



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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HUMAN RESOURCES
DIVISION

May 17, 1985

B-218854

The Honorable Frank H. Murkowski
Chairman, Committee on Veterans'
Affairs
United States Senate



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Dear Mr. Chairman:

Subject: VA's Methodology for Setting Priorities for
Nursing Home Care Construction Projects
for Fiscal Year 1986 (GAO/HRD-85-70)

On November 7, 1984, the Committee's former Chairman asked us to review the justifications for the seven nursing home construction projects that were proposed within the Veterans Administration (VA) for construction during fiscal year 1986. At your request, we have prepared this interim report on VA's method for deciding which of the seven projects to include in its fiscal year 1986 budget request. A later report will contain our findings on whether VA planners adequately considered local needs and resources and less costly alternatives to new construction for the two nursing home projects--Amarillo, Texas, and Tucson, Arizona--which VA proposed in its fiscal year 1986 budget.

As part of the planning process, each of VA's 28 medical districts projected its nursing home care needs for 1990, the portion of those needs VA would have to meet in its own facilities, and the number of beds the district would have available to meet those needs. The five VA districts in which the seven projects planned for fiscal year 1986 were located were ranked by their percentage of unmet need; the individual projects from the districts with the largest percentage of unmet need received the highest priority.

We believe VA's methodology was reasonable. However, we have two concerns with the way VA applied it. First, planners inconsistently calculated unmet need among the districts. Second, VA planned two projects for each of two medical districts and, for each of the projects in the two districts, applied the same percentage of unmet need. However, if the Congress were to fund one of the projects from either of the two districts, that district's percentage of unmet need would drop, and the priority of the remaining project in that district would change.

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BACKGROUND

In its Five-Year Medical Facility Construction Needs Assessment for fiscal years 1985-89 (the latest data available at the time of our review), VA proposed the following seven nursing home projects for fiscal year 1986:

<u>Location</u>	<u>Number of beds</u>	<u>Total estimated cost</u> (millions)
Amarillo, Tex.	120	\$ 6.9
Cheyenne, Wyo.	120	6.8
Fort Wayne, Ind.	120	6.2
Marion, Ind.	240	11.8
Martinez, Calif.	120	13.8
St. Cloud, Minn.	120	6.8
Tucson, Ariz.	<u>120</u>	<u>7.5</u>
Total	<u>960</u>	<u>\$59.8</u>

In addition, VA proposed fiscal year 1986 medical center replacement or modernization construction projects for its facilities in Augusta, Georgia; Houston, Texas; and Philadelphia, Pennsylvania. The projects for Augusta and Houston included upgrading each facility's nursing home capacity to 120 beds. The Philadelphia project included a new 120-bed nursing home. These nursing homes were included in the larger projects and did not compete with the seven individual nursing home projects for funding.

VA requested funds in its fiscal year 1986 budget for only two of the seven nursing home projects--Amarillo and Tucson. It also requested construction funds for the nursing home care units included in the fiscal year 1986 hospital replacement projects in Houston and Philadelphia.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate the reasonableness of the methodology VA used to set priorities for the seven nursing home projects in fiscal year 1986. We interviewed VA central office officials responsible for setting priorities for the projects and examined the data upon which they based their decision. We did not validate the data, but sought to verify that the priority list was supported by these data.

We did not obtain written comments on a draft of this report; however, we discussed its contents with VA officials on May 13, 1985. They acknowledged the concerns we identified and said they would take them into account during the fiscal year 1987 planning process.

We conducted our work in accordance with generally accepted government auditing standards, except that we did not validate the data which VA used to establish its priority listing for planned nursing homes.

VA'S METHODOLOGY FOR SETTING
PRIORITIES FOR FISCAL YEAR 1986
NURSING HOME PROJECTS

The Amarillo and Tucson nursing home projects were proposed in VA's fiscal year 1986 budget because the central office determined that the district where both are located had the highest percentage of unmet need for VA nursing home beds. According to central office guidance, planners in each district were supposed to estimate veterans' demand for nursing home care in 1990 by determining the rate at which veterans had been using nursing home services and applying that rate to the veteran population projected for the target year 1990. According to VA guidance, planners were to assume that between 12 and 16 percent of those veterans (based on historical veteran use in each medical district) would seek their nursing home care through VA. Planners also were to estimate the number of nursing home beds in community facilities and state veterans homes that would be available to meet that demand and assume that the other beds would have to be provided in VA facilities. Planners then were to calculate the district's unmet need by comparing the number of nursing home beds VA currently operates or for which they had received congressional funding for construction to the number of beds needed in 1990.

For example, in district 24, which includes the proposed nursing home project in Cheyenne, Wyoming, VA planners projected that 7,863 veterans would need nursing home care in 1990. Planners assumed 16 percent, or 1,258 veterans, would seek that care through VA. Planners projected that VA could rely on community nursing homes and state veterans' homes to provide care for 781 of the 1,258 veterans; VA would have to operate 502 beds to meet the remaining demand (based on an average daily census of 477 and a 95-percent occupancy rate). District 24 had 295 beds existing and funded for construction, leaving a projected unmet need in 1990 of 207 beds, or 41.2 percent (502 - 295 divided by 502).

VA told us it used the following data to rank the seven nursing home construction projects proposed for fiscal year 1986:

<u>VA medical center</u>	<u>District</u>	<u>Projected VA beds available in 1990</u>	<u>Projected VA beds needed in 1990</u>	<u>Percent of unmet need</u>
Amarillo	25	308	630	51.1
Tucson	25	308	630	51.1
Cheyenne	24	295	502	41.2
St. Cloud	18	289	480	39.7
Ft. Wayne	15	369	600	38.5
Marion	15	369	600	38.5
Martinez	27	630	930	32.2

We examined the data and calculations VA used to determine the number of beds needed and the number of beds available in 1990. We found that when central office planners calculated the number of beds VA expected to have available in 1990 in each district, they included projects authorized by the Administrator, but not funded by the Congress, for districts 15 and 27 but not for the other three districts. This inconsistency resulted in lowering the percentages of unmet need for these two districts. When these beds were excluded from the number of beds available, and the unmet need was recalculated, the priority order of the projects changed.

The revised priority list shows that although district 25 is still the district with the largest percentage of unmet need, the priority of some of the other projects changed.

<u>VA medical center</u>	<u>District</u>	<u>Projected VA beds available in 1990</u>	<u>Projected VA beds needed in 1990</u>	<u>Percent of unmet need</u>
Amarillo	25	308	640 ^a	51.8
Tucson	25	308	640 ^a	51.8
Ft. Wayne	15	303	600	49.5
Marion	15	303	600	49.5
Martinez	27	510	930	45.1
Cheyenne	24	295	502	41.2
St. Cloud	18	289	480	39.7

^aAt the time of recalculation, the number of projected VA beds in district 25 had been revised upward from 630 to 640.

While the concept of using unmet need to rank the districts' priority for nursing home funding is reasonable, a problem in its application arises when more than one project is being considered for a district. For fiscal year 1986, VA proposed two projects for each of two medical districts. Because one of the districts--district 25--had the highest percentage of unmet need, the two projects in that district received the highest priority and were included in VA's budget request. However, if the Congress were to fund only one of those projects, the district's available beds would increase by 120 beds to 428. Therefore, the district's unmet need percentage would drop to 33.1 percent (640 - 428 divided by 640). According to the above listing of projects, the project with the next highest priority would be at one of the medical centers in district 15.

VA officials told us they are developing a new methodology for setting priorities for planned nursing home construction projects that should correct this problem for fiscal year 1987 and beyond. VA will rank each project in a district and recalculate the district's unmet need percentage after each ranking. The beds in the higher priority projects will be counted as available in the target year, and this will lower the unmet need percentage for the other projects.

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We are sending copies of this report to the Administrator of Veterans Affairs and the Director, Office of Management and Budget, as well as the Chairmen and Ranking Minority Members of the various committees and subcommittees concerned with VA's nursing home care. Copies will also be made available to other interested parties who request them.

Sincerely yours,



Richard L. Fogel
Director