

oppaga Justification Review



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State Veterans Program Meets Most Goals; Savings Seen in Outsourcing Certain Functions

at a glance

The Services to Veterans Program has achieved its legislative goals for nursing home occupancy rates and for obtaining federally funded benefits such as medical equipment and federal disability payments for Florida's veterans. To provide better information for assessing program performance, the department should establish better controls and processes for verifying data accuracy; collect and report on the number of clients served; and develop better measures to assess the impact of the domiciliary.

The veteran's homes provide substantial benefits to the state and veterans. Preliminary data indicate the department's pilot to outsource selected nursing home functions at the Pembroke Pines facility will produce cost savings of \$534,000 over a three-year period. If the pilot evaluation expected in January 2002 determines that private agencies provide a comparable quality of services, then the department plans to phase in outsourcing at other facilities. The department's five-year outsourcing plan should be accelerated to achieve additional projected annual cost savings of \$420,000. Further outsourcing could be feasible, but faces strong opposition from veterans' groups.

Purpose

This report presents the results of our Program Evaluation and Justification Review of the Services to Veterans Program administered by the Florida Department of Veterans' Affairs. State law directs the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct justification reviews of each program during its second year of operating under a performance-based program budget.¹ This report evaluates program performance and discusses alternatives to improving the program's efficiency and effectiveness. Appendix A is a summary of our conclusions regarding the nine issue areas the law requires OPPAGA to consider in a program evaluation and justification review.

Background

Florida is home to 1.7 million veterans, representing the second largest veteran population of any state in the nation. Florida also ranks second in the nation for veterans age 65 and over and veterans who were disabled as a direct result of active military service, and first in the nation for the number of the most seriously disabled veterans.

¹ Chapter 94-249, *Laws of Florida*.

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The U.S. Department of Veterans' Affairs (VA) assists all former and present members of the U.S. armed forces and their dependents and survivors in securing benefits and services. These federally-funded benefits include veterans' compensation and pensions, home loan guarantees, education assistance, and insurance. In addition, the VA operates health care facilities in Florida, including six medical centers and 11 outpatient clinics. The VA spends approximately \$3 billion annually in veterans' benefits and services in Florida.

The Florida Department of Veterans' Affairs provides assistance to state veterans in accessing the federal benefits to which they are or may become entitled under any federal or state law or regulation by reason of their service in the Armed Forces of the United States. The Services to Veterans Program has four components:

- Veteran's Field Services;
- Veterans' Claims Services;
- Veterans' Homes; and
- Veterans' Training Approval.

Veterans' Field Services

Field Services provides benefits counseling services to all clients in the 17 VA medical facilities in Florida. The program helps veterans to initiate, develop, submit, and prosecute claims and appeals for state and federal entitlements. Most of these activities are conducted face-to-face; with the goal of helping clients resolve issues related to the submission of claims to the VA.

Veterans' Claims Services

Veterans' Claims provides a quality control function by reviewing claims submitted by Field Services to ensure their completeness and accuracy. Claims staff also helps veterans to initiate, develop, submit, and prosecute claims and appeals for state and federal entitlements.

Claims staff, which are co-located with the VA Regional Office in south Pinellas County, works directly with federal personnel to expedite claims and to advocate on behalf of the client to achieve the most positive outcome. This activity focuses on reviewing claims and providing paralegal due process assistance. A description of the process for filing a claim with the VA is found in Appendix B. Table B-1 shows a flow chart of the process for filing a claim with the VA. Veterans may directly work with department Field Services and Claims Services staff to file a claim.

Veterans' Homes

The program currently operates a domiciliary and three nursing homes. Construction is expected to begin in December 2001 for two additional nursing homes. Appendix C shows the location of the domiciliary and existing and planned nursing homes.

- The **domiciliary** provides shelter, meals, and incidental medical care to veterans who are able to care for themselves. Program activities include assisted living, behavioral rehabilitation, physical and occupational therapy, speech therapy, and developing therapeutic diets. The domiciliary has the capacity to serve 150 residents.
- The **nursing homes** provide full-service long-term residential care to eligible Florida veterans. Registered and licensed nurses supervise nursing home residents 24 hours daily. Program activities include nursing care, providing social activities, physical and occupational therapy, speech therapy, and developing therapeutic diets for residents. In addition, the program provides services to residents with Alzheimer's disease and dementia. Each nursing home has the capacity to serve 120 residents. Exhibit 1 provides a description of the domiciliary and nursing homes.

Exhibit 1

Program Provides Eligible Veterans With Assisted Living and Nursing Home Services

Veterans' Home and Location	Date Established	Bed Capacity
Robert H. Jenkins, Jr. Veterans' Domiciliary Home, Lake City	May 1990	150
Emory L. Bennett Memorial Veterans' Nursing Home, Daytona Beach	December 1993	120
Baldomero Lopez Memorial State Veterans' Nursing Home, Land O' Lakes	April 1999	120 (60 Alzheimer's)
Alexander "Sandy" Nininger, Jr. State Veterans' Nursing Home, Pembroke Pines	June 2001	120 (60 Alzheimer's)
Bay County	Scheduled to begin admitting residents in March 2003	120 planned beds
Charlotte County	Scheduled to begin admitting residents in March 2003	120 planned beds

Source: Department of Veterans' Affairs.

To be eligible for admission into one of these facilities, the veteran must be honorably discharged and have been a Florida resident for at least one year. In addition, the domiciliary requires that residents be physically able to feed and clothe themselves and have limited financial resources. Nursing home residents must be referred through a VA medical center and be determined to require long-term care in a skilled nursing facility.

Veterans' Training Approval

Veterans can receive VA educational benefits for pursuit of training at approved schools. Under contract with the U.S. Department of Veterans' Affairs, the Bureau of State Approving for Veterans' Training inspects schools and education programs that provide training to veterans to determine their qualifications for furnishing VA-approved courses and programs. The program also facilitates the payment of education benefits to veterans and eligible persons; and it monitors educational institutions to ensure that they continue to meet all federal and state regulatory requirements governing the administration of the GI Bill.

Program Organization —

The Florida Department of Veterans' Affairs has a headquarters office located in Tallahassee and division offices in Largo and on the grounds of the Bay Pines VA Medical Center in south Pinellas County. The department also has field offices located in Bay Pines, Gainesville, Lake City, Miami, Tampa, and West Palm Beach.

The department is organized into a Veterans' Homes component and two divisions—Administration and Public Information and Benefits and Assistance.

- The Veterans' Homes program director and staff provide oversight of the domiciliary and nursing homes. Each of these facilities has an administrator and staff to carry out the program's functions and activities.
- The Division of Administration and Public Information provides administrative services, such as personnel, purchasing, finance and accounting, and management information systems.
- The Division of Benefits and Assistance is composed of three bureaus—Field Services, Claims Services, and State Approving for Veterans' Training.

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- Field Services staff assists veterans in gathering all necessary documentation to submit a claim and forward it to the Bureau of Veterans' Claims Services for further processing.
- The Bureau of Veterans' Claims Services assists veterans with the processing, development, and prosecution of claims for state and federal entitlements.
- The Bureau of State Approving for Veterans' Training is fully funded through an annual reimbursement contract with the federal government. Bureau staff reviews, evaluates, and approves education programs to ensure the payment of VA education benefits to veterans, military active duty personnel, and eligible dependents and survivors. The bureau also conducts annual on-site supervisory visits to approved educational institutions to determine compliance with appropriate state and federal regulations.

Clients

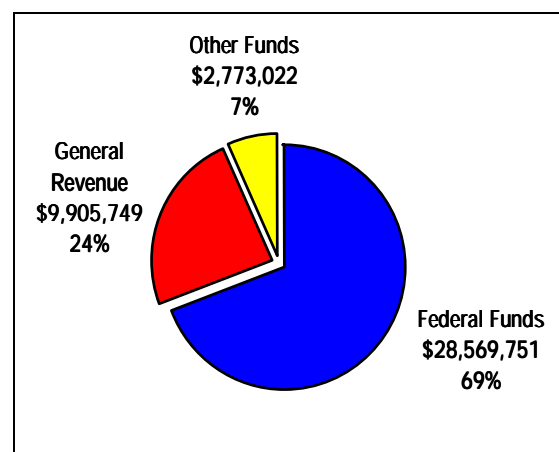
The department reports that it serves approximately 750,000 clients per year. However, this figure is over-estimated because the department captures the number of contacts it has with clients to derive this figure; it could not provide us with an unduplicated count of veterans served. For further discussion on the problems with the method used by the department to collect the number of Field Services and Claims clients see page 9 of this report. In addition, the department could not provide demographic information such as age, race, and gender for clients served in any program component.

Resource

As shown in Exhibit 2, the program receives funding from a variety of sources. For Fiscal Year 2001-02, the Legislature appropriated \$41.2 million, of which \$28.6 million (69%) comes from federal funds and \$9.9 million (24%) is state general revenue. The remaining revenues (\$2.8 million) are generated from fees,

grants, and donations. Included in this amount is a \$2 million spending authority for contributions made by citizens for the building of the state's memorial to World War II veterans.² The \$41.2 million appropriation includes a non-recurring appropriation of \$11.5 million (\$4 million in general revenue and \$7.5 million in federal trust funds) for the planned Charlotte County nursing home.

Exhibit 2 More Than Two-Thirds of Program Funds Are Federal Funds



Source: Fiscal Year 2001-02 General Appropriations Act.

For Fiscal Year 2001-02, the Legislature authorized 453 FTE positions. Exhibit 3 shows the breakdown of staff by program component.

Exhibit 3 More Than Three-Fourths of FTEs Are Appropriated to Veterans' Homes

Program	FTEs
Veterans' Homes	351
Executive Direction and Support Services	43
Field Services	41
Veterans' Claims	18
Total	453

Source: Fiscal Year 2001-02 General Appropriations Act.

² As of October 2001, the department had received \$125,166 in private donations towards the construction of the World War II memorial.

Findings

Program generally meets legislative goals; needs better accountability system

To assess the department's performance, we reviewed performance-based program budgeting (PB²) data for Fiscal Years 1999-00 and 2000-01, and other relevant performance information. We concluded that the program generally met its outcome measures for two of three program components, Veterans' Homes and Field Services. However, the program's accountability system should be improved to provide better information for assessing program performance.

Veterans' Homes met occupancy and licensing standards

To assess the performance of the Veterans' Homes Program, the Legislature has established two outcome measures: the occupancy rate for homes in operation for two years or longer and the percentage of homes that received the Agency for Health Care Administration (AHCA) gold seal certification. However, the gold seal certification could not be used as an outcome measure for Fiscal Year 2000-01 because AHCA did not implement the certification program until August 2001.³ The Daytona Beach facility has applied for gold seal certification and the Land O' Lakes facility is planning to apply now that it has been in operation for the required 30-month period.

We found that Veterans' Homes met the occupancy standards for the past two fiscal years, the homes substantially comply with VA and AHCA licensing standards, and nursing home residents' families are generally satisfied with the care they receive. In addition, recent legislative initiatives should help to improve the quality of care at these facilities.

³ To obtain gold seal certification a facility must meet minimum criteria, such as, it must be in operation for at least 30 months, not rated by AHCA as "conditional," and not had any serious violations within the 30 months preceding application.

Veterans' Homes met legislative occupancy standards. As shown in Exhibit 4, the program exceeded the legislatively approved occupancy rates for Fiscal Years 1999-00 and 2000-01. This is important because maintaining a high level of occupancy is critical to operating at optimal efficiency. The 2001 Legislature has established a standard of 90% occupancy for homes in operation for two years or longer for Fiscal Year 2001-02. This should be an attainable goal given historical performance levels.

Exhibit 4

Veterans' Homes Occupancy Rates Exceed Legislative Standard

Fiscal Year	Standard	Performance
1999-00	75%	86.42% ¹
2000-01	85%	88.65% ²

¹ Includes occupancy rate for State Veterans' Homes at Daytona Beach and Lake City.

² Includes occupancy rate for State Veterans' Homes at Daytona Beach, Lake City, and Land O' Lakes.

Source: Department of Veterans' Affairs.

Veterans' Homes comply with most VA and AHCA standards. We reviewed indicators of quality of care in the state's veterans' nursing homes—VA and AHCA monitoring reports of the nursing homes, ombudsman reports, and client satisfaction surveys conducted by the department. While both VA and AHCA inspected all homes, AHCA ranked only two of the four homes.⁴

According to the most recent annual monitoring of the four veterans' homes by the VA, all homes were in substantial compliance with VA standards. VA medical center staff inspects nursing homes before they can be certified as state veterans' homes, and annually thereafter, to ensure compliance with VA standards. VA inspections for nursing homes include 13 areas: administration, residents'

⁴ AHCA did not rank the domiciliary home because it is an assisted living facility, and did not rank the newest nursing home because it had not been in existence long enough for sufficient data to be gathered.

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rights, quality of life, resident assessment, quality of care, dietary services, nursing services, physician services, specialized rehabilitative services, dental services, pharmacy services, infection control, and physical environment.

The monitoring reports show that the Daytona Beach and Land O' Lakes homes met or partially met all standards for the 13 areas except for quality of life. In the quality of life area the reports noted that both nursing homes failed to meet the VA requirement that nursing homes have a qualified social worker with a minimum of a bachelor's degree. The Pembroke Pines home only recently began operations; therefore, it did not undergo a comprehensive monitoring. The initial survey of the Pembroke Pines nursing home found the facility in compliance with VA standards with one exception, the frequency of inspections of the portable fire extinguishers. The Lake City Veterans' Domiciliary Home was found to be providing the highest quality of domiciliary care available. Only one indicator, documentation of food service worker training, was not met.

AHCA's inspection found several occurrences of minor noncompliance at both the Daytona Beach and Land O' Lakes homes, but no actual harm to any resident was reported. For example, the Daytona Beach home had not met the requirement that staff develop comprehensive care plans for residents. The areas of minor noncompliance were quickly addressed and corrected. At the Land O' Lakes facility, most occurrences of non-compliance appeared to be isolated incidents that were addressed and corrected by the home in a timely manner.

Ombudsman Program investigates complaints at veterans' homes. Another option for residents and families to report concerns about veterans' homes is through the ombudsman program. Under the federal Older Americans Act, every state is required to have an

ombudsman program that addresses complaints and advocates for improvements in the long-term care system. The Long-Term Care Ombudsman Program assists residents of skilled nursing facilities, assisted living facilities, and adult family care homes. The program is housed within the Department of Elder Affairs for administrative purposes. There are 14 local area ombudsman councils throughout the state that coordinate the work of trained volunteers.

The volunteer ombudsman investigates all complaints and devises a means to resolve complaints brought to the attention of the program by, or on behalf of, residents. Each home is responsible for considering taking action on ombudsman's recommendations. At the Land O' Lakes home, the ombudsman inspected the facility in April 2001 and reported that residents were satisfied with the facility. For the 2000-01 period, seven complaints were filed and investigated. The ombudsman found sufficient evidence to support one of these complaints, pertaining to the mismanagement of personal funds. The home resolved the case by providing a refund to the resident. At the Daytona Beach home for the period January through October 2001, 11 complaints were filed and investigated. The ombudsman found sufficient evidence to support 7 of the complaints. The substantiated complaints included dietary, safety hazards, personal hygiene, pressure sores, medication administration, staffing shortage, and dignity/respect. The home resolved all of the substantiated complaints by providing in-service training, making staffing changes, and repairing potential safety hazards.

Families of nursing home residents generally satisfied with quality of care. The two nursing homes administer satisfaction surveys to family members of residents on a bi-annual to annual basis. The program uses the survey results to evaluate all aspects of service delivery, and to help make necessary changes for improving the functioning of the home.

Survey results provide information that family members are generally satisfied with the care residents receive at these homes.⁵ Results of the 1999 and 2000 surveys generally indicated a high level of satisfaction with most services. For example, more than 85% of the respondents at each home were satisfied with the medical care their family member received. In addition, more than 90% of all respondents rated the facility as good to excellent in response to the question, "Do you think this facility has provided care and services to meet your family member's needs?"

However, lower satisfaction levels were reported in some areas. For example, less than 50% of the respondents in both surveys responded "always" to the following questions: "Staff has knowledge of the mental, physical and emotional needs of the resident/family member" and "Staff asks for advice, listens to what the resident/family member has to say, and then acts on it." Nursing home staff told us that corrective actions have been discussed in relation to each of the areas with relatively low satisfaction levels.

Veterans' Homes Program implementing legislative quality-of-care initiatives. The 2001 Legislature passed Ch. 2001-45, *Laws of Florida*, which should improve the quality of care at all of Florida's nursing homes, including those administered by the Department of Veterans' Affairs. This law requires additional daily nursing hours per resident, staff training, and quality assurance processes. This initiative requires nursing home facilities to implement an internal risk-management and quality assurance program in order to provide a greater level of care for residents. Nursing home staff that deal with Alzheimer's patients must complete dementia-specific training. The law also requires facilities to adopt rules to increase minimum staffing standards for certified nursing assistants over the next three

years, which would require 86 additional FTEs at the three veterans' nursing homes.

Department officials said that as of October 2001 the department was in the process of implementing these new mandates. For example, the nursing homes had been conducting monthly quality assessment and assurance meetings since May 2001, had assigned risk management duties to current employees by August 2001, and had the Florida Alzheimer's Association conduct training to nursing home staff. The Florida Department of Elder Affairs expects to complete developing criteria for Alzheimer's training by late 2001. Department officials also noted that increased staffing may improve the quality of care by allowing staff more time to work with residents, transport residents to activities, and reduce turnover. These practices should help to provide an improved quality of care for veterans home residents.

Better outcome measure needed to assess performance of domiciliary. To better gauge the impact of the domiciliary, the department should develop better outcome measures. Currently the only performance measure for the domiciliary home is the occupancy rate measure for veterans' homes. The AHCA gold seal certification program will not initially include the veterans' domiciliary because it is an assisted living facility and not a nursing home. To date, the domiciliary has not administered a client satisfaction survey, however, a survey instrument is being designed. While the occupancy rate is an important measure, it should not be the only measure for the domiciliary.

The department should develop a measure that captures the multiple goals of the domiciliary. The client population of the domiciliary has changed significantly over the 10-year period since it has been operational. It is currently serving an older client mix that desires to stay in the facility until it becomes necessary for them to be transferred to a nursing home. As evidence that the domiciliary serves a broad mix of clients, the domiciliary is licensed to provide Extended

⁵ The department reported a 49% response rate for the October 2000 survey of 50 respondents at the Land O' Lakes facility, but could not provide us with a response rate for the Daytona Beach home survey.

Congregate Care (ECC), Limited Nursing Services (LNS) and Limited Mental Health Services (LMH).⁶ The department needs to develop an outcome measure to assess how well the domiciliary meets the needs of the clients it serves.

Field Services exceeded legislative goal in value of benefits obtained for veterans

The bureau's primary goal is to help veterans improve their health and economic well-being by obtaining all the benefits to which they are entitled. To assess attainment of this goal, the Legislature established one outcome measure for the Bureau of Veterans' Field Services, the value of cost avoidance due to issue resolution.

Issue resolutions are the dollar value for medical and other needs that are funded by federal dollars and for which the bureau has provided assistance to the veteran. For example, if the bureau assists a veteran in obtaining a wheelchair through the VA, the dollar value of the wheelchair, which is the price that the veteran or the state would have paid, is claimed as an issue resolution. Other items counted as issue resolutions include parking placard exams, eyeglasses, clothing allowance, and prosthetics.

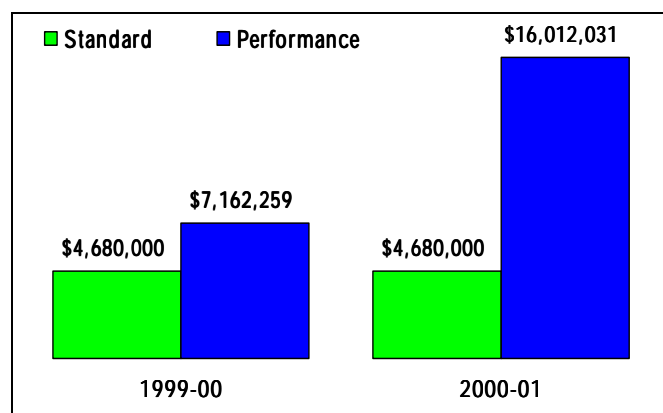
For the past two fiscal years, the bureau has exceeded its performance goal. As shown in Exhibit 5, the dollar value of benefits to veterans via issue resolutions more than doubled from \$7.16 million in 1999-00 to \$16.01 million in 2000-01. The bureau assisted veterans in obtaining benefits valued at \$8.16 for each \$1 appropriated in Fiscal Year 2000-01.

Department officials said the increased value of benefits returned could be attributed primarily to an increase in the number of veterans accessing the VA health care system. The number of veterans seeking assistance and filing claims is dependent on several factors.

⁶ Residents living in ECC licensed facilities may have higher impairment levels than those living in an assisted living facility (ALF). In a facility with a LNS license, residents may receive limited nursing services. The purpose of the LMH license is to promote better continuity of care between mental health providers and ALFs.

For example, the numbers of claims increase when the military downsizes and decreases when the military freezes retirements and discharges.

Exhibit 5
Dollar Value of Benefits to Veterans Has More Than Doubled Over the Previous Year



Source: Department of Veterans' Affairs.

Veterans' Claims Services did not meet legislative goal; better measure needed

The Legislature established one outcome measure to assess the bureau's performance: the percentage of increase (over baseline) in the number of veterans' ready-to-rate claims processed. A ready-to-rate claim is complete in that it has all supporting documentation and is ready for VA review. The bureau's goal is to ensure that the claim contains all necessary documentation when submitted and is ready for review.

Submitting complete claims to the VA is important for two primary reasons. First, complete claims significantly reduce the average time it takes to rate veterans' claims. For Fiscal Year 2000-01, the time from claim submission to resolution is 56 days for ready-to-rate claims, versus 176 days for other claims. Second, complete claims are more likely to result in more favorable outcomes than incomplete claims. For example, customers who submit ready-to-rate claims are less likely to express dissatisfaction with the outcome, which can be measured through the rate of

appeals filed—3% for ready-to-rate claims compared to 10% for all other claims.

As shown in Exhibit 6, the department did not meet the legislative goal for increasing the percentage of ready-to-rate claims processed by 2% over the previous year. Instead, the program's performance declined by 13%, from 2,455 complete claims in Fiscal Year 1999-00 to 2,135 complete claims in Fiscal Year 2000-01.

Exhibit 6

Percentage of Complete Claims Processed Decreased

Fiscal Year	Number of Claims Processed	Standard	Performance
1999-00	2,455	N/A	Baseline
2000-01	2,135	2% increase	13 % decrease

Source: Department of Veterans' Affairs.

Department officials said that the declining performance is due to a change in VA rules pertaining to claims submission. The Veterans Claims Assistance Act of 2000 specifically requires the VA to order a VA medical examination on all VA claims unless there is no way the benefit will be granted even with an examination. Prior to the new federal law's implementation in October 2000, the VA examination was not required and the claim could be rated based on private physicians' reports and statements and or other evidence, such as VA treatment records or hospital reports. As a result of this change, claims requiring these medical examinations cannot be submitted as ready-to-rate since the medical examinations are not performed until after the claim is filed with the VA. Because this change occurred in the second quarter of Fiscal Year 2000-01, it distorts the performance for the period. The standard should be amended to reflect the new process in submitting claims.

Program's accountability system needs to be improved

While the department's performance measures provide the basis for a good accountability system, we identified deficiencies that weaken the Legislature's ability to hold the department accountable for its performance—the program collects data manually that is not verified by the inspector general. As a result, it overstated caseload by reporting total *contacts* with veterans, rather than the number of veterans *served*.

Program lacks sufficient controls to ensure performance data accuracy; inspector general failed to assess reliability. The program has not established adequate controls for ensuring the accuracy of data that are manually collected. The program needs to develop and implement procedures to verify the accuracy of performance-based program budgeting data, including testing the reliability of manual counts by checking for mathematical errors and comparing to source documentation. The inspector general failed to assess the reliability and validity of performance measures as required by s. 20.055, *Florida Statutes*. This impedes the department's ability to provide the Legislature and other policymakers with relevant and reliable performance data.

For the past two fiscal years, the department has reported the number of contacts program staff had with clients, and not the number of veterans served. Contacts include services such as correspondence sent, telephone calls made, benefits claims reviewed, and face-to-face interviews conducted. This results in over-reporting clients served, as staff often has many contacts with the same veterans in a given fiscal year. This over-reporting hinders the department's ability to calculate accurate unit costs, plan workload, and provide accurate output data to the Legislature and other policymakers.

Outsourcing of veterans' home functions shows promise

To increase the operating efficiency and effectiveness of Florida's veterans' nursing homes, the department is currently outsourcing selected functions at its newest facility in Pembroke Pines, Broward County. This outsourcing, being done as a pilot project, involves three functions: health services (which includes certified nursing assistants, social workers, and recreational therapists, but not registered nurses or licensed practical nurses); housekeeping and laundry; and lawn maintenance. The department also intends to outsource food services and is waiting for the outcome of negotiations by the Department of Management Services to develop a statewide contract to outsource food services for the Departments of Juvenile Justice, Children and Families, and Veterans Affairs. Due to the increased staffing requirements of Ch. 2001-45, *Laws of Florida*, the department will need to add 28 new positions at the Pembroke Pines facility, which will increase total staff to 157 positions of which 109 will be outsourced.⁷ The 109 positions to be outsourced include certified nursing assistants, housekeeping and laundry personnel, food service workers, maintenance workers, and administrative positions.⁸

The department plans to evaluate the pilot's results based on cost savings and quality of care indicators, number of discipline cases for private agency staff, AHCA and VA survey results, resident and staff satisfaction surveys, and clinical quality indicators as measured through rates of preventable falls and number

of bedsores.⁹ Department officials expect to report on pilot results by January 2002. If this pilot proves to be cost-effective, the department plans to gradually outsource these functions at the other nursing homes over the next five years (see Appendix D).

As described in its Long-Range Program Plan, the department intends to outsource selected functions at the two yet-to-be constructed facilities (Bay and Charlotte counties) in Fiscal Year 2002-03, and then outsource these functions at the Daytona Beach, Land O' Lakes, and Lake City facilities during the 2003-04, 2004-05, and 2005-06 fiscal years. Program officials said that this phase-in plan is intended to reduce displacement of current state employees at the existing facilities.

Based on the department's preliminary cost data, we concluded that the initiative shows promise and should produce cost savings of approximately \$534,000 over a three-year period. This represents an overall cost reduction of 11%. These projected savings include a cost reduction of 12% for health services, 9% for housekeeping and laundry, and 26% for lawn maintenance. These reductions are due to lower salaries and expenses for private agency personnel.

If the pilot evaluation due in January 2002 determines that private agencies provide comparable quality of services, then the department should accelerate its schedule to outsource selected functions at two existing nursing homes. Disruptions due to outsourcing could be minimized by requiring private providers to give first preference for hiring to existing employees. Expediting this

⁷ As of October 2001, the facility had 14 residents and 28 of 42 authorized positions had been filled.

⁸ The department proposes to retain state employees in positions such as administrators, key support services personnel, registered nurses, and licensed practical nurses. These remaining state employees would provide quality control for the care residents received as well as executive direction of the facilities.

⁹ The percentage of residents with bedsores is an important indicator of care, as they may be preventable or reduced through frequent care and proper nutrition. However, some bedsores may be unavoidable, depending on the resident's condition. AHCA uses this indicator in its certification process of nursing homes.

privatization from Fiscal Year 2005-06 to Fiscal Year 2002-03 would achieve annual cost savings of an estimated \$420,000.¹⁰ These projected cost savings are based on the department's proposed criteria for evaluating pilot results, and the department's planned schedule for outsourcing selected functions.

While it could be feasible to outsource nursing care, which is not covered by the pilot project, veterans' groups have voiced strong opposition to this step, citing concerns for continuity and quality of care and the need for a committed and motivated staff. It is not feasible to fully privatize the homes because federal law requires states to oversee nursing home operations in order to receive federal funding.

Veterans' homes offer substantial benefits for the state and its veterans

Operating state-run homes offers important benefits for both the state and residents. A major benefit to having state-run nursing homes is the federal dollars that are given to the state for construction of veterans' nursing homes. For example, in Fiscal Year 2001-02, the department received \$7.6 million in federal funds for the construction of new veterans' nursing homes, which is 65% of the total construction cost. The state provided \$4 million (35%) in state general revenue funds. According to a report by AHCA and the Florida Department of Veterans' Affairs, the state is required to operate the veterans' homes for 20 years or could be requested to repay a portion of the funds to the federal government, which could amount to approximately \$8 to \$10 million per facility.¹¹ It is beneficial for the state to continue operating veterans' homes because the state would otherwise pay more to care for veterans in private facilities where

stays would be paid through Medicaid or other public programs that require a state match.

Another significant benefit the state realizes from the veteran's facilities is limited tort liability insurance. AHCA estimates that an average private nursing home with 120 beds and 90% occupancy rate will pay over \$600,000 annually for liability insurance. In contrast, the state pays approximately \$80,000 per year for liability insurance for its facility in Daytona Beach.¹²

In addition, service-connected veterans in state-run nursing homes are not required to spend down their financial assets to become Medicaid eligible. Since Medicaid eligibility is based on levels of income and assets and levels of disability, many recipients have to spend down all their assets in order to receive this benefit. This often results in the loss of these assets to spouses and other family members. In addition, the veteran's facilities benefit from support from volunteer groups, which provide donations, gifts, free services, and social activities.

Conclusions and Recommendations

The program generally has been effective in meeting its goals of providing quality health care services and improving the economic status of Florida veterans through its advocacy role. However, problems with the program's accountability system diminish the department's ability to provide reliable performance information to the Legislature and other policymakers.

To ensure that the department reports accurate and complete performance information, we recommend that it

- develop and implement procedures to verify the accuracy of performance-based program budgeting data, including testing the reliability of manual counts by checking

¹⁰ This estimate is based on the assumption that privatization in the remaining facilities would realize approximately the same savings level as in Pembroke Pines.

¹¹ *An Analysis of Issues Related to the Privatization of Florida Department of Veterans' Affairs Nursing Homes*, Agency for Health Care Administration and the Florida Department of Veterans' Affairs, July 2000.

¹² This includes general liability (\$10,000) as well as managed care insurance (\$70,000).

for mathematical errors and comparing to source documentation and assessing the validity and reliability of the performance measures as required of the department's inspector general by s. 20.055, *Florida Statutes*;

- collect and report an unduplicated count of the number of veterans served overall and by program component;
- develop a measure to assess the domiciliary home's performance in meeting the needs of the clients it serves; and
- amend the ready-to-rate claims standard to reflect the new process in submitting claims.

Preliminary cost data for the pilot project at the Pembroke Pines nursing home indicates significant cost savings are likely. If the pilot results show that outsourcing selected functions is cost-effective, we recommend that the department develop a plan to accomplish outsourcing at the other homes during Fiscal Year 2002-03. Disruptions due to outsourcing could be minimized by requiring private providers to give first preference for hiring to existing employees.

Agency Response ---

The executive director of the Department of Veterans' Affairs provided a written response to our preliminary and tentative findings and recommendations. The executive director's written response is reprinted herein beginning on page 19.

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

Florida Monitor: <http://www.oppaga.state.fl.us/>

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John W. Turcotte, OPPAGA Director

Appendix A

Statutory Requirements for Program Evaluation and Justification Review

Section 11.513(3), *Florida Statutes*, provides that OPPAGA program evaluation and justification reviews shall address nine issue areas. Our conclusions on these issues as they relate to the Department of Veterans' Affairs Services to Veterans Program are summarized in Table A-1.

Table A-1
Summary of the Program Evaluation and Justification Review of the Services to Veterans' Program

Issue	OPPAGA Conclusions
The identifiable cost of the program	The Legislature appropriated \$41.2 million to the Florida Department of Veterans' Affairs for Fiscal Year 2001-02, of which 24% were state general revenue funds. The \$41.2 million appropriation includes a non-recurring appropriation of \$11.5 million (\$4 million in general revenue and \$7.5 million in federal trust funds) for the planned Charlotte County nursing home. The program was authorized 453 FTE positions for Fiscal Year 2001-02.
The specific purpose of the program, as well as the specific public benefit derived therefrom	The purpose of the Services to Veterans Program is to assist Florida veterans, their families and survivors to improve their health and economic well-being through quality benefit information, advocacy, education and long-term health services.
Progress towards achieving the outputs and outcomes associated with the program	<p>The Veterans' Home program exceeded its legislative goal for occupancy for the last two fiscal years. For Fiscal Year 1999-00 the legislative standard for homes in operation for more than two years was 75%; performance was 86.42%. For Fiscal Year 2000-2001, the legislative standard was 85%; performance was 88.65%.</p> <p>The Bureau of Veterans' Field Services exceeded its performance goal for the value of cost avoidance because of issue resolution during the last two fiscal years.</p> <p>The legislative standard for Fiscal Year 1999-00 was \$4,680,000; performance was \$7,162,259. For Fiscal Year 2000-2001, the legislative standard was \$4,680,000; performance was \$16,012,031.</p> <p>The Bureau of Veterans' Claims Services did not meet its performance goal of increasing the percentage of ready to rate claims by 2%, but decreased its performance from the 1999-00 to 2000-01 fiscal years by 13%.</p>
An explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes, as defined in s. 216.011, <i>F.S.</i> , associated with the program.	<p>The program met two of three outcome measures. According to program officials, the reason the program did not meet its goal of improving the percentage of ready to rate claims was that the Veterans Claim Assistance Act of 2000 changed claim submission requirements, which reduced the number of claims the VA considered to be complete.</p> <p>We also concluded that the program's accountability system needed to be strengthened. The program lacks sufficient controls to verify the accuracy of some data; the program reported inaccurate data for the number of clients served in two program components; and the program needs to develop better measures for assessing the performance of the domiciliary home. To strengthen the program's accountability system, we recommend that the department</p>

Justification Review

Issue	OPPAGA Conclusions
	<ul style="list-style-type: none"> ▪ develop and implement procedures to test data accuracy of manual counts to source documents; ▪ develop and implement a plan for the inspector general to meet statutory requirements to assess the reliability and validity of performance measures; ▪ report the unduplicated number of clients served annually overall, with breakdown by program component; ▪ develop a specific measure to assess the domiciliary home's performance in meeting the needs of its residents; and ▪ amend the ready-to-rate claims standard to reflect the new process in submitting claims.
Alternative courses of action that would result in administering the program more efficiently and effectively	<p>Cost savings in the Veterans' Homes program are feasible through the outsourcing of specific functions.</p> <ul style="list-style-type: none"> ▪ Pending demonstrated cost-efficiency in the pilot project, we recommend that the department develop a plan to accomplish outsourcing at the other homes during Fiscal Year 2002-03.
The consequences of discontinuing the program	<p>Discontinuing the program could result in reduced benefits to veterans due to the department's advocacy and program services. For example, discontinuing the Veterans' Homes program could result in the loss of federal funds for construction of homes, insurance costs for homes would increase, and residents would be required to spend down their assets in order to receive Medicaid services at other nursing homes. In addition, the \$16,012,031 of benefits derived from Field Services program activities could decrease because of the loss of veterans' advocates.</p>
Determination as to public policy, which may include recommendations as to whether it would be sound public policy to continue or discontinue funding the program, either in whole or in part	<p>This program provides beneficial services to program clients and to Florida's citizens. For example, veterans' homes provide comprehensive health care services and program staff provides assistance to Florida veterans, their dependents and survivors, to secure services and federal benefits. This review identifies ways to improve the program's accountability system, and to achieve further cost savings through outsourcing selected nursing home functions.</p>
Whether the information reported pursuant to s. 216.03(5), <i>F.S.</i> , has relevance and utility for the evaluation of the program	<p>The Bureau of Veterans' Claims Services' outcome measure, percentage increase (over baseline) in the number of veterans' complete "ready-to-rate" claims processed, needs to be adjusted. The Veterans' Home program does not have a measure to assess the domiciliary home's performance in meeting residents' needs.</p>
Whether state agency management has established controls systems sufficient to ensure that performance data are maintained and supported by state agency records and accurately presented in state agency performance reports	<p>The program's accountability system needs to be strengthened. The program lacks sufficient controls to verify the accuracy of some data. This problem is compounded because the inspector general has not assessed the reliability and validity of performance measures.</p>

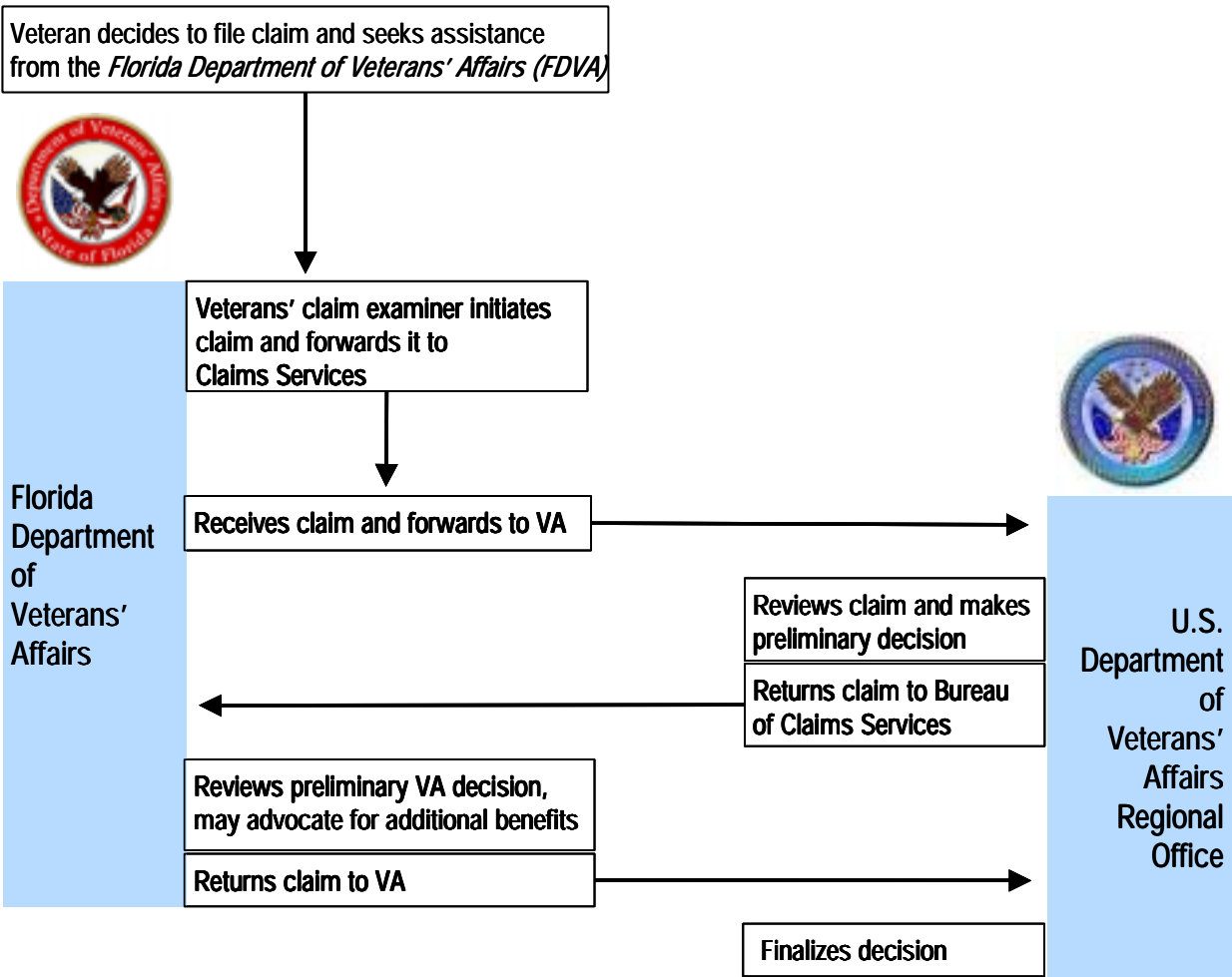
Appendix B

Claim Process Flow Chart

Veterans who seek the assistance of the Florida Department of Veterans' Affairs follow the process outlined below and illustrated in Table B-1 to file a claim.

- Field services staff initiates most of the claims; however, claims bureau staff also initiates claims. Staff assists veterans in completing all required forms and obtaining all necessary evidence. Field staff will forward the claim to the Bureau of Veterans' Claims Services.
- Claims bureau staff receives the claim, enters pertinent information into the database, and submits the claim to the VA for review.
- VA staff reviews the claim, notifies the veteran of its duty to assist them, requests additional evidence if needed and make a decision to award or deny benefits. After the VA has made a preliminary decision, the claim is returned to the claims bureau.
- Claims bureau staff then conducts a quality assurance review of the claim, which includes reviewing the claimant's file, and working with VA officials to ensure the veteran obtains all benefits to which he/she may be entitled. After the review the claim is returned to the VA for finalization.

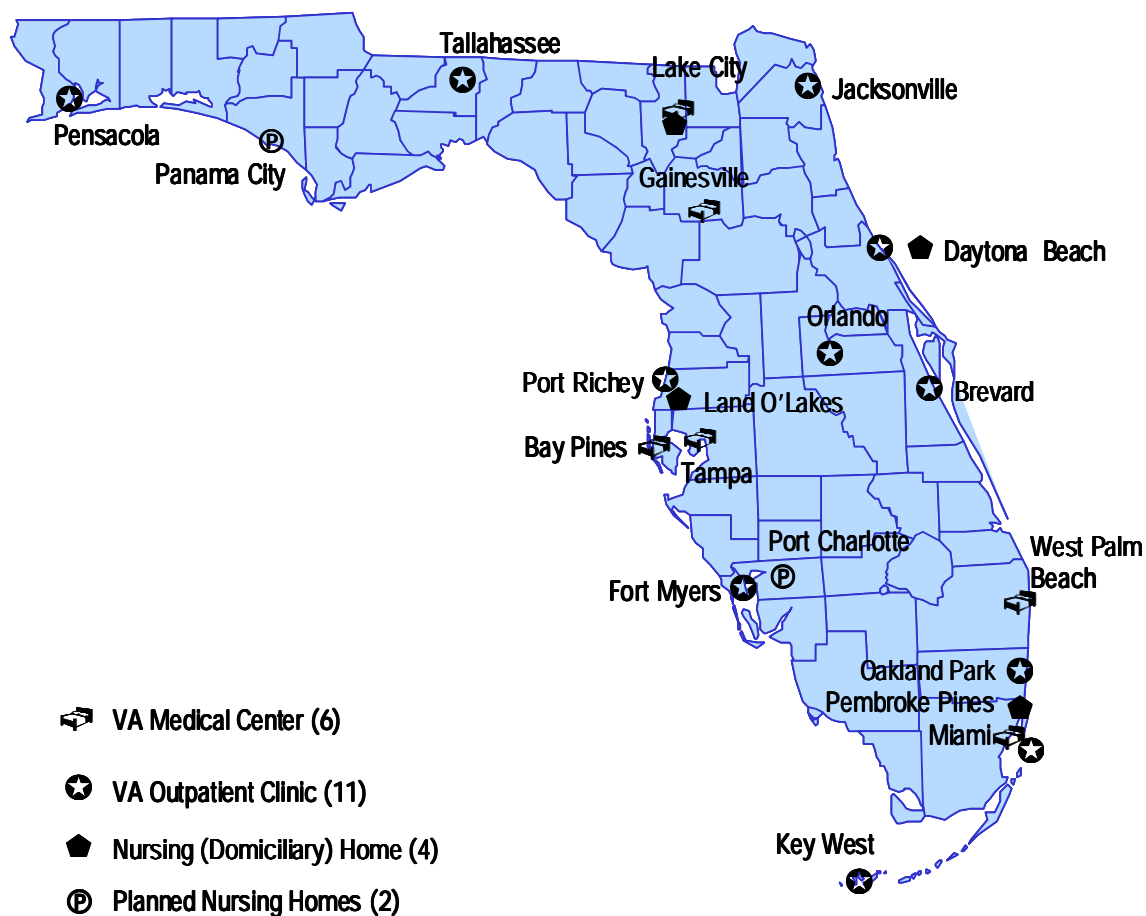
Table B-1
FDVA Benefit Claim Process



Appendix C

VA Facilities and Veterans' Homes

The VA operates health care facilities in Florida, including six medical centers and 11 outpatient clinics in Florida. In addition, the Florida Department of Veterans' Affairs operates three veterans' nursing homes, and a domiciliary. Construction of two new nursing homes is planned.



Appendix D

Department Plans to Outsource Two-Thirds of Nursing Homes' FTE Positions Within Next Five Years

The department described its five-year outsourcing plan for selected positions in its Long Range Program Plan. After the 2001 Legislature passed Ch. 2001-45, *Laws of Florida*, mandating minimum staffing requirements for nursing homes, the department increased the anticipated number of FTEs to be outsourced in its Zero-Based Budgeting Review.

Table D-1

	Full-Time Equivalent Positions to be retained		Full-Time Equivalent Positions to be privatized	
Fiscal Year 2001-02				
Pembroke Pines Veterans' Nursing Home	48		109	
Fiscal Year 2002-03				
Panama City – to be constructed	51		106	
Port Charlotte – to be constructed	51		106	
Fiscal Years 2003-04, 2004-05, 2005-06				
Domiciliary Home in Lake City	22		38	
Daytona Beach Veterans' Nursing Home	48		105	
Land O' Lakes Veterans' Nursing Home	48		110	
Total	268	(32%)	574	(68%)

Source: Florida Department of Veterans' Affairs, Zero Based Budgeting Review.



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December 17, 2001

DEPARTMENT OF VETERANS' AFFAIRS COMMENT
ON THE OPPAGA JUSTIFICATION REVIEW OF DECEMBER 2001

FDVA has reviewed the Office of Program Policy Analysis and Government Accountability (OPPAGA) Justification Review on Veterans' Affairs of December 2001. The report is fair and balanced, and presents an accurate representation of the functions, accomplishments and activities of the department. A "Justification Review" by its nature must be both complete and well presented, and can be somewhat confrontational. OPPAGA is to be commended for its patience and tenacity in completing this review in a most professional manner.

The Department concurs in principle with most of the Conclusions and Recommendations and offers the following in amplification and/or clarification on each:

1. **IG TO VERIFY ACCURACY OF PERFORMANCE DATA.** FDVA is in its second year under Performance-Based Program Budgeting. The Inspector General was and has been directly involved in the development of performance measures, standards, and procedures and the initial assessment of performance measure reliability and validity. Follow-up evaluation has been affected by federally mandated changes in USDVA claims adjudication, the changing nature of early data and the utilization of pre-existing data bases for each functional area. Establishment of a new, uniform database for all areas will assist our one-person Office of Inspector General in meeting this assessment requirement.
2. **PROVIDE UNDUPLICATED COUNT OF VETERANS SERVED.** A budget issue has been submitted for the 2002 Legislative session for a Veterans ' Benefits and Assistance Database that will consolidate three separate databases and provide the necessary information for ongoing performance measurement and validity and reliability assessment as well as more specificity of data analysis.

That having been said, the contention that the current methodology results in over-reporting is not exactly correct. While it indeed over-reports "numbers of veterans served" it is not the number of "unduplicated" veterans served but the total of all services provided that defines FTE and workload requirements and, most importantly, unit cost calculation. The terms of reference need to be changed to reflect actual practices. However, the reported unit costs and associated workload planning is accurate as currently provided to the Legislature and other policy makers.

3. **ADDITIONAL PERFORMANCE MEASURE FOR THE DOMICILIARY HOME.** The Veterans' Domiciliary Home has in place a Customer Satisfaction Survey that will be utilized to assess the home's performance in meeting the needs of our clients. An appropriate performance measure will be developed and submitted for approval.

4. **ADJUST CLAIMS BUREAU PERFORMANCE MEASURE.** The ready-to-rate claims standard was developed as an objective measure of the value added to a veterans claim by our Veterans' Claims Examiners (VCE). VCEs expend considerable effort to perfect a claim prior to submission because it affects a faster and more favorable outcome. Although still a valid and useful measure of the value added for veterans through the use of State resources, recent changes to USDVA claims adjudication procedures has effectively obviated our efforts in this regard. As such, we will maintain this measure as an internal management tool and develop and submit for approval, new performance measures that provide a broader overall assessment of the Bureau's functional activities and accomplishment.

The description of Veterans' Claims Services, while technically accurate, has the potential to minimize and misrepresent the true value added by the Bureau. As presented, the description infers the primary function of Veterans ' Claims is to act as a proofreader for claims submitted by Veterans' Field Services. While this is one of their functions, it is a very small component of the myriad core processes. Paramount among the core processes is appellate due process and benefits rating review functions. These represent the bulk of Claims functional activities and result in the greatest value added, in terms of retroactive benefits awarded and debt relief. Effective functioning in this capacity requires a comprehensive and intimate knowledge of the 38 Code of Federal Regulations, Parts III and IV, on a par with that of USDVA Adjudicators, Rating Specialists and Appellate Hearing Officers.

5. **ACCELERATE OUTSOURCING AT EXISTING HOMES TO 2002-03.** The OPPAGA recommendation to accelerate the outsourcing at the existing nursing homes is not feasible at this time FDVA Administrative Division is very lean and is about to embark on the management and support of the construction of the two newest State Veterans' Nursing Homes in Bay and Charlotte Counties. Adequate staff support does not exist within this agency to accelerate outsourcing in the time frame recommended and manage the construction programs as well.

Additionally the preliminary results of the pilot program on outsourcing, due to be reported in early January, is based upon less than six months experience at a partially functioning facility. Until the data demonstrates the certainty of actual cost savings and continuation of a high level of quality of care, it is premature to impose outsourcing on existing well-run facilities.

Finally, FDVA will undertake all necessary action to implement the recommended changes as soon as feasible.

/s/

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