



Testimony of

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Kaiser Foundation Health Plan Inc.

on behalf of the

Kaiser Permanente Medical Care Program

to the

Senate Committee on Veterans' Affairs

“A System to Better Serve America’s Veterans: Investing in VA’s Infrastructure”

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Good afternoon, Chairman Tester, Ranking Member Moran, and members of the Committee. Thank you for the opportunity and honor to testify before you today on behalf of Kaiser Permanente. I am Don Orndoff, Senior Vice President and leader of Kaiser Permanente's National Facilities Services.

The Kaiser Permanente Medical Care Program is the largest private integrated healthcare delivery system in the United States, providing comprehensive healthcare services to 12.5 million members in eight states (California, Colorado, Georgia, Hawaii, Maryland, Oregon, Virginia, and Washington) and the District of Columbia. Our mission is to provide high quality, affordable health care to our members and the communities we serve. Like the U.S. Department of Veterans Affairs (VA), we serve a large, diverse population across our footprint.

At Kaiser Permanente (KP), I am responsible for the full facilities' management lifecycle, including planning, acquisition, and operation of our 90 million-square-foot real estate portfolio, with current replacement value of \$40 billion. The portfolio consists of more than 1,300 facilities, including hospitals, medical office buildings, ambulatory surgery centers, call centers, and supporting facilities. We typically invest about \$3 billion per year in facilities-related capital, roughly 3 percent of overall operating revenue.

Prior to joining KP in 2010, I served as Executive Director of the VA Office of Construction and Facilities Management. Prior to my time at VA, I served for 30 years as a commissioned officer in the Civil Engineer Corps and SEABEEs of the U.S. Navy. I have professional degrees in architecture (Virginia Tech) and construction engineering (University of California at Berkeley), and senior executive business training from Harvard Business School and Dartmouth College. I am here today to offer my perspective shaped by over 42 years of facilities management experience in large, complex organizations in both the public and private sectors.

I suggest there are 10 basic tenets to a successful facilities management program for a large healthcare delivery system at the scale and complexity of KP and the VA. They are:

1. Lead through a comprehensive, enterprise business strategy
2. Transform the care delivery model
3. Optimize care delivery platforms as a system
4. Standardize facilities design
5. Modularize facilities components
6. Accelerate project delivery
7. Leverage progressive acquisition methods
8. Commit to proactive sustainment
9. Commit to environmental stewardship
10. Commit to investing for community health impact

1. **Lead through a comprehensive, enterprise business strategy.** All business decisions should support a carefully developed, universally understood business strategy that

defines macro objectives, measures outcomes, provides organizing structure, promotes innovation, and manages cost. All business decisions, at all levels of the organization, must align and link to the overarching business strategy. As a system, we strive to identify and remove constraints that can undermine system performance.

2. **Transform the care delivery model.** The continuum of health care continues to evolve at a rapid pace due to advancement of evidence-based medical care, innovative technologies, growing consumer preferences, increasing access demand, and the need for cost affordability. There is an inherent flow of care from higher acuity facilities (hospitals) to ambulatory sites (medical offices, out-patient surgery centers) to home care (chronic disease maintenance, rehabilitation, and recovery) to digital/virtual care (accessible anywhere via internet or cell phone service). Design of new health care facilities must be forward-looking, adaptable for inevitable change, and flexible to meet future space requirements. Large healthcare systems, like VA and KP, should work to “create” the future care model, rather than react to lagging indicators of industry dynamics.
3. **Optimize care delivery platforms as a system.** Improving population health requires a member-centric system design that creates a distributed “eco-system” of capability spanning across multiple sites of care, ensuring the right care is provided at the right time at the right place. Increasing easy access to care is key to improving member/patient satisfaction. Shifting quality care from higher acuity platforms (hospitals) to ambulatory or virtual care platforms increases access and significantly reduces construction and operating cost.
4. **Standardize facilities design.** Enterprise, system management allows identification and universal application of best business practices. Large healthcare systems should use content experts to create an enterprise design standard for each major care delivery function. Once design standards are established, the entire organization can apply the discipline to follow the standard, every time, for every project. Design standards cannot be static. There must be a structured process to continually improve, embracing innovation to better support the transforming care model requirements.
5. **Modularize facilities components.** With design standardization, a large healthcare system can break all care facilities down into functional modules, or a “kit of parts” that can be uniquely configured within a standard structural grid. Each module is “super designed” to address all relevant design decisions, including use of three dimensional space, care operations flow, clinical equipment, information and supporting technologies, furnishings, finishes, cleaning needs, maintenance needs, environmental controls, brand elements, color palettes, artwork, etc. Once design standards and modules are fixed programmatically, we engage aggressive supply chain management concepts to streamline every aspect of individual project delivery to dramatically reduce the effort, time, and cost to design and deliver individual projects.

6. **Accelerate project delivery.** With standard design modules, select industry partners, and a lean delivery process mindset (e.g., Lean Six Sigma), large systems can leverage purchase scale and project frequency to dramatically reduce process cycle time and cost of project delivery, while consistently delivering high quality healthcare buildings. Keys to success include choosing the right partners, establishing longer-term strategic relationships, and building trust through demonstrated performance. KP has established a pre-qualified pool of preferred vendors that understand, support, and deliver on our enterprise business objectives.
7. **Leverage progressive acquisition methods.** By leveraging integrated project delivery and value-targeted contracting concepts, the owner / designer / builder team establishes common project objectives, openly shares information, collectively solves problems, manages business risk, and mutually benefits from project success and reward incentives. The team virtually plans, designs, and fabricates the future healthcare building in a common graphic computer model (i.e., Building Information Model (BIM)) that defines space, cost, and schedule dimensions before on-site work begins. The negative impacts of disputes and contract claims are essentially eliminated.
8. **Commit to proactive sustainment.** As a large healthcare delivery system, Kaiser Permanente seeks to optimize facilities management lifecycle (plan, acquire, operate) process performance. In competitive markets, executives tend to focus on major capital investment of new footprint or expanded capabilities, while assuming sustainment of existing facilities and infrastructure can be deferred. To optimize lifecycle performance, a large system should require proactive sustainment of existing infrastructure as the highest resource priority to extend the service life of valuable assets, reduce the long-term cost of break-down repairs, and minimize core business disruption due to unanticipated building system failure. KP continually manages facility condition and sustainment investment against established targets to maintain maximum facilities performance.
9. **Commit to environmental stewardship.** As a healthcare system focused on improving health, we overtly link environmental stewardship to effective facilities management. We are committed to reducing energy intensity of our facilities (demand) and moving to renewable energy sources (supply) to achieve, as a minimum, net carbon neutrality. KP accomplished this with minimal additional up-front capital investment in high performance energy systems while driving lower facilities lifecycle operating cost. Through organizational policy, KP targets all new major project be certified at U.S. Green Building Council LEED Gold level, protecting the environment while improving the quality of the built care environment for our members and clinical staff.
10. **Commit to investing for community health impact.** Large healthcare systems have the opportunity and duty to target required facilities related spend to maximize positive health impact on their supported communities. Targeting investment and operations spend with aspiring minority, women, and veteran owned businesses, coupled with local construction hiring, creates a positive economic force multiplier effect to address inequities in the broader social determinates that define community health. KP executes

over \$2 billion annually in diversity and impact spending programs related to building and operating clinical facilities.

In summary, KP is committed to serving our members by delivering and operating healthcare facilities **faster** (speed to delivery), **better** (consistent quality and capability), and **cheaper** (lowest lifecycle cost). We stand ready to work with this Committee, the VA, and all healthcare industry thought leaders to improve health and reduce cost.

Conclusion

Thank you for the opportunity to share information about our work and experiences. I am happy to respond to your feedback and questions.