



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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HUMAN RESOURCES
DIVISION

May 20, 1983

B-211565

The Honorable Jake Garn
Chairman, Subcommittee on
HUD-Independent Agencies
Committee on Appropriations
United States Senate



121478

Dear Mr. Chairman:

Subject: VA Is Making Efforts to Improve Its Nursing Home
Construction Planning Process (GAO/HRD-83-58)

You asked us to analyze the Veterans Administration's (VA's) justification for each nursing home construction project included in its fiscal year 1984 budget request to determine whether it had fully considered local conditions and less costly alternatives as we recommended in our September 1982 report.¹ The processes VA used to plan, justify, and rank in priority order the seven nursing home projects proposed for fiscal year 1984 funding were essentially the same as described in our previous report. VA planned and justified the seven nursing home projects using national need projections without obtaining much input about actual local needs and resources and without thoroughly considering potentially less costly alternatives, such as conversion or renovation of existing VA facilities or greater use of community nursing homes.

Although the Administrator has agreed to implement the recommendations in our September report, VA officials are relying on Medical District Initiated Program Planning (MEDIPP), a new decentralized planning process which will become operational during the fiscal year 1985 budget cycle, to implement the changes. During our review, VA officials were preparing additional MEDIPP nursing home planning instructions to require each medical district to gather specific data on State and community nursing homes which will enable VA to consider less costly alternatives before proposing new VA nursing home care unit construction. We believe that, as part of the budget justification submitted to the Congress for each proposed nursing home construction project, VA should present a description of local needs and conditions and its consideration of less costly alternatives.

¹"VA Should Consider Less Costly Alternatives Before Constructing New Nursing Homes" (GAO/HRD-82-114, Sept. 30, 1982).

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Although the basic planning process VA used for the fiscal year 1984 nursing home projects remained essentially unchanged, in February 1982 the Administrator initiated a special prefunding review, or "revalidation," of all major construction projects scheduled for 1984 funding. The one-time revalidation of eight proposed nursing home projects, made before we issued our previous report, introduced to VA's planning on an ad hoc basis some of the improvements we later recommended. Revalidation included a consideration of less costly alternatives for some, but not all of the projects. The reviewers called attention to site constraints affecting one planned nursing home project (Martinez), which was later not included in VA's budget request, and raised concerns about two other proposed nursing homes (San Francisco and Providence), which were among the seven projects VA proposed for fiscal year 1984 funding. (These concerns are discussed in enc. I.)

BACKGROUND

VA provides nursing home care to veterans through three programs: (1) direct provision of care in VA nursing home care units, (2) contract payments for care in community nursing homes, and (3) grants for construction and per diem reimbursements for care in State veterans' homes. VA's plans through 1987 have been based on a goal of serving a "market share" of about 20 percent of all the veterans it estimates will need care at that time. VA has planned to provide care for its market share proportionally through the three programs--40 percent in VA nursing home care units, 40 percent in community nursing homes, and 20 percent in State veterans' homes.

To help meet future needs, VA requested in its fiscal year 1984 budget \$67.3 million for constructing seven new nursing home care units.² These projects would add 840 beds to VA's direct care capacity. The following table presents the location and cost of each project.

²A 120-bed nursing home care unit planned as part of the Minneapolis replacement hospital and a general improvement project at Bath, New York, which includes renovating an existing domiciliary building to accommodate 124 nursing home care beds now housed in two buildings, were not included in our review.

Proposed Fiscal Year 1984
VA Nursing Home Care Unit Construction

| <u>Location</u> | <u>Number of beds</u> | <u>FY 1984 request</u> | <u>Cost per bed</u> |
|---|---------------------------|----------------------------|-------------------------|
| | | (thousands) | |
| Loma Linda, CA Los Angeles (Wadsworth), CA (conversion) | 60 | \$ 4,500 | \$ 75.0 |
| Lyons, NJ (includes 120 beds previously planned for East Orange, NJ) | 120 | 7,500 | 62.5 |
| Miami, FL | 240 | 20,000 | 83.3 |
| Northport, NY | 120 | 7,100 | 59.2 |
| Providence, RI | 120 | 8,200 | 68.3 |
| San Francisco, CA | 60 | 5,300 | 88.3 |
| | <u>120</u> | <u>a/14,700</u> | <u>a/122.5</u> |
| Total | <u>840</u> | <u>\$67,300</u> | \$ 80.1 |

a/Includes \$4.2 million for a two-story parking garage necessitated by the nursing home construction.

Prior GAO recommendations

In our September 1982 report, we described the process that VA used to determine veterans' future nursing care needs, the portion of the need it would try to meet, and the process it used to plan and justify new nursing home care units. We concluded that VA's planning criteria and processes did not adequately consider local conditions or less costly alternatives.

We recommended that the Administrator ensure that VA nursing home care unit construction be proposed to the Congress only after thorough consideration of less costly alternatives by requiring central office and district planners to

- supplement national projections with local information on actual and projected needs for nursing home care in each medical district;
- consider meeting nursing home needs wherever possible through greater use of the contract community nursing home program; and

--consider meeting nursing home needs by renovating, converting, or changing the mission of existing VA facilities.

In a December 8, 1982, letter, the Administrator concurred with our recommendations and indicated that improvements would result from the new MEDIPP process. MEDIPP is not yet fully operational, but is expected to be formally integrated into VA's fiscal year 1985 budget planning.

SCOPE AND METHODOLOGY

As you requested, we analyzed VA's planning and justifications for nursing home projects included in its fiscal year 1984 funding request and for projects that, although not included, could be ready for funding in 1984. As part of that analysis, we determined how VA identifies potential projects and develops them to the point at which funding decisions are made. We also reviewed the process VA's Department of Medicine and Surgery used to rank the proposed construction projects in priority order. In addition, because VA medical facility construction planning is changing as part of MEDIPP, we examined guidance and relevant portions of draft MEDIPP plans for future fiscal years to determine whether and how VA's nursing home planning is likely to improve.

In addition to the seven nursing home construction projects included in VA's budget request, we identified one project which was not included, but which VA previously expected to be ready for funding in 1984. That project--the Martinez, California, 120-bed nursing home care unit--was not included in VA's fiscal year 1984 request because of uncertainty about availability of land for parking spaces that would be displaced by the nursing home and other planned construction. As requested, we applied the same analysis to both the deferred project and those included in VA's request.

Four nursing home projects--Alexandria, Louisiana; Allen Park, Michigan; Los Angeles (Brentwood), California; and Murfreesboro, Tennessee--that VA expects to be ready for funding in fiscal year 1985 may be far enough along in the planning process by the end of fiscal year 1983 (preliminary designs may be completed) that they could be ready for further development in fiscal year 1984. However, we were advised that those projects were never intended to be built in 1984 and VA would not be able to accurately estimate their cost until the preliminary designs were completed.

We gathered and analyzed data during the first 4 months of 1983. During that time, we reviewed VA's fiscal year 1984 budget submissions and supporting documents and interviewed VA officials from several organizational units about their involvement in planning and budgeting for nursing home construction. We reviewed project files in VA's Office of Construction and Department of Medicine and Surgery to determine whether the process used to plan the fiscal year 1984 projects was the same as that followed in previous fiscal years.

We also reviewed information from two sources that were not available when our previous audit was performed. We reviewed the operations and findings of VA's revalidation task force--the Facility Planning and Construction Committee. The prefunding revalidation was an integral part of VA's fiscal year 1984 budget formulation process. Also, to gain an understanding of future nursing home plans, we reviewed data contained in MEDIPP submissions from each district in which a fiscal year 1984 project would be located and from the district which VA central office planners believed had included the best information on nursing home needs. We reviewed the MEDIPP plans only to determine whether they contained information that corroborated VA's national projections of need or disclosed an improved nursing home planning process. These district plans were not due to be submitted to the central office until November 1982 and were not a part of VA's fiscal year 1984 budget process. When approved by VA's top management, they will form the basis of the fiscal year 1985 construction planning and budgeting. We conducted our review in accordance with generally accepted government auditing standards.

VA'S PLANNING PROCESS HAD NOT CHANGED

VA officials told us that the process used to plan the fiscal year 1984 projects was essentially the same as that used in previous years. In fact, several of the projects were first planned for funding in fiscal year 1983. Our review confirmed that the process had not materially changed.

The justification VA developed for each project was similar to that included in previous budgets. Basically, each justification stated (1) how many beds VA estimated it would need in its own facilities in 1987 for the entire medical district and (2) how the proposed project would help meet that goal. For example, the justification for the proposed Northport project stated that Medical District 3 had 660 nursing home care beds and an

estimated need for 992 beds through 1987. When added to the 120 beds already funded for construction elsewhere in the district, the 120 beds planned for Northport would bring the district to 91 percent of its 1987 goal.

As had been done in the past, these district bed needs were calculated at VA's central office based on national projections, with little local input. VA estimated on a national basis how many nursing home beds it would need to operate in its own facilities in 1987. The projected 1987 national need--13,107 beds--was approved by the President in 1978 and became the official target. It is still considered valid. The national target was distributed proportionally among VA's medical districts according to veteran population to establish district bed goals, which were used in the 1984 and previous planning cycles. Plans for nursing home care unit construction are part of VA's strategy to reach the district goals.

Several factors influence how specific nursing home projects are initially planned and how they are later selected for inclusion in a given year's budget request. The overall target for VA nursing home beds has been the 1978 presidential guidance, but plans for specific projects have evolved at hospital, medical district, regional, and central office levels. VA planners identify specific projects based on such factors as a perceived need for a new service, population patterns, site availability, and VA policies to (1) build all nursing home care units adjacent to VA hospitals and (2) provide VA nursing home care at all major VA medical centers. The Administrator selects projects to be included in 5-year medical facility construction plans and allows preliminary design work to be funded through VA's Advance Planning Fund. Specific decisions to seek authorization and funding are generally made only after preliminary designs and cost estimates are completed. Thus, the universe from which VA chooses projects to propose to the Congress is limited to those that have completed the preliminary design stage. This was true for all proposed fiscal year 1984 projects. The entire process from concept to completion of construction can take up to 6 years.

VA had originally expected eight nursing home construction projects to be ready for funding in fiscal year 1984. One project was deferred because of site constraints, but all of the others were included in VA's budget request. Of the seven proposed projects, five had at one time been planned for fiscal year 1983 funding, but were pushed back to 1984 because of local site difficulties or delays in completing preliminary plans.

Proposed projects ranked
in priority order

VA has stated that the relative priority of proposed nursing homes in the 1984 and previous budgets was based on the percentage of a medical district's estimated 1987 nursing home care unit bed need that has been met before the proposed project is included. To illustrate, Medical District 1 (Maine, New Hampshire, Vermont, Massachusetts, and Rhode Island) has 522 (89 percent) of the 589 VA nursing home care unit beds VA central office planners expect it to need in 1987. The planned construction of a 60-bed nursing home care unit in Providence would, for practical purposes, meet the 1987 target. Since District 1 already had 89 percent of its projected need, Providence was VA's lowest priority project among fiscal year 1984 nursing home projects, as shown below.

Proposed 1984 Projects Ranked in Priority Order

| Rank | Project (District) | District Bed Levels | | |
|------|------------------------------------|---------------------|---------------------------|---------------------------|
| | | Current (note a) | Projected 1987 need | Percent of need met |
| 1 | San Francisco (27) | 390 | 681 | 57 |
| 2 | Lyons (4) | 570 | 956 | 60 |
| 3 | Los Angeles (Wadsworth) (26) | 620 | 975 | 64 |
| 4 | Loma Linda (notes b and c) (26) | 740 | 975 | 76 |
| 5 | Northport (3) | 780 | 992 | 79 |
| 6 | Miami (12) | 720 | 887 | 81 |
| 7 | Providence (1) | 522 | 589 | 89 |

a/Includes beds in various stages of construction.

b/Assumes Wadsworth (also in District 26) is built first.

c/If Martinez had been included, it would have been priority #4 (75 percent), assuming San Francisco (also in District 27) is built first.

Planning and setting priorities by percentage of 1987 targets met furthers the VA planning goal of providing an equal number of VA nursing home care unit beds per veteran in each medical district. However, as pointed out in our September 1982 report,

availability of community nursing home beds and State veterans' home beds varies among the districts. Since these targets were established without fully considering local resources, VA's bed distribution policy could result in oversupplies of VA nursing home beds in some areas and shortages in others.

REVALIDATION: AN INTERIM IMPROVEMENT
IN CONSTRUCTION PLANNING

Although the planning process used for the fiscal year 1984 nursing home projects remained basically the same as in earlier years, each 1984 project was subjected to a special prefunding review. As part of that "revalidation," VA officials considered local conditions and less costly alternatives for some of the proposed nursing home projects. During the review, VA officials raised concerns about three of the projects, one of which was later deferred.

The Administrator became concerned about the criteria VA used to justify and establish the priority of proposed facility construction and in early 1982 initiated a review of all major construction projects expected to be ready for fiscal year 1984 funding. His purpose was to ensure that each project was soundly developed and fully justified based on the most current planning data. This review was conducted by VA's Facility Planning and Construction Committee and six revalidation teams between March and June 1982.

The revalidation teams--composed of staff from the Department of Medicine and Surgery, the Office of Construction, and the Office of Budget and Finance--reviewed the need, justification, workload data, and scope of 57 major construction projects, including eight planned nursing home care units. Based on their review, including visits to most project locations, the teams submitted reports detailing their findings and recommendations to the committee staff.

The committee staff reviewed the team reports and made recommendations to the senior VA officials who comprised the committee. The committee reviewed both team and staff reports and made final recommendations to the Administrator. The Chief Medical Director also reviewed the projects that were ready for fiscal year 1984 funding and ranked them in priority order so the Administrator could decide which projects to include in VA's budget proposal.

Although VA's revalidation took place before our September 1982 recommendations were sent to the Administrator, team and staff reports indicate that in some cases they considered local information on needs and less costly alternatives to new VA construction. For example, team reports on six of the eight nursing home projects contained at least some mention of potential for conversion or renovation (Wadsworth is a conversion project). Two teams reported that they had questions about local needs. Two reports mentioned the local availability of State or community nursing homes. The reports do not show the extent to which these factors were considered in revalidating the fiscal year 1984 projects.

The committee found all eight nursing homes ready or provisionally ready for fiscal year 1984 funding, but the Martinez project was not included in the budget because of parking problems. The team, staff, and committee reports did not identify any major problems with the Loma Linda, Los Angeles, Lyons, Miami, and Northport projects. However, revalidation participants raised concerns about two nursing home projects that VA still plans to build in San Francisco and Providence. (These concerns are discussed in enc. I.)

MEDIPP: AN OPPORTUNITY TO IMPROVE
FUTURE NURSING HOME PLANNING

Revalidation was an interim process; VA officials are relying on a newly developed decentralized planning system to improve future nursing home plans. VA expects the nursing homes planned for funding in fiscal year 1984 to be the last projects developed without substantial input from local and medical district sources. Beginning in fiscal year 1985, construction planning and budgeting will be based on MEDIPP. In reviewing MEDIPP plan preparation guidance and relevant portions of several draft MEDIPP plans for fiscal year 1985, we found a decentralized but largely unchanged nursing home planning process. However, VA officials expect that new, more detailed MEDIPP nursing home planning instructions they are now preparing will improve the process.

VA's construction project justifications have been criticized in the Congress for being vague or insufficiently detailed. In responding to questions about nursing home planning and justifications, VA has consistently stated that any existing

shortcomings will be addressed and improved by MEDIPP. For example, in December 1982 the Administrator stated that the recommendations in our September 1982 report would be implemented through MEDIPP. VA responded to questions posed during fiscal year 1984 budget hearings before the House Committee on Appropriations that full consideration of local needs and conditions and less costly alternatives would not be possible until MEDIPP is approved and is able to provide the necessary information. Similarly, VA responded to your Subcommittee's questions about how decisions were made concerning nursing home needs, projects, and priorities by stating that VA's bed distribution policy is being reviewed under MEDIPP and may be modified. When we began our review of the 1984 projects, VA officials again assured us that compiling local information on actual and projected needs and considering less costly alternatives to new construction would be mandatory aspects of each medical district's MEDIPP activities.

The first MEDIPP submissions, detailing proposed district plans for fiscal year 1985 and beyond, were submitted to VA's central office in November 1982 and had not been approved as of May 19, 1983. With that understanding, we reviewed (1) the MEDIPP plan preparation requirements and guidance that the central office had sent to the districts and (2) portions of MEDIPP plans from the six districts in which a fiscal year 1984 nursing home project was planned and from one district which VA officials believed had provided the best information on nursing home needs. Since MEDIPP was not part of the planning for fiscal year 1984 projects, we reviewed the guidance and plans only to gain an understanding of whether and how MEDIPP would improve the planning process for future years.

The guidance and the MEDIPP plans evidenced some improvement in the nursing home planning process. Discussions of nursing home care in several of the plans showed that district planners had considered and addressed meeting future needs by renovating, converting, or changing the mission of existing VA facilities.

On the other hand, the MEDIPP plans did not indicate that nationally developed need projections were supplemented with local information or that proportionally greater use of the contract community nursing home program to meet future needs had been considered as an alternative to new VA nursing homes. While some decisions were made at the local level, the data, assumptions, and policies on which district planners based proposed plans were basically updated versions of the same national

projections and processes relied upon by central office planners in earlier years. Projections of future bed needs for each district were calculated at the central office based on national utilization rates as in previous years. Districts were allowed to choose what portion of total veteran needs they would meet from among three market share options (12, 14, or 16 percent) supplied by the central office and were instructed to apportion the number of beds among the VA-operated, contract, and State home programs according to a supplied formula. Overall, apart from decentralization, little had changed from the planning process previously followed by central office planners.

Senior central office planning officials told us they, too, were concerned that the initial MEDIPP submissions did not greatly improve the nursing home planning process. Their review of the plans prompted central office planners to reexamine the guidance and requirements they had previously furnished to the districts. Although they had purposely allowed the districts flexibility, they concluded that the guidance was too general and the instructions were not as complete or detailed as they should have been.

Central office planning officials have moved quickly to improve MEDIPP nursing home planning. During our review they formulated new, more detailed instructions and requirements for the districts to use in preparing fiscal year 1986 plans. In addition, they plan to require each district in which a nursing home construction project is planned for fiscal year 1985 to revise its 1985 plan according to the new instructions.

The new MEDIPP nursing home planning instructions require each district to gather detailed local information on community nursing homes and State veterans' homes. This information, including current and projected bed availability, is to be considered when planners determine how they will meet veterans' future nursing home care needs.

CONCLUSIONS

VA officials recognize that VA's nursing home construction planning process could be improved by using local information on needs and resources and that they should consider less costly alternatives to new construction, such as renovating or converting existing facilities or meeting a greater proportion of need through the contract community nursing home program. They believe, and we agree, that the change to decentralized planning under MEDIPP should improve their nursing home planning process.

To provide better information to the Congress, we believe VA should demonstrate, through the justifications it provides for nursing home construction projects in its annual budget requests, that it is planning to meet well-defined nursing home needs in the most cost-effective manner consistent with patient care objectives. Information to be developed through MEDIPP should enable VA to include data on local needs and resources and a discussion of the less costly alternatives considered as part of its justification for proposed future nursing home projects.

RECOMMENDATION TO THE ADMINISTRATOR
OF VETERANS AFFAIRS

We recommend that the Administrator include information on local needs and resources and a discussion of VA's consideration of less costly alternatives--such as conversion, renovation, and greater use of community nursing homes--as part of the budget justification for each proposed nursing home construction project beginning with its fiscal year 1985 budget request.

AGENCY COMMENTS

In a letter dated May 17, 1983, the Administrator of Veterans Affairs generally agreed with our report and concurred with our recommendation. In addition, he provided some comments regarding MEDIPP and VA's nursing home planning process. (See enc. II.)

While agreeing that the planning process used to identify, develop, and justify the proposed fiscal year 1984 nursing home projects included many of the same characteristics as the process used in previous years, VA believes the planning process did not remain "essentially unchanged" from the conditions described in our September 30, 1982, report because after the planning was completed, the projects were reviewed in light of data contained in the November 1982 MEDIPP submissions and were found to be supportable.

In concluding that the fiscal year 1984 nursing home planning process had not materially changed from previous years, we considered the effect of both VA's revalidation and its receipt of draft MEDIPP plans from the medical districts in which 1984 projects would be located. The effect of the one-time revalidation on VA's planning is fully discussed in our report. (See p. 8.) Although our discussion of MEDIPP is focused on future improvements, we believe that VA's post-planning review of proposed

1984 projects in light of data contained in the first year MEDIPP submissions did not materially alter the process it used to plan and justify those projects. As we pointed out in the report, the first year MEDIPP submissions (for fiscal year 1985) did not evidence fundamental changes in nursing home planning. While some decisions were made at the local level, the data, assumptions, and policies on which district planners based proposed plans were basically the same as those relied on by the central office planners in the past. In fact, projections of need for nursing home care were calculated at the central office and sent to the districts.

VA pointed out that in preparing MEDIPP plans the districts had flexibility to consider State and community alternatives to constructing new nursing homes. However, during the first MEDIPP cycle the districts were not required to do so, and were not provided guidance or instructions to help them if they chose to. As stated on page 10 of our report, the MEDIPP plans we reviewed did not indicate that nationally developed need projections were supplemented with local information. While VA has moved to ensure that districts gather and consider detailed information on State and community nursing home beds in the future, such information was generally not included in the fiscal year 1985 MEDIPP plans. Consequently, we are not convinced that a post-planning review in light of the MEDIPP submissions significantly changed the fiscal year 1984 nursing home planning process.

The Administrator stressed that each of VA's three legislatively authorized nursing home care programs meets a different level of need and that a reasonable balance in the three programs is required. VA concurred with our earlier recommendation to consider meeting nursing home needs wherever possible through greater use of the contract community nursing home program, but maintains that all veterans' needs cannot be met in this manner. We recognize that nursing home patients have varied medical treatment and rehabilitation needs and that nursing homes have different treatment capabilities. Although we understand VA's goal to maintain a reasonable balance among its nursing home programs, we have in the past taken issue with its across-the-board application of a 40/40/20 bed distribution ratio without considering actual local needs and conditions. The availability of State and community nursing home beds varies by State, but VA's nursing home planning through fiscal year 1984 has assumed that 40 percent of the nursing home care it provides in every medical district should be in VA nursing home care units. This policy was based on historical patterns, not on actual patient needs, and did not reflect geographic differences in State and community bed availability.

VA officials told us during our earlier review that they had not studied the programs to determine what portion of patients need care in VA-operated nursing homes and what portion could be effectively cared for in community nursing homes. Until VA determines what portion of its patients need the comprehensive care and intensive rehabilitation it says is provided in VA nursing home care units, but is not available in community nursing homes, its efforts to better relate bed distribution to medical need under MEDIPP may not be fully realized.

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As arranged with your office, we are sending copies of this report to the Administrator of Veterans Affairs, the Senate Committee on Governmental Affairs, the House Committee on Government Operations, and the Director, Office of Management and Budget, as well as the Chairmen and Ranking Minority Members of the House and Senate Committees on Appropriations and Veterans' Affairs and their subcommittees of jurisdiction. Copies will also be made available to other interested parties who request them.

Sincerely yours,


Richard L. Fogel
Director

Enclosures - 2

CONCERNS RAISED DURING REVALIDATION OF PROPOSEDFISCAL YEAR 1984 NURSING HOME PROJECTS

In early 1982 the Administrator of Veterans Affairs was concerned about the criteria the Veterans Administration (VA) used to plan and justify proposed health facility construction projects. In anticipation of more permanent planning improvements to be implemented in fiscal year 1985, he initiated a special pre-funding review, or "revalidation," of all major construction projects expected to be ready for funding in fiscal year 1984. Eight nursing homes were among the 57 projects reviewed by the Facility Planning and Construction Committee between March and June 1982. Seven of those nursing home projects were later included in VA's fiscal year 1984 budget request (one was deferred because of site constraints). In five cases (Loma Linda, Los Angeles, Lyons, Miami, and Northport) the officials who participated in the revalidation did not raise substantial concerns about the appropriateness of the project during the review. In two other cases (San Francisco and Providence), however, concerns were raised.

SAN FRANCISCO NURSING HOME PROJECT

VA plans to construct a 120-bed nursing home care unit on the grounds of the San Francisco VA Medical Center. The medical center is located on a site with a serious shortage of parking spaces. Consequently, some employees and visitors park on streets in nearby residential areas and in a parking lot at the adjacent Golden Gate National Recreation Area, owned by the Department of the Interior. Interior has allowed parking there temporarily, but has refused to allow VA to lease or use the land on a long-term basis. Because of this and community concerns about the nursing home's effect on the recreation area and on traffic and street parking, VA decided to expand the project to include a parking garage estimated to cost \$4.2 million, bringing the total project cost to \$14.7 million.

Community concerns led VA to produce a formal environmental impact statement, which reviewed several alternatives to new construction, including renovating an existing offsite building, contracting with private nursing homes, or constructing an elevated 120-bed nursing home over an existing parking area. After considering alternatives, the statement recommended building the nursing home and including a two-level parking garage designed for possible future expansion to four levels.

The revalidation team that visited the medical center noted the parking problems and the projected need for additional nurs-

ing home beds in the medical district,¹ and discussed four alternatives:

- Approve the project as planned with a parking garage.
- Locate the nursing home elsewhere in the San Francisco area.
- Locate the nursing home at another VA medical center in the same district.
- Resolve the center's overall parking problems by renegotiating with Interior for use of the recreation area land. If negotiations fail, relocate the nursing home at another VA medical center in the district.

In their revalidation report, the team stated that (1) building the nursing home without the parking garage would result in a loss of 95 existing parking spaces and a demand for 75 additional spaces for staff and visitors and (2) building a 2-deck parking garage would create 170 spaces (replacing 95 lost due to construction and adding 75 spaces for nursing home staff and visitors). Therefore, according to the team, the 2-story parking garage will leave the medical center's overall parking situation at about the same unfavorable level. The team unanimously concluded it was not feasible to build a nursing home at the San Francisco VA Medical Center without first correcting the parking shortage. They believed that adding the proposed parking garage would not solve the problem and that acquiring the parking area on the edge of the recreation area was the only practical solution to relieving the critical parking shortage. Therefore, the team recommended (1) resolving the medical center's parking problems by renegotiating with Interior for use of its parking area before constructing the nursing home or (2) relocating the nursing home within the medical district if the Interior land is not obtained.

The Facility Planning and Construction Committee staff agreed that nursing home beds for the San Francisco VA Medical Center were needed and recommended that construction be considered under certain conditions. Both the staff and the committee recommended that VA pursue a sharing agreement with Interior for parking space in the recreation area. If this cannot

¹Medical District 27, which includes Northern California and Western Nevada, contains seven VA hospitals: Fresno, Livermore, Martinez, Menlo Park, Palo Alto, Reno, and San Francisco.

be arranged, they said, the nursing home should be relocated to the Livermore VA Medical Center, about 30 miles from the San Francisco hospital.

In a lone dissent from those recommendations, the Department of Medicine and Surgery representative to the Facility Planning and Construction Committee stated:

- The recommendation not to build the nursing home at San Francisco VA Medical Center is flawed since it does not address how to provide the needed nursing home care in the San Francisco area.
- Relocating the beds will reduce the tertiary medical care support capabilities planned for nursing home patients.
- San Francisco officials are unable to place nursing home patients who require a high level of care.
- The team did not adequately consider availability of and accessibility to care.

The Administrator considered these recommendations and approved the project as planned, including the two-level parking garage, for inclusion in the budget. As we completed our review, VA was still negotiating with Interior for use of its parking area.

PROVIDENCE NURSING HOME PROJECT

VA plans to build a \$5.3 million, 60-bed nursing home adjacent to its Providence hospital. Projections for 1987 show an estimated medical district need for 67 additional beds, so building the project would allow VA, as a practical matter, to meet its 1987 district bed goal. However, the revalidation team that visited Providence was not convinced that sufficient demand existed to justify building the project now.

Currently, the Providence VA Medical Center has no directly operated nursing home care beds, but community nursing homes and a State veterans' nursing home are nearby. At the time of the revalidation team visit, the State home was operating 240 out of 294 nursing home beds because of a staff shortage. The revalidation team concluded that Providence did not have an immediate need for VA-operated nursing home beds because the medical center did not have a large number of patients seeking placement in nursing homes and had no significant problems outplacing patients to community nursing homes. The team recommended deferring the project until demand becomes more evident.

The Facility Planning and Construction Committee staff disagreed with the team's position and recommended that the project be approved for fiscal year 1984 because the need for VA nursing home beds in Providence was evidenced by

- the estimated 1987 need, based on national projections, of 67 additional nursing home care beds in the medical district;
- a temporary State freeze on constructing non-Federal nursing home beds;
- a waiting list of 150 persons for admission to the State nursing home; and
- the district's waiting list of 145 VA nursing home candidates.

In addition, a member of the committee staff told us that a new State veterans' home policy of charging patients for their care was a factor in the staff's decision.

After reviewing the revalidation team and staff files, analyses, and recommendations, the committee recommended, and the Administrator approved, including the nursing home in VA's budget request.

During our review, we contacted the Providence VA Medical Center community nursing home coordinator, who told us that the medical center had no significant backlog of patients currently awaiting community nursing home placement. He explained that in previous years the medical center had been given insufficient funds to place all community nursing home candidates, but that new rates and higher funding this fiscal year have allowed placement of all candidates.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420



**Veterans
Administration**

MAY 17 1983

Mr. Philip A. Bernstein
Director, Human Resources Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Bernstein:

Your April 28, 1983 draft report "Analysis of VA's FY 1984 Nursing Home Justifications" has been reviewed and I concur in the recommendation that information on local needs and resources, as well as a discussion of the Veterans Administration (VA) consideration of less costly alternatives such as conversion, renovation, and greater use of community nursing homes be part of the budget justification for each proposed nursing home construction project beginning with the Fiscal Year (FY) 1985 budget request.

The Office of Construction has been investigating facility construction alternatives that include renovation of existing facilities, new construction, or a combination of both. Comparative cost analyses are prepared on all alternatives and the selection is the responsibility of the Department of Medicine and Surgery (DM&S).

There are some portions of the draft that I believe need to be clarified before it is issued as a final report. The enclosure contains details on these areas.

Thank you for the opportunity to review this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry N. Walters".

HARRY N. WALTERS
Administrator

Deputy Administrator For

Enclosure

**SUPPLEMENTAL COMMENTS ON THE GAO APRIL 28, 1983 DRAFT REPORT
"ANALYSIS OF VA'S FY 1984 NURSING HOME JUSTIFICATIONS"**

I request that you consider the following points before issuing the final report.

We do not agree with the statement that the process used for selecting FY 1984 nursing home projects remained essentially unchanged from the conditions described in GAO/HRD-82-114, dated September 30, 1982 (page 1). Although the nursing home projects presented in the FY 1984 budget were originally identified based on the 1978 Presidential Guidance and the straight application of the 40-40-20 concept for distributing VA nursing home care, and the planning process was fully completed, these projects were reviewed again in light of the November 1982 Medical District Initiated Program Planning (MEDIPP) submissions. Before the final preparation of the President's budget, DM&S looked at the FY 1984 nursing home care unit plans and the MEDIPP submissions from the districts involved to ensure that the proposed projects remained justified. The projects identified in the FY 1984 budget are supported by the MEDIPP plans. In preparing these plans, districts had flexibility in considering state and community alternatives to the construction of new VA nursing homes. While we do look for improvements in future MEDIPP submissions, to date, the planning through MEDIPP is far superior to the previous process used to identify nursing home care needs.

I would like to clarify the statement that senior VA Central Office planning officials were concerned with the quality of the nursing home portions of the initial MEDIPP submissions (page 17). What was stated to your evaluator was meant to convey our acknowledgement that improvements can always be made to every new process and the first MEDIPP cycle was no exception.

In addition, the report states that preliminary plans for the Martinez, California nursing home care project were completed in time for the FY 1984 budget process (page 6, paragraph 2). Actually, the Martinez plans were stopped at the first preliminary review stage pending a discussion on land acquisition for parking.

While the VA concurred in an earlier recommendation to thoroughly consider meeting nursing home needs wherever possible through greater use of the contract community nursing home program, it must be recognized that all veterans' needs for nursing home care cannot be met in this manner. Public Law 88-450 authorized VA to operate nursing home beds, transfer veterans to community nursing homes, and support state nursing home construction. Each program meets a different level of need and a reasonable balance in the three programs is required to provide care to our veterans. VA-operated nursing homes provide comprehensive care and hospital-based medical and rehabilitation services which cannot be provided in community nursing homes. With MEDIPP guidance, we expect growth in the three nursing home care programs to be supported by a demonstrated need. We also anticipate the projected need for nursing home beds will require all the planned VA-operated beds as well as all the community and state resources indicated in the MEDIPP projections.

I would like this report to acknowledge the use of the Office of Management and Budget Circular A-95 review process. This circular, "Evaluation, Review and Coordination of Federal and Federally Assisted Programs and Projects," revised January 2, 1976, provided for a local health planning system response to planned construction projects.