



Department of
Veterans Affairs

Office of Inspector General

**REVIEW OF HOTLINE COMPLAINTS CONCERNING
ISSUES RAISED BY CLINICAL STAFF QUESTIONING THE
EFFECTIVENESS OF THE LEADERSHIP AND MANAGEMENT OF
THE WEST PALM BEACH VA MEDICAL CENTER**

*Action is needed to resolve conflicts
between the facility's top management
team and a group of senior clinical staff.*

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Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
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Memorandum to the Director, Florida/Puerto Rico
Veterans Integrated Service Network (10N08)

Review of Hotline Complaints Concerning Issues Raised by Clinical Staff
Questioning the Effectiveness of the Leadership and Management of the West
Palm Beach VA Medical Center

1. In response to a request by the Ranking Member, House Committee on Veterans' Affairs (HCVA), the Office of Inspector General (OIG) reviewed complaints and allegations of mismanagement made by clinical staff at the VA Medical Center (VAMC) in West Palm Beach, Florida (WPB). These complaints and allegations were initially communicated to Congressman Alcee Hastings, in whose district WPB is located. Congressman Hastings referred information to the HCVA that had been provided to him by members of the clinical staff at the facility. This information focused on fiscal, administrative, and quality of care issues. The complaints and allegations reviewed by the OIG focused on management and resource issues; those focusing on clinical and quality of care issues were referred to the Veterans Health Administration.

2. We found that polarization exists between a group of senior clinical staff and the facility's top management team. Although we also found that several of the specific resource related issues of concern to the complainants, such as lack of control over spending for consultants and ineffective use of staffing resources have merit; these specific issues were identified and were being addressed by facility and Veterans Integrated Service Network (VISN) 8 management. While budget and resource issues have contributed to the problems experienced at the facility, the polarization that exists between a core group of senior clinical staff and (primarily) the Chief of Staff is fundamentally the result of more complex factors involving expectations, personalities, and management style. We found that there was a need to improve the management and operations of WPB and ensure that the facility's organizational goals are clear, communications are improved, and management is responsive to the concerns of the clinical staff.

3. The review identified the need for the following key management and operational improvements at WPB: (1) maintain an organizational structure with clearly defined roles and responsibilities for all employees; (2) communicate changes in plans and objectives to all employees; (3) facilitate a more positive working environment through improved communication and interaction between facility management and staff; (4) improve the responsiveness of the facility's top management team in addressing the concerns of the clinical staff; (5) establish effective teamwork within Pharmacy Service; and, (6) ensure that controls over consultant and part-time physician staff guard against improper payments, and that special pay for physicians is administered in accordance with approved criteria.

4. The VISN 8 Director concurred with the report recommendations to improve the management and operations of WPB. While the Director reported that the WPB facility had initiated corrective actions prior to our review in areas 1-4 discussed above, we found that necessary management and operational improvements had not yet been achieved. With continued effort, the initiatives in process at WPB should provide the opportunity to address needed management and operational improvements related to the hotline issues discussed in this report. The Director also provided a summary of the actions taken to strengthen critical areas identified by WPB management as needing immediate attention. We consider the report issues resolved and will follow up on planned actions until they are completed.

For the Assistant Inspector General for Auditing

(Original signed by:)

Stephen L. Gaskell

Director, Central Office Operations Division

TABLE OF CONTENTS

	<u>Page</u>
Memorandum to the Director, Florida/Puerto Rico Veterans Integrated Service Network (10N08)	i
INTRODUCTION	1
OVERALL SUMMARY OF FINDINGS	1
RECOMMENDATIONS.....	2
SCOPE AND METHODOLOGY	5
BACKGROUND AND HISTORY OF WEST PALM BEACH	5
RESULTS OF REVIEW OF ALLEGATIONS.....	9
APPENDICES	
I DIRECTOR, FLORIDA/PUERTO RICO VETERANS INTEGRATED SERVICE NETWORK COMMENTS	23
II FINAL REPORT DISTRIBUTION	29

**REVIEW OF HOTLINE COMPLAINTS CONCERNING ISSUES RAISED BY
CLINICAL STAFF QUESTIONING THE EFFECTIVENESS OF THE LEADERSHIP AND
MANAGEMENT OF THE WEST PALM BEACH VA MEDICAL CENTER**

INTRODUCTION

In response to a request by the Ranking Member, House Committee on Veterans' Affairs (HCVA), the Office of Inspector General (OIG) reviewed complaints and allegations of mismanagement made by clinical staff at the VA Medical Center (VAMC) in West Palm Beach, Florida (WPB). These complaints and allegations were initially communicated to Congressman Alcee Hastings, in whose district WPB is located. Congressman Hastings referred information to the HCVA that had been provided to him by members of the clinical staff at the facility. This information focused on fiscal, administrative, and quality of care issues.

The complaints and allegations reviewed by the OIG focused on management and resource utilization issues; those focusing on clinical and quality of care issues were referred to the Veterans Health Administration (VHA). The complaints and allegations reviewed included: (1) lack of effective leadership, organization, communication, and inability to take decisive action; (2) the creation of a hostile work environment for the medical staff by the facility's top management staff resulting in the resignation of numerous clinical service chiefs and physician staff; (3) a top leadership team that is not responsive to the concerns of the facility's clinical staff, resulting in arbitrary resource and staffing decisions; (4) mismanagement and corruption within the Pharmacy Service; and, (5) poor staff management evidenced by inconsistent application of physician special pay agreements and overpayments of consultant staff.

OVERALL SUMMARY OF FINDINGS

We found that polarization exists between a group of senior clinical staff and the facility's top management team. Although we also found that several of the specific resource related issues of concern to the complainants, such as lack of control over spending for consultants and ineffective use of staffing resources have merit; these specific issues were identified and were being addressed by facility and Network management. While budget and resource issues have contributed to the problems experienced at the facility, the polarization that exists between a group of senior clinical staff and (primarily) the Chief of Staff (COS) is fundamentally the result of more complex factors involving expectations, personalities, and management style.

Management action is needed to resolve the continued conflict between the facility's top management team and senior clinical staff. The Veterans Integrated Service Network (VISN) 8 Director should ensure that the facility's organizational goals are clear, communications are improved, and management is responsive to the concerns of the clinical staff.

RECOMMENDATIONS

We recommend that the VISN 8 Director improve the management and operations of WPB by taking the following actions:

- a. Ensure that the Director, WPB maintains an organizational structure with clearly defined roles and responsibilities for all employees. *(Review details are on pages 9 – 10.)*
- b. Ensure that the Director, WPB communicates changes in plans and objectives to all employees, and allows for an appropriate level of flexibility in accommodating the clinical staff's needs. *(Review details are on pages 9 – 10.)*
- c. Ensure that the Director, WPB facilitates a more positive working environment through improved communication and interaction between facility management and staff. *(Review details are on pages 11 – 13.)*
- d. Ensure improvement of the responsiveness of WPB's top management team in addressing the concerns of the clinical staff. *(Review details are on pages 15 – 17.)*
- e. Ensure that the Director, WPB takes action to establish more effective teamwork within Pharmacy Service. *(Review details are on pages 19 – 20.)*
- f. Ensure that controls over consultant and part-time physician staff guard against improper payments, and that special pay for physicians is administered in accordance with approved criteria. *(Review details are on pages 21 – 22.)*

DIRECTOR, FLORIDA/PUERTO RICO VETERANS INTEGRATED SERVICE NETWORK COMMENTS

The Network Director concurred with the report recommendations.

IMPLEMENTATION PLAN

The Network Director provided the following implementation actions that address recommendation sections a-f.

a. The organizational structure implemented on October 1, 1998 meets this recommendation. Ongoing efforts will help ensure full and open communications and input from staff at all levels.

b. Changes implemented within the past year have been made with input from staff at all levels. The various means of staff communications described in the Overview of the Network Director's comments (*see pages 24-25*) have ensured opportunity for input and the dissemination of pertinent information to all staff. The upcoming initiative on Service Excellence at WPB to begin September 1, 1999 will ensure input from every employee of the medical center in establishing basic performance requirements.

c. As described in the Overview of the Network Director's comments (*see page 25*), the facility Director has implemented a comprehensive plan to enhance internal and external communications.

d. The action plan for ensuring improvement of the responsiveness of WPB's top management team in addressing the concerns of the clinical staff include: (1) continue current practice of monthly medical staff meetings; (2) continue practice of Director periodically attending Service staff meetings; (3) COS to periodically attend Clinical Service staff meetings; (4) Director and COS to continue weekly rounds; and, (5) ensure participation of all clinical staff in upcoming Service Excellence initiative.

e. The action plan to foster more effective teamwork within Pharmacy Service includes: (1) all Pharmacy employees to participate in monthly staff meetings; (2) proposed changes in operating procedures within Pharmacy to be discussed with staff with opportunity for input; and, (3) development of Standard Operating Procedures Manual by August 1, 1999.

f. The action plan to ensure controls over consultant and part-time physician staff are adequate include: (1) consultant and part time physician budget and appointments to be controlled by the office of the COS; (2) special pay amounts to be administered according to established criteria; and, (3) review by Human Resources and the COS to ensure fairness and equity.

(See Appendix I on pages 23-28 for the full text of the Network Director's comments.)

OFFICE OF INSPECTOR GENERAL COMMENTS

The Network Director concurred with the report recommendations to improve the management and operations of WPB. While the Director reported that the WPB facility had initiated corrective actions prior to our review related to recommendation areas a-d, we found that necessary management and operational improvements had not yet been achieved. With continued effort, the initiatives in process at WPB should provide the opportunity to address needed management and operational improvements related to the hotline issues discussed in this report. The Director also provided a summary of the actions taken to strengthen critical areas identified by WPB management as needing immediate attention. We consider the report issues resolved and will follow up on planned actions until they are completed.

Where appropriate, we revised the report in response to the Director's comments. However, we need to address the Director's comments concerning the report references to "senior clinical staff" and the "hostile work environment".

The Director's comments indicate that he believes that our use of the term "senior clinical staff" at various points in the report should be clarified. We believe the term accurately portrays the standing of the clinical staff we interviewed. For example, only 3 of the 12 clinicians we interviewed were not former or current clinical section chiefs or higher. Four of the remaining 9 were current clinical section chiefs (Rehabilitation Medicine, Critical Care, EENT, and Neurology) and the remaining 5 were former clinical service chiefs (Medicine, Surgery, Imaging, Primary Care, and Psychology). We did not interview any current clinical service chiefs because most of these positions were occupied by acting chiefs who were not identified as complainants. In addition, the organizational structure of the facility placed at least one clinical service (Rehabilitation Medicine) at the section level (reporting to the Chief of Dental Service) whereas this clinical activity is frequently situated at the service level. In any case, we believe that there are few clinical staff at WPB who could more accurately be described as senior.

The Director also states his belief that management actions at WPB have not created a hostile work environment. Although the specific term "hostile work environment" was cited as an allegation by the complainants, we found that the term accurately describes the result of a polarization between some members of the clinical staff and, in particular, the COS. We agree with the Director that management actions are not the cause of this polarization. As noted in the report, our interviews with the more vocal clinical staff suggested to us that the

responsibility for the atmosphere of mistrust and animosity should be shared. We believe the underlying cause for this atmosphere is fundamentally the result of complex factors involving expectations, personalities, and management style. Although these factors are somewhat beyond the scope of this review, we believe the full implementation of the ongoing actions described in the Director's response, offer the best prospect to address the complaints and allegations described and confirmed by the facility's clinical and management staff.

SCOPE AND METHODOLOGY

The review was undertaken as a part of an ongoing audit of VISN 8. The review focused on resource and budget allocation issues that were identified by the complainants. We requested and reviewed budget, staffing, and workload-related information from the facility. In addition, because the allegations of resource mismanagement could not be separated from the larger context of overall management organization, direction, and control, we interviewed the primary complainants as well as those who were identified by the complainants as having pertinent information or knowledge. In total, we interviewed 17 senior clinicians and management staff with the goal of obtaining their views on the validity of the allegations.

BACKGROUND AND HISTORY OF WEST PALM BEACH

The WPB facility opened in June 1995. In Fiscal Year (FY) 1998, regular operating expenses totaled \$107.4 million, which supported a cumulative full time employee equivalent (FTEE) of 1,442, an average daily inpatient and nursing home census of 76 and 96 respectively, and 30,000 individual outpatients who made almost 300,000 clinic visits. Funding for FY 1999 was initially planned for \$104.7 million. However, additional funds are provided by the Network during the fiscal year for costs associated with employee terminal leave and episodes of high-cost patient care, so total FY 1999 funding is not yet known. For comparison purposes, the facility's beginning of year budget was reduced from \$105.78 million for FY 1998 to \$104.72 million for FY 1999 (or \$1.06 million). In terms of planned staffing levels, FY 1999 will see a reduction of approximately 75 - 100 FTEE.

The Network's decision to reduce the facility's budget was based on its comparatively high costs for patient care. The facility's relative inefficiency is believed by local and Network officials to be related to the facility's design and activation history. When first designed in the mid 1980's, the facility was intended to be a 450 bed general medical and surgical hospital with a 120-bed nursing home

and a design capacity of 100,000 – 150,000 annual outpatient visits. Staffing was planned to be approximately 1,650 FTEE at full capacity. However, by the time it was opened in 1995, the focus of VA health care shifted from one of emphasizing inpatient treatment to one where more patients could be treated with available resources in an outpatient and ambulatory care setting. As a result, the facility is now operating with less than one fourth of its design inpatient capacity, and two to three times its design outpatient capacity. This, in itself, is believed by local and Network officials to contribute significantly to the facility's relatively high costs.

Compounding the facility's design limitations, was the manner in which the facility was activated. We learned through interviews with the facility's current staff, many of whom have been at WPB since before its opening in 1995, that the facility essentially created its own organizational structure which was unique within VA. The official responsible for overseeing the construction of the facility (through the then existing VHA regional oversight office), became its first Director who, in conjunction with the first COS, elected to hire as the first clinical service chiefs, physicians who had no prior VA experience. The idea was to foster an atmosphere of innovation free of bureaucratic precepts. However, the lack of a cadre of managers with experience in VA processes and organization, combined with the Director's and COS's lack of experience (neither had served in these positions prior to this), created a problematic and inefficient working environment.

When the original COS left in 1996, the Director chose a replacement with little prior experience as COS (a former Associate COS for Education who was Acting COS at the time of his selection). In our interviews and discussions with him he explained that the initial obstacle to his obtaining management control over the clinical services was the Director's practice of encouraging clinical service chiefs to come to him when they disagreed with a decision he made as COS. In his opinion, this seriously undermined his authority and his effectiveness.

In early/mid 1997, the Director attended a meeting in Washington where the Under Secretary for Health described an organizational structure for medical centers based on products or "service lines". On his return the Director began to reorganize the clinical services on this model. However, the effort was not well received or understood by the clinical staff and was not successful. In December 1997, the Director retired. By this time, the newly created VISN organizational structure was coming on-line and the new Network Director initiated a search for a new WPB Director. Although the new Director was selected in January 1998, he was unable to report until July 1998.

On his arrival, the new Director initiated changes to coincide with more “traditional” VA organization and processes. However, within weeks he suffered serious medical problems requiring a 5-month period of medical leave. Just prior to his return to duty in January 1999, a clinical inspection team from the Office of the Medical Inspector (MI) conducted a review of issues related to the quality of care provided by the facility. Although the report of the MI’s findings was not complete at the time of our review, a discussion with the MI disclosed that there were several issues needing attention including the need for stronger leadership at the facility and the need to clarify the facility’s clinical mission so that issues of productivity, resources, and workload could be addressed.

RESULTS OF REVIEW OF ALLEGATIONS

ALLEGATION 1: LACK OF LEADERSHIP, ORGANIZATION, COMMUNICATION, AND INABILITY TO TAKE DECISIVE ACTION

Summary: The review showed that: (1) the facility's clinical staff was polarized between those that support the COS's actions and management style and those that do not; and, (2) the lack of organizational stability was the primary reason for the current discord at the facility. The Network Director, in concert with facility management, needs to assure that necessary management and operational improvements are achieved. The Director and the Assistant Hospital Director (AHD) need to maintain an organizational structure with clearly defined roles and responsibilities for all of the facility's employees. Care should be taken to communicate changes in plans and objectives with all employees, and allow for an appropriate level of flexibility in accommodating the clinical staff's needs.

Details: According to the AHD, frequent changes in the organizational structure have been disruptive and confusing. The former COS hired non-VA clinical leadership staff and allowed them to implement a very non-traditional organization. When the initial organization was found to not work, the former Director changed it right before he retired in December 1997 leaving the AHD to implement it. The new Director changed it again when he arrived in July 1998 and again left it to the AHD to implement when he immediately went on 5 months of extended sick leave.

The Chief, Human Resources told us that when the clinical service chiefs were hired during activation, they did not receive the administrative support staff they needed. The inexperience of the original clinical service chiefs combined with the inexperience of the former Director who, although proficient at planning, was not skilled at day-to-day administration.

The MI related to us what he described as an "issue of leadership" at the facility; that there "was too long a period when the facility did not have a Director" (December 1997 through January 1999) and the AHD did not feel that the "mantle of leadership" had been passed when the Director was on extended leave. As a result, he concluded that there were times of indecisiveness and other times when wrong decisions were made.

According to the Assistant to the Director, the real problem is the lack of time that the facility has had to stabilize. The former Director was "good at construction and

activation but was not experienced enough to run an operating hospital.” The lack of an Administrative Executive Board and Clinical Executive Board under the previous Director was typical of his style. However, in spite of new leadership, the COS and the AHD have lost credibility with the clinical staff.

The Assistant to the COS told us that the initial facility organization was “fuzzy with little or no accountability” and the prior COS left because of the previous Director kept overruling his decisions. Although the new Director ordered a reorganization (the third in 3 years), he then left it to be implemented by the AHD and the COS. The former Chief, Acute Care [who is currently the Chief, Eye, Ear, Nose, and Throat (EENT)] related his overall assessment that the facility’s leadership spends too much time on organizational charts “because they don’t understand the primary care model”.

The Chief, Neurology described a serious lack of communication and lack trust and respect for top management. A staff physician who was identified to us as having witnessed arguments between some senior clinical staff and the COS told us that there was no rhyme or reason for the many organizational changes. This physician also told us that her bosses have included a “nurse and a dietician and I don’t know who my boss is now”.

The former Chief, Psychology related that after the former Director retired in late 1997 the hospital was “adrift” while the AHD and COS were in charge. The American Federation of Government Employees (AFGE) union steward for the clinical staff told us that the Director does not appear to want to talk with the staff directly and the clinical staff does not trust the COS to represent them with the Director. Finally, the Chief, Critical Care told us that a quality assurance related “disaster is waiting to happen”.

Conclusion: In spite of the organizational and communication problems experienced by the facility, and notwithstanding the Chief, Critical Care’s concern that a QA “disaster is waiting to happen,” nothing specific came to our attention during the review that suggested to us that patient care was being compromised. In fact, the MI told us that his office’s onsite review of the facility in January 1999 found that the QA system was felt to be satisfactory (although it was not liked by the physicians since most of them did not have similar systems in their previous practices). Nevertheless, corrective action needs to be taken to ensure quality of care does not suffer. This should include maintaining an organizational structure with clearly defined roles and responsibilities and an improvement in the facility’s communication mechanisms to allow employees to be aware of changes in operating plans and organizational objectives.

ALLEGATION 2: CREATION OF A HOSTILE WORK ENVIRONMENT FOR THE MEDICAL STAFF BY THE FACILITY’S TOP MANAGEMENT STAFF RESULTING IN THE RESIGNATION OF NUMEROUS CLINICAL SERVICE CHIEFS AND PHYSICIAN STAFF

Summary: Our observations and interviews at the WPB facility confirmed that the polarization between some members of the clinical staff and the COS (and to a lesser degree, the Director and AHD) has created what was described as a “hostile working environment.” This environment affects not only physician and clinical staff, but the administrative and top management staff, and patients and visitors as well. However, we did not find clear evidence that the environment was the sole fault of the top management team. Rather, our interviews with some of the clinical staff who oppose the COS’s management style and methods suggest to us that the responsibility for the atmosphere should be shared.

There have been numerous staffing changes, particularly at the senior clinical level (i.e., service and section chiefs) which appear in the record as voluntary reassignments based on a self-assessment of performance in light of the unanticipated responsibilities. For example, several former clinical service chiefs told us that they requested reassignment after realizing that the job required too much administrative focus and too little time available to treat patients. Even a senior administrative staff member told us that many of the original clinical service chiefs “were set up for failure” because their lack of administrative experience was why they had been hired in the first place. The feeling of failure and self criticism was expressed clearly by several former service chiefs who had elected to step down and return to a more patient oriented focus.

Below the service chief and section chief level, numerous physicians have left the WPB facility. In most cases these have been consultants and contract physicians who left as a result of recent management actions to reduce unnecessary costs and improve efficiencies. In the last year, contract physician costs have been reduced from several million dollars annually to a few hundred thousand. Several of the physicians we interviewed explained that this was primarily the group referred to when the facility’s staff speak of the loss of “60 physicians over the past 2 years”. Although we did not examine this issue in detail for purposes of this review, the COS and other senior clinicians told us that there has been a significant enough turnover of clinical staff to require the use of high cost contract physicians to provide coverage in some areas (e.g., cardiology, critical care). As a result, we may explore whether opportunities exist for efficiencies in contract physician costs as part of a more comprehensive Network-level audit that is in process.

Regardless of the underlying reasons for the high turnover of clinical service chiefs and other physician staff, the atmosphere of the working environment is clearly unacceptable. Several of the clinicians we interviewed suggested that it was even possible that the upcoming review by the Joint Commission on Accreditation of Hospital Organizations may be sabotaged in order to make some statement or point. Considering this, we believe it is imperative that a more positive working environment be established. A prerequisite of this is improved communication and interaction between facility management and staff.

Details: Of the 17 senior clinical and administrative staff interviewed during the course of our review, only one did not reference the hostility of the atmosphere at the WPB facility. The clinical staff we interviewed viewed the COS as an adversary. For the top management team and their administrative support team, the source of the hostility was more the result of circumstances and general discontent resulting from the several reorganizations and unrealized expectations of the original clinical service chiefs.

The COS told us that shortly after he was appointed, he concluded that there was little accountability in the clinical services and therefore implemented a performance agreement system for all clinical service chiefs. However, many service chiefs interpreted this as an attempt at micromanagement. The Assistant to the COS told us that the new COS started to hold people accountable for their actions by implementing an effective utilization plan that has reduced patient bed days of care and lengths of stay and some of the clinical staff do not like it. In addition, the medical staff has found it difficult to accept the implementation of clinical guidelines.

The Assistant to the Director concluded that it was a mistake to have hired non-VA physicians as service chiefs as they were not prepared for the close supervision and control required in a VA hospital. Although the current top management has demanded better performance it hasn't given them any help – the attitude is “just do it or quit.” The Chief, Human Resources Management Service described three different organizational structures and many staff changes in clinical positions that he believes have caused unhappiness and discontent.

The MI concluded that orientation and training has been inadequate for newly hired clinical service chiefs particularly for those who did not have prior VA experience. The result was their not understanding their budget responsibilities as service chiefs. This in turn caused the COS to begin favoring those with more

knowledge of VA budget responsibilities which has polarized the staff into “pro COS versus anti COS” groups.

The former Chief Acute Care (who is currently the Chief, EENT) concluded that the COS “lacks leadership skills”, and “runs a feudal system that does not promote teamwork”. The large turnover of service chiefs is due to a lack of empowerment, lack of clear direction, and lack of adequate staff support. The Chief, Rehabilitation Medicine related that the clinical staff felt there is a lot of anger because the clinical staff does not feel top management is treating them fairly.

The Chief, Neurology told us that his primary concern was the high turnover of clinicians (in the last 4 years there have been three chiefs of medicine) which, when combined with the cuts in medical personnel, have resulted in large backlogs in consultations (e.g., the eye clinic with 1 ophthalmologist and a 1,000 consult backlog and cardiology which has a 2,000 consult backlog). The AFGE union steward told us that the clinical staff suffers from poor morale due to little positive communication with top management. As an example, the union steward told us that the COS “does not give recognition for hard work & accomplishments”. The former Chief, Medicine related to us that the COS uses intimidation to get his way creating an atmosphere of mistrust and vindictiveness.

Conclusion: Corrective action is needed to create a more positive working environment through improved communication and interaction between facility management and staff.

ALLEGATION 3: A TOP LEADERSHIP TEAM THAT IS NOT RESPONSIVE TO THE CONCERNS OF THE FACILITY'S CLINICAL STAFF RESULTING IN ARBITRARY STAFFING AND RESOURCE DECISIONS

Summary: The facility's budget was reduced by the Network Director for FY 1999. As a result, local management critically evaluated every aspect of funding in order to reduce costs where possible. Our review of the budget and resource allocation decisions made at the Network and facility levels for FY 1999 lead us to conclude that the overall reduction was justified due to the facility's relatively high costs for its patient workload. In fact, under the Veterans Equitable Resource Allocation (VERA) system, which distributes VA's annual medical care appropriation among all VA medical centers nationwide based on measured workload and costs, the facility's budget for FY 1998 exceeded earned resources by over \$21.5 million.

Our interviews with the clinical and administrative staff at the facility disclosed that it is the change in management style between the previous Director and the current Director that evokes the complaint that staffing and funding decisions are arbitrary. The current Director described the style of the previous Director as "conducting position management in the hallway". Interviews with the clinical staff support this assessment. For example, one of the qualities that endeared the former Director to the clinical staff was his accessibility and openness to argument. The COS and the clinical staff we contacted advised it was routine for the Director to approve resource and staffing requests over the objections of the current and former COS's, and to reverse himself when approached by senior clinicians with little data but a persuasive argument.

We concluded that resource decisions have been improved from the standpoint of having implemented a more formal system based on quantitative analyses (including a Resource Management Committee – which did not exist prior to April 1998). However, communication should be emphasized and every attempt should be made to explain the reasons why actions are taken (particularly those having a significant effect on staffing). This is particularly needed in light of the significant organizational and process changes being implemented concurrently with budget reductions.

Details: The following chart shows historical annual funding for WPB since FY 1996:

WPB - Recurring (Modeled) Operating \$'s (in 000's)

<u>FY '96</u>	<u>FY '97</u>	<u>FY '98</u>	<u>FY '99</u>	<u>% change from FY '96</u>	<u>% change from FY '98</u>
\$96,272	\$102,000	\$105,780	\$104,722	8.77%	(-1.0%)

As shown above, WPB's funding increased annually during the first years following its activation in mid FY 1995. During these years, it was grouped with special category facilities under the VERA modeling system (e.g., Anchorage, Honolulu, Manila, etc.). As such, it was essentially exempt from the cost efficiency competition placed on other VAMCs within the network. However, in (VERA model year) 1997 (budget year – FY 1999), WPB began to compete with facilities in Medical Care Group #4 (e.g., Huntington, White River, Wilkes-Barre, Togus, etc.). Under these circumstances, WPB began showing the degree of its relative inefficiency. The net result was that, in FY 1998, its budget exceeded earned resources under the VERA model by \$21.5 million (or over 20 percent). Since such a large reduction would not be feasible, Network management reduced the facility's beginning of year funding by a conservative 1 percent (or \$1.06 million). Although we did not conduct a detailed examination of the underlying causes of WPB's relative inefficiency under VERA, a preliminary review of cost reports issued by VHA's Allocation Resource Center suggest a significant overstaffing in direct care FTEE (i.e., physicians and nurses). As a result, we may conduct further work in this area as part of our audit of Network-level resource issues that is in process.

From the perspective of the clinical staff at WPB, these numbers mean little. Our interviews with the senior clinical staff during our facility visit demonstrated that the majority is convinced that the facility is short on resources. One possible explanation may be that these clinicians do not, for the most part, have any prior VA experience, and therefore are uninitiated as to the fiscal realities VA lives with. Their sole VA experience at activating a new hospital would help explain this as well since new facilities and programs have historically been generously funded. For example, the Chief, Human Resources explained that the facility was initially overstaffed by 150 – 200 FTEE and that the current level of approximately 1,350 FTEE is appropriate. Subjectively, he felt the clinical staff were too used to activation monies and that the formal resource review process, initiated by the

current Director, should have been done when the facility first opened – but that this was not a concern of the previous Director, since resources were abundant.

Also, contributing to the clinical staff's feeling that staffing and resource decisions are arbitrary and that top management is not responsive to their concerns is the confused nature of the facility's clinical mission. The MI explained that the facility's clinical staff couldn't decide whether they were a tertiary care hospital, a community hospital, or something in between. As a result, he said that many veterans were being referred to the Miami VAMC since there were no corresponding programs in place, even though WPB had specialists in areas such as cardiac surgery and transplantation. In addition, although WPB did have chemotherapy, there was no cancer radiation therapy and the tumor registry was not certified.

Conclusion: We concluded that resource adjustments are needed to bring the facility in-line with comparable VA medical centers and allow it to effectively compete for funding. The underlying problem is, in our opinion, ineffective communications. It may be that the current senior clinical staff and the top management team are so polarized that reasoned explanation will always be overshadowed by mistrust and doubt. However, we believe the first step in improving communications is improving the responsiveness of the top management team to the concerns of the clinical staff.

ALLEGATION 4: MISMANAGEMENT AND CORRUPTION WITHIN THE PHARMACY SERVICE

Summary: Allegations that financial mismanagement has resulted in reduced pharmacy services to veterans were found to be unsubstantiated. However, we did find that Pharmacy Service is in need of improved direction and leadership. In particular, we found that there is a need for improved management of human resources based on the questionable utilization of Pharmacy staff and their lack of clear understanding of appropriate pharmacy related procedures.

Details: A specific allegation that mailing medications to veterans out of state was discontinued as a result of pharmacy financial mismanagement was instead found to be the result of a rationale to ensure the veteran's medical condition was being monitored by a physician. To ensure that medications are based on a patient's current medical condition, each participant in the mail-out program should be seen by their local physician. Further, efforts to ensure veteran's need for oral nutritional substance, rather than a desire for products advertised on TV (e.g., Ensure), has resulted in a requirement that a physician order the nutritional supplement for the patient by the pharmacy. Although these decisions will result in strengthened fiscal responsibility, we do not believe they are the result of financial mismanagement.

An allegation that prescription "mail outs" were held 2 to 3 weeks because of financial constraints was also found to be untrue. A delay in mailing medications occurred because the postage meter had not been upgraded with sufficient postage to meet the demands of all mail going out of the facility in December 1998. As soon as the problem was identified and brought to the attention of those who could take action to correct the situation, the problem was resolved, resulting in less than a 48 hour delay of "mail outs".

An allegation that waiting times for prescriptions have increased substantially (to 2 – 3 hours) was found to be untrue. We found that waiting times in the pharmacy do vary depending on time of year, time of day, operation of mechanical equipment, and cooperation of the clinic physicians. In addition, the increase in the number of patients has increased waiting times to some extent. However, pharmacy records we reviewed indicate that prescriptions are filled and available to veterans within a reasonable period of time (i.e. 30 to 45 minutes).

Although the specific allegations reviewed were found to be unsubstantiated, we did find a significant level of distrust between employees and Pharmacy and facility management. We identified several factors that have contributed to this situation, primary of which are: (1) a lack of communication up and down the chain of command; and, (2) a lack of appreciation for each individual employee's contribution based on previous work experience. In some instances, this has resulted in polarization of groups who do not trust each other and who verbally abuse each other.

Conclusion: In order to foster more “teamwork” pharmacy management needs to take action to improve communications, avoid appearances of circumventing mid-level supervisory staff, and provide pharmacy employees with appropriate training and cross training (including making available written policies and procedures as a guide for employees to follow). Opportunities exist to improve Pharmacy Service operations by re-engineering current management practices including core management values to encourage people to work together productively. An environment, such as we observed at WPB place VA personnel under conditions that create frustrations, distrust, divisiveness, and erodes morale. Management sensitivity training at all levels is needed and current Pharmacy management methods need to be reassessed.

ALLEGATION 5: POOR STAFF MANAGEMENT EVIDENCED BY INCONSISTENT APPLICATION OF PHYSICIAN SPECIAL PAY AGREEMENTS AND OVERPAYMENTS OF CONSULTANT STAFF

Summary: We found that the allegations of overpaying consultants and the inconsistent application of physician special pay agreements were accurate. However, corrective action is in process including reducing the reliance of the facility on consulting services and implementing a set of formal criteria specifying the appropriate physician special pay level for each level of experience and education.

Details: While we did not conduct a detailed examination or analysis of physician special pay or consulting costs, usage, and staffing patterns; top management agreed that there were areas where controls have been weak. For example, the COS explained to us that the allegation that two ophthalmology consultants were paid thousands of dollars over the legal limit was true. An example he cited was that the Chief of the Eye Clinic hired her husband as a consultant to work 3 days/week and decided on her own to increase this to 4 days/week. When this was discovered he cut this to 2 days/week, which caused them both to quit. Overall, costs for consultants since the arrival of the new Director have been cut from upwards of \$400,000 per quarter to less than \$400,000 per year. Our discussions with the Director on this subject disclosed that the majority of consultants were being used inappropriately to provide coverage for staff physicians who “decided to take a day off”.

An allegation was also made that numerous discrepancies existed in the payment of special pay for physicians. The COS told us that there was in fact “no rhyme or reason” as to what grades physicians were hired (anywhere from Title 38 grade 14, step 2 to a 15, step 10). Nor was there a correlation with residency, years of practice, etc. Since his arrival, however, he has implemented new guidelines including the need to have completed residency to qualify for grade 15 step 6; to have up to 5 years experience for a grade 15, step 8; and to have 10 years of experience for a grade 15, step 10. He has ensured that there is no overt evidence of discrimination against minorities or women and has taken steps to correct discrepancies in special pay, which ranged from \$10,000 - \$40,000 for the same kind of cardiologists and \$20,000 - \$30,000 for GI, by implementing “benchmarking” or the linking of special pay with “key drivers”. A final allegation that “enormous sums are spent for internists & cardiologists” was also confirmed when the COS told us that there are some recruitment problems

particularly with qualified critical care physicians and cardiologists, which requires the use of expensive consultants.

Conclusion: We concluded that the WPB facility needed to ensure that controls over consultants and part-time physician staff guard against improper payments, and that special pay for physicians is administered in accordance with approved criteria.

DIRECTOR, FLORIDA/PUERTO RICO VETERANS INTEGRATED SERVICE
NETWORK COMMENTS

**Department of
Veterans Affairs**

Memorandum

Date: July 9, 1999
From: Network Director, VISN 8 (10N8)
Subj: Draft Review of Hotline Complaints (OIG Project 9D2-017)
To: Director, Central Office Operations Division (52CO)

1. Attached is the VISN 8 response to the draft review of the hotline complaints concerning issues raised by clinical staff at the West Palm Beach VA Medical Center.
2. Our comments have been organized into three sections: overview, comments on the narrative, and responses to recommendations. We appreciate the opportunity to respond to the draft review.



ROBERT H. ROSWELL, M.D.

RESPONSE TO DRAFT REVIEW OF HOTLINE COMPLAINTS
(OIG Project 9D2-017)

OVERVIEW

Upon his arrival as Director of the VAMC West Palm Beach in July, 1998, Mr. Seiler conducted a strategic assessment of the medical center designed to identify the most critical needs of the organization. Prioritization of needs produced six areas needing immediate attention: budget, organizational structure, customer service, medical school affiliation, internal and external communications, and new program development

To bring costs in line with workload, Mr. Seiler established a Resource Management Committee, which would be composed of a budget sub-committee and a position management subcommittee. All budget requests and staffing requests would be staffed through the Resource Management Committee and only requests that were fully justified according to newly established criteria would be forwarded for approval. Additionally, multi-disciplinary teams were appointed and trained in management engineering principles. These teams evaluated staffing patterns and utilization in each Service within the medical center. Input was solicited from each Service and recommendations were made to the Resource Management Committee regarding potential staffing efficiencies. As a result of this process, new FTEE ceilings were established, positions were targeted for reduction and a plan was operationalized to achieve identified goals. Incumbents of targeted (low priority) positions were offered re-assignment to higher priority vacancies. The lower priority position was then abolished. Other positions were eliminated through normal attrition and through re-structuring and integrating positions. This resulted in an overall reduction of approximately 130 FTEE in one year without the need for Reduction In Force (RIF). These actions, combined with other economies in overtime, consultant fees, and better management of control points, have significantly corrected the "high cost outlier" status of WPB. It should be noted that these actions did not result in any program reductions in patient care delivery.

An assessment of the organization revealed a confusing structure not understood by staff and lacking accountability. For example, there was no Nursing Service and no Nurse Executive. The nursing function was dispersed throughout other clinical services with no clear chain of command and no clear accountability. Mr. Seiler appointed a multi-disciplinary task group to review organizational structure. With his guidance, the group interviewed many staff at all levels and developed recommendations that more clearly defined functions and established organizational and functional accountability. This structure was implemented on October 1, 1998 and remains in effect today. Unfortunately, there have been several "reorganizations" in the short history of WPB and this has contributed to the sense of instability expressed by some staff. This should continue to dissipate with time.

Customer Service scores at WPB indicate need for improvement, particularly in the categories of staff courtesy and coordination of care. Actions have been taken to clearly communicate expectations regarding customer service and courtesy to all medical center staff. Training sessions have been conducted with front line personnel and a policy of zero tolerance for rude or discourteous treatment of patients has been adopted. Consult tracking, clinic scheduling, and staff utilization have been major areas of emphasis in recent months to improve quality and timeliness of care. Negotiations are presently underway to contract with a consultant who will conduct extensive Customer Service training for all medical center employees. The "statement of work" calls for assessment, all employee training, supervisory training, and the input of every employee in the medical center in developing basic performance expectations.

The West Palm Beach VAMC was opened in 1995 as a non-teaching facility. Mr. Seiler felt strongly that quality of care, particularly in a primary/secondary medical and surgical medical center, would be enhanced with an affiliation with a medical school. I concurred, and in February, 1999 an affiliation agreement was negotiated and signed between the WPB VAMC and the University of Miami School of Medicine. Efforts are ongoing to build this partnership.

To enhance internal and external communications, Mr. Seiler has developed and implemented a comprehensive plan. The following major components have been activated to date:

- Monthly staff meeting in every Service for all employees
- Director and Chief of Staff weekly rounds
- Quarterly town meetings open to all employees
- Periodic "Director's Update" to all employees via e-mail.
- Weekly "Lunch with the Director" open to all employees
- An anonymous suggestion program via e-mail which can only be read by Mr. Seiler
- Mr. Seiler periodically participates in monthly Service staff meetings
- Frequent town meetings with veterans groups throughout the medical center's service area
- Mr. Seiler and other staff frequently speak in the community; e.g. Chamber of Commerce, and Palm Beach Business Group
- Speakers Bureau

New program initiatives at WPB over the past year have included a proposal for a Blind Rehabilitation Center (BRC), two new Community Based Outpatient Centers (CBOCs), and an integrated Homeless Veterans program. All of these initiatives have been realized and are currently in operational planning.

COMMENTS ON THE NARRATIVE

Several references to the "senior clinical staff" interviewed should be clarified. No clinical Service Chiefs were interviewed. In fact, only One Service Chief (Human Resources) of twenty-two Services was interviewed. The clinicians interviewed predominately represent a contingent of physicians who at some point held mid-management positions but for various reasons no longer hold those positions.

We do not believe the management actions at WPB have created a "hostile work environment." Necessary decisions and actions are being taken by management at WPB to ensure quality and timely, compassionate care for our veteran patients. The majority of the staff has welcomed actions taken to ensure an efficient and effective organization. The management team at WPB is on the right track and should be encouraged to continue implementation of what I believe to be the correct strategy.

[The remainder of this section of the Network Director's comments have been deleted as a result of changes made to the draft report]

RESPONSES TO RECOMMENDATIONS

a. Ensuring that the Director, WPB, establishes and maintains an organizational structure with clearly understood roles and responsibilities for all employees.

Response: Concur

Comments: The organizational structure implemented on October 1, 1998 meets this recommendation. Ongoing efforts will help ensure full and open communications and input from staff at all levels.

Target Date: Accomplished

b. Ensuring that the Director, WPB, communicates changes in plans and objectives with all employees, and allows for an appropriate level of flexibility in accommodating the clinical staff's needs.

Response: Concur

Comments: Changes implemented within the past year have been made with input from staff at all levels. The various means of staff communications described in the Overview have ensured opportunity for input and the dissemination of pertinent information to all staff. The upcoming initiative on Service Excellence at WPB will ensure input from every employee of the medical center in establishing basic performance requirements.

Target Date: Accomplished (Service Excellence initiative to begin September 1, 1999.)

c. Ensuring that the Director, WPB, looks for opportunities to facilitate a more positive working environment with improved communication and interaction between facility management and staff.

Response: Concur

Comments: Please See Overview

Target date: Accomplished

d. Ensuring improvement of the responsiveness of WPB's top management team in addressing the concerns of the clinical staff.

Response: Concur

Plan of Action:

- Continue current practice of monthly medical staff meetings.
- Continue practice of Director periodically attending Service staff Meetings.
- COS to periodically attend Clinical service staff meetings.
- Director and COS to continue weekly rounds.
- Ensure participation of all clinical staff in upcoming Service Excellence initiative.

Target Date: Ongoing and September 1, 1999 for Service Excellence.

e. Ensuring that the Director, WPB, takes action to foster more effective teamwork within Pharmacy Service.

Response: Concur

Action Plan:

- All Pharmacy employees to participate in monthly staff meetings.
- Proposed changes in operating procedures within Pharmacy to be discussed with staff with opportunity for input.
- Development of Standard Operating Procedures Manual

Target Date: Accomplished. SOP Manual by August 1, 1999.

f. Ensuring that controls over consultant and part-time physician staff are adequate to guard against improper payments, and that special pay for physicians is administered fairly and in accordance with approved criteria.

Response: Concur

Action Plan:

- Consultant and part time physician budget and appointments to be controlled by office of Chief of Staff.
- Special pay amounts to be administered according to established criteria. Reviewed by Human Resources and Chief of Staff to ensure fairness and equity.

Target Date: Accomplished

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