and learns that the patient has not yet had a pneumonia shot. That's a big issue at the VA. The organization has cut hospitalizations by 4,000 patients a year since its pneumonia vaccination rate went from 29% in 1995 to 94% last year.

Sanderson also decides the patient needs to see a pulmonary specialist and arranges an appointment with one on the spot so the vet doesn't have to make a second trip. Such consideration for the patient is evident throughout the hospital. In every department of the giant building hangs a poster with the name, photo, and phone number of the supervisor, inviting patients to call with questions or complaints. The hospital is determined that no patient remain in the waiting room more than 15 minutes. Sanderson would like to get that down to five. After every outpatient visit and inpatient release, a staffer follows up with a call a few days later for feedback on the vet's experience and to make sure there are no problems.

Sanderson is able to spend more time with his patients because he spends less time record-keeping than his counterparts in private practice. That lets him focus on preventive care, and particularly diabetes prevention. Some 23% of the VA's patients have diabetes, and without close monitoring they can go on to develop a range of complications. The VA scored very high in the Rand study on diabetes care -- 70 out of 100, vs. 57 for the private sector. But to keep patients from developing diabetes in the first place, the VA offers overweight patients the opportunity to join a weight-management program that pairs them with a nutritionist. Few insurers will pay for such prevention in a civilian setting. To Sanderson, preventive care is just one reason he is sure the changes at the VA "have saved thousands of lives over the years."

Staffers in Buffalo embrace the hospital's high level of commitment to patient care in part because many of them are veterans themselves. Diane DiFrancesco, a nurse in the intensive-care unit, is also a flight nurse in the U.S. Air Force Reserve. Her husband, a pilot in the reserves, is on his third tour of duty in Iraq. She has been at the Buffalo VA since 1987, a longevity typical at the facility, where the annual turnover rate is half that of other area hospitals. "People here really want to help the vets," she says. "Once you get used to it here, it's hard to work anywhere else."

This Band of Brothers mentality goes a long way toward attracting and keeping the VA's unique group of patients. "I've never been very comfortable in hospitals, but I like the idea that the patients here and I have something in common," says Nick Roemer, Ray's son, who first used the Buffalo VA three years ago when he hurt his wrists. He has private insurance but figured it would be cheaper and faster to come to his father's caregiver. "You can talk to people here. They're like you."

The VA's mission brings with it some special burdens, however. Its patients are generally older, poorer, and sicker than those in civilian hospitals; there is also a higher prevalence of mental illness and addiction. And it has large numbers of patients with a malady that is much less common in civilian hospitals: post-traumatic stress disorder (PTSD).

It was the PTSD program that persuaded Steve to enter the fold. A 40-year-old police officer in the Buffalo area who asked that his last name not be used, Steve has been a sergeant in the reserves for 21 years, serving in Afghanistan, Bosnia, and Panama, and Iraq in 2004. When he returned from Iraq, he couldn't sleep and constantly felt anxious. He resisted visiting a VA facility because of negative impressions carried over from the early '90s, but he figured "a civilian doctor would have no clue. They don't understand where we're coming from." At the VA he felt he could be treated properly and comfortably. "To be honest, I don't want to bring it up with anyone outside the vet community." Now he's sending literature about the PTSD services to everyone in his unit who's still in Iraq.

Those returning vets are one of the biggest challenges looming for the VA. It recently reported that the number of PTSD cases has doubled since 2000, to an all-time high of 260,000. The Iraq war has also left vets with injuries that are horrendous even by wartime measures because battle field medicine can treat traumas that in past wars would have meant certain death. In World War II, there were two to three soldiers wounded for every one killed. In Iraq, 9 to 10 are wounded for each killed.

Marine Corporal Jason Poole, 23, is living proof of the improved chances of survival and the advanced medicine offered by the VA. The native of Bristol, England, now a U.S. citizen, was on his third tour in Iraq in 2004, 10 days shy of coming home, when his patrol was hit by a roadside bomb that left him in a coma for two months. Shrapnel went through his left ear and out his left eye. He was unable to walk, talk, or breathe without a tube. Treated at the brain trauma unit of the VA hospital in Palo Alto, Calif., one of four VA polytrauma clinics for the severely wounded, Poole has had nine reconstructive surgeries in two years. He still gets physical therapy, but he is now walking, talking, and taking classes at a community college. "I've been treated amazingly here," he says. "Everyone has been working so hard for me."

The VA is opening 22 more polytrauma clinics to care for the growing numbers of soldiers with severe injuries. Most will eventually be treated at standard hospitals like the one in Buffalo, and that could send the VA's costs skyrocketing.

It doesn't help that the VA must worry about getting shortchanged by Washington. President George W. Bush wants to hold down costs by raising eligibility requirements for vets. So far, Congress has rebuffed him. That doesn't mean Capitol Hill is always on the VA's side, though. Kizer, the turnaround's architect, was forced out in 1999 when Congress refused to reconfirm him after he closed hospitals in key districts. Dr. Dennis S. O'Leary, president of the Joint Commission on Accreditation of Healthcare Organizations, praises Nicholson and Perlin for sticking with Kizer's reforms. But he warns that "the most common reason hospitals go into the tank is a change in leadership." Since the VA is as affected by politics as any other federal entity, that will always be a concern, he says.

It's not a concern yet, and civilians are taking notice of the military way of medicine, with some hospitals using versions of VistA. The VA's other advantages may not be as easy to adapt, but as Harvard's Leape says, "the VA is a dramatic example of what can happen if you have the will and the leadership to make change happen."

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Distributed by:
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