

GAO

Report to the Chairman, Committee on
Veterans' Affairs, U.S. Senate

June 1990

VA HEALTH CARE

Improvements Needed in Nursing Home Planning



**United States
General Accounting Office
Washington, D.C. 20548**

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United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

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June 12, 1990

The Honorable Alan Cranston
Chairman, Committee on Veterans' Affairs
United States Senate

Dear Mr. Chairman:

In response to your request, this report addresses the Department of Veterans Affairs' nursing home planning process.

We found that the Department may not need to add as many nursing home beds as planned. The Department also may be able to reduce the number of new nursing home beds that it needs to construct.

We are sending copies of this report to cognizant congressional committees, the Secretary of Veterans Affairs, the Director of the Office of Management and Budget, and other interested parties. This report was prepared under the direction of David P. Baine, Director, Federal Health Care Delivery Issues, who may be reached on (202) 275-6207 if you have any questions concerning this report. Other major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in cursive script that reads "Lawrence H. Thompson".

Lawrence H. Thompson
Assistant Comptroller General

Executive Summary

Purpose

The Department of Veterans Affairs (VA) faces a major challenge: planning how to meet the long-term care needs of a rapidly aging veteran population. The number of veterans 65 years old and over is projected to grow to 9 million by 2000—a 50-percent increase over the 1988 level. The Chairman of the Senate Committee on Veterans' Affairs asked GAO to assess how well VA is planning to meet this challenge.

Background

VA is authorized to provide nursing home care to veterans to the extent that space and resources are available. In fiscal year 1988, VA spent about \$951 million to provide about 33,000 nursing home beds for veterans' use. About 12,000 beds were available in 119 nursing homes that VA operates. The other 21,000 beds were available through community and state veterans' nursing homes.

VA's approach to nursing home planning is decentralized. Since 1984, each of VA's 27 medical districts has prepared plans biennially using 2000 as the target year. VA instructs the districts (1) to establish a goal for the number of beds to supply, (2) to maximize the use of community and state nursing homes to meet the goal, and (3) if sufficient beds are not expected to be available in community and state homes, to plan to convert the maximum number of VA hospital beds to nursing home beds before proposing new construction.

GAO assessed the nursing home planning process used by four medical districts in 1988, the most recently completed VA-wide planning cycle. During visits to these districts, which cover 13 states, GAO examined how they established bed-supply goals and surveyed the existing bed supply.

Results in Brief

VA's bed-supply goal is based on the assumption that the proportion of veterans in all nursing homes that VA will support in 2000 approximates its historical share. VA uses the most current data available on the number of veterans expected to use nursing homes in 2000.

VA's current planning goal is to provide 47,000 nursing home beds by fiscal year 2000, an increase of 14,000 beds over the fiscal year 1988 operating level. VA plans to provide about half of the 14,000 beds in community and state veterans' homes. It plans to obtain the remaining beds by constructing about 5,000 new beds at an approximate cost of \$405 million and converting about 2,000 VA hospital beds to nursing

home use at an approximate cost of \$105 million. To date, VA has obtained funding for about 2,000 of the 7,000 beds.

VA may not need to add all of the planned 7,000 new nursing home beds. The districts GAO visited did not accurately determine the number of available beds in community and state homes. VA's planning process lacks the necessary guidance to ensure that VA accurately identifies available beds. Without an accurate estimate, VA may add nursing homes where they are not needed or fail to add them where they are needed.

VA also may be able to reduce the number of new nursing home beds that it needs to construct. The potential for converting VA hospital beds to nursing home use is increasing because of a decrease in the number of VA hospital beds used. VA can convert hospital beds to nursing home care in less time and at less than one-half the cost of new construction. In April 1990, the Secretary of Veterans Affairs established the Commission on the Future Structure of Veterans' Health Care. VA expects the Commission to identify additional VA hospital beds that could be candidates for conversion.

Principal Findings

VA Considers Key Factors in Setting Bed-Supply Goal

By supplying 47,000 beds in 2000, VA will provide about 16 percent of nursing home beds projected to be used by veterans. VA's goal is slightly less than the 19 percent it has provided, on average, since 1985. In setting this goal, VA considered several key factors, primarily nursing home use rates for males in seven age groups. VA used data from the most current source available, the 1985 National Nursing Home Survey conducted by the National Center for Health Statistics. (See ch. 2.)

Estimates of Available Community and State Veterans' Nursing Home Beds Are Flawed

Two districts GAO visited excluded a total of more than 1,100 community nursing home beds by assuming limits on the percentage of beds VA could use in a single nursing home. Planners made this assumption in order to minimize problems should a home suddenly become unavailable for use; however, such problems are rare. (See p. 21.) The limitations are not needed. Their use can result in VA's planning to operate new VA nursing home beds in areas where they are not needed.

Planners in three districts GAO visited did not collect sufficient information to determine the availability of beds in community nursing homes. These districts eliminated more than 2,000 vacant community nursing home beds from their planning considerations in addition to those eliminated through application of occupancy ceilings. VA guidance does not specify the procedures district planners should follow to determine the availability of community nursing home beds. (See p. 22.)

Planners in the four districts GAO visited did not follow VA guidance in estimating the availability of state veterans' nursing home beds. In these four districts, planners did not count a total of 436 existing state home beds. In contrast, in one district 100 beds identified as available had not yet been approved for construction and should not have been counted. (See pp. 22-23.)

Potential Is Increasing for Converting VA Hospital Beds to Nursing Home Use

VA now expects a greater decrease in the number of hospital beds to be used by 2000 and beyond than anticipated during the development of the 1988 nursing home plan. VA expects that this will increase the number of hospital beds available for conversion to nursing home use. Conversions take much less time to complete than new construction and are significantly less costly. VA estimates that the average cost of converting a bed is \$37,900, while the average cost of constructing a new VA nursing home bed is \$81,400. (See p. 23.)

VA expects that by October 1991 its Commission on the Future Structure of Veterans' Health Care will make recommendations to the Secretary of Veterans Affairs concerning mission changes at individual medical centers. As a result of these changes, VA expects that additional VA hospital beds will be available for conversion to nursing home care. GAO believes the Commission could play a significant role in assessing the need for new construction of VA nursing homes beginning in fiscal year 1993. (See p. 24.)

Recommendations

GAO makes several recommendations to help ensure that VA adds nursing home beds where they are needed and does not add them where they are not needed. Specifically, the Secretary of Veterans Affairs should require the Chief Medical Director to review planned nursing home construction projects to be sure that planners accurately counted available beds in community and state veterans' nursing homes and identified opportunities for converting VA hospital beds to nursing home use. GAO recommends that this review and subsequent planning efforts use

revised planning guidelines that remove limitations on the percentage of beds VA can use in a single community nursing home. GAO also recommends that the Secretary require the Chief Medical Director to provide clear guidance to planners regarding specific steps to take to assess the availability of community nursing home beds and that planners follow guidelines in developing their counts of available state veterans' nursing home beds. (See p. 25.)

Agency Comments

VA concurred with GAO's recommendations. VA stated that it is taking steps to modify its nursing home planning to incorporate GAO's recommendations. (See app. III.)

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Abbreviations

GAO	General Accounting Office
MEDIPP	Medical District Initiated Program Planning
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

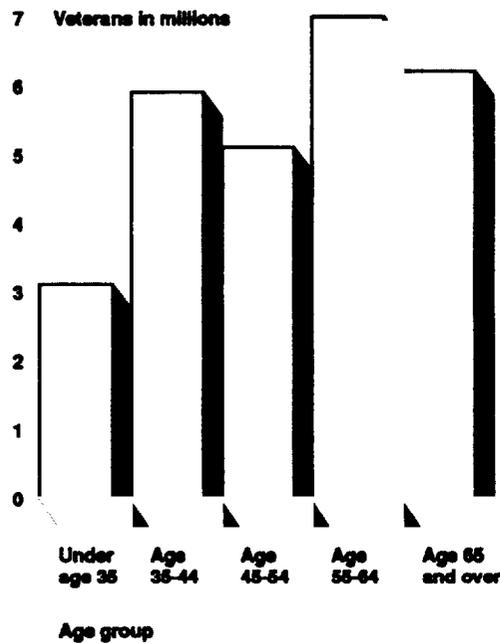
Introduction

Veterans' use of nursing homes is expected to increase through 2010 and then decline through 2030. This poses a major challenge to the Department of Veterans Affairs (VA): determining whether the number of VA nursing home beds should be increased. The Chairman of the Senate Committee on Veterans' Affairs asked us to assess VA's nursing home planning.

Veteran Population Is Aging Rapidly

VA estimated that the veteran population numbered about 27 million in 1988. About 6.2 million, or just under one-fourth, were elderly (65 years or older). (See fig. 1.1.)

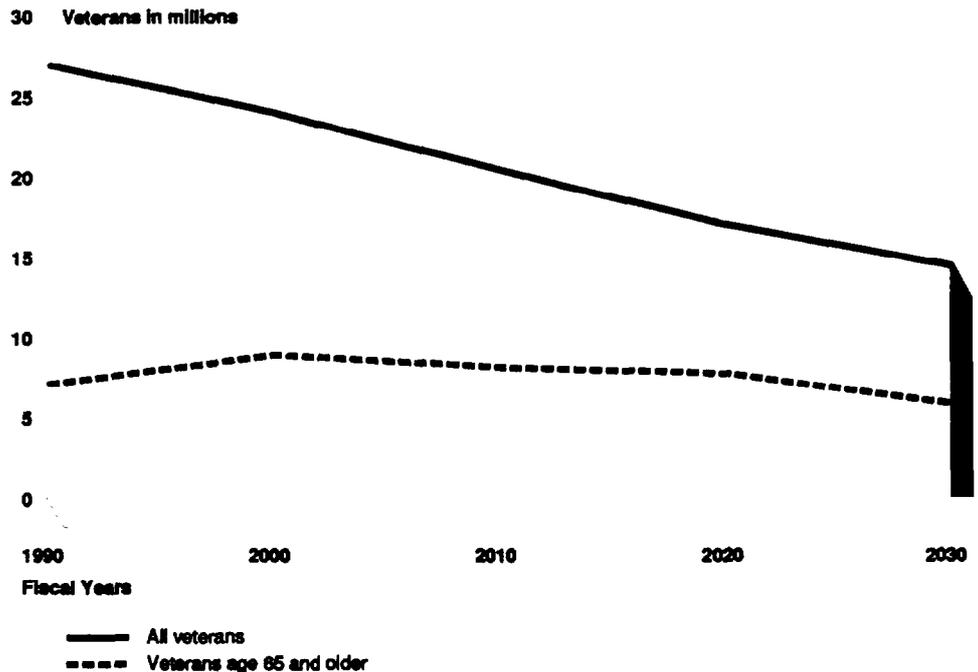
Figure 1.1: Veteran Population (Mar. 1988)



Source: VA, Veteran Population Projections by Age and Period of Service, May 1989.

VA estimates that the elderly veteran population will grow significantly, representing an increasingly larger share of the overall veteran population. By 2000, about 9 million veterans will be 65 years or older, a 50-percent increase; about 1 of 3 veterans will be in this age group. By 2030, the approximately 5.8 million elderly veterans will account for about 40 percent of the veteran population. (See fig. 1.2.)

Figure 1.2: VA Projections of the Veteran Population



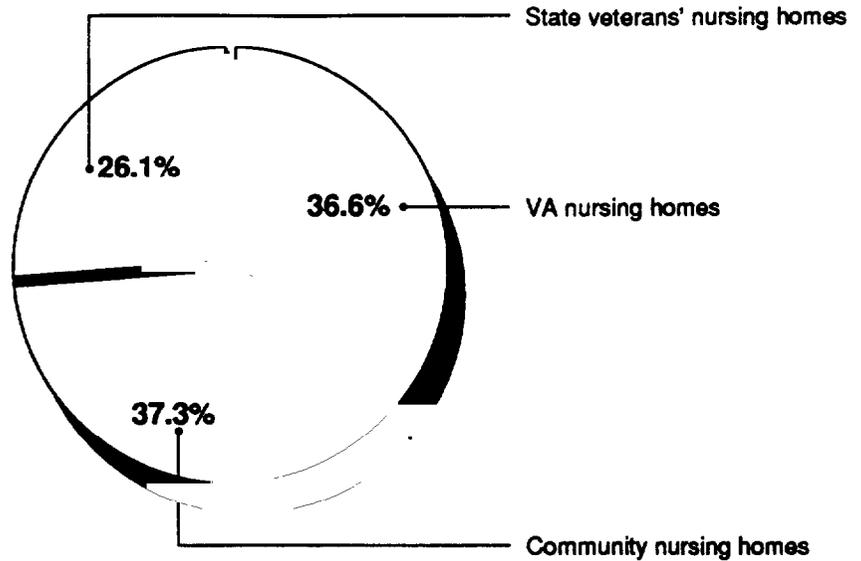
Source: VA, Veteran Population Projections by Age and Period of Service, May 1989.

The aging of the veteran population should result in a significant increase in veterans' demand for nursing home care because individuals over 65 have historically been the primary users.

VA's Nursing Home Care System

VA is authorized to provide nursing home care to veterans to the extent that space and resources are available. VA provided or financially supported nursing home care for over 83,000 veterans in fiscal year 1988, at a cost of about \$951 million. This care was provided in (1) VA nursing homes, (2) contract community nursing homes, and (3) state veterans' nursing homes. (See fig. 1.3.)

Figure 1.3: Percentage of Beds Supported in VA Nursing Home Programs
(Fiscal Year 1988)



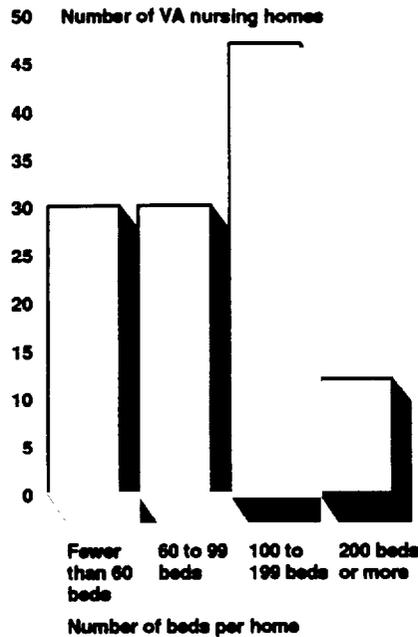
Source: VA, Summary of Medical Programs, September 1988.

These homes provided about 33,000 beds daily for veterans. VA's Veterans Health Services and Research Administration, which is led by the Chief Medical Director, is responsible for administering the nursing home care system.

VA Nursing Homes

The Congress initially authorized VA to provide nursing home care in 1964. By fiscal year 1988, VA had over 12,000 nursing home beds, located in 119 homes nationwide; a total of 27,220 veterans received care at a cost of about \$535 million. These homes varied in size from 10 to 300 beds; one-half had fewer than 100 beds. (See fig. 1.4.)

Figure 1.4: Size of VA Nursing Homes
(Fiscal Year 1988)



The Veterans' Health-Care Amendments of 1986 (P.L. 99-272) established eligibility criteria that VA must use if sufficient resources are not available to serve all veterans needing care. Veterans with service-connected disabilities have the highest priority; those with special circumstances, such as former prisoners of war, have the next highest. Other veterans' priorities are based on income levels; those who have income above a prescribed level must make a copayment in order to receive care. There is no limitation on a veteran's length of stay in a VA nursing home.

Community Nursing Homes

In fiscal year 1988, VA contracted with about 3,000 community nursing homes for an average of 12,400 beds per day. Over 42,000 veterans received care in these homes at a cost to VA of about \$350 million. VA's policies and procedures for placing veterans in these homes are similar to those used for its homes. Veterans' stays in community nursing homes, however, are limited by law to 6 months or less unless the need for nursing home care is related to a service-connected disability.

State Veterans' Nursing Homes

VA does not place veterans into state veterans' homes. Rather, each state designates an agency that places veterans according to the state's policies and procedures. VA paid a daily fee, \$20.35 in fiscal year 1988, for each veteran served. VA also provides grants to states to help finance the construction or renovation of state homes; by law, VA can pay up to 65 percent of the cost.

During fiscal year 1988, VA paid over \$66 million in fees to 49 state veterans' nursing homes, located in 30 states. VA supported a daily average of about 8,700 beds in these homes; over 14,200 veterans received care. In that year, VA also provided \$48.2 million in construction grants.

VA's Nursing Home Planning Process

VA's 119 nursing homes are located in seven geographic regions. At the time of our review, the regions included 27 medical districts.¹ Since 1981, each district has developed a nursing home plan as part of VA's Medical District Initiated Program Planning (MEDIPP) process. Districts submitted plans annually in fiscal years 1982-84. Since 1984, districts have prepared plans biennially.

Each medical district's plan includes a goal for the total number of nursing home beds that it will supply in a target year. Since 1984, VA has used 2000 as its planning target year. The plans also include estimates of the number of community and state veterans' home beds that are expected to be available to VA. District planners may propose building new homes or converting existing hospital beds or space to nursing home use only when they do not expect sufficient VA, community, and state home beds to be available to meet the bed-supply goal.

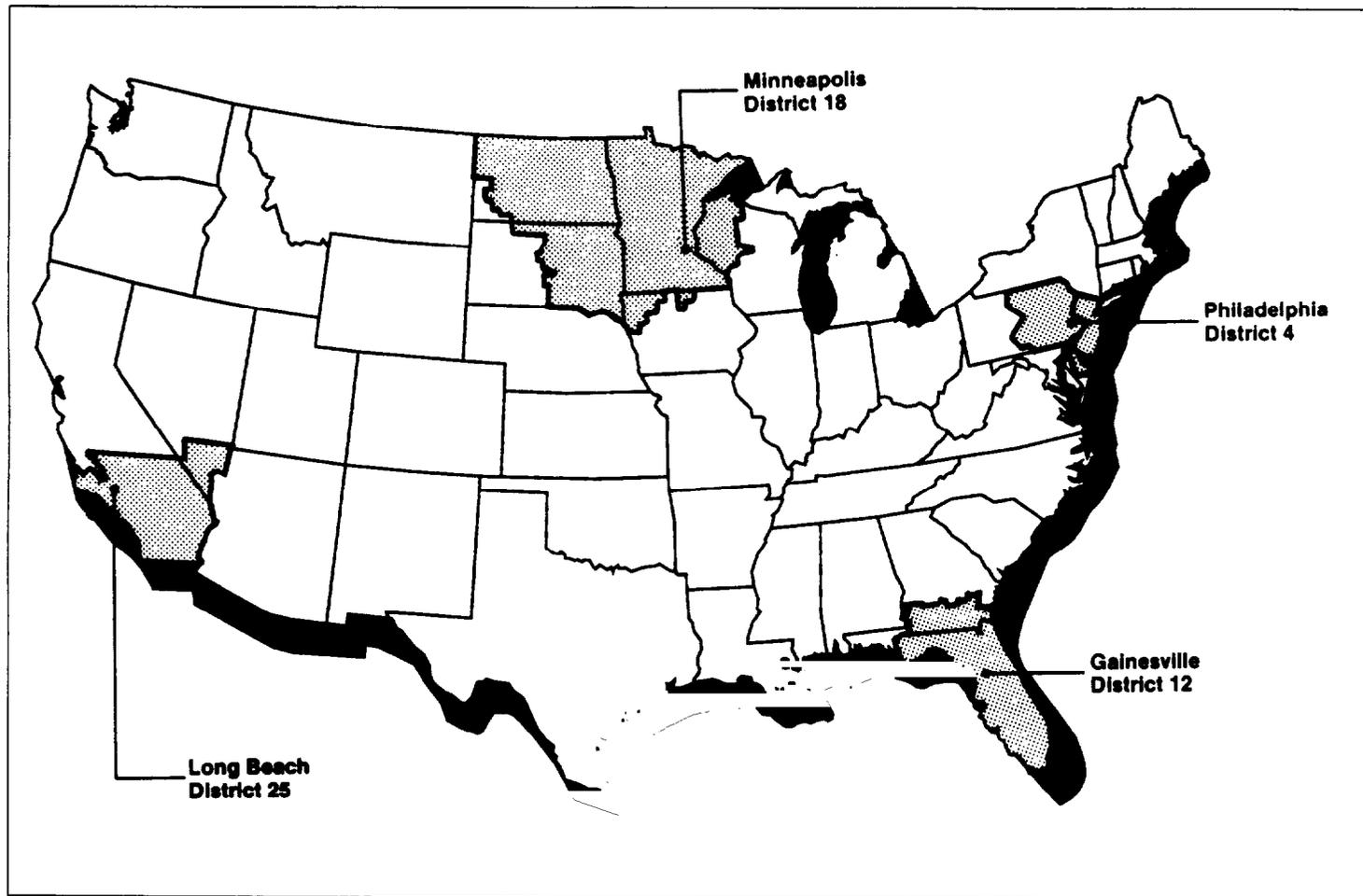
Objectives, Scope, and Methodology

We assessed the nursing home planning process for four medical districts for the 1988 MEDIPP cycle. We examined how the districts established their bed-supply goals. We reviewed surveys of the existing bed supply and districts' strategies for meeting the goals. The 1988 cycle is the most recent for which both the data VA used and the resulting VA-wide MEDIPP plan are available. VA published the results of the 1988 plan in June 1989. In our analyses, we included VA estimates of the veteran population published in May 1989 and other more current data that were not available to VA during the 1988 planning cycle.

¹In March 1990, the Secretary of Veterans Affairs abolished VA's medical districts. He has also proposed to reduce the number of regions from seven to four.

We conducted our review at VA headquarters and the four medical districts. We selected the districts to represent a mix of factors affecting nursing home use, including, for example, projected changes in the number of veterans aged 65 and over, state restrictions on nursing home bed construction, and ongoing and proposed VA nursing home construction. (See app. I.) The districts we visited cover all or parts of 13 states. (See fig. 1.5.) We cannot project the findings to other districts.

Figure 1.5: VA Districts GAO Visited



Evaluating Districts' Bed-Supply Goals

We reviewed VA's policies and procedures for establishing a bed-supply goal and discussed them with headquarters officials. At each district, we analyzed the data and assumptions used to develop the goal and discussed them with the district director, nursing home planners, and social workers, who place VA patients in VA nursing homes and community nursing homes. We also reviewed records and interviewed nursing home planners and other officials at VA's Midwestern Regional Office (includes medical district 18) and Western Regional Office (includes medical district 25) to assess their roles in developing the districts' bed-supply goals.

We also compared the districts' data and assumptions to those used in public and private studies of nursing home and noninstitutional care, including hospital-based home care and adult day health care. (See bibliography.) In addition, we interviewed four non-VA nursing home experts to obtain their opinions on VA's planning process, including the appropriateness of the data and assumptions used.

Evaluating Districts' Bed-Supply Surveys

We reviewed VA's policies and procedures for surveying the existing nursing home bed supply and discussed them with headquarters officials. At the four districts visited, we interviewed planners and discussed the results of their nursing home surveys. We also contacted officials in area agencies on aging, health departments, state veterans' homes, and other public agencies in 11 states within the four districts visited. (See app. II.) From these agencies, we collected information on nursing homes and their patients and compared them to the data that the district planners used.

Evaluating VA's Nursing Home Strategy

We reviewed VA's policies and procedures for developing proposals to meet projected nursing home bed-supply shortfalls and discussed them with VA officials. To evaluate VA's strategy for meeting its bed-supply goal, we reviewed its fiscal year 1989 and 1990 budgets and related documents. In addition, we interviewed Office of Management and Budget (OMB) officials responsible for reviewing VA's budget request. We obtained information on OMB's policies concerning VA nursing home care and funding decisions as they were reflected in VA's 1988 and 1989 budgets. We also reviewed nursing home funding for fiscal years 1981 through 1988 to obtain data on the cost and duration of VA nursing home construction.

Chapter 1
Introduction

Our audit work was performed from March 1988 through February 1990 in accordance with generally accepted government auditing standards.

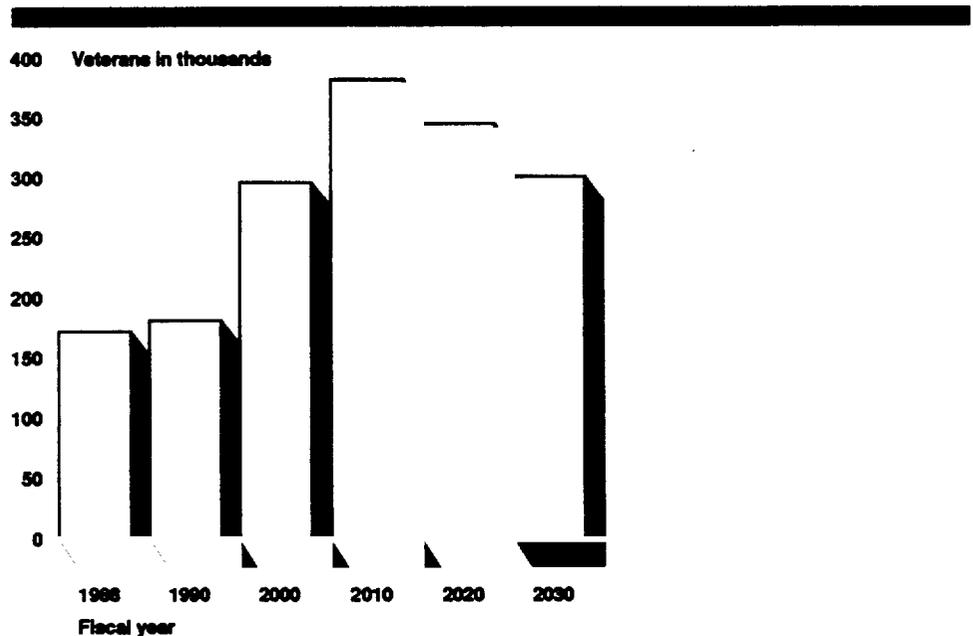
Establishing a Nursing Home Bed-Supply Goal

VA's bed goal was based on assumptions about key factors affecting veterans' nursing home use and the most current data available. VA plans to supply or support about 47,000 beds in VA, community, and state veterans' nursing homes in 2000. To develop this goal, VA used two estimates. First, it estimated the total number of veterans expected to use all nursing homes. Second, it estimated the proportion of those veterans whom it would support.

Estimating Veterans' Nursing Home Use

VA estimated that veterans will use approximately 295,000 beds a day in all nursing homes in 2000—a 73-percent increase over the 1988 level. (See fig. 2.1.) Veterans' use is expected to peak in 2010, when approximately 390,000 beds a day will be used, and decline gradually through 2030.

Figure 2.1: Estimated Daily Use of Nursing Homes by Veterans



Source: GAO calculation based on 1985 National Nursing Home Survey utilization rates for males and VA, Veteran Population Projections, May 1989.

VA used three steps to estimate veterans' nursing home use. First, it obtained nursing home use rates for males. Second, it projected the number of veterans in seven age groups for 2000. Finally, to estimate veterans' daily use of nursing homes, it multiplied the estimated number of veterans in each age group by the use rate for that group.

Estimating Nursing Home Use Rates for Veterans

VA used nursing home rates for males developed from the 1985 National Nursing Home Survey, conducted by the National Center for Health Statistics. This survey provided data on the average daily number of males in seven age groups residing in nursing homes in 1985. Using data limited to males was reasonable because 96 percent of veterans are male. Based on these data, VA developed a model of nursing home use that accounted for the geographic distribution of veterans. The rate of nursing home use is significantly greater for males in the three oldest age groups. (See table 2.1.)

Table 2.1: Nursing Home Use Rates for Veterans (1985)

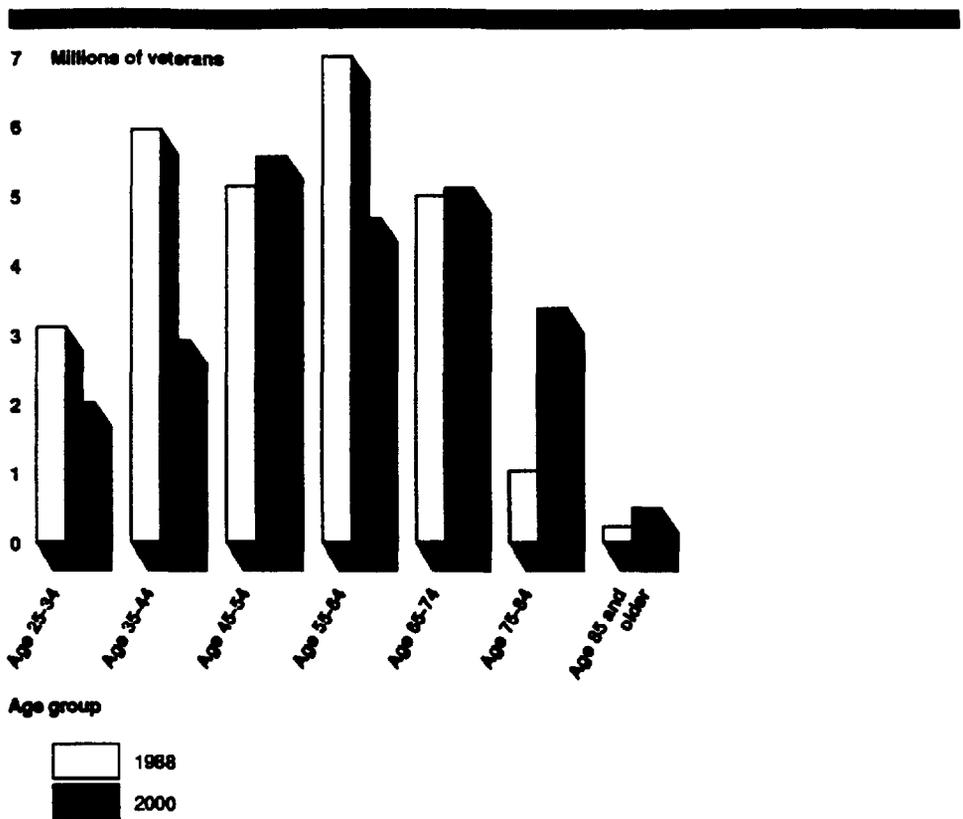
Age group	Use rates per 1,000 veterans
25-34	.512
35-44	.717
45-54	1.597
55-64	4.075
65-74	10.740
75-84	41.731
85 and over	144.435

Source: VA.

Projecting the Number of Veterans in 2000

VA projected a rapid growth in the number of veterans in the two oldest age groups, those most likely to use nursing home care. VA estimated that the number of veterans in these groups would increase from about 1.2 million in 1988 to about 3.9 million in 2000. (See fig. 2.2.)

Figure 2.2: Veteran Population (1988 and 2000)



Source: VA, Veteran Population Projections by Age and Period of Service, May 1989.

Projecting Veterans' Use of Nursing Homes

VA multiplied the estimated number of veterans in each age group by the 1985 use rate for that group. This provided an estimate of veterans' daily use of nursing homes. The projected increase in veterans' nursing home use reflects the expected increased number of veterans in the higher use age groups. (See table 2.2.)

Table 2.2: Change in Veterans' Nursing Home Use (1988-2000)

Age group	Estimated average daily beds occupied by veterans		Percent change
	1988	2000	
25-34	1,594	1,028	-36
35-44	4,260	2,094	-51
45-54	8,212	8,889	8
55-64	28,476	19,018	-33
65-74	53,646	54,871	2
75-84	42,816	140,467	228
85 and over	31,776	68,607	116
Total	170,780	294,973	73

VA's Assumptions Are Reasonable

VA's estimating model relied on two basic assumptions. First, it assumed that veterans use nursing homes at the same rate as the general male population. Second, it assumed that nursing home use rates will remain relatively unchanged through 2000. VA did not have any data directly addressing the appropriateness of its first assumption. For planning purposes, however, it appears reasonable. Regarding the second assumption, although advances in the medical treatment of chronic diseases or housing and community-based services for the elderly could alter males' nursing home use, we did not identify evidence indicating that these factors, or others, would significantly affect the rates by 2000.

Estimating Veterans' Use of VA-Supported Nursing Homes

VA plans to supply about 47,000 nursing home beds daily in 2000. This is about a 16-percent market share of the 295,000 beds that it expects veterans to use. As a matter of policy, VA has used a 12- to 16-percent share for planning purposes since 1981. Between 1985 and 1988, VA provided beds for 19 percent of all veterans using nursing homes. For the 1988 planning cycle, VA sent draft guidance to the districts allowing them to set their market share goal for 2000 within a range of 15 to 19 percent. In September 1988, VA decided instead to retain the goal at 12 to 16 percent.

Conclusions

VA is authorized by law to provide nursing home care to the extent that space and resources are available. Given the discretionary nature of its mandate, VA has used a reasonable model for setting its goal for the number of nursing home beds that it will supply in 2000. The model

Chapter 2
Establishing a Nursing Home Bed-
Supply Goal

adequately considers important indicators of future use and uses the most current information available.

VA's Plan for Adding Nursing Home Beds Is Flawed

VA's plan calls for an additional 14,000 beds to meet its bed-supply goal for 2000. VA plans to (1) obtain about half of these beds from community nursing homes or in state veterans' homes and (2) build new homes or convert empty VA hospital beds for the rest. VA requires that medical districts demonstrate that community and state veterans' nursing home beds will be unavailable before proposing the addition of new VA-owned nursing home beds. In addition, districts must assess the potential to convert VA hospital beds to nursing home use before proposing new nursing home construction. Conversion is significantly less costly than new construction. At the four districts we visited, planners did not accurately identify the number of beds available in community or state homes. Also, the potential for converting VA hospital beds is increasing because of a faster decline in VA hospital occupancy rates than previously expected.

MEDIPP Procedures Inadequate for Identifying Available Community and State Veterans' Nursing Home Beds

District surveys of community nursing home beds significantly underestimated the number of available beds. Moreover, districts' estimates of available state veterans' home beds were inaccurate.

Occupancy Ceiling Produces Underestimate of Potentially Available Community Nursing Home Beds

Planners in two districts we visited limited the percentage of beds VA could use in a single nursing home. These districts excluded a total of more than 1,100 beds by using such limits in the 1988 MEDIPP process. VA guidance allows such limitations to minimize potential placement problems for veterans in a home if VA must unexpectedly terminate the home's contract because serious quality-of-care problems are found. However, the director of extended care services told us that VA contracts are seldom terminated in this way. In the rare instances that serious problems are found, VA usually elects to discontinue placing patients in the home for the remainder of the contract year. Patients already residing in the home complete their contract stays.

These occupancy ceilings result in VA's planning to operate new VA nursing home beds when they might not be needed. For example, medical district 12 did not include 499 vacant community beds because they exceeded the district's maximum occupancy rate ceiling. About 150 of

these vacant beds are in the area surrounding the VA medical center in Gainesville, Florida. In its 1988 plan, VA proposed to build a 120-bed nursing home addition to this medical center in 1995.¹

MEDIPP Guidance
Insufficient to Determine
Availability of Community
Nursing Home Beds

MEDIPP guidance does not specify the procedures district planners should follow to determine the availability of community nursing home beds. We found that districts did not collect sufficient information to determine bed availability. Planners in medical districts 12, 18, and 25 eliminated more than 2,000 vacant community nursing home beds from their planning considerations. These beds were in addition to those eliminated through application of occupancy ceilings.

Planners eliminated nursing home beds for several reasons, including nursing homes' declining to participate, insufficiency of VA payment rates, and unavailability of specific services. However, planners did not always obtain sufficient information to assure these factors would prevent VA's use of these beds. For example, planners in two districts eliminated community nursing home beds because VA's payment level appeared to be inadequate. However, these planners did not ask the homes' operators whether they would accept VA's contract rate. The planner in one district did not inform the nursing home operator what an acceptable rate might be or record what the home charged. The planner in the other district, while asking nursing home operators what the home charged, did not inform the operators of VA's contract rate or ask what the home would charge VA.

Estimates of Availability
of State Veterans' Nursing
Home Beds Are Inaccurate

Planners did not follow MEDIPP guidance in estimating the availability of state veterans' home beds. For example, planners in the four districts did not count 436 state veterans' home beds that they should have. These beds were occupied by the districts' veterans but were located in homes outside the districts' boundaries. VA's planning procedures direct the districts to count such beds in their surveys.

In contrast, medical district 18 counted as available about 100 state veterans' home beds it should not have. These beds were counted even though they were not currently built or officially planned for future construction. Including these beds is contrary to VA guidelines that

¹In December 1989, VA decided not to construct this project because projected utilization was insufficient to support it.

instruct planners to count only existing beds or beds funded for construction by either the states or VA. Districts that count such beds as available may not meet their bed-supply goal if the beds are not built.

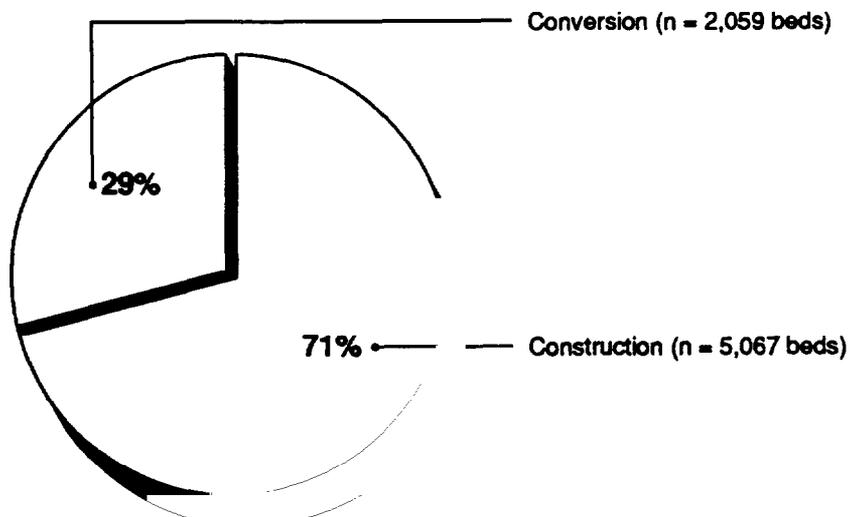
Potential Is Increasing for Converting Hospital Beds to Nursing Home Use

VA officials estimate that there will be a greater reduction in hospital operating bed levels up to 2000 and beyond than VA had anticipated during the 1988 MEDIPP cycle. Unused VA hospital beds are candidates for conversion to nursing home care.

Converting hospital beds and space to nursing home use is generally less costly and faster than constructing new beds. VA estimates that the average cost of converting a bed is \$37,900, while the average cost of constructing a VA nursing home bed is \$81,400. Historically, VA has needed about 8 years to plan, design, and build a new nursing home; generally, conversions take much less time to complete.

VA's current plan calls for the majority of the new nursing home beds that it expects to operate in 2000 to be in newly constructed VA nursing homes rather than in converted hospital space. (See fig. 3.1.)

Figure 3.1: VA's Plans for Constructing and Converting Nursing Home Beds
(June 1989)



Source: VA, Nursing Home Care Plan, June 1989.

VA estimates that about 6,500 of these beds will require funding from its construction budget—approximately \$405 million for new construction

and \$105 million for conversions.² Projects range in size from 15-bed conversions to new 240-bed nursing home care units. As of June 1989, about one-third of the 6,500 beds had been funded. VA plans to activate about 1,500 of the 2,000 converted beds by fiscal year 1995. VA expects that the MEDIPP plan developed in the 1990 cycle will show an increase in conversions as a result of decreased use of hospital beds.

In April 1990, the Secretary of Veterans Affairs established the Commission on the Future Structure of Veterans' Health Care. Among its goals will be identifying opportunities to change the missions, the mix of services offered, at individual medical centers. VA expects the Commission to identify VA hospital beds that should be converted to nursing home use as a result of mission-change recommendations. It expects the Commission to issue its recommendations to the Secretary in October 1991. This timetable could allow it to make recommendations that pertain to increasing the proportion of conversions as early as the deliberations for the fiscal year 1993 budget.

Conclusions

VA's estimation of available beds in community and state veterans' nursing homes was flawed in the medical districts we visited. Without an accurate estimate VA may add nursing homes where they are not needed or fail to add them where they are needed. Further, VA's planning process lacks guidance to ensure that VA identifies all available nursing home beds. The scope of our work does not enable us to estimate the total number of beds available to VA. However, because districts' planning problems are linked to weaknesses in VA guidance, we believe similar problems may be occurring elsewhere.

Based on current estimates, VA's plan may overstate the number of beds it needs to construct. VA may be able to convert more hospital beds to nursing home use than it originally estimated. In addition, recommendations from VA's Commission on the Future Structure of Veterans' Health Care may identify further conversion possibilities that could reduce the need for new nursing home construction. Converting the maximum number of unused hospital beds is a reasonable strategy given that hospital beds can be converted to nursing home use in less time and at less than half the cost of constructing new nursing home beds.

²VA will convert approximately 600 beds without additional funding by redesignating acute-care beds as nursing home beds.

Recommendations

We recommend that the Secretary of Veterans Affairs require the Chief Medical Director to

- revise planning guidelines to remove limitations on the percentage of beds VA can use in a single community nursing home,
- provide clear guidance to planners regarding the specific steps they should take to assess the availability of community nursing home beds,
- assure that planners follow guidelines in developing their counts of available state veterans' nursing home beds, and
- review planned nursing home construction projects before requesting funding to be sure that available beds in community and state veterans' homes were accurately counted and that opportunities for converting hospital beds were identified.

Agency Comments

VA commented on a draft of this report on May 18, 1990. (See app. III.) The Department agreed with our recommendations and specified a number of actions being taken to improve the nursing home planning process. Actions the Department said were being taken include

- having VA's Commission on the Future Structure of Veterans' Health Care assess existing VA health care resources in terms of projected future needs,
- removing the limitation on the percentage of beds VA can use in a single community nursing home that has been in operation long enough, generally 1 year, to provide sound evidence of an acceptable level of sustained quality of care,
- supplementing existing instructions to planners to ensure that they thoroughly address VA reimbursement rates for community nursing homes when assessing availability of community beds,
- verifying regional planners' input in assessments of state home availability, and
- reviewing nursing home construction projects to ensure that use of community and state home beds, as well as possibilities for conversion of hospital beds, are fully considered before requesting funding for construction of new beds.

Site Selection

Because the development of nursing home planning information was centered in VA's 27 medical districts,¹ we visited 4 districts, each representing a slightly different planning environment. VA's district planners face varied nursing home use and bed-supply conditions. To illustrate, planners in districts with no state veterans' nursing home beds must consider how to achieve their bed-supply goals using two types of homes, compared to three in other districts. Also, in districts in areas with relatively large numbers of available community nursing home beds (measured by the number of beds per thousand elderly and occupancy rates), planners can achieve more of their goal with those beds than planners in areas with relatively fewer available beds.

To evaluate VA's planning process, we selected districts whose nursing home planning environments were representative of those faced by other medical districts. As shown in table I.1, we considered information on

- the location of the elderly veteran population in 1988 and 2030,
- the availability of state home beds,
- state restrictions on new nursing home construction,
- the number of community nursing home beds per thousand elderly,
- the status of VA nursing home construction, and
- whether the district had completed a survey of community nursing homes.

¹In March 1990, the Secretary of Veterans Affairs abolished VA's medical districts.

**Appendix I
Site Selection**

Table I.1: Profile of Medical Districts Visited

Information considered	Medical district (headquarters)			
	4 (Philadelphia)	12 (Gainesville)	18 (Minneapolis)	25 (Long Beach)
Projected change in veteran population aged 65 and over, 1988 to 2030 ^a	DE: Increase MD: Decrease NJ: Decrease PA: Decrease	FL: Decrease GA: Increase	IA: Decrease MN: Decrease ND: Increase SD: Increase WI: Increase	NV: Increase CA: Decrease
State home beds in district	Yes	No	Yes	No
State home beds shared with bordering district	Yes	Yes	Yes	Yes
State restrictions on nursing home bed construction ^b	Yes	Yes	SD: No Others: Yes	CA: No NV: Yes
Range in number of community nursing home beds per 1,000 persons aged 75 and older	99.1-138.1	59.5-141.8	176.7-201.6	94.7-100.9
Ongoing VA nursing home construction	Yes	No	Yes	Yes
Proposed VA nursing home construction	No	Yes	No	No
Community nursing home analysis completed by district for 1988 MEDIPP	No	Yes	Yes	Yes

^aPopulation data are for entire states.

^bAs of September 1989.

State and Local Agencies GAO Contacted¹

Medical District 4

Delaware	Bureau of Health Planning and Resources Management Department of Health and Social Services
Maryland ²	Charlotte Hall Veterans Home Office on Aging
New Jersey	Department of Health Department of Veterans Administrative Services, State of New Jersey
Pennsylvania ²	Bureau of State Veterans Affairs, Pennsylvania Department of Military Affairs Department of Health Pennsylvania State Data Center, The Pennsylvania State University at Harrisburg

Medical District 12

Florida ²	Department of Health and Rehabilitative Services: <ul style="list-style-type: none">• Aging and Adult Services• Health Care Cost Containment Board• Office of Comprehensive Health Planning Department of Administration, Veterans' Field Services
Georgia ²	Georgia War Veterans Nursing Home, Augusta Georgia War Veterans Nursing Home, Milledgeville

¹We did not contact Nevada and North Dakota because these states had relatively few veterans aged 65 and over.

²Portion of state is included in the medical district noted.

Medical District 18

Minnesota	Department of Administration Department of Health Services Metropolitan Council of the Twin Cities Area
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Iowa ²	Iowa Department of Elder Affairs Iowa Department of Inspections and Appeals Iowa Veterans Home, Marshalltown
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South Dakota	Office of Adult Services and Aging Department of Health, Center for Health Policy and Statistics South Dakota Office of Charities and Corrections
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Wisconsin ²	Department of Health and Social Services, Bureau on Aging Wisconsin Department of Veterans Affairs
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Medical District 25

California	Department of Veterans Affairs, State and Consumer Services Agency, State of California Office of Statewide Health Planning and Development
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²Portion of state is included in the medical district noted.

Comments From the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

MAY 18 1990

Mr. David P. Baine
Director, Federal Health Care
Delivery Issues
U. S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Baine:

I am responding to your draft report, VA HEALTH CARE: Improvements Needed in Nursing Home Planning (GAO/HRD-90-98), dated April 5, 1990.

We appreciate GAO's evaluation of the Department of Veterans Affairs' (VA) planning efforts for meeting the long-term care needs of our rapidly aging veteran population. I am committed to assuring that as we approach the next century, VA will be prepared to meet our veteran's long term-health care needs. To this end, I have established the VA Commission on the Future Structure of Veterans' Health Care. This commission is assessing existing VA health care resources in terms of projected future needs. I anticipate that the commission's efforts will result in a realigned VA health care system--one that will be there to care for our veterans when they are no longer able to care for themselves.

I concur in each of GAO's recommendations in this report. The Department is taking steps to modify our nursing home planning to incorporate GAO's recommendations. Our detailed comments on each of the recommendations is enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward J. Derwinski".

Edward J. Derwinski
Secretary

Enclosure
EDJ/jev

Enclosure

DEPARTMENT OF VETERANS AFFAIRS COMMENTS ON THE APRIL 5, 1990,
GAO REPORT VA HEALTH CARE: IMPROVEMENTS NEEDED IN
NURSING HOME PLANNING

GAO recommends that I require the Chief Medical Director to:

- Revise planning guidelines to remove limitations on the percent of beds VA can use in a single community nursing home.

We concur with the recommendation. The Office of Geriatrics and Extended Care is proposing a change to VA Manual, M-9, MEDIPP (Medical Center Initiated Program Planning), to remove the limitation on the percent of beds VA can use in a single community nursing home. However, this change will be limited to those community nursing homes that have been in operation long enough, generally 1 year, to provide sound evidence of an acceptable level of sustained quality of care.

- Provide clear guidance to planners regarding the specific steps they should take to assess the availability of community nursing home beds.

We concur with the recommendation. VA Manual, M-9, MEDIPP, Chapter 10, provides specific planning guidance and requirements for assessing the availability of community nursing home beds. However, we will provide further instructions to planners in the guidance issued for the 1991 MEDIPP cycle to ensure that they thoroughly address VA reimbursement rates for community nursing homes when assessing availability of community beds. We anticipate issuing the guidance in October 1990.

- Assure that planners follow guidelines in developing their counts of available state veterans' nursing home beds.

We concur with the recommendation. Beginning with the MEDIPP 1990 Strategic Plan Submission, due September 4, 1990, the Strategic Planning Office's Planning, Development and Coordination Division will verify regional planner input in the state home assessments on an individual basis.

2.

- Review currently planned nursing home construction projects before requesting funding to be sure that available beds in community and state veterans homes were accurately counted and that opportunities for converting hospital beds were identified.

We concur with the recommendation. VA policy requires that nursing home needs assessments be updated prior to requesting construction funds. VA will continue to review nursing home construction projects to ensure that use of community and state home beds as well as possibilities for conversion of hospital beds are fully considered before construction funding for new beds is requested.

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