

March 3, 1980

Mr. James McIntyre, Director
Office of Management & Budget
Old Executive Office Building
17th & Pennsylvania Avenues NW
Washington, D. C. 20500

Dear Mr. McIntyre:

A real, and difficult, issue is emerging here in the Twin Cities area . . . with respect to the attitude of the federal government toward the size, and cost, of the hospital system. I wanted to be sure you are aware of the growing concern here . . . and the confusion . . . about whether the federal government really wants this community to put some restraints on the size and growth of its hospital system, or not.

For something like twenty years, now, we have been pressed by the federal agencies (both those concerned with hospitals, and those concerned with expenditures) to do a better job of hospital planning: to cut out unneeded beds, and to make sure that expansion and new investment is reasonably related to needs.

The Twin Cities area has been doing this . . . perhaps, as well as and as aggressively as any other metropolitan area in the country. The health system agency here is, I believe, well respected. Within the past year it has made some extremely difficult decisions, requiring a reduction in the hospital capital plant, and denying requests for new construction.

And this effort extends into the private sector, as well. The Citizens League, as a private, non-profit, non-partisan public-affairs organization, has been involved with hospitals in a substantial way, throughout its 28-year existence. At our urging, in 1970, Hennepin County government and Metropolitan Medical Center (a private hospital complex) did enter into new relationships for the planning of their major developments in central Minneapolis. . . which resulted in a major physical and programmatic linkage of their two facilities. More recently, the Citizens League has played a leading role in encouraging both the Metropolitan Health Board and the community hospitals to reduce what we found to be a substantial excess of bed capacity in the area; and, further, to slow down the rate of hospital capital expansion.

It was a real shock, therefore, in the context of this community effort to restrain investment, to learn that the federal government -- through the Veterans Administration -- intends to do a \$250-million replacement of its hospital in Minneapolis.

We understand the law and the program and the tradition of the Veterans Adminis-

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Mr. James McIntyre

Page 2

tration, in providing hospital care . . . and, in addition, hospitals . . . for veterans. We recognize the importance of the Minneapolis hospital, in the Veterans Administration system. We appreciate that it has not had substantial reconstruction in the past thirty years.

But it is important for the government to appreciate, from its side, the impact that such a decision to proceed with the reconstruction of the Veterans Administration hospital has, here, on the efforts other agencies are making to get this community to deal firmly with the need to reduce the size of its own hospital system. In effect, the federal government is declining to apply to itself the requirements for planning and coordination that it is requiring of the community system . . . since the Veterans Administration will not be submitting itself to the certificate-of-need process. Here, currently, a number of questions have been raised about the relationship of this Veterans Administration hospital to the community system. One, of particular significance, is its relationship to the proposal (proceeding concurrently) by the University of Minnesota for a \$200 million reconstruction of University Hospitals, with which we know the Veterans Administration hospital is closely affiliated, as a part of the teaching-hospital system.

I would be grateful for your help, in knowing how we should proceed with this concern. It does seem to us to be a question for the central offices of the federal government . . . involving, as it does, apparent conflicts among the program objectives of several federal agencies, especially those which you direct.

Specifically, the immediate question seems to be: Can decisions about the proposed Veterans Administration in Minneapolis be suspended until there has been an examination of its impact upon, and possible relationship with, the hospital system of this community? The Veterans Administration has, to its considerable credit, offered to cooperate with a review of its plans under the A-95 process. And we believe the hospital here will supply the data needed to make that review possible. The question is for the Washington level . . . whether the results of that review, and its possible suggestions, would have any impact on decisions made there about timing, size, location, and program.

For this to happen, the support of your office would seem essential.

Sincerely,

ARB:VS

Allan R. Boyce
President