COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

JUL 7 - 1975

B-164031(5)

The Honorable Warren G. Magnuson
Chairman, Subcommittee on Labor-Health,
Education, and Welfare
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

As requested by your staff on June 19, 1975, we have summarized selected information on the Public Health Service hospital system which we collected in response to your request of March 10, 1975, and provided to you on April 15, 1975. You had requested that we obtain data in response to 20 specific questions.

As was mentioned in our letter to you on April 22, 1975, the reliability of the information collected is dependent on the accuracy of data obtained from the Department of Health, Education, and Welfare (HEW) and through discussions with HEW personnel. Before sound conclusions can be reached regarding the Public Health Service hospital system, we believe that additional data collection and analysis are required.

Workload Factors

The demand for inpatient and outpatient care, as measured by hospital admissions and outpatient visits at Public Health Service facilities, declined during each of fiscal years 1973 and 1974. The decline generally occurred within each eligibility category at each Public Health Service hospital or clinic, with the largest notable decline being in services to active duty and retired Department of Defense personnel and their dependents. A slight increase occurred during this time period for contract physicians' office visits, primarily by American seamen. Statistics for the first half of fiscal year 1975 indicate some increase in demand for inpatient and outpatient hospital services.

| | Fiscal Years | | | a |
|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975 |
| Admissions | 34,255 | 31,190 | 27,739 | 14,927 |
| Average daily patient load | 1,521 | 1,400 | 1,273 | 1,309 |
| Patient days in other hospitals | 58,308 | 58,928 | 56,912 | 27,226 |
| Outpatient visits (hospital clinics) | 861,275 | 798,859 | 748,436 | 406,580 |
| Outpatient visits (O/P clinics) | 816,239 | 781,547 | 694,130 | 346,386 |
| Visits to contract physicians | 80,232 | 80,459 | 88,172 | 44,670 |

[a] As of 12/31/74

Detailed analysis is necessary before conclusions are possible to ascertain whether the declining demand trend for care within the Public Health Service operated hospitals and clinics and increasing trend for care in contract physicians offices during fiscal years 1973 and 1974, are related to (1) adverse publicity regarding the potential closure of Public Health Service hospitals; (2) curtailment of selected services provided by or through Public Health Service facilities; or (3) changes in waiting time to obtain such services. Similarly, the demand during the first half of fiscal year 1975 for inpatient and outpatient care in the Public Health Service hospitals needs to be analyzed to determine if the indicated increase could be attributed to seasonal variation.

A comparison of the bed capacity of the Public Health Service general hospital system shows that 251 beds were removed from service between the end of fiscal year 1972 and December 31, 1974. Most of the reduction occurred at the Baltimore and Boston hospitals.

The average daily patient load (ADPL) is based on the total days of care provided during a fiscal year. The data collected show that the ADPL has declined in total during fiscal years 1973 and 1974, with an apparent increase in the first half of fiscal year 1975. No meaningful trends were observed on an individual hospital basis.

An average daily patient load of 80 percent of operating bed capacity is generally recognized as a measure of hospital efficiency. The data collected show that for the time periods covered, the Public Health Service general hospital system was operated at a range of 62 to 66.4 percent of its capacity. Had the system not reduced its operational capacity, the average daily patient load for the first half of fiscal year 1975 would have represented only about 57 percent of capacity.

Staffing and personnel management

As shown below, full time equivalent (FTE) staffing has generally declined at the hospitals since fiscal year 1972 with medical officers experiencing the largest decline. The number of nurses has slightly increased and other medical personnel have remained about the same.

| | Fiscal Years | | | a |
|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975 |
| Full time equivalent staff in pay status - June each year | | | | |
| Medical officers | 626 | 545 | 483 | 481 |
| Nurses | 509 | 509 | 525 | 552 |
| Other medical | 1,341 | 1,317 | 1,324 | 1,320 |
| Wage board | 983 | 994 | 983 | 896 |
| All other | 931 | 911 | 946 | 989 |
| Total | 4,390 | 4,276 | 4,261 | 4,238 |
| End of year ceiling | 4,254 | 4,256 | 4,116 | [c]3,938 |
| Number of separations | [b]904 | 1,167 | 1,196 | [c]488 |

[a]As of February 1975.

[b]Fiscal year 1972 separations for San Francisco hospital are unavailable.

[c]As of December 31, 1974.

The number of personnel in pay status was compiled from summary computer runs prepared by the Health Services Administration for full-time and part-time personnel (part-time counted as 50 percent) in the Public Health Service Commissioned Corps, Civil Service and Wage Board pay plans.

Data on employment ceilings were furnished by each hospital and the schedule of physicians by specialty was prepared by the Bureau of Medical Services, HEW headquarters.

Health Services Administration officials advised us that the employment ceiling for the hospitals was increased by 160 positions

in April 1975. At the time we furnished our data to the Subcommittee, the additional positions had not been distributed to the hospitals, but it was expected that the ceiling of each hospital would increase so as to cover at least the present number of personnel on board. We were also advised that the Office of Management and Budget had not released the 393 positions in the fiscal year 1975 congressional add-on to the budget. The fiscal year 1976 budget request provides for a cut of the 393 positions plus an additional cut of 285 positions.

The data collected show that a large number of employees terminated employment each year. In 1974, 1,196 employees left the system. However, the number of FTE employees at the end of the fiscal year decreased by only 15 from the previous year due to "new hires."

Analysis of the reasons for terminating employment indicates that physicians generally separate from the system because they have terminated their military obligations and/or seek other employment and nurses separate because they seek other employment or retire.

At the time of our field work, most hospital directors were not aware of any reduction-in-force (RIF) plans of the Public Health Service hospital system. Most hospitals were required to limit hiring to one new employee for every two to three employees who terminated employment. This method of reducing the number of employees to approximate employment ceilings was discontinued on April 3, 1975. Public Health Service headquarters is contemplating a formal RIF action during fiscal year 1976.

We were advised at each hospital that payroll problems were being experienced and that the primary cause of the problem was the HEW central payroll system.

Staff to patient ratio

The following table shows the staff-to-patient ratio, based on average daily patient load and a Public Health Service adjusted workload measure, for fiscal years 1972 through the first half of fiscal year 1975. The adjusted workload consists of ADPL plus one-third of the number of outpatient visits during any given time period.

STAFF TO PATIENT RATIOS

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975[a] |
| Based on ADPL | 2.89 | 2.99 | 3.02 | 3.11 |
| Based on adjusted workload | 1.68 | 1.72 | 1.72 | 1.73 |

[a]As of December 31, 1974.

Availability of medication to patients

Information collected was essentially limited to discussions with inpatient, outpatient, and pharmacy officials at each general hospital; a review of minutes or correspondence of pharmacy and therapeutic committees; and a schedule of balances of the pharmacy inventories. No instances were identified where medications were not given to primary eligible beneficiaries. Some hospitals have curtailed filling prescriptions to secondary eligible beneficiaries served through the outpatient program.

Analysis of the pharmacy inventory balances showed that seven of the eight hospitals had held constant or had gradually increased the dollar value of their ending inventory balances. To some extent the increased value can be attributed to inflation.

Waiting times for appointments and treatment

The data indicate that no distinction by eligibility category is being made in waiting time for either inpatient or outpatient care. Waiting time for admissions to the Public Health Service hospital system is virtually nonexistent, except for elective surgery. Elective surgery patients generally can be admitted within a week. The exceptions are at the New Orleans and Staten Island hospitals where the waiting time for elective surgery ranges up to 35 days and 14 days, respectively. Responses provided by hospital officials indicate that there has been no significant increase or decrease in waiting time for inpatient care over the past 2 years.

In regard to outpatient care, data provided by the hospitals indicate a wide range of fluctuation in waiting times among hospitals as well as within the general and specialty outpatient clinics of the hospitals. A comparison of waiting times of fiscal year 1975 versus fiscal year 1973 is as follows.

| Hospital | Elective surgery | Outpatient Visits | |
|---|---|---|---|
| | | General | Dental |
| Baltimore | decrease | N/A | same |
| Boston | decrease | N/A | decrease |
| Galveston | same | same | increase |
| New Orleans | same | decrease | increase |
| Norfolk | decrease | N/A | same |
| San Francisco | same | increase | increase |
| Seattle | same | N/A | increase |
| Staten Island | increase | increase | same |

N/A - Not available

Waiting times for specialty clinics varied by specialty and could not be summarized. The data collected are not sufficient to assert the reason for the changes in waiting times.

Funding

Funding as measured by obligations has increased each year since fiscal year 1972 in total and at seven of the eight hospitals. The Boston hospital experienced a slight decrease in fiscal year 1974.

| Obligations (In thousands) | Fiscal Years | | | |
|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975[a] |
| Hospitals | $72,929 | $76,888 | $83,433 | $44,108 |
| Contract care | 5,452 | 6,115 | 7,621 | 3,555 |
| Outpatient clinics | 11,585 | 12,037 | 12,966 | 6,795 |
| Items paid centrally | 4,313 | 3,484 | 4,003 | 2,928 |
| Total | $94,279 | $98,524 | $108,023 | $57,386 |

[a]As of December 31, 1974.

Impact of inflation

Inflation has obviously increased the hospitals' operating costs. For example, the cost of subsistence at the Galveston hospital has increased 56.1 percent between fiscal years 1972 and 1975, and at the San Francisco hospital has increased 26.2 percent between fiscal years 1972 and 1974.

The hospitals generally are attempting to cope with inflation by requesting additional funding, not replacing inventory as used, reducing the number of staff positions, cutting back on the use of utilities, and/or transferring funds from one account--often the maintenance and repair and equipment accounts--to another account.

Affiliation agreements, research, training and community services

Based on the limited information available, there appears to be a reduction in the number of affiliation agreements and the number of students being trained. The affiliated institutions we contacted, however, appeared generally satisfied with their relationships to the Public Health Service hospitals.

The number of persons trained and the amount spent for training has declined since fiscal year 1972.

The total amount of dollars expended for research increased in fiscal year 1973 and fiscal year 1974 but based on the first 6 months of fiscal year 1975 appears to have dropped. The reason for the indicated decrease in fiscal year 1975 appears to be the transfer of the Baltimore Cancer Research Center to the University of Maryland Hospital. This center is funded through the National Institutes of Health.

No meaningful conclusions on community service programs can be reached on the limited data available. Some hospitals appear to be expanding their programs, such as San Francisco and Seattle, and other hospitals appear to be reducing their programs, such as Baltimore and Galveston.

Equipment purchases

Information shown below was furnished by the Public Health Service hospitals. The amounts shown for equipment purchases are just for major items (costing over $1,000) with the exception of the San Francisco and Seattle hospitals which included all equipment purchases.

| | Fiscal Years | | | |
|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975 [a] |
| Major equipment purchases | $1,014,495 | $1,067,511 | $2,902,887 | $854,908 |

[a] As of 12/31/74.

Some of the funds allocated for equipment in fiscal year 1975 were frozen as of April 1975. Thus, the hospitals could not spend the funds they had for equipment. In addition, some of the hospitals had reprogrammed equipment funds to other categories of expenses.

Repairs and improvements

HEW developed a plan in fiscal year 1974 to spend $22.5 million to repair and improve the nine hospitals. The plan was revised to recognize an additional $4.2 million made available from prior fiscal year carry overs and fiscal year 1975 appropriations. As of March 1975, $24.3 million of the $26.7 million has been allocated to the hospitals with the balance held by headquarters as a contingency fund. However, as of April 1975, Public Health Service had awarded contracts totaling only $3.9 million for repairs and improvements. Due to increased costs,

there are unfunded items in the original fiscal year 1974 plan currently estimated to cost $12 million to complete.

As requested by your staff on June 18, 1975, we are also forwarding a comparison of HEW's summary of operational data on Public Health Service hospitals dated June 13, 1975, with the data we provided your staff in April 1975.

We trust that this information is responsive to your request. A copy of this letter is being forwarded to the Honorable Edward W. Brooke.

Sincerely yours,

Comptroller General
of the United States

Enclosure

ENCLOSURE

# COMMENTS ON COMPARISON OF HEW AND GAO SUMMARIES OF OPERATIONAL DATA ON PHS HOSPITALS

## Overall comments

The HEW summary includes the eight general hospitals plus the Leprosarium in Carville, and fiscal year 1975 data are estimated through June 30, 1975. The GAO summary is based on the eight general hospitals, except for the section on repairs and improvements which includes Carville. Fiscal year 1975 statistical data are as of December 31, 1974, except for full-time equivalent staffing which is as of February 1975. GAO's data are based on HEW furnished information and discussions with HEW personnel and was not verified by GAO.

## Number of full-time employees

HEW's statistics are for full-time employees as reported by each hospital. GAO figures are based on full-time equivalent staff at each hospital, i.e., full-time staff plus one-half of part-time staff in pay status, as recorded in HEW's manpower information system.

## Number of medical officers on duty

The number of medical officers shown in the HEW summary as "on duty" includes residents in training at the Public Health Service hospitals who are being paid a stipend. GAO figures are full-time equivalent medical officers in pay status and did not include residents receiving stipends. The listing of physicians on duty by specialty, which is also included in the GAO information, was prepared by HEW and also did not include residents receiving stipends.

## Equipment

In HEW's summary, the June 30, 1973, and 1974, actual amounts are obligations for all equipment purchases according to HEW's accounting system reports. The amounts shown for budget requests are from the backup schedules of the congressional budget submissions.

Except for the San Francisco and Seattle hospitals, the GAO amounts reported for equipment purchases were for items costing in excess of $1,000 each. A comparison of the GAO and HEW figures for the San Francisco and Seattle hospitals shows that the HEW reported amounts exceed those reported by GAO. The difference can partially be attributed to the measure of cost used. HEW amounts are based on obligations for purchases whereas the GAO amounts are based on actual disbursements as shown in each hospital's accounting system. Additional data are needed to account for the total differences.

Maintenance and repairs

The June 30, 1973, and 1974, actual amounts shown in HEW's summary are obligations according to HEW's accounting system reports, however, the June 30, 1974, figure should be changed to $1,159,929 because some obligations were included under both maintenance and repairs and repairs and improvements. Maintenance and repair funds are used for routine upkeep of the buildings whereas repair and improvement funds are used for modernization and major alterations of the hospitals.

GAO was not asked to report on the cost of maintenance and repairs.

Repairs and improvements

The June 30, 1973, and 1974, actual amounts summarized by HEW are obligations according to HEW's acccunting system reports. The amount shown for the fiscal year 1974 appropriation includes the $15 million congressional add-on. The amount shown as requested and appropriated for fiscal year 1975 was only for Carville Leprosarium, however, HEW also plans to use $465,000 appropriated for repairs and improvements at outpatient clinics for repairs and improvements at the hospitals.

GAO's report only cited funds allocated to the hospitals for repairs and improvements.

Training

HEW's reported June 30, 1973, actual cost for training is accrued costs, rounded to thousands of dollars, as reported by only the eight general hospitals. Carville Leprosarium did not have any training costs. The amount agrees with the amount reported by GAO except for rounding. The June 30, 1974, actual amount reported by HEW for training is obligations, not accrued cost. The obligations amount was increased by HEW's Bureau of Medical Services, Health Services Administration, so as to agree with HEW total figures. Fiscal year 1974 accrued costs for training were $3,941,069. The fiscal year 1975 estimated amount represents accrued costs.

Both HEW and GAO included certain equipment costs as training costs. The June 30, 1973, actual amount for training includes $18,370 of equipment costs and the June 30, 1974, accrued costs include $24,965 of equipment costs.

Services provided - inpatient

The actual figures shown by HEW are the same as those reported by GAO except they include the average daily patient load of Carville Leprosarium which GAO excluded.

Services provided - outpatient

The HEW figures summarized are the same as those reported by GAO except they include the outpatient visits of Carville Leprosarium which GAO excluded.