

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Audit of State Home  
Per Diem Program*

March 2, 2011  
10-01529-108

## ACRONYMS AND ABBREVIATIONS

|        |   |
|--------|---|
| CBO    | Chief Business Office   |
| DUSHOM | Deputy Under Secretary for Health for Operations and Management |
| G&EC   | Office of Geriatrics and Extended Care                          |
| OIG    | Office of Inspector General                                     |
| SVH    | State Veterans Home   |
| VHA    | Veterans Health Administration                                  |
| VISN   | Veterans Integrated Service Network                             |
| VAMC   | Veterans Affairs Medical Center                                 |

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# Report Highlights: Audit of VHA's State Home Per Diem Program

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## Why We Did This Audit

The Veterans Health Administration's (VHA) State Home Per Diem Program reimburses State Veterans Homes (SVHs) to defray the costs of providing veterans care. During 2009, VA Medical Centers (VAMCs) reimbursed 131 SVHs in 48 States and Puerto Rico a total of about \$590 million. We conducted this audit to evaluate whether VAMCs reimbursed SVHs accurately for providing care to eligible veterans and provided access to care for veterans denied admittance to SVHs.

## What We Found

VAMCs accurately reimbursed SVHs for veteran nursing home care. We reviewed VAMC 2009 reimbursements to 40 SVHs totaling about \$173 million and concluded \$172 million (99 percent) of the reimbursements were accurate. However, we found that two states were denying care to eligible veterans and none of the eight VAMCs we visited had strengthened their outreach efforts to ensure veterans denied access to SVH nursing home care obtained access to care from other VA sources. This occurred because VAMCs did not provide SVHs information on VA nursing home care options for distribution to veterans.

VAMCs need to improve their oversight of SVHs to reduce risks of veterans receiving inappropriate nursing home care. Of 400 sampled veterans, VAMCs did not properly document or ensure timely SVH submission of eligibility determinations for 126 (32 percent) veterans and medical care approval requests for 218 (55 percent)

veterans. This occurred because of ineffective VHA policies and procedures, insufficient oversight, and inadequate staff training. As a result, increased risks exist that veterans will not receive needed nursing home care, and SVHs will not provide appropriate medical care.

## What We Recommended

We recommended the Under Secretary for Health require VHA to provide fact sheets on VA nursing home care options to SVHs for distribution to eligible veterans, determine the SVHs that have denied eligible veterans access to care, and develop and initiate a plan to conduct specific and targeted outreach activities. We also recommended VHA notify SVHs that VAMCs will provide eligible veterans access to specialty medical care. Further, we recommended VHA revise policies and procedures, ensure Veterans Integrated Service Networks establish oversight procedures, and provide training to VAMC staff responsible for SVH oversight.

## Agency Comments

The Under Secretary for Health agreed with our findings and recommendations and plans to complete all corrective actions by September 2011. We consider these planned actions acceptable, and will follow up on their implementation.

*(original signed by:)*

BELINDA J. FINN  
Assistant Inspector General  
for Audits and Evaluations

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## INTRODUCTION

### **Objectives**

The Office of Inspector General (OIG) conducted this audit to evaluate whether VA Medical Centers (VAMCs) accurately reimbursed State Veterans Homes (SVHs) for providing nursing home care to eligible veterans and provided access to care for veterans denied admittance to SVHs.

### **VA State Home Per Diem Program**

The mission of VA's State Home Per Diem Program is to maintain or improve veterans' quality of life by reimbursing SVHs to defray operational costs associated with providing veterans nursing home, domiciliary, or adult day health care. SVHs are a key component of our Nation's combined Federal and State network of veteran medical care providers.

In May 2010, VHA transferred the financial management and oversight of the State Home Per Diem Program from the Office of Geriatrics and Extended Care (G&EC) to the Chief Business Office (CBO). With few exceptions, the CBO manages the payment processing for all care purchased from non-VA sources. The CBO assigned the National Fee Program Office to manage the State Home Per Diem Program.

Federal law prohibits the Veterans Health Administration (VHA) from exercising any supervision or control over SVH operations such as admission and operating policies and practices. However, VAMCs can require SVHs to provide documentation related to SVH policies, practices, and claimed reimbursements. In 2009, VAMCs reimbursed 48 States and Puerto Rico about \$590 million for operating 131 SVHs that provided 7.3 million days of nursing home care to about 39,000 veterans.

### **Reimbursement Process**

Each year, Federal regulations establish per diem rates SVHs must use when determining VAMC reimbursement amounts. SVHs request reimbursements by submitting a "State Home Report and Statement of Federal Aid Claimed," (VA Form 10-5588) to VAMCs monthly. VA Form 10-5588 details SVH workload and cost data such as patient gains and losses, days of care, and total amount claimed for nursing home care. After a VAMC point of contact verifies VA Form 10-5588 accuracy, Fiscal Service staff submits the form to VA's Austin Financial Service Center for approval and payment.

### **Higher Per Diem Rates**

In 2006, Congress passed the "Veterans Benefits, Health Care, and Information Technology Act of 2006" (Public Law 109-461). Effective March 21, 2007, this law requires VAMCs to use higher per diem rates when reimbursing SVHs for providing care to veterans who have a 70 percent service-connected disability or individual unemployability (70 Percent Program veterans). The intent of the higher per diem rate is to cover the costs of drugs and medicines for these veterans. Public Law 109-461 also stipulated SVHs reimbursed at the higher per diem rates must not receive funding from other Federal sources such as Medicare or Medicaid.

## RESULTS AND RECOMMENDATIONS

### **Accurate Reimbursements**

VAMCs accurately reimbursed SVHs for veteran nursing home care. In January 2009, to strengthen controls and improve VAMC reimbursement accuracy, VHA program staff began analyzing VA Form 10-5588 data and requiring VAMCs to correct erroneous SVH reimbursements. We reviewed 2009 reimbursements to 40 SVHs totaling about \$173 million and concluded \$172 million (99 percent) of the reimbursements were accurate. We considered the 1 percent reimbursement inaccuracy rate insignificant because it did not represent high-dollar payments across the 40 SVHs.

However, we found that VAMCs were making per diem payments in advance of receiving eligibility determinations and medical care approval requests. This increases VAMCs' risk of processing improper payments that do not comply with VHA regulations, especially reimbursements for the first few days after SVHs admit eligible veterans. Therefore, VHA needs to take action to strengthen compliance with payment processing requirements.

### **Finding 1**

#### **VAMCs Need To Ensure Veterans Have Access to Nursing Home Care**

None of the eight VAMCs we visited had procedures to ensure veterans denied access to SVH nursing home care obtained access from VA sources. Administrators at seven of the eight SVHs we visited within these VAMCs' jurisdictions stated they had not denied veterans access to care. However, the Administrator at the eighth SVH (Bangor, ME) and at another SVH (Boulder City, NV) we contacted stated they denied nursing home care to 70 Percent Program veterans. They told us they denied these veterans care because they believed the costs of providing specialty medical care would exceed VA's reimbursement per diem rates.

This occurred because VHA policies and procedures did not require information on VA nursing home care options to be provided to SVHs for distribution to eligible veterans waiting for or denied admission to SVHs. In addition, VHA did not know which SVHs were denying eligible veterans care and were not performing sufficient outreach in these states to increase veteran awareness and education of VA nursing home care options. Another cause was that VHA did not notify SVHs that VAMCs will provide referred veterans access to specialty medical care at no cost to SVHs. The lack of adequate policies and procedures created a risk that veterans requesting care from the SVHs within these VAMCs' jurisdictions might not obtain needed nursing home care.

**VAMCs Were Unaware of Veterans Denied SVH Care**

Staff at VAMCs Togus and Las Vegas were unaware that Maine and Nevada SVHs denied nursing home care to 70 Percent Program veterans. In fact, Maine Veterans Home officials stated all five Maine SVHs had denied 70 Percent Program veterans' access to available nursing home care. While these officials could not provide documentation showing the number of veterans denied care, they did provide documentation showing the number of 70 Percent Program veterans receiving care at Maine SVHs had declined from 50 to 6 during the period from June 2009 through June 2010.

The Nevada SVH Administrator stated the Nevada SVH denied nursing home care to 23 veterans who qualified for the 70 Percent Program from June 2009 through June 2010. SVH officials in Maine refused to identify the number of veterans denied care. While Maine and Nevada SVHs denied veterans nursing home care, several VA options were available for providing this care in these States. For example, Maine VA sources of nursing home care during 2009 included a 100-bed community living center with an average of 11 unoccupied beds and 22 community contract nursing homes with a total of 1,232 beds and an average of 175 unoccupied beds.

VAMCs were unaware veterans had been denied SVH care because VHA did not perform sufficient outreach efforts in these states to increase veterans' awareness and education of benefits by using specific and targeted outreach activities and communications materials. None of the eight VAMCs we visited had strengthened their outreach efforts to ensure veterans denied access to SVH nursing home care obtained access to care from other VA sources. Outreach is a vital part of benefit delivery. A more coordinated effort with SVHs will help VHA achieve its integrated objective of educating and empowering veterans and their families through outreach and advocacy.

**SVH Officials Considered Per Diem Rates Insufficient**

Administrators at four of the eight SVHs we visited considered VA's higher per diem rates insufficient to cover the costs of caring for 70 Percent Program veterans. The Administrators stated providing medical care for 70 Percent Program veterans costs more because these veterans tend to have more serious health conditions than other veterans and therefore require specialty medical care. However, according to Federal law, the higher VA per diem rates for 70 Percent Program veterans are not intended to cover specialty medical care. The per diem rates are to defray SVH costs of providing nursing home care, including drugs and medicine.

Maine Veterans Home officials stated if Maine SVHs were to admit 70 Percent Program veterans for nursing home care who also require specialty medical care, the SVHs would refer the veterans to private medical care providers and seek VA reimbursements for the cost. However, another option is for SVHs to refer these veterans to VAMCs that can arrange for specialty medical care at no cost to SVHs. If VAMCs are unable to provide specific treatments economically because of geographical inaccessibility, VAMC staff can arrange for eligible veterans to receive specialty care from



non-VA providers through VHA's Non-VA Fee Care Program. The purpose of the Non-VA Fee Care Program is to assist veterans who cannot easily receive care at a VAMC. SVH officials did not adequately consider referring veterans in need of specialty medical care to VAMCs because VHA did not notify SVHs that VAMCs will provide access to specialty medical care for referred eligible veterans.

**VHA Must Know  
Which SVHs Deny  
Care**

VHA program managers did not know how many of the 131 SVHs nationwide denied 70 Percent Program veterans access to nursing home care. Although VHA program managers were aware the five Maine SVHs denied 70 Percent Program veterans access to SVH care, they were unaware the Nevada SVH was denying veterans access to care and did not know if any of the other 125 SVHs were denying access to nursing home care. In addition, the National Association of State Veterans Homes, which strives to maintain the highest standard of nursing home care for veterans, did not know how many of the 131 SVHs were denying veterans care. Without knowing which SVHs are denying care, VHA cannot conduct the targeted outreach needed to ensure these veterans are aware of VA's nursing home care options.

**Conclusion**

VA's strategic goals and objectives include providing veterans and their families with integrated access to the most appropriate services from VA and its partners. Although VAMCs accurately reimbursed SVHs for providing veterans nursing home care, VAMC and VHA program managers did not adequately accomplish VA's access to care goals for 70 Percent Program veterans. Implementing the following recommendations will help ensure veterans receive needed nursing home care and VA accomplishes its goals of honoring and serving veterans by providing access to medical care.

**Recommendations**

1. We recommended the Under Secretary for Health require that VA provide a fact sheet to State Veterans Homes for distribution to eligible veterans waiting for admission as well as those denied admission to a State Veterans Home. The fact sheet would provide information about VA nursing home care options for care such as Community Living Centers and Community Nursing Home programs.
2. We recommended the Under Secretary for Health determine the State Veterans Homes that have denied eligible veterans access to nursing home care.
3. We recommended the Under Secretary for Health develop and initiate a plan to conduct specific and targeted outreach activities, in States where State Veterans Homes have denied veterans nursing home care, to increase awareness and education of VA nursing home care options.
4. We recommended the Under Secretary for Health require the Veterans Health Administration to notify State Veterans Homes that VA Medical Centers are available to provide referred eligible veterans access to specialty medical care at no cost to the State Veterans Homes.



**Management  
Comments and  
OIG Response**

The Under Secretary for Health agreed with our findings and recommendations and provided acceptable implementation plans. The G&EC will develop a fact sheet that describes VA's nursing home care options available to eligible veterans waiting for admission or denied admission to an SVH. The CBO and G&EC will coordinate with the Deputy Under Secretary for Health for Operations and Management (DUSHOM) to develop a memorandum that instructs VAMCs on the distribution of the fact sheet and communication materials.

To determine how many of 131 SVHs nationwide have denied care to 70 percent service-connected program-eligible veterans, the CBO will conduct a survey of SVHs. While conducting this survey, CBO and G&EC will coordinate with the National Association of SVHs and the National Association of Directors of SVHs to define impediments to admission. The CBO and G&EC will complete these actions by August 31, 2011.

During FY 2010, VA provided training on how VA facilities should continue to provide specialty medical care that is not part of nursing home care to VAMC staff and SVH Administrators at three VA regional conferences and two National Association of SVH Administrators conferences. We will monitor VHA's implementation of the planned actions. Appendix B contains the full text of the Under Secretary for Health's comments.

## **Finding 2      VAMC Oversight of SVHs Needs Strengthening To Reduce Risks of Inappropriate Medical Care**

VAMCs need to strengthen oversight to reduce the risk of SVHs inappropriately providing medical care to ineligible veterans or to eligible veterans without obtaining clinical staff approval. For 126 (32 percent) of 400 sampled veterans receiving nursing home care at 8 SVHs, VAMCs did not properly document or ensure timely SVH submission of eligibility determinations. In addition, for 218 (55 percent) of the 400 sampled veterans, VAMCs did not properly document or ensure timely SVH submission of medical care approval requests. This occurred because of ineffective VHA policies and procedures, insufficient Veterans Integrated Service Network (VISN) oversight, and inadequate VAMC staff training. As a result, increased risks exist that SVHs will provide inappropriate medical care and VAMCs will improperly reimburse SVHs.

### **Eligibility Determinations**

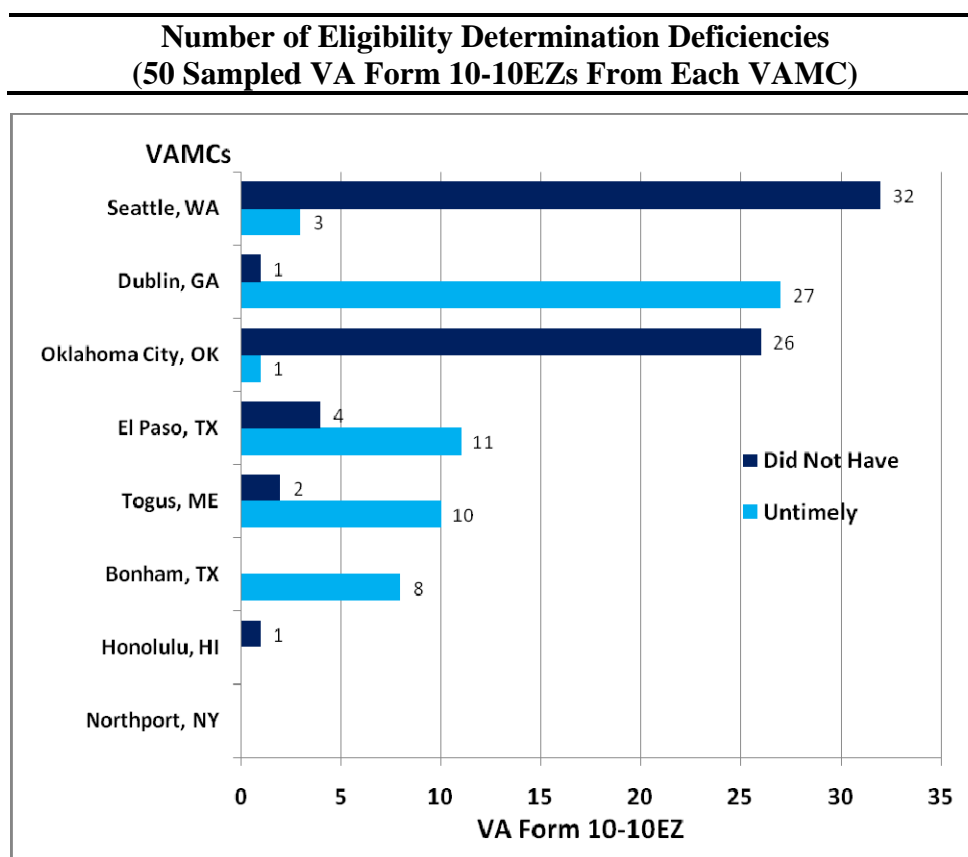
VAMCs did not always properly document or ensure timely SVH submission of eligibility determinations for veterans receiving SVH nursing home care. When SVHs admit veterans for nursing home care, Federal law requires SVHs to submit VA Form 10-10EZ, "Application for Health Benefits," to VAMCs within 10 days of the veterans' admittance dates. In addition, VA's Records Control Schedule 10-1 requires VAMCs to retain these forms for 3 years after the last episode of care. VAMC staff must review VA Form 10-10EZ and verify veterans' eligibility for SVH nursing home care using VHA's Computerized Patient Record System.

VHA's Computerized Patient Record System allows authorized VAMC staff to enter, review, and update veteran information, including eligibility-related information such as military service and medical history. Veterans are eligible for nursing home care if they meet one of several service/medical history conditions and a VA physician approves the medical need for nursing home care.

Seven of the 8 VAMCs responsible for oversight at the 8 SVHs visited did not properly document or ensure timely SVH submission of eligibility determinations for 126 (32 percent) of 400 sampled veterans. Six VAMCs did not have VA Form 10-10EZ for 66 (17 percent) of the 400 veterans.

In addition, 6 VAMCs did not ensure timely SVH submission of VA Form 10-10EZ within the required 10 days for the other 60 (15 percent) veterans. The delays ranged from 11 to 73 days. Five VAMCs had both types of eligibility determination deficiencies. Figure 1 on the following page highlights the results of our eligibility determination reviews for the 8 VAMCs.

Figure 1



Although we confirmed all 400 sampled veterans were eligible for SVH nursing home care, the inadequate and untimely documentation of eligibility showed controls were not working as intended. Further, the conditions created risks of SVHs incorrectly providing ineligible veterans nursing home care and VAMCs inappropriately processing per diem payments without adequate support.

**Medical Care Approval Requests**

VAMCs responsible for SVH oversight did not always properly document or ensure timely SVH submission of medical care approval requests to clinical staff. When SVHs admit veterans for nursing home care, in addition to VA Form 10-10EZ, SVHs must submit VA Form 10-10SH, “State Home Program Application for Care–Medical Certification,” to VAMCs. The same Federal law related to timely SVH submissions of VA Form 10-10EZ and VA’s Records Control Schedule 10-1 requirements relating to maintaining VA Form 10-10EZ also apply to VA Form 10-10SH.

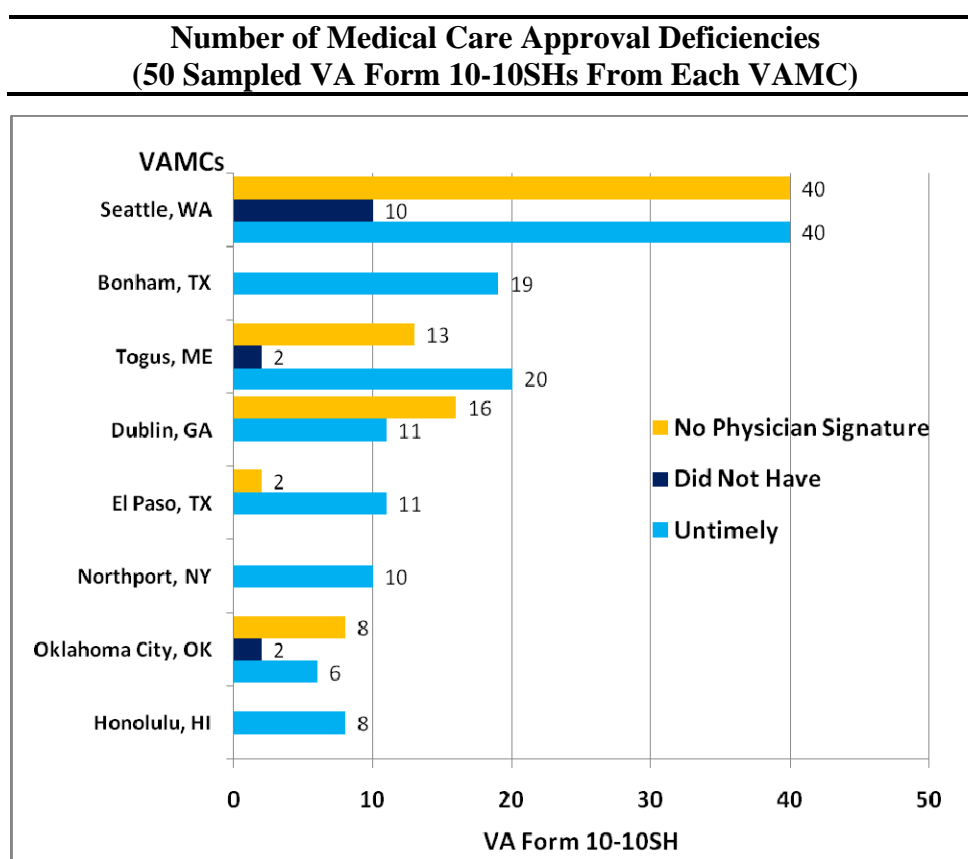
VHA policies require VAMC staff assigned as points of contact for SVHs to submit received VA Forms 10-10SH to VAMC physicians for review and signature indicating medical need and approval for SVH nursing home care.

For 218 (55 percent) of 400 sampled veterans receiving nursing home care at 8 SVHs, VAMCs did not properly document or ensure timely SVH submission of medical care approval requests. Specifically:

- For 125 (31 percent) veterans, 8 VAMCs did not ensure timely SVH submission of VA Form 10-10SHs within the required 10 days. The delays ranged from 11 to 59 days.
- For 79 (20 percent) veterans, 5 VAMCs did not obtain physicians' signature indicating medical approval on VA Form 10-10SHs.
- For 14 (4 percent) veterans, 3 VAMCs did not have VA Form 10-10SHs.

Figure 2 highlights the medical care approval deficiencies for each of the 8 VAMCs.

Figure 2



VA policy stipulates that VAMCs must not reimburse SVHs for providing care to veterans until VAMCs receive VA Forms 10-10EZ and 10-10SH from SVHs. For the sampled veterans where VAMCs did not receive the forms timely, the improper payments totaled about \$133,000. These payments, which lacked supporting documentation, occurred because VHA policies and procedures did not include a mechanism to ensure VAMCs receive VA Forms 10-10EZ and 10-10SH from SVHs before approving State

Veterans Home reimbursements. Ultimately, SVHs did provide medical care approval documentation and payments were supported.

Although our audit did not include evaluating the correctness of VAMC clinical staff medical care approvals, the inadequate and untimely documentation of medical care approvals showed controls were not working as intended. Further, the conditions created risks of SVHs providing veterans inappropriate medical care while in nursing homes and VAMCs processing per diem payments without adequate support.

***Causes of Inadequate VAMC Oversight***

Inadequate VAMC oversight of SVHs occurred because of ineffective VHA policies and procedures, insufficient VISN oversight, and inadequate VAMC staff training.

***Ineffective Policies and Procedures***

Ineffective VHA policies and procedures did not establish adequate controls to minimize risks of inappropriate care. VHA policies and procedures were less effective because they did not require staff to perform specific actions or maintain documentation that would help ensure SVHs provide nursing home care to eligible veterans who VAMC medical clinicians approve. Specifically, VHA policies and procedures did not:

- Allow qualified clinical staff, such as physician assistants and nurse practitioners, to sign VA Form 10-10SH. Current VHA policies and procedures only allow physicians to sign VA Form 10-10SH. VAMC staff stated obtaining physician signatures was difficult because physicians were primarily focusing on delivering medical care and often unavailable.
- Establish a timeliness goal for clinical staff to sign VA Form 10-10SH. This will help ensure timely clinical staff approval of SVH medical care for veterans.
- Require VAMC staff to maintain VA Forms 10-10EZ and 10-10SH in accordance with VA's Records Control Schedule requirements of 3 years after the last SVH episode of care. This will allow VAMC and VISN staff to monitor compliance with VHA policies and procedures related to timely submission of these forms and clinical approval of medical care.

***Insufficient VISN Oversight***

VHA policies and procedures did not require any specific oversight of VAMC monitoring of SVH operations. Representatives at VISN offices responsible for the eight VAMCs visited stated they have periodic conference calls with VAMC staff responsible for monitoring SVH operations. However, the results of this audit show additional VISN oversight of VAMC files of VA Forms 10-10EZ and 10-10SH for compliance with VHA policies and procedures would help ensure SVH veteran eligibility determination and medical care approval timeliness.

**Inadequate VAMC Staff Training**

At the eight VAMCs visited, none of the staff responsible for monitoring SVH operations had received adequate training. VHA regulations require VAMC Directors to ensure proper administration of the State Home Per Diem Program at their facility. Proper administration includes ensuring timely SVH submission and VAMC processing of VA Forms 10-10EZ and 10-10SH. VHA regulations also require staff responsible for conducting annual SVH inspections to view an SVH inspection training video.

However, none of the Directors at the eight VAMCs visited ensured staff responsible for monitoring SVH operations received adequate training. For example, staff did not receive formal training on how to monitor SVH daily admissions and follow up with SVHs that do not submit VA Forms 10-10EZ and 10-10SH timely. In addition, none of the VAMC staff responsible for conducting annual inspections of SVH operations had viewed the inspection training video.

**Conclusion**

VAMCs must strengthen their oversight of SVHs to ensure veterans receive appropriate medical care that maintains or improves their quality of life and ensure SVHs receive reimbursements only for eligible veterans requiring medical care. Untimely VAMC eligibility determinations and medical care approvals increase the risk of SVHs providing inappropriate medical care to veterans that could potentially have adverse effects upon their health and well-being.

These delays also increase the risk of VAMCs reimbursing SVHs for providing medical care to veterans who are ineligible or do not require nursing home care. To minimize these risks, VHA needs to revise policies and procedures to improve VAMC processing of VA Forms 10-10EZ and 10-10SH, establish additional VISN oversight procedures, and provide training to responsible VAMC staff. By taking these actions, VHA will better ensure veterans receive the nursing home care earned in service to this Nation and VAMCs efficiently use VA funds.

**Recommendations**

5. We recommended the Under Secretary for Health revise Veterans Health Administration policies and procedures to establish a mechanism for ensuring VA Medical Centers receive VA Forms 10-10EZ and 10-10SH from State Veterans Homes before approving State Veterans Home reimbursements.
6. We recommended the Under Secretary for Health revise Veterans Health Administration policies and procedures to allow qualified non-physician VA Medical Center clinical staff to approve State Veterans Home medical care by signing VA Form 10-10SH.
7. We recommended the Under Secretary for Health revise Veterans Health Administration policies and procedures to establish a timeliness goal for VA Medical Center qualified clinical staff to sign VA Form 10-10SHs.

8. We recommended the Under Secretary for Health revise Veterans Health Administration policies and procedures to require VA Medical Center staff to retain files of VA Forms 10-10EZ and 10-10SH for 3 years after State Veterans Homes provide the last episode of care to veterans.

9. We recommended the Under Secretary for Health ensure Veterans Integrated Service Networks establish procedures that include reviewing VA Medical Center files of VA Forms 10-10EZ and 10-10SH for compliance with Veterans Health Administration policies and procedures.

10. We recommended the Under Secretary for Health ensure VA Medical Center Directors provide staff responsible for monitoring State Veterans Homes operations with training on State Veterans Home oversight responsibilities, conducting State Veterans Home inspections, and the deficiencies discussed in this report.

**Management  
Comments and  
OIG Response**

The Under Secretary for Health agreed with our findings and recommendations and provided acceptable implementation plans. The CBO will revise and update VHA policies and procedures and develop a process to ensure that SVHs complete VA Forms 10-10EZ and 10-10SH and return the forms to VAMCs of jurisdiction before SVH reimbursements are approved. The CBO will also revise VHA policies and procedures to authorize a qualified licensed physician extender currently employed in a VA long-term care setting, to approve or disapprove requested SVH medical care. The CBO, in collaboration with qualified physician extenders, will revise and update VHA policies and procedures to establish a timeliness goal for VAMC qualified clinical staff to sign VA Form 10-10SH.

The CBO will also revise VHA policies and procedures to clarify and require that VAMCs maintain VA Forms 10-10EZ and 10-10SH in the Veterans' Consolidated Health Records for 3 years after SVHs provide the last episode of care to the veteran. In addition, the CBO will develop procedural guidance for VISNs to establish procedures to review VAMC files to validate the completion of VA Forms 10-10EZ and 10-10SH. G&EC will provide specific training on the topics identified within this audit regarding business policy and payment of per diem costs during monthly conference calls with VISNs and VAMC level State Home Program Managers. The CBO and G&EC will complete these actions by September 30, 2011. We will monitor VHA's implementation of the planned actions. Appendix B contains the full text of the Under Secretary for Health's comments.



## Appendix A Scope and Methodology

### Scope

We conducted the audit from March through November 2010. The audit focused on VAMC oversight and SVH operations during FY 2010 and about \$590 million that VAMCs reimbursed to SVHs during 2009 for nursing home care. The scope included all 131 SVHs that provided nursing home care and the 90 VAMCs responsible for monitoring SVH operations. The 131 SVHs provided approximately 7.3 million days of nursing home care to about 39,000 veterans during 2009.

### Methodology

To accomplish the audit objectives, we reviewed applicable laws and VHA regulations, policies, procedures, and guidelines. To obtain VHA program managers' perspective, we interviewed VHA's Chief Consultant in the Office of Geriatrics and Extended Care, VHA's Chief Business Office staff, and VISN representatives responsible for administering the State Home Per Diem Program within their network. We also evaluated VAMC and SVH policies, procedures, and practices by visiting the eight randomly selected VAMCs and SVHs shown in the table.

### Table

| Facilities Visited   |  |
|----------------------|--|
| VAMCs                | SVHs   |
| 1. Bonham, TX        | Clyde W. Coper Texas State Veterans Home–Bonham    |
| 2. Dublin, GA        | Georgia War Veterans Home–Milledgeville–Dublin     |
| 3. El Paso, TX       | Ambrosio Gullian Texas State Veterans Home–El Paso |
| 4. Honolulu, HI      | Yukio Okutsu Veterans Home–Hilo                    |
| 5. Northport, NY     | Long Island State Veterans Home–Stony Brook        |
| 6. Oklahoma City, OK | Oklahoma Veterans Center–Clinton                   |
| 7. Seattle, WA       | Washington Soldiers' Home–Orting                   |
| 8. Togus, ME         | Maine Veterans Home–Bangor                         |

To evaluate whether VAMCs accurately reimbursed SVHs, we interviewed SVH officials and responsible VAMC staff at the facilities listed in the table. We also reviewed SVH and VAMC documentation for two samples of veterans who resided at the eight SVHs during 2009. First, to evaluate SVH and VAMC eligibility determinations and medical care approvals, we reviewed VA Forms 10-10EZ and 10-10SH for a sample of 400 veterans. Second, to evaluate the accuracy of VAMC per diem reimbursements, we reviewed SVH claimed bed days of care and per diem rates for a sample of 600 veterans. We also reviewed 2009 monthly reimbursement calculations shown on VA Form 10-5588 for 40 SVHs (including the 8 SVHs shown in the table).

To determine whether VAMCs ensured veterans denied admittance to SVHs had access to care from VA sources, while visiting the facilities listed in the table, we interviewed VAMC staff and SVH administrators and reviewed VAMC policies and procedures for placing veterans in VA community living

centers and contract community nursing homes. We also interviewed the National Association of State Veterans Homes President, Maine Veterans Home officials, and Nevada's State Veterans Home Administrator. Since Maine Veterans Home officials and Maine SVHs Administrators would not provide information to identify veterans for whom they denied care and the VAMC in Maine did not have this information, we were unable to determine the number of veterans denied care in Maine. We addressed the risks of fraud, waste, abuse, and violations of legal and regulatory requirements. We also identified potential risks including inadequate monitoring by management for compliance with policies, laws, and regulations. In addition, we were alert to evidence of fraud, including fictitious evidence, such as false signatures, and missing or nonexistent key documentation.

***Reliability of  
Computer-  
Processed Data***

To accomplish the audit objective, we used computer-processed data obtained from SVH and VHA automated spreadsheets. To test the reliability of this data, we compared relevant computer-processed data with hardcopy documents such as admission and discharge forms, nursing notes, and mortician death records. The data was sufficiently reliable for the audit objectives.

***Compliance With  
Government Audit  
Standards***

Our assessment of informal controls focused on those controls relating to the audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B Under Secretary for Health Comments

### Department of Veterans Affairs

### Memorandum

**Date:** February 14, 2011

**From:** Under Secretary for Health (10)

**Subj:** OIG Draft Report, Veterans Health Administration, Audit of State Home Per Diem Program, (Project Number 2010-01529-R3-0253)

**To:** Assistant Inspector General for Audit and Evaluations (52)

1. Thank you for the opportunity to review the draft report. I concur with the report's findings and recommendations. This Office of Inspector General (OIG) report suggests that the Department of Veterans Affairs (VA) expand its outreach partnership with State Veterans Homes (SVH) to ensure that Veterans who may not be able to receive care at a specific SVH are aware of other alternatives that VA may be able to provide. Within the legal framework that currently exists on a state-by-state basis, VA agrees this is a worthwhile endeavor. However, because SVHs are owned and operated by individual states, it is important to note the context in which VHA will move towards this effort.
2. While VA sets its own basic eligibility criteria for access to nursing home care within the VA health care system, each state has its own laws, regulations, and policies that govern the management and admission guidelines for its particular SVH facilities. In this context states have the legal authority to exercise their own prerogative on whether or not to admit specific Veterans. VA cannot force SVHs to admit all Veterans; however, VA will work in partnership with SVHs to advise Veterans about health care benefits that may be available.
3. Furthermore, once a facility has been officially recognized by VA as a SVH, per diem costs are tabulated, and the reimbursement rates are adjusted annually by VA. The per diem rate is provided to defray SVH costs of providing nursing home care, including drugs and medicine, which OIG found to be misunderstood at some SVHs. VHA's increased outreach will communicate to SVHs that VA Medical Centers can provide specialty medical care services to eligible Veterans at no cost to SVHs.
4. VHA will make every effort to provide increased outreach and communication to Veterans denied access to SVHs. The attached action plan provides specifics. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10B5) at (202) 461-7014.

*(original signed by:)*

Robert A. Petzel, M.D

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)  
Action Plan**

**OIG Draft Report, Audit of VHA's State Home Per Diem Program,  
(Report No., 2010-01529-R3-0253, VAIQ 7074683)**

**Date of Draft Report: January 13, 2011**

| <b>Recommendations/<br/>Actions</b> | <b>Status</b> | <b>Completion<br/>Date</b> |
|-------------------------------------|---------------|----------------------------|
|-------------------------------------|---------------|----------------------------|

**Recommendation 1: We recommend that the Under Secretary for Health require that VA provide a fact sheet to State Veterans Homes for distribution to eligible veterans waiting for admission as well as those denied admission to a State Veterans Home. The fact sheet would provide information about VA nursing home care options for care such as Community Living Centers and Community Nursing Home programs.**

VHA Comments

Concur

The Office of Geriatrics and Extended Care (G&EC) will develop a Fact Sheet that describes the Department of Veterans Affairs (VA) nursing home care options available to eligible Veterans waiting for admission or denied admission to a State Veterans Home (SVH). The Fact Sheet will also provide notification to SVHs that VA Medical Centers (VAMC) are available to provide referred eligible Veterans access to specialty medical care at no cost to the SVHs.

In process

May 31, 2011

The Chief Business Office (CBO) and G&EC will develop a communication plan that targets VAMC staff and State Home Administrators to ensure effective distribution of this information to eligible Veterans.

CBO and G&EC will coordinate with the Deputy Under Secretary for Health for Operations and Management (DUSHOM) to develop a memorandum that instructs VAMCs on the distribution of the Fact Sheet and communication materials. Distribution of this information will be the responsibility of the VAMC of jurisdiction for each SVH.

In process

August 31, 2011

**Recommendation 2: We recommend the Under Secretary for Health determine the State Veterans Homes who have denied eligible veterans access to nursing home care.**

VHA Comments

Concur

Although VA sets basic eligibility criteria for access to nursing home care, state law governs the management and specifically, the admission guidelines for these SVHs. Each state's authority allows an individual SVH to exercise its prerogative on Veteran admissions.

The CBO will conduct an informal survey of SVHs to determine how many of the 131 SVHs nationwide have denied 70 percent service-connected, program-eligible Veterans access to nursing home care. The CBO will utilize these data to provide the SVH community with information developed concerning eligibility for the Community Living Centers or Community Nursing Home programs.

In process

July 31, 2011

**Recommendation 3: We recommend the Under Secretary for Health develop and initiate a plan to conduct specific and targeted outreach activities in States where State Veterans Homes have denied veterans nursing home care to increase awareness and education of VA nursing home care options.**

VHA Comments

Concur

While surveying SVHs to determine which SVHs are denying care, CBO and G&EC will coordinate with the National Association of State Veterans Homes and the National Association of Directors of State Veterans Homes to further define possible impediments to admission.

To increase awareness and education of VA nursing home care options, G&EC will develop a Fact Sheet that describes VA nursing home care options available to eligible Veterans waiting for admission or denied admission to a SVH. The Fact Sheet will also provide notification that VAMCs are available to provide medical care at no cost to the SVHs.

This information will also be communicated at the next annual conference of the National Association of State Veterans Homes and National Association of Directors of State Veterans Homes.

In process

July 31, 2011

**Recommendation 4: We recommend the Under Secretary for Health require the Veterans Health Administration to notify State Veterans Homes that VA Medical Centers are available to provide referred eligible veterans access to specialty medical care at no cost to the State Veterans Homes.**

VHA Comments

Concur

In an October 2009 memorandum from the DUSHOM, VA facilities were notified that they should continue to provide specialty medical care services that are not part of nursing home care specified by VA standards to eligible Veterans residing in SVHs who require those services and seek them from VA. The memorandum also noted that VA facilities may not charge Veterans or SVHs for specialty medical care services except as part of co-payment or pursuant to a sharing agreement.

Training concerning this provision was provided to VAMC staff and State Home Administrators at three VA regional conferences and two National Association of State Veterans Home Administrators conferences in Fiscal Year (FY) 2010.

Completed

FY 2010

**Recommendation 5: We recommend the Under Secretary for Health revise Veterans Health Administration policies and procedures to establish a mechanism for ensuring VA Medical Centers receive VA Forms 10-10EZ and 10-10SH from State Veterans Homes before approving State Veterans Home reimbursements.**

VHA Comments

Concur

To ensure efficient use of VA funds and improve VAMC processing of VA Forms 10-10EZ and 10-10SH, the CBO will revise and update VHA policies and procedures and develop a process to ensure that before SVH reimbursements are approved, VA Forms

10-10EZ and 10-10SH are to be completed and returned to the VAMC of jurisdiction to be filed in the Veterans' Consolidated Health Records.

In process

July 31, 2011

The DUSHOM in collaboration with the CBO will issue a memorandum to provide notification of these policy revisions to VAMCs.

In process

July 31, 2011

**Recommendation 6:** We recommend the Under Secretary for Health revise Veterans Health Administration policies and procedures to allow qualified non-physician VA Medical Center clinical staff to approve State Veterans Home medical care by signing VA Form 10-10SH.

VHA Comments

Concur

The CBO will revise and update VHA policies and procedures to authorize a qualified licensed physician extender, i.e., a physician assistant or nurse practitioner currently employed in a VA long-term care setting, to approve or disapprove the requested SVH medical care.

In process July 31, 2011

The DUSHOM in collaboration with the CBO will issue a memorandum to provide notification of these policy revisions to VAMCs.

In process July 31, 2011

**Recommendation 7:** We recommend the Under Secretary for Health revise Veterans Health Administration policies and procedures to establish a timeliness goal for VA Medical Center qualified clinical staff to sign VA Form 10-10SHs.

VHA Comments

Concur

The CBO, in collaboration with qualified physician extenders will revise and update VHA policies and procedures to establish a timeliness goal for VAMC qualified clinical staff to sign VA Form 10-10SH.

In process September 30, 2011

The DUSHOM in collaboration with the CBO will issue a memorandum to provide notification of these policy revisions to VAMCs.

In process September 30, 2011

**Recommendation 8:** We recommend the Under Secretary for Health revise Veterans Health Administration policies and procedures to require VA Medical Center staff to retain files of VA Forms 10-10EZ and 10-10SH for 3 years after State Veterans Homes provide the last episode of care to veterans.



VHA Comments

Concur

The CBO will revise VHA policies and procedures to clarify and require that completed VA Forms 10-10EZ and 10-10SH are to be returned to the VAMC of jurisdiction to be filed and maintained in the Veterans' Consolidated Health Records for 3 years after SVHs provide the last episode of care to the Veteran.

In process

June 30, 2011

The DUSHOM in collaboration with the CBO will issue a memorandum to provide notification of these policy revisions to VAMCs.

In process

June 30, 2011

**Recommendation 9: We recommend the Under Secretary for Health ensure Veterans Integrated Service Networks establish procedures that include reviewing VA Medical Center files of VA Forms 10-10EZ and 10-10SH for compliance with Veterans Health Administration policies and procedures.**

VHA Comments

Concur

The CBO will develop procedural guidance for Veterans Integrated Service Networks (VISN) to establish individual procedures to review VAMC files to validate the completion of VA Forms 10-10EZ and 10-10SH. The Financial Quality Assurance Manager and Management Quality Assurance Service will provide monitors to ensure procedures are in place and facility compliance.

In process

September 30, 2011

The DUSHOM in collaboration with the CBO will issue a memorandum to provide notification of the procedural guidance and compliance to VAMCs.

In process

September 30, 2011

**Recommendation 10: We recommend the Under Secretary for Health ensure VA Medical Center Directors provide staff responsible for monitoring State Veterans Homes operations with training on State Veterans Home oversight responsibilities, conducting State Veterans Home inspections, and the deficiencies discussed in this report.**

VHA Comments

Concur

Training for VAMC staff responsible for monitoring SVH survey oversight responsibilities is provided on a continual basis by G&EC staff. Specific training on the topics identified within this audit regarding business policy and payment of per diem costs will be developed in conjunction with release of the Fact Sheets and policy changes noted above. Training will be conducted during monthly conference calls with VISNs and VAMC level State Home Program Managers.

The G&EC will collaborate with VHA's Employee Education System to assess needs, and determine if additional training initiatives and/or other performance tools are needed for staff responsible for monitoring SVH survey oversight responsibilities.

In process

September 30, 2011

Veterans Health Administration  
February 2011

## Appendix C **OIG Contact and Staff Acknowledgments**

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|                 |   |
|-----------------|---|
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