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TIME

FROM THE MAGAZINE

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How VA Hospitals Became The Best

No longer a nation's shame, veteran care is acing competitors

By DOUGLAS WALLER

Most private hospitals can only dream of the futuristic medicine Dr. Divya Shroff practices today. Outside an elderly patient's room, the attending physician gathers her residents around a wireless laptop propped on a mobile cart. Shroff accesses the patient's entire medical history--a stack of paper in most private hospitals. And instead of trekking to the radiology lab to view the latest X-ray, she brings it up on her computer screen. While Shroff is visiting the patient, a resident types in a request for pain medication, then punches the SEND button. Seconds later, the printer in the hospital pharmacy spits out the order. The druggist stuffs a plastic bag of pills into what looks like a tiny space capsule, then shoots it up to the ward in a vacuum tube. By the time Shroff wheels away her computer, a nurse walks up with the drugs.

Life in a big-name institution like the Mayo Clinic? Not hardly. Shroff, 31, a specialist in internal medicine, works at the Veterans Affairs hospital in Washington, where the vets who come for the cutting-edge treatment are mostly poor.

If you're surprised, that's understandable. Until the early 1990s, care at VA hospitals was so substandard that Congress considered shutting down the entire system and giving ex-G.I.s vouchers for treatment at private facilities. Today it's a very different story. The VA runs the largest integrated health-care system in the country, with more than 1,400 hospitals, clinics and nursing homes employing 14,800 doctors and 61,000 nurses. And by a number of measures, this government-managed health-care program--socialized medicine on a small scale--is beating the marketplace. For the sixth year in a row, VA hospitals last year scored higher than private facilities on the University of Michigan's American Customer Satisfaction Index, based on patient surveys on the quality of care received. The VA scored 83 out of 100; private institutions, 71. Males 65 years and older receiving VA care had about a 40% lower risk of death than those enrolled in Medicare Advantage, whose care is provided through private health plans or HMOs, according to a study published in the April edition of *Medical Care*. Harvard University just gave the VA its Innovations in American Government Award for the agency's work in computerizing patient records.

And all that was achieved at a relatively low cost. In the past 10 years, the

number of veterans receiving treatment from the VA has more than doubled, from 2.5 million to 5.3 million, but the agency has cared for them with 10,000 fewer employees. The VA's cost per patient has remained steady during the past 10 years. The cost of private care has jumped about 40% in that same period.

Vets still gripe about wading through red tape for treatment. Some 11,000 have been waiting 30 days or more for their first appointment. The Iraq and Afghanistan wars could stress the system, although for the moment VA officials say the agency can accommodate the new patients. That's because older vets, especially those from the World War II and Korean War eras, are dying of natural causes at the rate of about 600,000 a year, whereas the Iraq and Afghanistan wars have so far created a little more than 550,000 new vets.

On the other hand, because advances in body armor and field medicine have enabled soldiers to survive battlefield injuries that in earlier conflicts meant death, many of the new patients are arriving at VA hospitals with severe wounds. In response, the VA has set up four polytrauma centers around the country. Dawn Halfaker, a former Army captain who lost her right arm in Iraq, says negotiating the bureaucracy to get treatment for all her medical needs has been frustrating at times. She had to wait eight months for an appointment at the Washington hospital to get her teeth cleaned. Even so, she says, the care "is not as bad as I thought it would be."

The roots of the VA's reformation go back to 1994, when Bill Clinton appointed Kenneth Kizer, a hard-charging doctor and former Navy diver, as the VA's under secretary for health. Kizer decentralized the VA's cumbersome health bureaucracy and held regional managers more accountable. Patient records were transferred to a system-wide computer network, which has made its way into only 3% of private hospitals. When a veteran is treated, the doctor has the vet's complete medical history on a laptop. In the private sector, 20% of all lab tests are needlessly repeated because the doctor doesn't have handy the results of the same test performed earlier, according to a 2004 report by the President's information technology advisory committee.

Another innovation at the VA was a bar-code system, as in the supermarket, for prescriptions--a system used in fewer than 5% of private hospitals. With a hand-held laser reader, a nurse scans the bar code on a patient's wristband, then the one on the bottle of pills. If the pills don't match the prescription the doctor typed into the computer, the laptop alerts the nurse. The Institute of Medicine estimates that 1.5 million patients are harmed each year by medication errors, but computer records and bar-code scanners have virtually eliminated those problems in VA hospitals.

Private hospitals, which make their money treating people who come to them sick, don't profit from heavy investments in preventive care, which keeps patients healthy. But the VA, which is funded by tax dollars, "has its patients for life," notes Kizer, who served in his post until 1999. So to keep government spending down, "it makes economic sense to keep them healthy and out of the hospital." Kizer eliminated more than half the system's 52,000 hospital beds and plowed the money saved into opening

300 new community clinics so vets could have easier access to family-practice-style doctors. He set strict performance standards that graded physicians on health promotion.

As the reforms produced results, veterans began "voting with their feet," says Dr. Jonathan Perlin, who just resigned as the VA's health under secretary. Hundreds of thousands abandoned private physicians and enrolled in the lower-cost and higher-quality VA care. But that created a new problem. The VA's budget from Congress (currently about \$30 billion annually) couldn't cover the influx. By January 2003, with hundreds of thousands waiting six months or more for their first appointment, the VA began limiting access to only vets with service-related injuries or illness or those with low income.

Veterans' groups understandably want the health-care system expanded to accommodate vets with higher incomes and no service-related ailments. Tom Bock, commander of the American Legion, has another idea: allow elderly vets not in the system who are drawing Medicare payments to spend those benefits at a VA facility instead of going to a private doctor, as is now required by Medicare. "It's a win-win-win situation," he argues. Medicare, which pays more than \$6,500 per patient annually for care by private doctors, could save with the VA's less expensive care, which costs about \$5,000 per patient. The vets would receive better service at the VA's facilities, which could treat millions more patients with Medicare's cash infusion.

But conservatives fear such an arrangement would be a Trojan horse, setting up an even larger national health-care program and taking more business from the private sector. Congress has no plans to enlarge the scope of veterans' health care--much less consider it a model for, say, a government-run system serving nonvets. But it's becoming more and more "ideologically inconvenient for some to have such a stellar health-delivery system being run by the government," says Margaret O'Kane, president of the National Committee for Quality Assurance, which rates health plans for businesses and individuals. If VA health care continues to be the industry leader, it may become more difficult to argue that the market can do better.

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