#498

Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)

Report to
the Mississippi Legislature

State Veterans' Homes: A Performance Review of Costs and Quality of Care

Since State FY 2003, although revenues for the state veterans' homes have increased each year, expenditures have exceeded revenues every year except for State FY 2006 and the Veterans Affairs Board (VAB) received deficit appropriations from the Legislature in State FY 2004 and State FY 2005. Since State FY 2003, the VAB's revenues have primarily come from federal VA per diems, state general funds, and resident fees. The state veterans' homes are not self-supporting and did not make significant progress during the period of State FY 2003 through State FY 2006 toward becoming self-supporting. In order to break even without state funds, VAB would have to either raise the fees that it charges to residents, reduce its operating costs, or find other sources of non-state revenues.

Regarding costs associated with operation of the homes, in comparison to similarly sized Medicaid-certified nursing homes in Mississippi, costs for the state veterans' homes are higher overall, especially in costs of nursing staff. In CY 2005, cost per day per patient was $130.01 for the state veterans' homes, compared to $120.71 for Medicaid-certified homes.

Concerning facility repairs and renovations, prior to FY 2007, VAB management did not submit formal, written capital improvement plans to the Bureau of Building for repair and renovation of the homes. According to the bureau's recent inspection report, the projected costs of all needed repairs and renovations at the homes between State FY 2008 and State FY 2012 amount to approximately $6,710,000. Of this amount, three projects, with an estimated total cost of $1,825,000, should be addressed by State FY 2008.

Concerning quality of patient care, during CY 2004 through CY 2005, inspection reports from the U. S. Department of Veterans Affairs showed that the Collins and Oxford homes had improved their quality of care and the Kosciusko and Jackson homes had declined in quality of care. While VAB's ability to monitor quality of care has improved with its acquisition of a clinical outcome management information system and hiring of a Nursing Services Director, the agency has not developed a comprehensive structure for monitoring quality of care that includes a board with expertise and work experience related to the management of nursing homes, a well-defined comprehensive quality assurance plan, a system for compiling and analyzing consumer complaints, and quality assurance committees that adhere to federal regulations for attendance and recordkeeping.

January 4, 2007

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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January 4, 2007

Honorable Haley Barbour, Governor
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Honorable Billy McCoy, Speaker of the House
Members of the Mississippi State Legislature

On January 4, 2007, the PEER Committee authorized release of the report entitled **State Veterans' Homes: A Performance Review of Costs and Quality of Care.**

Representative Harvey Moss, Chair

This report does not recommend increased funding or additional staff.

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Executive Summary

Introduction

Each of the Mississippi veterans' homes was built to accommodate 150 residents, a total of 600 for the four homes. In FY 2006, a total of 652 residents received services in the homes—650 veterans and 2 veteran spouses. At no time during State FY 2006 did any of the homes exceed their established capacity of 150 residents per home. (Because this total number includes all residents that lived in one of the homes at some point during FY 2006, it exceeds actual capacity of the four homes.)

To address legislative concerns regarding the costs associated with operation of the state veterans' homes and the quality of patient care provided in those homes, PEER focused the review around three major questions:

- Since State FY 2003, how has VAB's funding mix changed and which segments are bearing an increasing or decreasing portion of the funding stream?
- Since State FY 2003, how have VAB's operating costs changed?
- Since State FY 2003, has VAB improved quality of patient care?

PEER chose State FY 2003 as the baseline year in formulating its questions because 2003 was the date of the Committee's last report on this topic. Because State FY 2006 is the most recent completed state fiscal year, most data cited is for State FY 2003 through State FY 2006.

Funding Sources for the State Veterans' Homes

Since State FY 2003, how has VAB's funding mix changed and which segments are bearing an increasing or decreasing portion of the funding stream?

Revenue Sources

Since State FY 2003, VAB's revenues have increased each year, but its expenditures have exceeded its revenues every year except for State FY 2006. VAB received deficit appropriations from the Legislature in State FY 2004 and State FY 2005.

Since State FY 2003, the Veterans Affairs Board's revenues have primarily come from federal VA per diems, state general funds, and resident fees. VAB's secondary revenue sources have come from state funds (i.e., the Health Care Expendable Fund, veterans' license tag fees, the Budget Contingency Fund, and the Cash Stabilization Reserve Fund) and federal funds (construction grant funds, State Approving Agency [SAA] funds, and Medicare B funds).

The state veterans' homes are not self-supporting and did not make significant progress during the period of State FY 2003 through State FY 2006 toward becoming self-supporting.

Resident Fee Increases

The average cost per patient at the state veterans' homes has increased 36% since CY 2002. VAB's resident fee increased approximately 24% from State FY 2003 to State FY 2007, from $50 to $66 per day. The federal VA per diem rate increased approximately 17% from Federal FY 2003 to Federal FY 2007, from $56.24 to $67.71. In order to break even without state funds, VAB must either raise the fees that it charges to residents, reduce its operating costs, or find other sources of non-state revenues.

PEER found that $4.3 million rising at 12% a year would be needed to avoid raising veterans' rates. At 100% occupancy, an increase in the resident fee from $66 to $71.73 would be needed to break even and eliminate support from state funds. At current occupancy (91%), an increase in the resident fee from $66 to $78.82 would be needed to break even and eliminate support from state funds.

Funding Alternatives

PEER surveyed surrounding states and found they use a combination of funding methods to support their state veterans' homes. For State FY 2006, surrounding states

reported a variety of sources for funding state veterans' homes, including state subsidies, Medicaid matching funds, Medicare, military and veteran specialty car tag fees, ad valorem taxes, and resident fees. States differed in their policies regarding resident fees, including adjusting rates annually and establishing ceiling caps for rates. Resident fees ranged from $0 to $185 daily.

Costs Associated with Operation of the State Veterans' Homes

Since FY 2003, how have VAB's operating costs changed?

VAB-Medicaid Costs Comparison

VAB has overall higher cost per patient per day than comparably sized Medicaid-certified nursing homes. In CY 2005, cost per day per patient was $130.01 for VAB homes compared to $120.71 for Medicaid homes.

For applicants who qualify for full Medicaid benefits, Medicaid will reimburse an average of $152.02 per day to nursing facility providers and applicants who are not Medicaid-eligible will pay an average of that same amount per day. Based on income requirements alone, PEER estimates that approximately 57% of the current residents of the state veterans' homes are eligible for full Medicaid benefits.

Staffing Costs

During State FY 2004 through State FY 2006, the number of hours worked by veterans' home nursing staff hired through individual contracts increased, while the number of hours worked by state service employees and employees hired through health care staffing agencies decreased.

PEER researched the cost impact of using alternative staffing compositions at the state veterans' homes. CY 2005 nursing expenditures at the four homes totaled approximately $12.9 million. If all nursing hours worked in State FY 2006 were worked by state service employees at the average State FY 2007 pay rate, the cost would be $11 million. If all nursing hours worked in State FY 2006 were worked by contract employees at the average State FY 2007 rate, the cost would be $9.6 million.

Medical Benefits Costs

The state does not provide any medical benefits to the patients in the state veterans' homes that exceed requirements for receiving the federal per diem payments except for the Department of Health requiring direct care

nursing staff to provide no less than 2.8 hours of care per patient per day and the Legislature authorizing the VAB to spend up to $250,000 to assist indigent veterans and certain surviving spouses of veterans.

Facility Repair and Renovation Costs

Prior to FY 2007, VAB management did not submit formal, written capital improvement plans to the Bureau of Building for repair and renovation of the state veterans' homes. According to the bureau's recent inspection report on the state veterans' homes, the projected costs of all needed repairs and renovations at the state veterans' homes between State FY 2008 and State FY 2012 amount to approximately $6,710,000. Of this amount, three projects, with an estimated total cost of $1,825,000, should be addressed by State FY 2008.

Quality of Patient Care at the State Veterans' Homes

Since FY 2003, has VAB improved quality of patient care?

Quality of Care

During CY 2004 through CY 2005, VA inspection reports showed that the Collins and Oxford homes had improved their quality of care and the Kosciusko and Jackson homes had declined in quality of care.

The majority of the deficiencies identified during VA inspection of the homes during calendar years 2004 and 2005 relate to patient care, quality assurance and administration, safety, sanitation, and food service.

Quality Assurance

VAB utilizes the following quality assurance methods to improve patient care:

- external monitoring by the U. S. Department of Veterans Affairs; and,
- internal monitoring through critical indicators of quality of care, the Pro-Tracking performance measurement system, quality assurance committees, and a Nursing Services Director.

While VAB's ability to monitor quality of care has improved with its acquisition of Pro-Tracking services and hiring of a Nursing Services Director, the agency has not developed a comprehensive structure for monitoring quality of care that includes a board with expertise and work experience related to the management of nursing homes, a well-defined comprehensive quality assurance

plan, a system for compiling and analyzing consumer complaints, and quality assurance committees that adhere to federal regulations for attendance and recordkeeping.

Recommendations

Costs

1. The Veterans Affairs Board should seek the most cost-effective method for the state veterans' homes' compliance with MISS. CODE ANN. §29-5-161 (1972), which restricts smoking in all government buildings.

2. The Veterans Affairs Board should seek executive and legislative branch support for a five-year capital improvement plan for all repair and renovations needed at the four state veterans' homes. VAB should work with DFA's Bureau of Building staff to ensure that the capital improvement plan is completed correctly and submitted in accordance with the Bureau of Building's submission deadlines.

3. The Veterans Affairs Board should routinely assess future repair and renovation projects for grouping to meet the $400,000 per project, per home federal assistance threshold so that the state can take advantage of federal assistance dollars available for repairs and renovations to the state veterans' homes.

4. According to the U. S. Government Accountability Office, high staffing turnover can directly affect patient care. The Veterans Affairs Board should closely monitor and analyze each home's staff turnover rates in relation to its nursing staff composition (e.g., contract vs. state employees) in order to determine how the composition of staff is affecting quality of patient care. VAB should make any necessary adjustments to its staff to produce a higher level of patient care.

5. While all state veterans' homes have decreased their use of staffing agency employees since the 2003 PEER report, VAB should work with the Jackson and Collins homes to further reduce their use of staffing agency LPNs. By reducing the number of staffing agency employees, VAB would help reduce staffing costs for the state veterans' homes and help produce a higher quality of patient care.

6. VAB's central office should develop and maintain a real-time management information system to collect and analyze data relevant to operating nursing homes. Such a system should include, but is not limited to:

- a daily resident census and profile, including
  - -- age;
  - -- marital status;
  - -- sex;
  - -- whether veteran or spouse of veteran;
  - -- Social Security eligibility;
  - -- disability eligibility;
  - -- total income;
  - -- VA pension status and amount;
  - -- Medicare status;
  - -- date of admission;
  - -- length of stay; and,
  - -- date of discharge;
- daily direct care staff hours, including
  - -- hours worked;
  - -- nursing credentials, such as CNA, LPN, or RN; and,
  - -- employment type, such as state-service, contract, or staffing agency;
- inventory, including
  - -- medical supplies; and,
  - -- office and clerical supplies.

Quality of Care and Quality Assurance

7. The Legislature should amend MISS. CODE ANN. Section 43-11-17 (1972) to require that the state Department of Health conduct a full inspection of all licensed skilled nursing facilities, including the state veterans' homes, at least once each calendar year to determine compliance with all standards, including life safety code standards.

8. The Legislature should amend MISS. CODE ANN. Section 35-1-1 (1972) to add three new members to the Veterans Affairs Board. The new membership should include representation of experience in financial management, nursing home administration, and nursing. The additional qualifications that PEER recommends are:

- one member should have five years of experience as a licensed certified public accountant, a certified managerial accountant, or a chartered financial analyst;

- one member should be a licensed nursing home administrator with seven years of experience in the management of nursing homes; and,

- one member should be a registered nurse with ten years of experience in nursing.

9. The Veterans Affairs Board should develop a training program for board members in areas including, but not limited to, budgeting, the legislative process, performance measurement, planning, and policy making, which should enhance its abilities to govern the agency.

10. The Veterans Affairs Board should develop written, comprehensive quality assurance procedures to ensure the coordination of quality assurance activities at all of the state veterans' homes. The procedures should also describe the roles of VAB's Nursing Services Director, nursing home administrators, and quality assurance committees and nursing home staff in quality assurance. The procedures should specifically address how the quality assurance committees should monitor quality assurance by reviewing VA inspection and quality indicator reports. Also, the committees should conduct meetings and require that committee meeting minutes are well documented and include the following:

    - a sign-in sheet to document primary physician, director of nursing and quality assurance committee members who attended the meeting;

    - the identification of deficiencies, including those cited by VA inspectors;

    - a plan of action for addressing deficiencies that includes follow-up and completion dates;

    - a copy of quality indicator reports documenting the homes' performance measures; and,

    - a summary of complaints made against the home and action(s) taken to resolve the complaint.

    VAB's Nursing Services Director should be required to review quality assurance committee meeting minutes on a quarterly basis to ensure compliance with federal requirements and VAB policies and procedures.

11. The Veterans Affairs Board should develop policies and procedures requiring agency-wide consolidation of complaint information. VAB policies and procedures should require that nursing home administrators submit monthly complaint reports to VAB's Nursing Services Director. The complaint reports should include, but not be limited to, the following information:

    - the date the complaint was made;
    - a description of complaint;
    - the name of the complainant and whether he or she is a nursing home resident, family member, or VAB employee; and,
    - a summary (and date) of the complaint's resolution.

    VAB's Nursing Services Director should review monthly complaint reports to determine where additional staff training may be needed. Monthly complaint reports from all of the state veterans' homes should be compiled and analyzed to identify problem areas that must be addressed by VAB management.

12. VAB should conduct an assessment by July 1, 2007, to determine the potential benefits of acquiring clinical outcome management information services that would allow the agency to compare the performance results of the four state veterans' homes, effectively monitor the accuracy of resident assessment data, and detect resident data for possible errors and inconsistencies. The results of the assessment and VAB management's recommendations should be presented to VAB's board for its consideration and approval.

13. The Veterans Affairs Board's management should create a methodology for setting annual state performance targets (e.g., a specific percentage) for each quality measure that could be used to assist quality assurance committees at each veterans' home in creating a standard to determine the exact percentages that should be reached for each quality measure.

For More Information or Clarification, Contact:

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State Veterans' Homes: A Performance Review of Costs and Quality of Care

Introduction

Authority

In response to a legislative request, the PEER Committee reviewed quality of care and cost efficiency issues at the four veterans' homes operated by the state Veterans Affairs Board (VAB). PEER conducted this review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-51 et seq. (1972).

Scope and Purpose

To address legislative concerns regarding the costs associated with operation of the state veterans' homes and the quality of patient care provided in those homes, PEER focused this review around three major questions:

- Since State FY 2003, how has VAB's funding mix changed and which segments are bearing an increasing or decreasing portion of the funding stream?
- Since State FY 2003, how have VAB's operating costs changed?
- Since State FY 2003, has VAB improved quality of patient care?

PEER chose State FY 2003 as the baseline year in formulating these questions because 2003 was the date of the Committee's last report on this topic (***A Review of Quality of Care and Cost Efficiency Issues at the State Veterans' Homes [#464]***). Because State FY 2006 is the most recent completed state fiscal year, most data cited is for State FY 2003 through State FY 2006.

Method

In conducting this review, PEER:

- reviewed the previous PEER report ***A Review of Quality of Care and Cost Efficiency Issues at the State Veterans' Homes [#464]***;
- reviewed relevant sections of federal and state laws, rules, regulations, policies, and procedures;
- interviewed Veterans Affairs Board staff in Mississippi;
- conducted telephone interviews of the staff of state veterans affairs' agencies and veterans' nursing homes in Alabama, Arkansas, Florida, Georgia, Louisiana, Tennessee, and South Carolina;
- interviewed staff of the Department of Finance and Administration's Bureau of Building and reviewed inspection reports for state veterans' homes;
- reviewed and analyzed financial, personnel, and management records and contracts of the Veterans Affairs Board and State Automated Accounting System;
- reviewed and analyzed VAB patient profile data;
- reviewed and analyzed financial data for selected Medicaid-certified nursing homes in Mississippi;
- reviewed and analyzed quality assurance reports produced by VAB regarding the veterans' homes; and,
- reviewed inspection reports from the U. S. Department of Veterans Affairs for calendar years 2003 through 2006.

Background

Legal Authority to Establish the State Veterans' Homes

MISS. CODE ANN. Section 35-1-19 (1972) authorizes the Veterans Affairs Board to establish homes to "provide domiciliary care and other related services for eligible veterans of the State of Mississippi." To date, the board has established four state veterans' homes in the following locations: Jackson (January 1989), Collins (August 1996), Oxford (October 1996), and Kosciusko (March 1997). Each of these homes was built to accommodate 150 residents[1], a total of 600 for the four homes. While state law established these homes for veterans, the board also admits non-veteran spouses of veterans to the homes. In FY 2006, a total of 652 residents received services in the homes—650 veterans and 2 veteran spouses. At no time during State FY 2006 did any of the homes exceed their established capacity of 150 residents per home. (Because this total number includes all residents that lived in one of the homes at some point during FY 2006, it exceeds actual capacity of the four homes.)

When the VAB initially approached the Legislature with the idea of constructing the state veterans' homes, representatives of the agency told the Legislature that the only cost to the state would be the match required to build the homes and certain start-up costs, but that once the homes were operational, there would be no further reliance on state general funds (refer to Appendix A on page 75 for a discussion of previous PEER reviews of VAB that include discussion of this topic).

History of Management of the State Veterans' Homes

Prior to July 1, 2000, VAB contracted with nursing home management companies for daily management of the homes. During the 2000 Regular Session, the Legislature amended state law to require the VAB to be solely responsible for the operation and maintenance of the Collins home, beginning July 1, 2000. The purpose in requiring VAB to operate the Collins home was to determine whether the agency could manage the homes more efficiently than nursing home management companies.

Before an adequate assessment had been made of the efficiency question, the company responsible for the

[1] Throughout this report, veterans' home residents are also referred to as "patients."

management of the other three homes declared bankruptcy. As a result, during its 2002 Regular Session, the Legislature passed Senate Bill 2425 authorizing the VAB to operate and maintain the state veterans' homes without entering into any contract for management. MISS. CODE ANN. Section 35-1-21 (1972) declares the mission of VAB in managing the state veterans' homes to be "to provide domiciliary care and other related services for eligible veterans *in the most cost efficient manner* " [emphasis added]. In other sub-sections of the same section, the law provides that the State Veterans Affairs Board may contract with a vendor or the United States Department of Veterans Affairs for services, commodities, supplies, and equipment for use in operation of, and provision of care to residents of, the state veterans' homes when such purchases or agreements are most advantageous to the veterans and the state.

The VAB has directly operated the homes in Jackson, Kosciusko, and Oxford since July 1, 2002.

Organizational Structure and Staffing

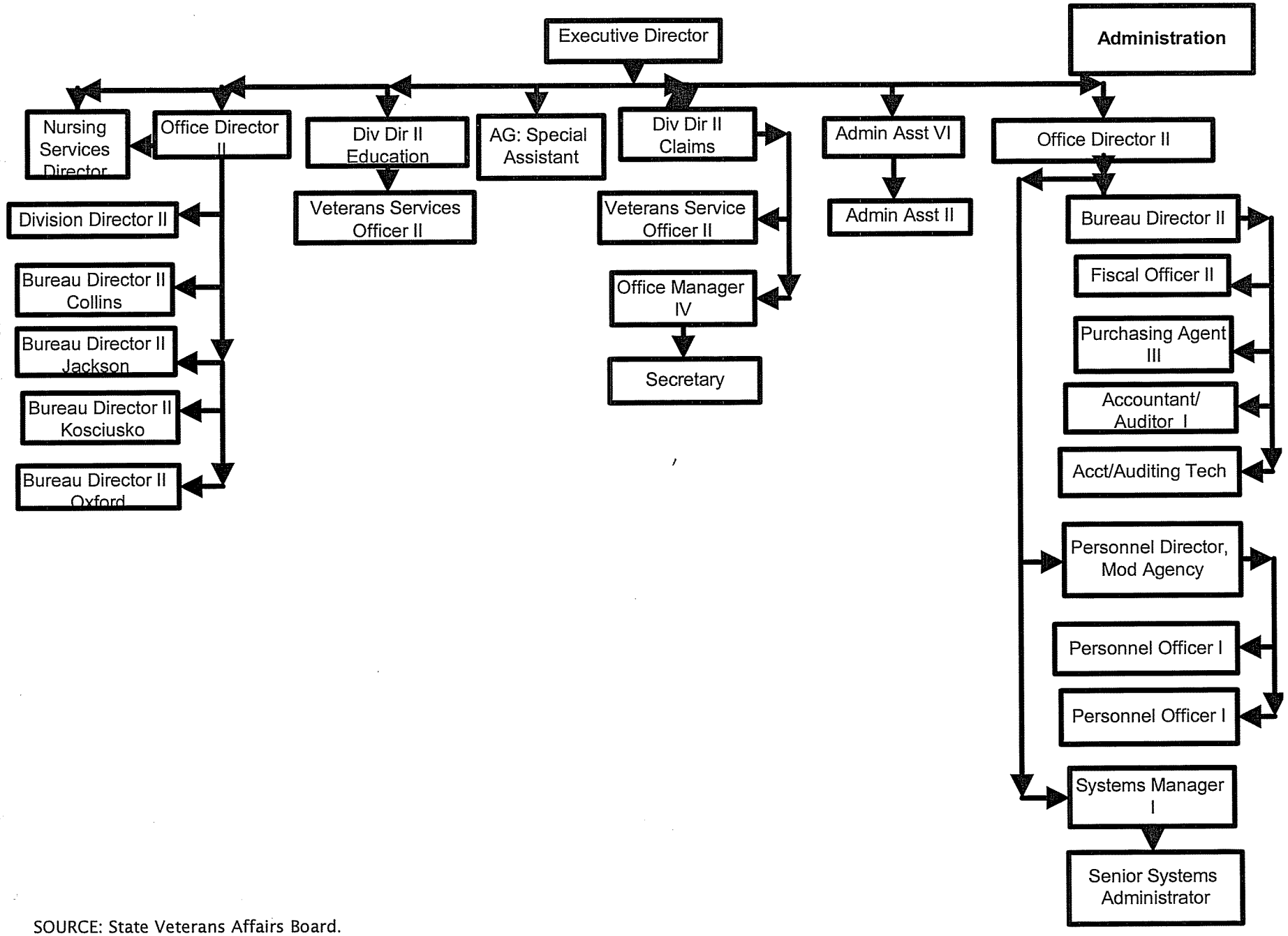
VAB's Nursing Homes Division is responsible for operation of the four state veterans' homes. As shown in Exhibit 1, page 5, as of June 30, 2006, the VAB's Executive Director oversees the division's central office in Pearl. Seven other positions with responsibilities that include support of the homes such as nursing home oversight, claims, legal counsel, purchasing, accounting, and computer operations report directly to the Executive Director.

The four state veterans' homes have similar organizational structures with the same basic categories of employees. As an example of the organization structure of a state veterans' home, Exhibit 2 on page 6 is an organizational chart for the state veterans' home in Jackson. As shown in the exhibit, as of June 30, 2006, the Jackson home was under the management of a Bureau Director who serves as the nursing home administrator and a Nursing Home Administrative Assistant.

Three categories of direct care workers in the VAB homes are responsible for providing direct patient care: registered nurses, licensed practical nurses, and certified nurse aides (refer to page 36 for further discussion of responsibilities of direct care staff in the VAB homes).

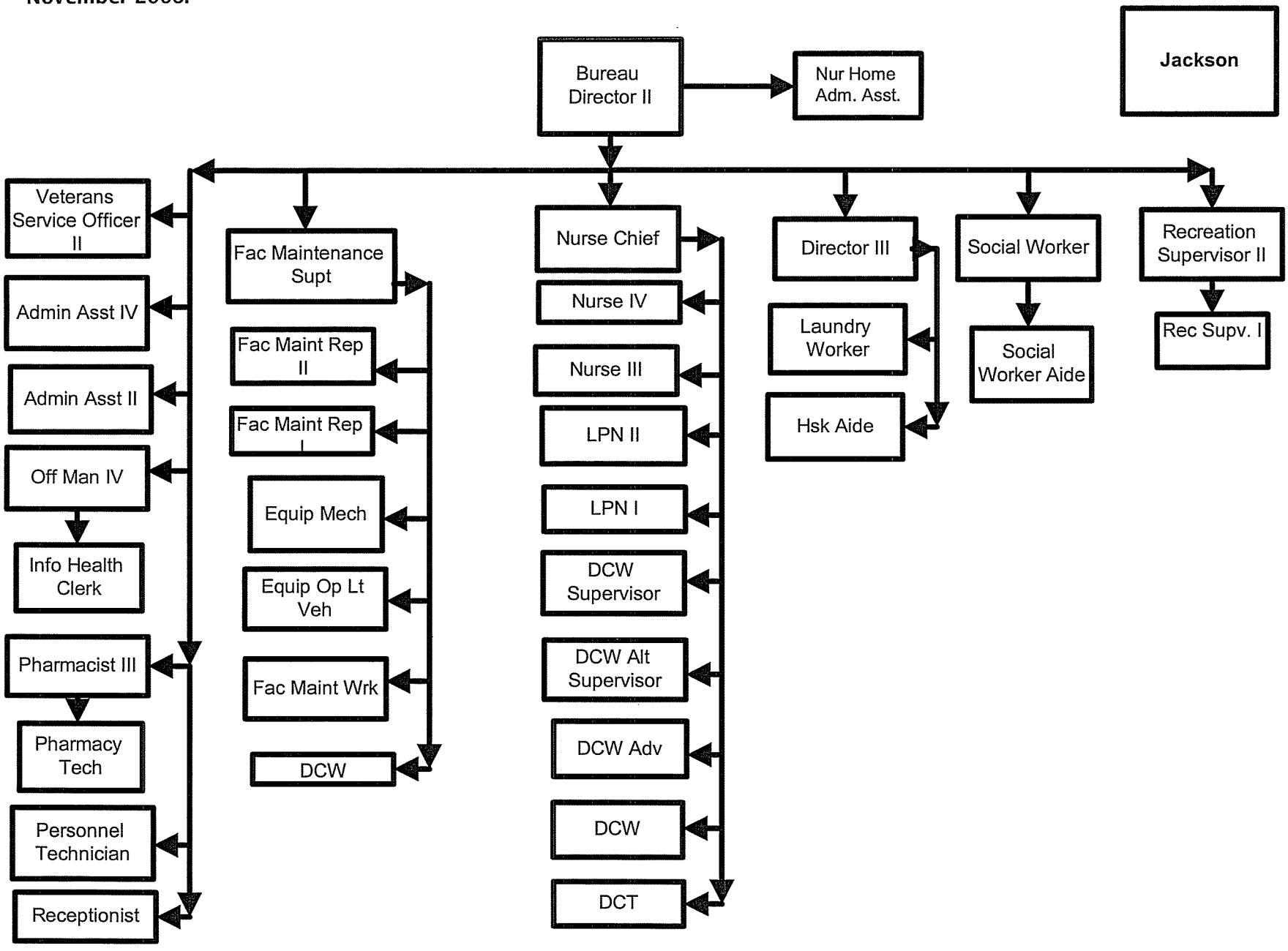
Federal regulations require that all nurse aides who work in nursing homes that participate in Medicare and Medicaid be certified by the state in which they are employed. VAB opted to impose the same requirement on

Exhibit 1: Organization Chart of VAB Central Office in Pearl, as of November 2006



SOURCE: State Veterans Affairs Board.

Exhibit 2: Organization Chart of the State Veterans' Home in Jackson, as of November 2006.



SOURCE: State Veterans Affairs Board

nurse aides working in the state veterans' homes, even though the state veterans' homes are not Medicaid-certified. In Mississippi, the Department of Health administers the Nurse Aide Certification program. In order to obtain certification, the applicant must successfully complete a minimum of seventy-five hours (including sixteen hours of supervised clinical training) in a training program approved by the Department of Health. Also, the applicant must pass a competency examination upon completion of the coursework. In order to maintain certification, all nurse aides must complete twelve hours of continuing education annually.

Summary of 2003 PEER Report on the State Veterans' Homes

In the 2003 PEER report ***A Review of Quality of Care and Cost Efficiency Issues at the State Veterans' Homes***, PEER addressed the major areas of concern in dealing with the operation of the four state veterans' homes: quality of care, staffing, quality assurance, funding, and management of financial resources.

During calendar years 2000 through 2003, inspectors from the U. S. Department of Veterans Affairs and the Mississippi Department of Health had documented deficiencies at the homes in areas affecting residents' health and safety. The nature and seriousness of deficiencies at the Jackson home prompted the Department of Health to declare it a "substandard" facility and place it under intensive oversight for ninety days beginning December 20, 2003. The homes with the greatest number of deficiencies had the most unstable workforce, characterized by high vacancy rates in state positions (90% for registered nurses at the Jackson home as of August 30, 2003), high turnover in direct care staff (133% for registered nurses in the Jackson home from January through June 2003), and extensive use of direct care staff hired through health care staffing agencies, including nurses in supervisory positions (40% of registered nurses at the Jackson home as of June 30, 2003).

PEER found that the VAB did not adequately monitor its own performance on critical indicators of quality of care at the homes, nor did it make necessary corrections in operations to address performance problems. The homes arbitrarily adjusted minimum levels (thresholds) of acceptable performance in response to increasing deficiencies, rather than develop effective strategies for improving performance. Prior to the 2003 report, the VAB had not actively managed costs at the homes. For example, if the VAB had filled direct care positions during FY 2003

with state employees earning a competitive wage, the homes could have avoided approximately $900,000 in health care staffing agency markup costs (up to 135% of salaries) and approximately $300,000 in overtime pay.

Appendix H, page 92, contains an executive summary of the 2003 report, with more detailed information on PEER's conclusions and recommendations from that report.

Funding Sources for the State Veterans' Homes

Since State FY 2003, how has VAB's funding mix changed and which segments are bearing an increasing or decreasing portion of the funding stream?

To answer this question, PEER first addressed revenues, expenditures, deficit appropriations, and total authorized funding by the Legislature for the state veterans' homes from FY 2003 through FY 2006 by answering the following question:

- What is VAB's financial history since State FY 2003?

PEER then sought to answer several related, more specific questions regarding revenue sources, veterans' resident fee increases, and funding alternatives used by other states that Mississippi could explore in funding its state veterans' homes:

Revenue Sources--

- What sources have composed VAB's revenue streams since State FY 2003?
- Is VAB operating the state veterans' homes on a self-supporting basis or becoming more reliant on state funding?

Resident Fee Increases--

- How much did VAB's resident fees and VA per diem rates increase between State FY 2003 and State FY 2007?
- Can the Veterans Affairs Board avoid raising resident fees again?

Funding Alternatives--

- What funding methods do surrounding states use to fund their state veterans' homes?

The following sections address each of these questions.

VAB's Financial Operations Since State FY 2003

What is VAB's financial history since State FY 2003?

Since State FY 2003, although VAB's revenues have increased each year, its expenditures have exceeded its revenues every year except for State FY 2006. VAB received deficit appropriations from the Legislature in State FY 2004 and State FY 2005.

Exhibit 3, below, provides an overview of the financial history of the Veterans Affairs Board from State Fiscal Year 2003 (the year of PEER's last report on the veterans' homes) through State Fiscal Year 2006 (the most recent state fiscal year with complete data). Although the Veterans Affairs Board provides services other than the state veterans' homes to veterans and their families, the majority of its budget goes toward the support of the homes.

Although the Veterans Affairs Board provides services other than the state veterans' homes to veterans and their families, the majority of its budget goes toward the support of the homes.

From State FY 2003 through State FY 2006, VAB's total revenues increased approximately 12%, from $25,110,914 to $28,494,898. (See page 11 of this report for a discussion of the sources of these revenues.)

VAB's expenditures increased approximately 11% between state fiscal years 2003 and 2006, from $25,379,497 to $28,416,860. With the exception of FY 2006, VAB's total revenues were not sufficient to cover its expenditures. As shown in Exhibit 3, VAB received two deficit appropriations during this period ($1,336,375 in State FY 2004 and $2,362,827 in State FY 2005) totaling $3,699,202.

Exhibit 3: VAB Financial History from Fiscal Years 2003 through 2006

State Fiscal Year	Revenues	Expenditures	Difference	Deficit Appropriation	Balance
FY 2003	$25,110,914	$25,379,497	($268,583)	$0	($268,583)
FY 2004	$26,051,386	$27,373,724	($1,322,338)	$1,336,375	$14,037
FY 2005	$26,859,706	$29,298,348	($2,438,642)	$2,362,827	($75,815)
FY 2006	$28,494,898	$28,416,860	$78,038	$0	$78,038

SOURCE: FY 2003-06 MERLIN Reports

NOTE: MERLIN (the Mississippi Executive Resource Library and Information Network) is the database of state agencies' accounting (including budget, revenue, and expenditures), payroll, human resources, travel, and property information for reporting and analysis purposes.

Revenue Sources for Operation of the State Veterans' Homes

What sources have composed VAB's revenue streams since State FY 2003?

Since State FY 2003, the Veterans Affairs Board's revenues have primarily come from federal VA per diems, state general funds, and resident fees. Additional revenue sources during this period included other state funds (i.e., the Health Care Expendable Fund, veterans' specialty license tag fees, and the Cash Stabilization Reserve Fund) and other federal funds (i.e., construction grant funds, State Approving Agency funds, and Medicare B funds).

Primary Revenue Sources

As shown in Exhibit 4 on page 12, VAB funds the state veterans' homes through three primary sources of funds: federal funds (i.e., VA per diems), state general funds, and self-generated funds (i.e., resident fees).

Following are descriptions of the primary sources of funds in each category that were used to operate the state veterans' homes in State FY 2003 through State FY 2006.

Federal VA Per Diems

The state veterans' homes receive funds from the federal Department of Veterans Affairs based on the number of eligible veteran residents in the homes. The amount is calculated on a per-veteran resident, per-day basis (referred to as a VA per diem).

Because the federal per diem rate increased each year during the four-year period under review, the decrease in total VA per diem revenues during this period is attributable to a decrease in the total number of residents at the state veterans' homes.

In Federal FY 2003, this per diem rate was $56.24. In Federal FY 2006, the last fiscal year with complete data, the VA per diem rate was $63.40 and in the current fiscal year, Federal FY 2007, the VA per diem rate is $67.71.[2]

In State FY 2003, VAB received $11,123,223 in funds from this source, representing 44% of total revenues during that fiscal year. In State FY 2006, VAB received $10,248,548 in funds from this source, representing 37% of total revenues. Because the per diem rate increased each year during the four-year period under review, the decrease in total VA per diem revenues during this period is attributable to a decrease in the total number of residents at the state veterans' homes.

VAB's federal VA per diem payments represented 7% less of its total revenues in State FY 2006 than in State FY 2003. (See page 19 of this report for more information on federal VA per diem rate increases.)

[2] PEER used the increased federal VA per diem reimbursement rate for Federal FY 2007, which is $67.71. Because VA sets the rate increases in December each calendar year, VAB will not receive the difference between the Federal FY 2006 rate of $63.40 and the increased Federal FY 2007 rate of $67.71 for the period of October 2006 through September 2007 until after January 1, 2007.

(As discussed on page 13, VAB also received other types of federal funds from State FY 2003 through State FY 2006 to support the operation of the veterans' homes.)

Exhibit 4: VAB Revenues, by Source and Type of Funds, State FY 2003 through State FY 2006

Revenue	State FY 2003	State FY 2004	State FY 2005	State FY 2006
Federal:				
Per Diem	$11,123,223	$11,570,518	$12,143,444	$10,248,548
State Approving Agency	94,812	64,389	86,999	100,088
Medicare-B	8,457	0	123,067	75,441
Building Construction	0	0	0	2,157,302
Total Federal Funds	$11,226,492	$11,634,907	$12,353,510	$12,581,379
State:				
General Fund	$2,448,901	$1,327,489	$1,355,025	$2,937,376
Health Care Expendable Fund	700,000	700,000	621,472	621,472
Veterans Tag Fees	122,860	157,160	173,234	202,623
Budget Contingency Fund	121,289	945,765	0	0
Cash Stabilization Reserve Fund	0	0	0	700,000
Total State Funds	$3,393,050	$3,130,414	$2,149,731	$4,461,471
Self-Generated:				
Resident Fees	$10,488,115	$11,285,187	$12,339,278	$11,450,182
Other Funds:				
Other	$3,257	$878	$17,188	$1,866
Subtotal Revenue	$25,110,914	$26,051,386	$26,859,707	$28,494,898
Deficit Appropriations:				
General Fund	$0	$0	$2,362,826	$0
Budget Contingency Fund	0	1,336,375	0	0
Total Revenue	*$25,110,914*	*$27,387,761*	*$29,222,533*	*$28,494,898*

NOTE 1: The federal funds received by VAB for building construction in State FY 2006 represented the federal match portion of the $900,000 bond issued by the State of Mississippi for the repair and renovation of the Jackson state veterans' home.

NOTE 2: The Legislature appropriated funds to VAB from the Cash Stabilization Reserve Fund for State FY 2006 to help offset costs incurred by Hurricane Katrina.

SOURCE: State FY 2006 MERLIN Report.

State General Funds

The Legislature has appropriated general funds to VAB for operation of the homes each fiscal year since State FY 1995.

The Legislature has appropriated general funds to VAB for operation of the homes each fiscal year since State FY 1995. In State FY 2003, VAB received $2,448,901 in funds from this source, representing 10% of total revenues. In State FY 2006, VAB received $2,937,376 in funds from this source, again representing 10% of total revenues.

(As discussed below, VAB also received other types of state funds from State FY 2003 through State FY 2006 to support the operation of the veterans' homes.)

Self-Generated Funds (Resident Fees)

VAB charges veteran residents a daily fee to apply to the cost of their care. In State FY 2003, VAB received $10,488,115 in resident fees. In State FY 2006, VAB received $11,450,182 in resident fees.

The increase from State FY 2003 to State FY 2006 in the total amount of resident fees is attributable to the increase in the daily fee charged to veteran residents.

The increase in the total amount of resident fees is attributable to the increase in the daily fee charged to veteran residents. In State FY 2003, the resident fee was $50 per day and in State FY 2006 the resident fee was $60 per day. (See page 19 of this report for discussion of the increases in resident fees during this period.)

Although the total amount of resident fees collected by VAB increased from State FY 2003 to State FY 2006, resident fees as a percentage of total revenues decreased slightly. In State FY 2003, resident fees represented 42% of total revenues. In State FY 2006, resident fees represented 40% of total revenues.

Additional Revenue Sources

Other Sources of State Funds

Additional funds from state sources that supported operation of the veterans' homes from State FY 2003 through State FY 2006 included the Health Care Expendable Fund, veterans' specialty license tag fees, and the Cash Stabilization Reserve Fund. Because the state veterans' homes are not Medicaid-certified, the homes receive no Medicaid funding.

Health Care Expendable Fund

In State FY 1999, the Legislature established this fund to receive annual payments of tobacco settlement trust funds and interest earned on the investment of those funds. In MISS. CODE ANN. Section 43-13-401 (1972), the Legislature

specified that these funds be applied toward improving the health and health care of the citizens and residents of the state. In State FY 2002, the Legislature began appropriating funds from the Health Care Expendable Fund to help support operations of the state veterans' homes. In State FY 2003, VAB received $700,000 in funds from this source, representing 3% of total revenues. In State FY 2006, VAB received $621,472 in funds from this source, representing 2% of total revenues.

Veterans' Specialty License Tag Fees

MISS. CODE ANN. Section 27-19-56.12 (1972) allows veterans to purchase special motor vehicle license tags or plates that identify them as veterans. State law specifies that these fees be used for the benefit of indigent residents who are residents of the homes. In State FY 2003, VAB received $122,860 in funds from this source, representing less than 1% of total revenues. In State FY 2006, VAB received $202,623 in funds from this source, again representing less than 1% of total revenues.

Cash Stabilization Reserve Fund

The Cash Stabilization Reserve Fund is the state's "rainy-day" fund. The Legislature made a $700,000 appropriation in State FY 2006 to VAB to offset lost income from the temporary closing of the Collins home after Hurricane Katrina and for funding repair costs incurred due to the hurricane. This source of revenue represented 2% of total revenues in State FY 2006.

Other Sources of Federal Funds

Additional funds from federal sources that supported operation of the veterans' homes from State FY 2003 through State FY 2006 included a construction grant for the Jackson home, State Approving Agency funds, and Medicare B funds.

Construction Grant

Senate Bill 2988, *Laws of 2003*, authorized in the 2003 Regular Session the sale of bonds in the amount of $900,000 for the repair and renovation of the Jackson VA Home. The actual sale of these bonds occurred in CY 2004. However, the $900,000 bond amount was paid by DFA and VAB did not receive this as revenue.

VAB received $2,157,302 in federal funds in State FY 2006 as the federal match portion for the bond. This amount represented 8% of total revenues for State FY 2006.

State Approving Agency (SAA)

The State Approving Agency Division of VAB inspects and approves programs of education and training for veterans to ensure that these programs comply with VA requirements for educational assistance.

In State FY 2003, VAB received $94,812 in federal funds for the SAA, representing less than 1% of total revenues. In State FY 2006, VAB received $100,088, again representing less than 1% of total revenues.

Medicare B

VAB receives Medicare Part B reimbursement for physicians' services. VAB contracts with physicians at each state veterans' home and files for Part B reimbursement for allowable physicians' services provided to residents.

As shown in Exhibit 4, the amount of revenue from this source varied widely from year to year during the period of the review. In State FY 2003, VAB received $8,457 in funds from this source, but received no funds in State FY 2004. This is due to the fact that VAB had coding errors in the previous year and stopped collecting Medicare B funds in FY 2004. VAB then began contracting for collection of these funds, resuming collections in State FY 2005, with $123,067 in funds received in FY 2005 and $75,441 in FY 2006.

VAB's FY 2003 revenues from this source represented less than 1% of total revenues, as did FY 2006 revenues.

Miscellaneous Funds

In State FY 2003, VAB received $3,257 in other miscellaneous funds, such as donations from veterans' organizations. In State FY 2006, VAB received $1,866 in other miscellaneous funds. These amounts represented less than 1% of total revenues for both years.

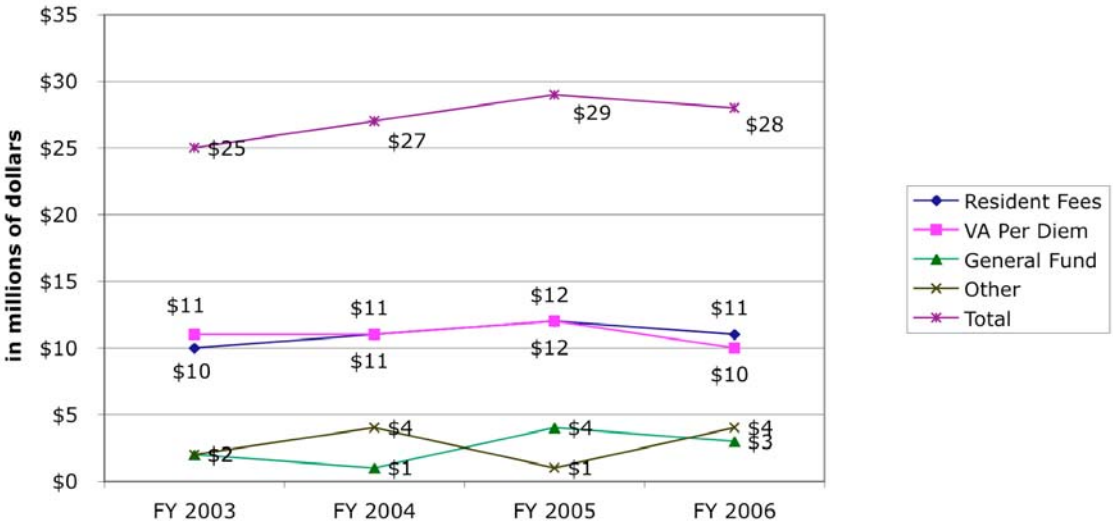
Trends in Revenue Sources

As previously noted, VAB's total revenues increased from $25,110,914 in State FY 2003 to $28,494,898 in State FY 2006. While the majority of the increase in total revenues from State FY 2003 to State FY 2006 was due to increases in resident fees and a federal grant for construction on the Jackson home, state funds continued to help support veterans' home operations during this period.

As shown in Exhibit 4, page 12, VAB's initial general fund appropriations declined slightly in State FY 2004 and State FY 2005; however, VAB received a $1,336,375 deficit appropriation in FY 2004 from the state's Budget Contingency Fund, in addition to its $945,765 initial appropriation from the Budget Contingency Fund. In FY 2005, VAB received a $2,362,826 deficit appropriation from the general fund, in addition to its initial general fund appropriation of $1,355,025. Also, VAB received funds from the Health Care Expendable Fund and veterans' specialty tag license fees, which are state fund sources.

Exhibit 5, below, depicts an overview of VAB's revenues, by source, for state fiscal years 2003 through 2006.

Exhibit 5: VAB Revenues, By Source, for State Fiscal Years 2003 through 2006



NOTE: In State FY 2006, "Other" included $2,157,302 in Construction Grants; $621,472 from the Health Care Expendable Fund; $202,623 in Veterans' Specialty Tag Fees; $100,088 in revenues from SAA (State Approving Agency), a federal fund; $75,441 in revenues from Medicare B; and $1,866 in revenues from miscellaneous sources such as donations.

SOURCE: PEER analysis of VAB MERLIN reports for fiscal years 2003 through 2006.

Reliance of the Veterans' Homes on State Funds

Is VAB operating the state veterans' homes on a self-supporting basis or becoming more reliant on state funding?

The state veterans' homes are not self-supporting and did not make significant progress during the period of State FY 2003 through State FY 2006 toward becoming self-supporting.

As noted on page 3, when the VAB initially approached the Legislature with the idea of constructing the state veterans' homes, representatives of the agency told the Legislature that the only cost to the state would be the match required to build the homes and certain start-up costs, but that once the homes were operational, there would be no further reliance on state general funds.

When the VAB initially approached the Legislature with the idea of constructing the state veterans' homes, representatives of the agency told the Legislature that the only cost to the state would be the match required to build the homes and certain start-up costs, but that once the homes were operational, there would be no further reliance on state general funds.

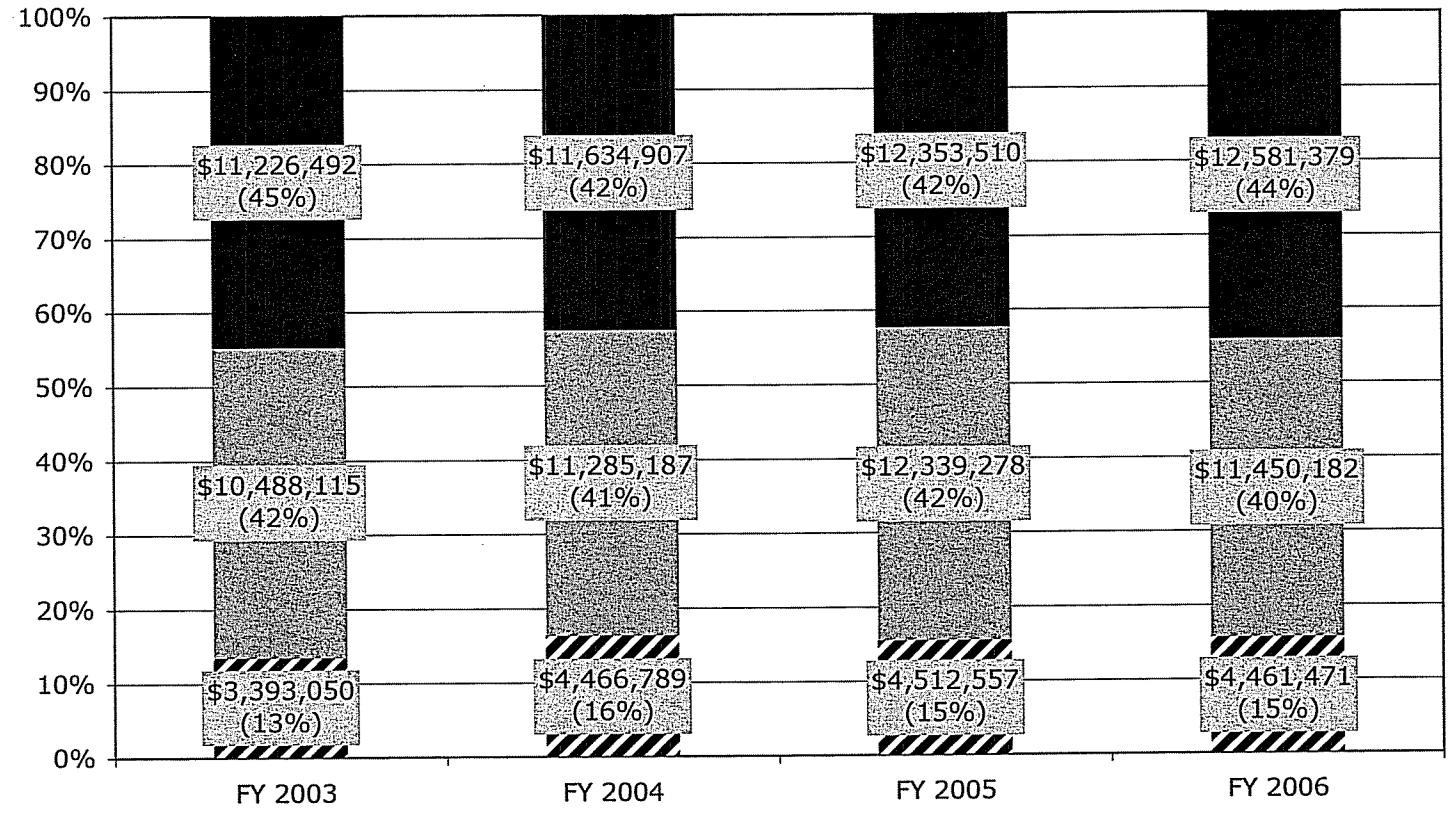
As PEER noted in its previous reports, the state veterans' homes have not been self-supporting (see Appendix A, page 75, for synopses of these reports). Furthermore, during the period reviewed for this report (State FY 2003 through State FY 2006), the VAB did not make significant progress in making the veterans' homes self-supporting. In fact, VAB continues to rely on state funds for support of the veterans' homes.

As noted on pages 11 and 13, from State FY 2003 to State FY 2006, the percentage of total revenues for two of the three primary revenue sources, VA per diems and resident fees, declined slightly. Although the percentage of total revenues from state general funds remained constant, the percentage of total revenues from all state sources increased slightly from FY 2003 to FY 2006. (See Exhibit 6, page 18.)

VAB continues to rely on state funds for support of the veterans' homes.

As noted on page 10 and as illustrated in Exhibit 3, page 10, with the exception of State FY 2006, VAB's total revenues were not sufficient to cover its expenditures from State FY 2003 through State FY 2006. For State FY 2004 and State FY 2005, the Legislature provided the agency with additional (deficit) appropriations to cover expenses associated with the agency's operations. These additional appropriations were necessary because resident fees and federal per diem rates did not generate the amounts anticipated by VAB. In addition, the agency also needed additional funds to offset prior fiscal year costs associated with medical care companies that formerly managed the state veterans' homes (see page 3).

Exhibit 6: Type of Revenues as a Percentage of Total VAB Revenues, State FY 2003 through State FY 2006



	FY 2003	FY 2004	FY 2005	FY 2006
Other Revenue*	$ 3,257	$ 878	$ 17,188	$ 1,866
Total Revenue	$25,110,914	$27,387,761	$29,222,533	$28,494,898

*Other revenue consists of miscellaneous funds such as donations from veterans' organizations. Because amounts represent less than one percent of the total revenues, PEER could not graphically depict these amounts in this exhibit.

SOURCE: State FY 2006 MERLIN Report

Increases in Resident Fees and VA Per Diem Rates, FY 2003 - FY 2007

How much did VAB's resident fees and VA per diem rates increase between State FY 2003 and State FY 2007?

VAB's resident fee increased approximately 24% from State FY 2003 to State FY 2007, from $50 to $66 per day. The federal VA per diem rate increased approximately 17% from Federal FY 2003 to Federal FY 2007, from $56.24 to $67.71.

As noted previously, resident fees are charges that the residents pay to cover a portion of the cost of care while in the state veterans' homes. VAB calculates and charges these fees on a per-day basis.

The resident fee has increased $16.00 per day per resident since State FY 2003, from $50 in State FY 2003 to $66 in State FY 2007. (See Exhibit 7 below.)

Veteran residents who meet VA income requirements may also receive a maximum of approximately $48.33 daily reimbursement if single or a $57.21 daily reimbursement if married. These reimbursements from the VA are called "aid-and-attendance" and may be applied to help cover the $66 daily resident fee.

Exhibit 7: VAB Resident Fee Increases from State FY 2003 to State FY 2007

Fiscal Year	Date of Increase	VAB's Resident Fee
FY 2003	No Change	$50.00
FY 2004	12/31/03	$52.00
FY 2005	07/01/04	$55.00
FY 2005	12/31/04	$60.00
FY 2006	No Change	$60.00
FY 2007	7/1/06	$66.00

SOURCE: Veterans Affairs Board

The federal VA per diem is funding the state veterans' homes receive on behalf of the veteran residents in the state veterans' home to cover a portion of the cost of care the veteran receives. The VA per diem rates increased $11.47 per day per resident from $56.24 in Federal FY 2003 to $67.71 in Federal FY 2007. This is a 17% increase in VA per diem rates between Federal FY 2003 and Federal FY 2007. (See Exhibit 8 on page 20.)

Exhibit 8: VA Per Diem Increases from Federal FY 2003 to Federal FY 2007

Fiscal Year	Month of Increase	VA Per Diem Rate
FY 2003	December	$56.24
FY 2004	December	$57.78
FY 2005	December	$59.36
FY 2006	December	$63.40
FY 2007	December	$67.71

SOURCE: U.S. Department of Veterans Affairs

The Potential for Future Increases in Resident Fees

Can the Veterans Affairs Board avoid raising resident fees again?

The average cost per patient at the state veterans' homes has increased 36% since Calendar Year 2002. In order to break even without state funds, VAB must either raise the fees that it charges to residents, reduce its operating costs, or find other sources of non-state revenues.

PEER conducted a breakeven analysis for the aggregate of the four veterans' homes for Calendar Year 2005.

From this analysis, PEER made the following conclusions:

- Even if the veterans' homes operated at 100% of capacity, an increase in the state veterans' home resident fee (from $66.00 per day to $71.73 per day) would be necessary for VAB to break even and eliminate state support (except for veterans' specialty license tag fees). In State FY 2007, VAB expects an occupancy rate of 90%.
- VAB's costs to operate the state veterans' homes have increased 36% since Calendar Year 2002.
- At the current resident fee rate, without state revenues the state veterans' homes cannot break even, even at full capacity, without raising revenues from another source.

Thus current revenue sources for the VAB, excluding reliance on state general and special funds, cannot meet the obligations incurred by VAB's operations and VAB must either raise the fees charged to residents, reduce its operating costs, or find revenues from another source.

The following subsections contain discussions of the effect of rate of occupancy on resident fees, the increase in veterans' home costs from CY 2002 to CY 2005, the breakdown of current revenue sources per patient, and a

comparison of the operational efficiency of the state veterans' homes to thirteen Medicaid-certified Mississippi nursing homes. The final subsection contains a discussion of the amount of resident fee increase VAB would need to break even.

Effect of Rate of Occupancy on Resident Fees

Even if the veterans' homes operated at 100% of capacity, which PEER recognizes is not possible for any nursing home to achieve due to the turnover of residents in the homes, an increase in the resident fee (from $66.00 per day to $71.73 per day) would be necessary for VAB to break even and eliminate state support (except for veterans' specialty license tag fees). In State FY 2007, VAB expects an occupancy rate of 90%.

A higher volume of patients decreases costs per resident, due to the fixed costs of operating a nursing home. (An example of a fixed cost includes the cost of the building.) Thus the rate of occupancy at the state veterans' homes is a major factor in a breakeven analysis. Because VAB is a government entity, and not pursuing profit, it is correct to base the fee that it charges its residents based on a breakeven analysis.

At an expected occupancy rate of 90%, when state general and special funds are excluded, VAB will not break even with its current amount of revenue in FY 2007.

Based on recent occupancy trends, VAB has been able to maintain a 96% occupancy rate in the veterans' homes; however, this dropped to 91% in CY 2005 due to the effects of Hurricane Katrina. According to VAB management, in State FY 2007, VAB expects the occupancy rate in the state veterans' homes to be 90%.

At an expected occupancy rate of 90%, when state general and special funds are excluded, VAB will not break even with its current amount of revenue in FY 2007. If VAB homes operated at 100% of capacity, the necessary charge to veterans to eliminate all state general funds would be $71.73; at current occupancy (91% for CY 2005), the amount would be $78.82.

Increase in VAB Costs From CY 2002 to CY 2005

VAB's costs to operate the state veterans' homes have increased 36% since CY 2002.

Nursing costs make up the largest percent of VAB's overall expenditures, at approximately 50% for CY 2005.

VAB's costs to operate the state veterans' homes have increased by 36% since CY 2002, an average of 12% per year. According to PEER's analysis, nursing costs make up the largest percent of VAB's overall expenditures at approximately 50% for CY 2005, down from 52% in CY 2002.

The largest percentage increase is in the administrative costs, of which over half represents the cost of the Pearl office. If the Pearl office is not included as a part of the

cost, the VAB would have approximately the same cost as the Medicaid-certified homes per patient. (See page 33.)

VAB's administrative costs have increased 221% since CY 2002. Exhibit 9, page 23, compares costs from CY 2002 to CY 2005. For this analysis, PEER used CY 2002 costs from the Collins home only since nursing home management companies had managed the other three homes until July 1, 2002.

Current Revenue Sources Per Patient

At the current resident fee rate, without state revenues the state veterans' homes cannot break even, even at full capacity, without raising revenues from another source.

Exhibit 10, page 24, shows the State FY 2006 VAB revenue per patient. (This makeup is based on total costs, rather than the select costs used in the analysis entitled "Comparison of Operating Costs of State Veterans' Homes and Medicaid-Certified Nursing Homes," on page 32.)

This exhibit shows that 10% of VAB revenue is from the state general fund, without which revenue VAB would not break even without raising revenue from another source. At the current resident fee rate, if the state discontinued its financial support of state veterans' homes, the homes would not be able to break even, even at full capacity. Therefore, in order to break even without state funds, VAB must either raise the fees that it charges to residents, reduce its operating costs, or find other sources of non-state revenues.

Operational Efficiency of State Veterans' Homes Compared to Medicaid-Certified Private Nursing Homes

While Medicaid-certified private nursing homes included in PEER's analysis can break even at 58% occupancy for the year, the state veterans' homes would have to maintain an unachievable 109% occupancy rate to break even at current resident fee and operating cost levels.

PEER conducted a breakeven analysis of thirteen Medicaid-certified private nursing homes in Mississippi for Calendar Year 2005 and compared their operational efficiency to that of the state veterans' homes. (See page 20 for additional discussion of this breakeven analysis.)

Both the Medicaid-certified homes and the state veterans' homes have comparable fixed costs such as various administrative, rental, and professional costs. The principal difference is in part related to the fact that the Medicaid-certified homes have lower costs associated with variable costs, such as lower nursing costs as shown in the VAB cost comparison, than do the VAB homes. The

Exhibit 9: Comparison of Per Patient Costs from the Collins Home in CY 2002 to the Composite Cost of All VAB Homes in CY 2005

	Per Veteran Per Day Cost			
	Composite Cost of All VAB Homes CY 2005	Cost of Collins Home CY 2002	Increase (Decrease)	Percent Increase
Nursing Administration	$ 1.85	$ 1.67	0.18	11%
Housekeeping	6.91	6.12	0.79	13%
Laundry	2.50	2.98	(0.48)	-16%
Dietary	10.98	11.51	(0.53)	-5%
Central Services	4.75	3.50	1.25	36%
Activity	0.80	0.38	0.42	111%
Social Services	1.63	1.08	0.55	51%
Maintenance	4.82	3.65	1.17	32%
Administrative	20.36	6.34	14.02	221%
Nursing	64.66	49.79	14.87	30%
Utilities	7.33	6.47	0.86	13%
Physicians	3.42	2.28	1.14	50%
Total	$ 130.01	$ 95.77	34.24	36%

SOURCE: PEER analysis of VAB records.

Medicaid-certified homes are able to produce more revenue per patient by charging their residents more for their services and having a lower cost per patient.

Medicaid-certified homes are able to produce more revenue per patient than the state veterans' homes by charging their residents more for their services and having a lower cost per patient.

This analysis shows that the average Medicaid-certified home was able to break even at a patient occupancy, taken as a percentage of beds filled, of 58% for the year, while the veterans' homes, taken as a whole and including state source funds supporting operation of the homes, would only break even at an unachievable 109% patient occupancy at the rate of $66 per day. At the current occupancy rate of 91%, the Legislature would have to appropriate approximately $4.3 million, rising at 12% each year, to keep the resident fees at the current $66 per day.

Amount of Resident Fee Increase Needed to Break Even

In order for VAB to cover projected expenses for State FY 2007, and eliminate support from state funds (other than specialty license tag fees), VAB would have to raise its resident fee by 19%, to $78.82.

Exhibit 11 on page 25 shows the expected distribution of expenses per resident for State FY 2007 if VAB eliminated support from state general funds and the state Health

Exhibit 10: State FY 2006 Breakdown of Revenue by Source to Cover Costs of Operation of State Veterans' Homes Per Patient

	Per Patient	Pro-Rata Share	Percent
VA Per Diem	$ 51.43	$ 10,248,548	36%
Federal Building Construction*	10.82	2,157,302	8%
Resident Rate	57.45	11,450,182	40%
General Fund	14.74	2,937,376	10%
Cash Stabilization Fund	3.51	700,000	2%
Health Care Expendable	3.12	621,472	2%
License Tag Revenue	1.02	202,623	1%
Other**	0.89	177,395	1%
	$ 142.98	$ 28,494,898	100%

* PEER assumes that the state will eligible to apply for Federal building assistance for the repair and renovation of its state veterans' homes due to Bureau of Building inspection reports that project these costs through state FY 2012.

**Other funds includes State Approving Agency, Medicare Part B, and miscellaneous revenues such as donations by veterans' organizations.

SOURCE: PEER analysis of State FY 2007 VAB budget request, VAB State FY 2006 expenditure reports, and VA information.

Care Expendable Fund and raised its resident fee 19% to $78.82 per day.

If VAB increased its resident fee rate to this amount, contributions from the following state sources could be eliminated: general fund, Cash Stabilization Fund, Budget Contingency Fund, and Health Care Expendable Fund. (This analysis includes retaining the state revenue source of the veterans' specialty license tag fees, which provided approximately $202,623 in State FY 2006.)

The VAB central office does not maintain multiple items of real-time descriptive information, such as the composition and profile of residents in the state veterans' homes and credentials and employment agreement type of employees.

The exhibit also shows the net effect to residents if the resident fee rate were to increase to $78.82, when taking into account the veterans' pension that approximately 53% of veterans' home residents receive. Currently, according to the federal Department of Veterans Affairs, single veterans who have no income, no spouse, and no dependents are reimbursed a maximum of $17,640 per year. This amounts to $48.33 per day. When this amount is applied to the projected resident fee needed to eliminate support from state funds ($78.82 per day), the net cost to veterans after applying the pension would be $30.49 per day ($11,129.30 annually). Married veteran residents would receive a maximum pension of $20,880 per year. After applying their pension toward their projected

Exhibit 11: Projected Revenue by Source to Cover Costs of Operation of State Veterans' Homes by Resident Fees, Excluding Use of State Source Funds, and Supplemental Information on Veterans' Pensions

	Daily Cost Per Veteran	Annual Cost Per Veteran	Percent
VA Per Diem	$ 51.43	$ 18,770.23	36%
Federal Building Construction*	10.82	3,951.11	7%
Resident Rate	78.82	28,769.30	55%
General Fund	-	-	0%
Cash Stabilization Fund	-	-	0%
Health Care Expendable	-	-	0%
License Tag Revenue	1.02	371.10	1%
Other**	0.89	324.90	1%
	$ 142.98	$ 52,186.64	100%

Supplemental: Net Effect after Pensions

	Daily Cost Per Veteran	Annual Cost Per Veteran
Resident Fee	$ 78.82	$ 28,769.30
Maximum Single VA Pension	48.33	17,640.00
Projected Out of Pocket Veteran Rate	$ 30.49	$ 11,129.30

Approximately 53% of VAB residents received a pension from the VA in FY 2006. When the maximum pension for single veterans of $48.33 per day is compared to the projected cost to veterans to eliminate state funds, the net veterans' rate after the pension is $30.49 per day or $11,129.30 per year.

* PEER assumes that the state will eligible to apply for Federal building assistance for the repair and renovation of its state veterans' homes due to Bureau of Building inspection reports that project these costs through state FY 2012.

**Other funds includes State Approving Agency, Medicare Part B, and miscellaneous revenues such as donations by veterans' organizations.

SOURCE: PEER analysis of State FY 2007 VAB budget request, VAB State FY 2006 expenditure reports, and VA information

resident fee charges, their annual out-of-pocket expense would be $7,887.65.

Because the VAB central office does not maintain multiple items of real-time descriptive information, such as the composition and profile of residents in the state veterans' homes and credentials and employment agreement type of employees, PEER was forced to base its estimate of the number of state veterans' home residents receiving VA pensions on incomplete patient profile data. Also, the VAB central office does not maintain a real-time inventory management system to maximize its purchasing power for

supplies. This type of information is important when creating policy for better care that affects residents, for allocating resources, and for financial and operational management of the homes.

Funding and Policy Alternatives for State Veterans' Homes

What funding methods do surrounding states use to fund their state veterans' homes?

For State FY 2006, surrounding states reported a variety of sources for funding state veterans' homes, including state subsidies, Medicaid matching funds, Medicare, military and veteran specialty car tag fees, ad valorem taxes, and resident fees. States differed in their policies regarding resident fees, including adjusting rates annually and establishing ceiling caps for rates. Resident fees ranged from $0 to $185 daily.

Objectives of PEER's Survey of Surrounding States

Further in-depth study, including cost-benefit analysis, would be necessary to determine the most feasible alternative funding methods for Mississippi.

PEER surveyed surrounding states to identify the funding and policy alternatives used by Florida, South Carolina, Tennessee, Arkansas, Alabama, Georgia, and Louisiana for state veterans' homes. In interviews with state veterans' home officials, PEER sought to determine the following for each state:

- funding sources utilized and percent of total revenue generated by each funding method in FY 2006;
- funding source revisions for FY 2007 and proposals under consideration for FY 2008; and,
- number of state veterans' homes, number of skilled nursing beds, and occupancy rate in FY 2006.

Due to scope and time constraints, PEER did not evaluate other states' funding alternatives. Further in-depth study, including cost-benefit analysis, would be necessary to determine the most feasible alternative funding methods for Mississippi.

PEER also sought to determine surrounding states' policies regarding using resident fees as a funding source and the amount of resident fees charged to veterans for daily care in FY 2006. In the survey, PEER requested the following information:

- resident fees paid for daily care charges in FY 2006 and whether the amount a veteran is responsible for is based on ability to pay (e.g., sliding scale based on income);

- whether prescription drugs were included in the daily rate paid by the veteran or represent an additional charge in FY 2006;
- percentage resident fees comprised of total revenue in FY 2006; and,
- public policy or practices and procedures governing funding using resident fees (e.g., adjusted annually, frozen, leveling, ceiling cap) and the new rate for FY 2007.

Exhibit 12, below, presents an overview of the results of PEER's survey of surrounding states' funding methods for state veterans' homes. Following the exhibit, PEER summarizes the survey's results by funding method.

Appendix G, page 87, gives more detailed results of the survey, providing information on these funding methods by state.

Exhibit 12: Comparison of Methods Used for Funding State Veterans' Homes in Mississippi and Surrounding States, FY 2006

State	General Funds	Veteran and Military Specialty Car Tag Fees	Medicaid Matching Funds	Ad Valorem Taxes	Resident Fees	Medicare	Other
Mississippi	√	√			√	√	√
Alabama		√		√			√
Louisiana	√				√		
Tennessee			√		√	√	
Georgia	√						
Arkansas	√				√		
South Carolina	√		√		√	√	
Florida	√	√	√		√	√	

NOTES: (1) All states receive VA federal per diem funds.
(2) In Alabama, resident fees are remitted directly to the management company and are not a source of revenue for state homes.

SOURCE: PEER survey of state veterans' home administering agencies in surrounding states.

States' Methods of Funding Veterans' Homes

VA Per Diem

Every state PEER surveyed receives VA per diems to help fund veterans' homes. Louisiana receives most of its funding from this source, with 50% of its total revenues generated by federal VA per diems in FY 2006. Tennessee receives the least amount from federal VA per diems because it receives Medicare and Medicaid matching funds.

General Funds

Tennessee and Alabama do not appropriate general funds to operate their state veterans' homes.

Six of the eight states PEER surveyed fund state veterans' homes to some degree with state general funds. Tennessee and Alabama are the only two of the surrounding states that do not appropriate general funds to operate their state veterans' homes. In Georgia, lawmakers fund their homes with 57% general funds, while in Florida only 5% of the funding for the homes comes from state general funds.

Veterans' and Military Specialty Car Tag Fees

Three states use revenues from veterans' and military specialty car tag fees to help fund operation of the homes. In Mississippi and Alabama, less than 1% of total revenues for the veterans' homes was generated by this funding source in FY 2006, while Florida received 4%.

Medicaid Matching Funds

Three states use Medicaid matching funds as a funding source for state veterans' homes, with Tennessee generating the largest percentage of total revenues (36%), followed by Florida with 26% and South Carolina with 3%.

Ad Valorem Taxes

Alabama receives 61% of its total revenues from a portion of the proceeds from its Veterans' Assistance Fund generated by a 1 mill ad valorem tax on annual property valuation. Because Alabama generates the majority of its veterans' home funding from these ad valorem taxes, it does not subsidize its state veterans' homes with general funds.

Resident Fees

Georgia does not charge veteran residents for any portion of their care.

Georgia is the only state that does not charge veteran residents for any portion of their care. Of the states surveyed, Mississippi receives the highest percentage of its veterans' home funding from resident fees (40%), followed by Louisiana with 37%, Florida and Arkansas each with 31%, Tennessee with 27%, South Carolina with 19%, and Alabama with 0%. (Resident fees in Alabama are not a source of revenue because they are paid directly to a management company.)

See page 30 for results of PEER's survey regarding the resident fee rates charged by the states surveyed.

Medicare

Tennessee receives 21% of its veterans' home funding from Medicare, Florida receives 6%, and South Carolina receives 19% of its funding from that source. (Tennessee and Florida both receive the majority of their total revenue from federal sources [i.e., Medicaid and Medicare] when combined with the federal VA per diem payments; Tennessee receives 73% and Florida receives 60% of total revenues from federal sources.)

As noted on page 15, Mississippi receives Medicare Part B reimbursement for physicians' services at the state veterans' homes. VAB contracts with physicians at each state veterans' home and files for Part B reimbursement for allowable physicians' services provided to residents. In FY 2006, these reimbursements amounted to less than 1% of veterans' home revenues.

Other Funding Methods

Alabama officials reported that they also receive funds from donations, income tax check-off, interest on money invested, and a $3 per-bed, per-day lease paid by the outside contractor. These combined revenue sources generate 4% of the state's revenue for operating the veterans' homes.

Mississippi also receives a small amount of other funds, as discussed on page 14 and 15 of this report.

State's Charges to Veterans for Daily Care (Resident Fees)

In FY 2006, surrounding states' charges to veterans for their daily care in state veterans' homes (i.e., resident fees) ranged from $0 in daily care charges in Georgia to paying for the full cost of care in Florida, which could be as much as $185.00 per day, depending on the level of care needed.

Only two states charged more in resident fees to their veterans than Mississippi. Tennessee charged $145.60 and Florida charged $185.00 per day. In FY 2006, Mississippi veterans paid resident fees of $60.00 and are currently charged a daily rate of $66.00 for resident care in FY 2007.

Five states charge less than Mississippi in resident fees, ranging from $50.00 in Arkansas to no charges in Georgia. See Exhibit 13, below, for resident fees charged by each of the surrounding states.

States differed in their policies and practices regarding resident fees, including adjusting rates annually, leveling rates in conjunction with federal VA per diem, and establishing ceiling caps. See Appendix G, page 87, for more detailed information on surrounding states' resident fees.

Exhibit 13: FY 2006 Maximum Daily Care Charges for Surrounding States' Veterans' Homes

Florida	Tennessee	**Mississippi**	Arkansas	Louisiana	South Carolina	Alabama	Georgia
$185.00	$145.60	**$60.00**	$50.00	$48.33	$28.76	$11.64	$0

NOTES: (1) Resident fees reflect daily rates charged for skilled nursing services and can be defrayed by a veterans' income (e.g., pension, retirement, Social Security, disability, business and investment income).

(2) Mississippi veterans are currently charged $66.00 per day for FY 2007.

(3) The resident fees of Florida, Alabama, Louisiana, and Arkansas do not cover prescription drug costs; veterans are charged additional fees for prescription drug costs. The resident fees charged to veterans in Mississippi, Tennessee, South Carolina, and Georgia cover prescription drugs.

SOURCE: PEER survey of state veterans' home administering agencies in surrounding states.

Costs Associated with Operation of the State Veterans' Homes

Since FY 2003, how have VAB's operating costs changed?

To answer this question, PEER sought the answers to several related, more specific questions:

VAB-Medicaid Costs Comparison--

- What is the cost of operating the state veterans' homes in comparison to operating similarly sized Medicaid-certified nursing homes?
- What are the patient costs to live in a Medicaid-certified nursing home compared to the patient costs to live in a state veterans' home?

Staffing Costs--

- What is the current composition and cost of VAB's nursing staff? What is the cost impact of using alternative staffing compositions at the state veterans' homes?

Medical Benefits Costs--

- Does the state of Mississippi provide any medical benefits to the residents in state veterans' homes that are not covered by the federal expense payments?

Facility Repair and Renovations Costs--

- Is VAB budgeting and managing facility repairs and renovations based on a five-year capital improvement program? What are the estimated costs of needed repairs and renovations to the state veterans' homes?

The following sections address each of these questions.

Comparison of Operating Costs of State Veterans' Homes and Medicaid-Certified Nursing Homes

What is the cost of operating the state veterans' homes in comparison to operating similarly sized Medicaid-certified nursing homes?

In comparison to similarly sized Medicaid-certified nursing homes in Mississippi, VAB's costs for the state veterans' homes are higher overall, especially in costs of nursing staff.

Method of Cost Comparison

In PEER's 2003 report, PEER only evaluated VAB's Collins home because, at the time of the report, VAB had not operated the other homes long enough to have an impact on operations. For the current comparison, the other three homes can be evaluated along with the Collins homes.

Of the thirteen Medicaid-certified nursing homes used in PEER's comparison, the average occupancy rate was 88% in CY 2005. Occupancy at the veterans' homes averaged 91%.

PEER examined Calendar Year 2005 expenses of the state veterans' homes by functional category (e.g., administrative, maintenance) and those of thirteen Medicaid-certified nursing homes of similar size operating in Mississippi. These Medicaid-certified nursing homes were selected for comparison based on size and quality of service and ranged in number of authorized beds from 130 beds to 160 beds. (The four veterans' homes each have 150 beds.)

Of those Medicaid-certified nursing homes that fell within this range, PEER determined that the average occupancy rate was 88% for these homes. During CY 2005, occupancy at the veterans' homes averaged 91%. (Refer to Appendix B on page 77 for a discussion of PEER's methodology in compiling this comparative format.)

Results of Cost Comparison

Based on PEER's analysis of the reasonableness of state veterans' homes cost data, PEER used the composite costs for all four veterans' homes, plus costs allocable from the VAB Pearl office. For its cost comparison, PEER used the convention of the *cost per patient per day*, which is a calculation of total costs divided by total number of patient days in a year.

Calendar Year 2005 expenditures for a state veterans' home averaged $6.5 million. Expenditures for a Medicaid-certified nursing home averaged $5.2 million.

PEER determined that the Calendar Year 2005 average expenditures for a state veterans' home ($6.5 million) were greater than the average expenditures of a Medicaid certified homes ($5.2 million); however the state veterans' homes had 1,700 more patient days in Calendar Year 2005 over which to allocate costs than did the Medicaid-certified homes due to higher occupancy rates in the state veterans' homes.

As shown in Exhibit 14, page 34, in Calendar Year 2005, the state veterans' homes spent $9.30 more per patient per day than did the Medicaid-certified homes ($130.01 versus $120.71) on the selected categories of expenditures included in the comparison. The greatest discrepancy (a $10.29 cost per patient day difference) was in the nursing cost category ($64.66 per patient day expended by state veterans' home versus $54.37 by the Medicaid-certified homes). This is an increase of 46% over the difference reported in PEER's 2003 report. The essential differences between nursing costs for the state veterans' homes and the Medicaid-certified nursing homes, as determined by PEER analysis, are discussed in further detail on page 34.

In Calendar Year 2005, the state veterans' homes spent $9.30 more per patient per day than did the Medicaid-certified homes on the selected categories of expenditures included in the comparison.

Another important trend to note in the comparison is the state veterans' homes' improvement in expenditures in the areas of routine business-like functions, such as Housekeeping, Laundry, Dietary, Central Services, Maintenance, and Utilities categories. While not all of these items in the comparison are shown to be less expensive for the state veterans' homes than for the Medicaid-certified homes, the aggregate of these items results in a $0.45 lower cost per patient per day in the state veterans' homes. In PEER's 2003 report, the VAB Collins home was $6.10 more expensive than the Medicaid-certified private homes. This improvement is important because it shows that the VAB is able to use its scale to reduce expenditures. The majority of these items are comprised of expenditures in categories that are most comparable to the expenses of the Medicaid-certified private homes included in PEER's review.

VAB has reduced its per resident, per day nursing costs at the veterans' homes since PEER's 2003 report.

Also, as shown in Exhibit 14, the state veterans' homes spent $66.51 per resident, per day on nursing and administration and the Medicaid-certified homes spent $59.90, a difference of approximately $6.60 per resident per day. This is an improvement over the $7.06 difference reported in PEER's 2003 report for the same type of expenditures. At least part of the improvement is the result of VAB moving away from the use of private nursing staffing agencies as recommended by PEER (refer to discussion on page 37). In its analysis of nursing costs of the state veterans' homes in the 2003 report, PEER determined that the higher nursing costs at the state veterans' homes were due to the high markups (up to 65%) charged by healthcare staffing agencies.

Exhibit 14: Calendar Year 2005 Comparison of Cost Per Patient Per Day of Operating the State Veterans' Homes to the Costs of Operating Similarly Sized Medicaid-Certified Nursing Homes in Mississippi

Per Day Cost Per Veteran

	Similarly-Sized Medicaid-Certified Homes in Mississippi	Composite of All VAB Homes	Difference	Percent Difference
Nursing Administration	$ 5.53	$ 1.85	$ (3.68)	-199%
Housekeeping	4.20	6.91	2.71	39%
Laundry	2.73	2.50	(0.23)	-9%
Dietary	11.85	10.98	(0.87)	-8%
Central Services	11.58	4.75	(6.83)	-144%
Activity	4.84	0.80	(4.04)	-505%
Social Services	1.31	1.63	0.32	20%
Maintenance	3.15	4.82	1.67	35%
Administrative	16.41	20.36	3.95	19%
Nursing	54.37	64.66	10.29	16%
Utilities	4.22	7.33	3.11	42%
Physicians	0.52	3.42	2.90	85%
	$ 120.71	$ 130.01	$ 9.30	7%

SOURCE: PEER analysis of SAAS reports and reports filed with the Department of Medicaid

Comparison of Patient Costs of State Veterans' Homes and Medicaid-Certified Nursing Homes

What are the patient costs to live in a Medicaid-certified nursing home compared to the patient costs to live in a state veterans' home?

According to the Division of Medicaid, the average Medicaid per diem rate is $152.02 for Mississippi. Approximately 57% of the current residents of the state veterans' homes are eligible for the full benefits of Medicaid based on income requirements; however, eligibility can only be determined by the Division of Medicaid's evaluation of applicants.

Medicaid Eligibility Requirements

Applicants for Medicaid apply through the Medicaid Regional Office that serves the county of the Medicaid-certified facility. As of January 1, 2007, the income limit for institutionalized applicants will be $1,869 per month of income belonging solely to the applicant. If the applicant's income exceeds this amount, an income trust

must be established that legally obligates all income to the Division of Medicaid in excess of this amount.

As of the June 30, 2006, patient census, 43% of veterans in the state veterans' homes have monthly incomes in excess of $1,869. These veterans may become eligible if they create an income trust with the Division of Medicaid whereby they pay all of their income to the division in excess of $1,869 per month. There are also other conditions relating to eligibility for full Medicaid benefits that take into account an applicant's assets, marital status, and transfers of assets within the previous sixty months of application.

The Division of Medicaid evaluates eligibility on a case-by-case basis. It would not be determinable how many residents in the state veterans' homes would ultimately be eligible for full Medicaid benefits unless each resident were evaluated by the Division of Medicaid.

Cost for Veterans to Live in Medicaid Homes

For an applicant who qualifies for full Medicaid benefits, Medicaid will reimburse to nursing facility providers reasonable direct care-related costs (e.g., room and board) and some special care-related costs (e.g., wheelchairs).

For an applicant who qualifies for full Medicaid benefits, Medicaid will reimburse to nursing facility providers reasonable direct care-related costs for Medicaid eligible beneficiaries such as room and board, personal hygiene items, and general barber and beauty related to personal grooming. Other allowable reasonable costs that may be special care-related ordered by a physician are items such as special beds, special wheelchairs, and special communication devices, which may improve the quality of health and life of the resident. Non-allowable costs are television and private room costs above the semi-private rate and other special requests by the beneficiary that are not related to their direct care-related costs.

The Division of Medicaid reported as of October 10, 2006, that the average per diem rate for nursing facilities was $152.02. This is the average rate that veterans who are not eligible for Medicaid would pay. Currently, Medicaid residents may maintain a personal needs allowance of $44 per month, based on the amount of income received for personal use outside of costs reimbursed by Medicaid. Each veteran in a state veterans' home would be required to apply with the Division of Medicaid for Medicaid benefits.

Cost to the State for Moving Veterans to Medicaid Beds

As noted above, the Division of Medicaid reports that the average per diem rate for nursing facilities is $152.02. This is the average amount that Medicaid pays to a nursing home to care for the care of Medicaid residents. The CY

2005 occupancy rate for VAB homes was 91%. Additionally, based on income alone and excluding the asset, marriage, and asset transfer conditions, 57% of veterans would be eligible for Medicaid benefits.

This means that a maximum of 311 of the current veterans would be eligible for full Medicaid benefits based on income alone. The state Medicaid match portion is 24.11% and, as noted previously, the current Medicaid per diem amount is $152.02. Given the current Medicaid per diem amount, if the state veterans' homes were Medicaid-certified and if all 311 residents who qualify on the basis of income alone were Medicaid-eligible, the maximum cost that the state could incur for Medicaid to cover their care would be $4,160,554 per year.

Given the current Medicaid per diem amount, if the state veterans' homes were Medicaid-certified and if all 311 residents who qualify on the basis of income alone were Medicaid-eligible, the maximum cost that the state could incur for Medicaid to cover their care would be $4,160,554 per year.

Nursing Staff Composition and Costs

What is the current composition and cost of VAB's nursing staff?

During State FY 2004 through State FY 2006, the number of hours worked by veterans' home nursing staff hired through individual contracts increased, while the number of hours worked by state service employees and employees hired through healthcare staffing agencies decreased.

Nursing Staff Composition by Position

Direct care nursing staff consists of certified nursing aides (CNAs), licensed practical nurses (LPNs), and registered nurses (RNs). In State FY 2006, CNAs accounted for approximately 64% of total hours worked by direct care nursing staff at the four veterans' homes.

In State FY 2006, CNAs accounted for approximately 64% of total hours worked by direct care nursing staff at the four veterans' homes. LPNs accounted for approximately 26% of total hours worked and RNs accounted for approximately 10% of total hours worked.

According to the State Personnel Board's position descriptions, direct care workers (CNAs) are responsible for assisting residents in all areas of physical care and hygiene, participating in activities for patients, performing housekeeping duties, and writing non-technical reports on patient behavior and activity. At the state veterans' homes, in State FY 2006 LPNs accounted for approximately 26% of total hours worked and RNs accounted for approximately 10% of total hours worked. LPNs are responsible for participating in and implementing nursing care, including the administration of medications and the assessment of patients' physical and mental conditions. RNs are responsible for identifying and treating human responses to actual or potential health problems, including such services as case finding and health counseling.

Nursing Staff Composition by Type of Employment

For State FY 2006, of the state veterans' homes' full-time equivalent direct care employees, 49% of hours worked were by state service employees, 49% by individual contract employees, and 2% by health care staffing agency employees.

The state veterans' homes employ state service employees, individual contract employees, and healthcare staffing agency employees. Employees hired through individual contracts receive a higher rate of pay but do not receive fringe benefits (other than workers' compensation). Their contracts are renewed each state fiscal year. Employees hired through healthcare staffing agencies do not receive fringe benefits; the VAB pays the staffing agency, which then pays the employee.

For State FY 2004 through State FY 2006, the veterans' homes had the following staffing composition by type of employment:

- For State FY 2004, the state veterans' homes had 349 full-time equivalent direct care employees: 62% of hours worked were by state service employees, 31% by individual contract employees, and 7% by healthcare staffing agency employees.
- For State FY 2005, the state veterans' homes had 395 full-time equivalent direct care employees: 51% of hours worked were by state service employees, 45% by individual contract employees, and 4% by healthcare staffing agency employees.
- For State FY 2006, the state veterans' homes had 349 full-time equivalent direct care employees: 49% of hours worked were by state service employees, 49% by individual contract employees, and 2% by health care staffing agency employees.

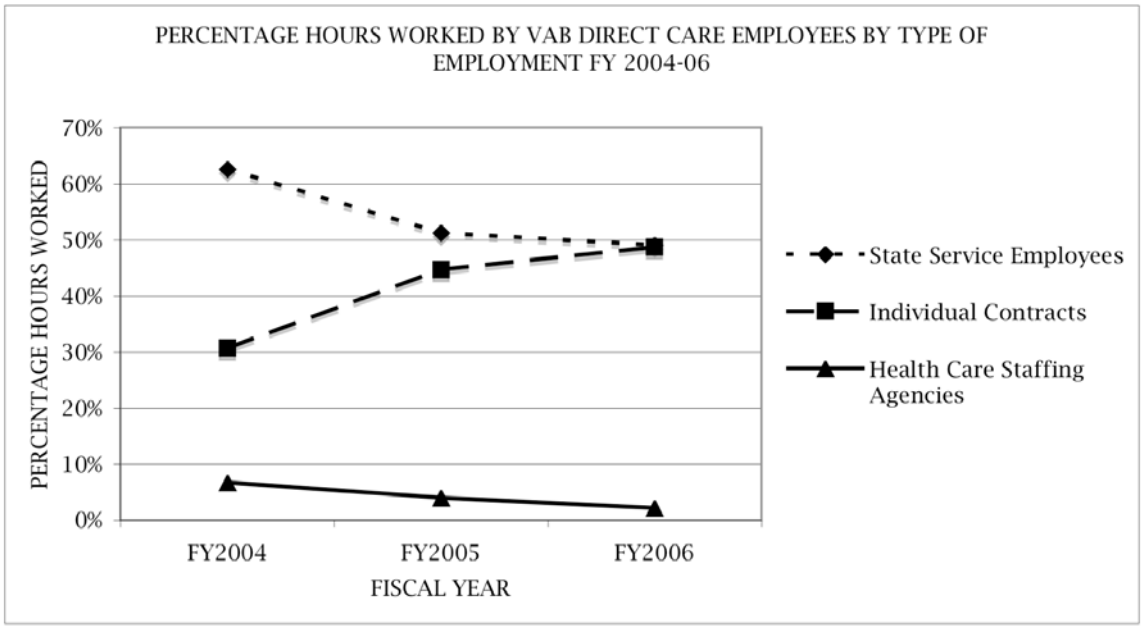
Exhibit 15, page 38, shows the percentage of hours worked by direct care employees at the state veterans' homes by type of employment for state fiscal years 2004 through 2006.

The VAB utilizes individual contracts in order to raise the amount of take-home pay to its nursing staff and to increase its competitiveness with healthcare staffing agencies.

Of major importance is the marked decline in usage of staffing agency employees from 16% of total hours worked in June 2003 (totaling approximately $2.3 million for FY 2003) to 2% of total hours worked in FY 2006 (totaling less than $500,000 for FY 2006). In fact, the Kosciusko home did not use any employees from staffing agencies in FY 2006.

It is also important to note the increasing trend in the use of contract employees at the state veterans' homes, as they account for a comparable number of hours as state service employees. The VAB utilizes individual contracts in order to raise the amount of take-home pay to its nursing staff and to increase its competitiveness with healthcare staffing agencies.

Exhibit 15: VAB Direct Care Employees by Type of Employment (State Employees, Individual Contract, Hired through Health Care Staffing Agency) For State FYs 2004-2006



SOURCE: PEER analysis of VAB Statewide Payroll System reports and health care staffing agency reports for FYs 2004-06.

Further analysis of the composition of staff by category of direct care employees revealed major differences in the composition of staff across homes. (See Appendix C on page 79 for graphs showing composition of staff by home.) The Collins home had a significantly higher percentage of hours worked by state service employees than any other home. Conversely, the Jackson home had the highest percentage of hours worked by contract staff (over 50% for each category of employees). Kosciusko also had a high percentage (70%) of hours worked by contract licensed staff (RNs and LPNs). Oxford had a relatively equal percentage of hours worked by state and contract employees.

Nursing Staff Vacancies and Turnover

Also affecting staffing costs are nursing staff vacancies and turnover. In a 2005 report from the American Health Care Association's National Commission on Nursing Workforce for Long-term Care, it was reported that a

shortage of nursing staff in the U. S. exists, as nearly 96,000 nurses and other health care professionals are needed to fill nursing home vacancies across the country. The commission further noted the high turnover rate nationwide for RNs (49%) and CNAs (71%). The commission estimates that national costs of turnover of nurse aides exceed $4 billion and translate to an average of $250,000 per year for each nursing facility.

As of September 2006, the vacancy rates for the veterans' homes' state employee CNAs, LPNs, and RNs were 62%, 81%, and 74%, respectively. The VAB fills these positions mostly with contractual employees.

As of September 2006, the vacancy rates for the veterans' homes' state employee CNAs, LPNs, and RNs were 62%, 81%, and 74%, respectively. The VAB fills these positions mostly with contractual employees.

The 2003 PEER report indicated vacancy rates as of August 2003 for CNAs, LPNs, and RNs of 40%, 72%, and 74% respectively. Thus, over the course of three years, the vacancy rates for CNAs and RNs increased while the vacancy rates for RNs remained the same. The VAB has managed to fill these positions with mostly contractual employees; however, employees hired through healthcare staffing agencies are also used to fill vacancies, but this practice is extremely costly.

For FY 2006, the average VAB state employee nursing workforce turnover for all four homes was 57%, a 26% increase from the turnover rate of 31% in the first six months of 2003. Within this 57%, there was a 61% turnover rate for CNAs and a 42% turnover rate for LPNs. This data reflects a consistent problem with turnover in the homes, although it seems that the nursing home industry in general struggles with this issue. The 2003 PEER report described the negative effects of turnover on cost and patient care. Potential direct costs of turnover include recruitment, vacancy, and training costs. In addition, it was noted that "high turnover can disrupt the continuity of patient care."

For FY 2006, the average VAB state employee nursing workforce turnover for all four homes was 57%. Potential direct costs of turnover include recruitment, vacancy, and training costs.

It is important to recognize, however, that the turnover rates discussed above do not reflect the entire workforce, as approximately half of the hours worked are by contract employees. The VAB does not monitor turnover of its contract nursing workforce; therefore, PEER staff was unable to compare turnover between state service employees and contract employees. PEER also reviewed turnover of nursing home administrators in the homes, as it was noted in the 2003 PEER report that frequent turnover of administrators can be a factor in patient care problems. The previous report determined that, from the period of July 2002 through January 2004, the Collins, Kosciusko, and Oxford homes each had two administrators, while the Jackson home had four. In the period since that report was issued (from January 2004 to November 2006), the Jackson home has had four administrators, the Kosciusko home has had two

administrators, and the Oxford and Collins homes have each had one administrator.

A correlation seems to exist between turnover in two key positions--the nursing home administrator and director of nursing--and the number of deficiencies at the veterans' home.

In reviewing turnover of another key position in the homes, the directors of nursing, it was determined that since the last report, the Jackson and Kosciusko homes each had three directors of nursing, while the Collins and Oxford homes each had two directors of nursing.

A correlation seems to exist between turnover of these two key positions and number of deficiencies in the homes. This might indicate a need for the VAB to examine its selection and/or training processes for these two positions.

The 2003 PEER report showed that high vacancy rates and turnover in nursing positions lead to measurable costs, including overtime salary and wages. For Calendar Year 2005, the VAB had total nursing salary and wage expenditures of $12,873,815, of which $1,269,429 was classified as overtime. This represents 10% of the total nursing salary expenditures. Had the VAB been fully staffed in 2005, it could have possibly avoided $423,143 in additional wages related to overtime pay. However, in CY 2002, overtime wages accounted for 13% of total nursing salary expenditures. Therefore, the VAB has reduced its reliance on employees working overtime to meet staffing requirements.

Costs of Alternative Staff Composition Options

What is the cost impact of using alternative staffing compositions at the state veterans' homes?

In CY 2005, VAB spent $12.9 million on nursing costs at the state veterans' homes. If all nursing hours worked in FY 2006 at veterans' homes were worked by state service employees at the average 2007 pay rate, the cost would be $11 million. If all nursing hours worked in FY 2006 were worked by contract employees at the average FY 2007 rate, the cost would be $9.6 million.

Method of Salary Comparison

PEER compared per-hour salaries for entry-level direct care employees at the Jackson home with those on individual contract and those employed by health care staffing agencies. PEER included state employee salaries before and after realignment in the comparison.

In June 2006, the VAB received half of the state's salary realignment for its nursing staff. The complete realignment became effective January 1, 2007. All nursing staff will experience at least a 9% increase in base pay. Of entry-level nursing staff, LPNs at the Collins home appear to benefit the most from this realignment, with an

approximate increase in take-home pay of 55%. Entry-level RNs in the Collins and Oxford homes will experience an increase of 33%.

As shown in Exhibit 16, below, in no case does the entry-level take home pay per hour for state service employees exceed the pay per hour of individual contract employees; however, when factoring in average fringe benefits (e.g., life and health insurance, retirement) of .364451, entry-level salaries of state employees do exceed the individual contract rates. This is not to suggest that the pay is comparable to or competitive with the rates of the private healthcare industry.

Exhibit 16: Per Hour Salary Comparison For Entry-Level Direct Care Employees on the Day Shift at the Jackson Home Employed by the State (Before and After Realignment), on Individual Contract with the VAB, and Employed by Health Care Staffing Agencies

	PRE-TAX ENTRY LEVEL TAKE HOME PAY BEFORE REALIGNMENT	PRE-TAX ENTRY LEVEL TAKE HOME PAY AS OF JANUARY 1, 2007	% INCREASE IN SALARY	SALARY WITH AVERAGE FRINGE BENEFITS	INDIVIDUAL CONTRACT EMPLOYEES	PRIMECARE STAFFING AGENCY
Certified Nurse Aides	$7.37	$8.05	9.2%	$10.98	$10.00	$8.00
Licensed Practical Nurses	$11.92	$15.39	29.1%	$20.99	$19.00	$17.00
Registered Nurses	$18.03	$21.29	18.1%	$29.04	$28.00	$27.00

NOTE: The State Personnel Board's occupational title for certified nurse aide is "direct care worker."

SOURCE: State Personnel Board reports, VAB, and Primecare Staffing Agency

PEER also analyzed the number of Fiscal Year 2006 nursing hours worked by each category of nursing staff (direct care workers, licensed practical nurses, and registered nurses). PEER then calculated the average hourly salary, including fringe benefits for each category of nurses by employment classification (state service employees, contract workers, and private agency nurses). (For a breakdown of staff composition for state veterans' homes, see pages 36 through 40.) Exhibit 17, page 42, shows the hourly rate for each category and classification.

Results of Salary Comparison

Using the actual number of hours worked by nursing staff in FY 2006, PEER staff calculated the expected costs of staffing the state veterans' homes, assuming all nursing hours were worked by state service employees, including fringe benefits, and by individual contract nurses.

PEER found that the cost of a veterans' home staff composed entirely of state service employees would cost approximately $11 million at the FY 2007 pay rates and a staff composed entirely of contract employees would cost approximately $9.6 million at the FY 2007 average negotiated contract rate.

See Exhibit 18, page 43.

Exhibit 17: Average VAB Hourly Nursing Rates for FY 2007, including Fringe Benefits for State Service Employees

COLLINS	DCW	LPN	RN
State Service (FY 2007 Rate)	10.98	19.81	27.43
Contract (FY 2007 Rate)	9.00	17.00	25.00
Private Agency (FY 2006 Rate)	15.48	27.73	37.75
JACKSON	DCW	LPN	RN
State Service (FY 2007 Rate)	10.98	20.99	29.04
Contract (FY 2007 Rate)	10.00	19.00	28.00
Private Agency (FY 2006 Rate)	16.13	27.98	37.20
KOSCIUSKO	DCW	LPN	RN
State Service (FY 2007 Rate)	10.98	20.99	29.04
Contract (FY 2007 Rate)	9.80	17.30	27.30
Private Agency (FY 2006 Rate)	16.13	27.78	37.20
OXFORD	DCW	LPN	RN
State Service (FY 2007 Rate)	10.98	19.81	27.43
Contract (FY 2007 Rate)	9.00	16.00	24.00
Private Agency (FY 2006 Rate)	15.41	27.73	38.00

DCW=Direct Care Worker

LPN=Licensed Practical Nurse

RN=Registered Nurse

SOURCE: PEER analysis

Exhibit 18: Hypothetical Costs for Using State Service Employees and Contract Employees for State FY 2007

Total Nursing Hours Worked at All VAB Homes		Assuming All Hours Are State-Service Hours		Assuming All Hours Are Contract Hours	
Collins	Actual Hours Worked FY 2006	FY 2007 State Rate	Expected State Service Cost	FY 2007 Contract Rate	Total Contract Cost
DCW	101,167	$ 10.98	$ 1,110,818	$ 9.00	$ 910,506
LPN	39,171	19.81	775,986	17.00	665,914
RN	20,390	27.43	559,311	25.00	509,762
		Expected Cost	2,446,115	Expected Cost	2,086,182
Kosciusko					
DCW	139,841	10.98	1,535,450	9.80	1,370,438
LPN	48,931	20.99	1,027,067	17.30	846,510
RN	16,826	29.04	488,623	27.30	459,346
		Expected Cost	3,051,140	Expected Cost	2,676,294
Oxford					
DCW	112,832	10.98	1,238,900	9.00	1,015,492
LPN	57,756	19.81	1,144,138	16.00	924,089
RN	17,331	27.43	475,393	24.00	415,947
		Expected Cost	2,858,431	Expected Cost	2,355,528
Jackson					
DCW	105,714	10.98	1,160,744	10.00	1,057,144
LPN	42,445	20.99	890,923	19.00	806,457
RN	20,949	29.04	608,372	28.00	586,585
		Expected Cost	2,660,039	Expected Cost	2,450,186
VAB System					
		Average Hourly Rate	Cost	Average Hourly Rate	Cost
DCW	459,555	$ 10.98	5,045,911	9.47	4,353,580
LPN	188,303	20.38	3,838,114	17.22	3,242,971
RN	75,497	28.24	2,131,699	26.12	1,971,640
		Expected Cost	$ 11,015,724	Expected Cost	$ 9,568,191

DCW=Direct Care Worker

LPN=Licensed Practical Nurse

RN=Registered Nurse

SOURCE: PEER analysis

Additional Medical Benefits

Does the State of Mississippi provide any medical benefits to the residents in the state veterans' homes that are not covered by the federal expense payments?

The state does not provide any medical benefits to patients in the homes that exceed requirements for receiving the federal per diem payments except for the Department of Health's requirement for direct care nursing staff to provide no less than 2.8 hours of care per patient per day and the Legislature's authorization of the VAB to spend up to $250,000 to assist indigent veterans and certain surviving spouses of veterans.

Federal Requirements for Homes to Receive VA Per Diem Payments

The medical benefits provided to veterans in the homes that are required in order for the homes to receive the federal per diem payments include those services and treatments designed to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being.

Title 38 C.F.R. Section 51.40 authorizes the federal Department of Veterans Affairs to pay per diem monthly for nursing home care provided to an eligible veteran in a facility recognized as a state home for nursing home care. This per diem is intended to assist states with the direct and indirect costs associated with nursing home care in order to ensure that veterans receive high quality care in state homes. The facility must meet certain VA standards of care to receive the payments and the VA is responsible for ensuring that these standards are met through annual inspections.

The VA requires that upon entrance of a home, annually, and upon a change in the resident's condition, a physician must conduct an assessment of the resident's care needs. Based on this assessment, appropriate measures must be taken to ensure that the resident receives proper care. The medical benefits provided to veterans in the homes that are required in order for the homes to receive the federal per diem payments include those services and treatments designed to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being.

These medical health benefits include the following:

- Nursing services of no less than 2.5 hours per patient per 24 hours, 7 days a week, with at least one registered nurse in the home twenty-four hours per day. However, VAB exceeds this minimum requirement because state requirements specify a minimum of 2.8 hours per patient per twenty-four hours.
- Dietary services, including a qualified dietician to ensure that residents receive a nourishing, well-balanced diet
- Ensuring that the medical care of each resident is supervised by a primary care physician

- Providing or obtaining through an outside resource rehabilitative services such as physical therapy, speech therapy, and occupational therapy
- Providing or obtaining from an outside resource routine and emergency dental services
- Providing routine and emergency drugs to residents
- Providing proper treatment and devices to maintain vision and hearing abilities
- Providing medically related social services by a qualified social worker

The state veterans' homes provide the above-described level of care to residents in order to receive VA per diem payments.

Additional Financial Assistance Provided by the State

The Mississippi Legislature has authorized VAB to spend up to $250,000 per year for assistance to eligible indigent veterans who reside in the veterans' homes. This money is generated in part through the sale of veterans' specialty license plate fees.

In FY 2006, the VAB spent $156,494 of the $250,000 authorized to assist indigent veterans and spouses.

In State FY 2006, thirty-seven indigent veterans in Mississippi received assistance from these funds. Surviving spouses of veterans are also able to receive this assistance to help defray the cost of care, as they are not eligible for the federal per diem. As of July 31, 2006, five spouses of veterans received care in the homes. Spouses are responsible for paying the resident fee per day as well as the VA per diem. Also, they must pay for their own medications.

In FY 2006, the VAB spent $156,494 of the $250,000 authorized to assist indigent veterans and spouses. The VAB expects to spend more for this purpose in FY 2007 because of the increase in resident fees.

Planning for Facility Repairs and Renovations

Is VAB budgeting and managing facility repairs and renovations based on a five-year capital improvement program?

Prior to State FY 2007, VAB management did not submit formal, written capital improvement plans to the Bureau of Building for repair and renovation of the state veterans' homes.

The Bureau of Building requires that each year, state agencies identify needed immediate and future repair and renovation projects and submit this information in a five-year capital improvement plan to the bureau. These plans

should identify repairs and renovations by type of project, description of project, estimated costs of project, and estimated completion time of the project.

VAB has failed to maximize the use of state funds that might have been received specifically for the purpose of capital improvements.

Prior to State FY 2007, VAB paid for repair and renovations out of maintenance funds instead of submitting projects to the Bureau of Building through capital improvement plans. Therefore, VAB has failed to maximize the use of state funds that might have been received specifically for the purpose of capital improvements.

Also, in order take advantage of federal funds that might be available for capital improvements, the Veterans Affairs Board could apply for federal grant money for all projects costing $400,000 or more. According to Title 38 C.F.R. Section 59.70, the Veterans Affairs Board is eligible to apply for federal grants for any single project $400,000 or more per state veterans' home to make repair and renovations.

VAB also did not identify and apply for federal grant assistance in previous fiscal years for projects that could now be considered immediate need.

According to VAB management, in order to receive federal funds the agency normally must file for a federal grant two fiscal years in advance and must secure at least 35% funding from the state before any federal funds can be received. The federal grant will only cover 65% of the total project cost in excess of $400,000. However, VAB did not identify and apply for federal grant assistance in previous fiscal years for projects that could now be considered immediate need. Thus VAB did not take advantage of federal funds that might have otherwise been available.

Costs of Facility Repairs and Renovations

What are the estimated costs of needed repairs and renovations at the four state veterans' homes?

According to the Bureau of Building's inspection report on the state veterans' homes, the projected total costs for all needed repairs and renovations at the state veterans' homes between State FY 2008 and State FY 2012 amount to approximately $6,710,000. Of this amount, three projects, with an estimated total cost of $1,825,000, should be addressed by State FY 2008.

Needed Repair and Renovation Projects Identified in the Bureau of Building's Inspection Report

The primary scope of the legislative question focuses on VAB's project planning and the costs of needed facility repair and renovation projects at the state veterans' homes. However, the preventive maintenance program utilized by VAB for maintaining all smaller daily operational items, not classified as repair and renovation projects, is recognized by the Bureau of Building as a well-designed program that helps maintain the performance of and extend the life of daily operational systems and component items located within the state veterans' homes.

The Bureau of Building conducted an inspection of the four state veterans' homes and produced an inspection report on October 30, 2006. In the inspection report, the bureau identified fifteen priority projects that need to be completed at the state veterans' homes between State FY 2008 and State FY 2012.

The Bureau of Building prioritized the fifteen projects by fiscal year in order and classified them as immediate needs or future needs. Immediate need projects are the top priority level projects the state should address by State FY 2008. These projects are deemed to most directly affect patients' living conditions. Future need projects are lower priority projects that the state should address between State FY 2009 and State FY 2012 in order to ensure the homes are operational and meet all required safety standards. (See Appendix D, on page 83.)

The bureau identified three projects as immediate need projects to be completed by State FY 2008 (See Exhibit 19, on page 48). The estimated total cost for the three immediate need projects at the state veterans' homes was $1,825,000. These will have to be paid for from agency funds since VAB did not submit capital improvement plans or apply for federal grant money to help offset the costs.

Three Immediate Need Projects Identified by the Bureau of Building

The top priority repair/renovation project identified by the Bureau of Building involves correcting the smoking room ventilation problems at all four veterans' homes. According to MISS. CODE ANN. Section 29-5-161 (1972), no person shall smoke in any government building. However, the designated smoking rooms at each veterans' home are located inside the building, thus violating state law.

The top priority repair/renovation project at the veterans' homes identified by the Bureau of Building involves correcting the smoking room ventilation problems at all four homes.

In addition to violating state law, the current smoking rooms are not adequately ventilated and are a source of irritation for non-smoking residents and staff. The indoor air quality of the building is being adversely affected by inadequate ventilation of the smoking areas. The air conditioning units will have to be modified to operate as separate units for the smoking room and the remainder of the home if the residents are allowed to continue to smoke in these rooms. The total projected cost of this project is $1,200,000.

The roofs are leaking at the Oxford, Collins, and Kosciusko homes.

The second immediate need repair/renovation project identified by the Bureau of Building involves correcting roofing detail and flashing deficiencies at the Oxford, Collins, and Kosciusko homes. The metal portion of the roofing systems has poor flashing design details combined with poor installation. As a result, the existing roofing system is leaking and will continue to do so until the

deficiencies are corrected. The total projected cost of this project is $375,000.

The existing drainage pattern is not adequate at the Jackson home and foundation damage has occurred.

The final immediate need project identified by Bureau of Building involves correcting the site drainage issues at the Jackson home. The existing drainage pattern is not adequate and in some cases holds water against the building. There is evidence that foundation damage has occurred and will continue to occur if this project is not addressed. The total projected cost of this project is $250,000.

Exhibit 19: Immediate Need Projects (FY 2008) for Repair and Renovation at the State Veterans' Homes

Bureau of Building's Priority Level	Project Description	Estimated Total Costs
Priority 1	Correct smoking room ventilation at all locations	$1,200,000
Priority 2	Correct roofing detail and flashing deficiencies at Oxford, Collins, and Kosciusko homes	375,000
Priority 3	Correct site drainage issues at the Jackson home	250,000
Total Immediate Needs for FY 2008		$1,825,000

NOTE: Priority Project 1 includes separating the air conditioning units and putting a divider between the smoking room and the state veterans' home to keep air flow separate. Under current conditions, the smoking rooms violate MISS. CODE ANN. §29-5-161, which prohibits smoking in any government building.

SOURCE: Department of Finance and Administration's Bureau of Building.

Quality of Patient Care at the State Veterans' Homes

Since FY 2003, has VAB improved quality of patient care?

To answer this question, PEER sought the answers to related, more specific questions:

Quality of Care--

- Have the results from U. S. Department of Veterans Affairs inspection reports improved, declined, or remained the same for the four state veterans' homes since FY 2003?

Quality Assurance--

- What methods of quality assurance are being utilized in the four state veterans' homes to ensure quality of patient care?
- Have the quality assurance measures for the state veterans' homes improved, declined, or remained the same since FY 2003?

VA Inspection Reports Regarding Quality of Care

Have the results from U. S. Department of Veterans Affairs inspection reports improved, declined, or remained the same for the four state veterans' homes since FY 2003?

During calendar years 2004 and 2005, eight inspection reports from the U. S. Department of Veterans Affairs related to quality of care showed improvements at the Collins and Oxford homes and a decline in quality of care at the Kosciusko and Jackson homes.

Regulation and Inspection of the Veterans' Home Facilities

Mississippi Department of Health

MISS. CODE ANN. Section 43-11-1 et seq. (1972) requires institutions for the aged and infirm seeking to operate in the state to maintain a current license with the state Department of Health. In order to obtain a license, the home must undergo an initial inspection conducted by Department of Health inspectors and must comply with all standards.

The department's regulations do not mandate a timeline for subsequent inspections of licensed homes that are not Medicaid-certified, such as the state veterans' homes. In general, subsequent inspections of licensed homes that are

not Medicaid-certified are complaint-driven (including "complaints" from the homes resulting from the self-reporting of incidents as required under Mississippi Department of Health regulations and the Mississippi Vulnerable Adults Act [MISS. CODE ANN. Section 43-47-37]).

The Department of Health has conducted two inspections of the state veterans' homes since PEER's 2003 report—the Jackson home in 2004 and the Collins home in 2005.

The department's regulations allow it to impose the following measures on any facility that it deems to be providing substandard care (i.e., has one or more deficiencies requiring immediate corrective action because the well-being of residents is in jeopardy): a moratorium on new admissions; replacement of current home management with a temporary manager designated by the department; and/or more intensive monitoring of the home for a specified period.

Because the Department of Health's inspections of the state veterans' homes are primarily complaint-driven, the department normally does not conduct as many inspections of the state veterans' homes as does the VA (see following section). The department has conducted two inspections of the state veterans' homes since PEER's 2003 report—the Jackson home in 2004 and the Collins home in 2005.

U. S. Department of Veterans Affairs

Title 38 C.F.R. Section 51.10, Subpart B, requires the state veterans' homes to comply with U. S. Department of Veterans Affairs nursing home certification standards in order to receive funding from the VA. To apply for certification as a state home eligible to receive VA per diem payments, VA regulations require the staff of the VA medical center of jurisdiction[3] to inspect the facility initially to determine compliance with standards for original licensure and thereafter, once every twelve months. Federal law also authorizes the VA to inspect facilities without advance notice, when necessary.

During calendar years 2004 and 2005, the U.S. Department of Veterans Affairs conducted eight inspections at the state veterans' homes.

In order to receive full certification as a "state veterans' home," the home must comply with the detailed standards governing operation of nursing homes. During inspections, the VA cites deficiencies based on these standards and requires the home inspected to complete a plan of correction that addresses each deficiency. Generally, when VA reviewers conduct nursing home inspections, they utilize a combination of record reviews, observations, and interviews.

In cases in which VA reviewers have documented that the home does not meet one or more of its standards and the

[3] The VA Medical Center in Jackson has jurisdictional authority over the state veterans' homes in Collins, Jackson, and Kosciusko. The VA Medical Center in Memphis has jurisdictional authority over the Oxford home.

deficiencies do not jeopardize the health or safety of residents, the VA issues a provisional certification if nursing home management and the VA's medical care center director agree to a plan of correction to remedy the deficiencies. In extreme cases, the VA may withhold funding to a home.

During calendar years 2004 and 2005, the VA conducted eight inspections at the state veterans' homes. Because PEER wanted to determine a pattern of improvement or decline in the homes' quality of care since the Committee's 2003 review, PEER used the eight inspection reports of the VA from 2004-05 as a basis for determining progress rather than the two inspection reports of the Department of Health from that period.

Categorization of VA Standards

The U. S. Department of Veterans Affairs has developed 158 certification standards (excluding life/safety standards) that apply to the operation of the state veterans' homes. As shown in Appendix E on page 84, for purposes of analysis of deficiencies, PEER categorized these standards into the following twelve major categories of requirements for:

- physician services;
- quality assurance;
- training;
- administration of medications;
- documentation, investigation, and reporting of injuries and deaths;
- administration, safety, sanitation, and food service;
- staffing levels and the policies and evaluations that apply to staffing;
- pharmacy;
- patient care;
- care and administration of feeding apparatus (e.g., "feeding tubes");
- care and administration of catheters; and,
- patients' rights.

In January 2000, the U. S. Department of Veterans Affairs revamped its nursing home certification standards to mirror the U. S. Department of Health and Human Services Centers for Medicare and Medicaid Services certification standards.

Results of VA Inspections of the State Veterans' Homes in Calendar Years 2004 and 2005

During calendar years 2004 and 2005, eight inspections by the U. S. Department of Veterans Affairs related to quality of care showed improvements at the Collins and Oxford homes and a decline in quality of care at the Kosciusko and Jackson homes.

Following annual inspections at the veterans' homes in 2004 and 2005, as is customary under the VA's procedures when deficiencies are found, the VA notified the homes that had deficiencies, cited all of the deficiencies, and required the homes to submit plans of action to correct documented deficiencies. Each veterans' home cited for deficiencies was placed under provisional certification until all deficiencies were corrected. Once the VA verified that the deficiencies at that home were corrected, the home was returned to full certification status.

Exhibit 20, below, provides a summary of VA inspection letters reporting deficiencies to the state's veterans' homes for calendar years 2004 and 2005, the dates the homes were placed under provisional certification, and the dates the VA returned the homes to full certification status.

Exhibit 20: Summary of VA Inspection Letters by U. S. Department of Veterans Affairs by State Veterans' Home, for Calendar Years 2004 and 2005

Inspection Year	State Veterans' Home	Date Placed on Provisional Certification	Date Returned to Full Certification
CY 2004	Collins	August 11, 2004	October 15, 2004
CY 2005	Collins	August 10, 2005	May 8, 2006
CY 2004	Kosciusko	March 2, 2004	March 26, 2004
CY 2005	Kosciusko	February 24, 2005	June 21, 2005
CY 2004	Jackson	September 29, 2004	June 20, 2005
CY 2005	Jackson	December 15, 2005	May 8, 2006
CY 2004	Oxford	November 19, 2004	February 1, 2005
CY 2005	Oxford	November 23, 2005	January 3, 2006

SOURCE: PEER analysis of VA's inspection letters and other documentation provided to VAB nursing homes by the U.S. Department of Veterans Affairs.

Summary of Results of VA Inspections, by Home, for Calendar Years 2004 and 2005

The majority of the deficiencies identified during VA inspections of the state veterans' homes during calendar years 2004 and 2005 relate to deficiencies in patient care; quality assurance; and administration, safety, sanitation, and food service.

For purposes of analysis, PEER categorized each deficiency contained in VA inspections as belonging to one of the twelve major categories listed on page 51. The following discussion focuses on the VA inspection deficiencies cited at each state veterans' home for calendar years 2004 and 2005 and whether improvements have been made since VA's 2000 to 2003 inspections.

Collins Home Inspections

Since PEER's 2003 review of the state veterans' homes, the VA's annual inspections show that the Collins home has continued to show improvements in quality of care by clearing deficiencies cited in 2000 for physician services, training, reporting, documenting, investigating injuries and deaths, pharmacy and patients' rights. The Collins home has also reduced the number of deficiencies related to administration, safety, sanitation and food service from thirteen in 2000 to one in 2005.

During its 2003 review of veterans' homes, PEER found that during VA's 2000 inspection of Collins home there were five deficiencies related to physician services and patient care; thirteen deficiencies related to administration, safety, sanitation and food service; four deficiencies related to pharmacy; five deficiencies related to staffing levels and the policies and evaluations that apply to staffing; six deficiencies related to patient's rights: and, two deficiencies related to training and documentation, investigation, and reporting of injuries and deaths.

From 2001 to 2005 Collins homes showed improvements in quality of care by clearing deficiencies cited by VA inspectors in 2000 in areas related to physician services, training, reporting, documenting, investigating injuries and deaths, pharmacy and patients' rights. Deficiencies in patient care declined from five in 2000 to one in 2005. The Collins home decreased the number of deficiencies related to administration, safety, sanitation and food service from thirteen in 2000 to one in 2004 and one in 2005.

Despite improvements in the number of deficiencies cited by the VA in 2005, VA inspectors found that the Collins home showed problems related to quality assurance when the home did not meet performance measures established by the home's quality assurance committee and establish a

period when identified quality deficiencies would be corrected. In the one deficiency related to patient care, inspectors found that a patient had eloped from the facility and was located on the service road in front of the facility.

Oxford Home Inspections

Since PEER's 2003 review of the state veterans' homes, VA annual inspections show that of the four state veterans' homes, the Oxford home has continued to show the greatest improvements in quality care by having the fewest or no deficiencies cited in the twelve major categories of standards from 2000 to 2005.

During its 2003 review of veteran's homes, PEER found that during the VA's 2000 inspection of Oxford home there was one deficiency related to pharmacy, one related to patient's rights, and two deficiencies related to patient care. Since the VA's 2000 inspection, the Oxford home cleared the deficiencies cited in pharmacy and patient's rights and has not had deficiencies cited in these areas from 2001 to 2005. The Oxford home was cited for one deficiency related to patient care in 2002 and has not been cited for deficiencies in this area in the three years since.

In 2004, VA inspectors found one deficiency related to administrative, safety, sanitation and food service that was associated with the prevention of the spread of infection at the Oxford home; however, this deficiency was not cited in the next year's inspection. In 2005, VA inspectors found one deficiency related to physician services. During a review of clinical records, inspectors found that evaluations and treatment occurred prior to a written physician order or no written order.

It should also be noted that from 2000 to 2005 VA inspectors found no deficiencies related to quality assurance, training, medication administration, proper care and procedure of feeding apparatus, proper care and procedures of catheters and the documentation, investigation, and reporting of injuries and deaths.

Kosciusko Home Inspections

Since PEER's 2003 review of the state veterans' homes, VA annual inspections show that the Kosciusko home has reduced the number of deficiencies cited; however, quality of care concerns still exist related to physician services, quality assurance, patient care, patient's rights, administration, safety, sanitation and food service deficiencies.

During its 2003 review of veterans' homes, PEER found that the greatest number of deficiencies at the Kosciusko home were related to physician services, quality assurance, the documentation, investigation, and reporting of patient

injuries and deaths, patient care, pharmacy, patient's rights and administrative, safety, sanitation and food service. While the Kosciusko home has taken steps to reduce the number of deficiencies cited above, VA inspectors have continued to cite the home for deficiencies in physician services, quality assurance, patient care, patient's rights and administrative, safety, sanitation and food service.

In 2004, VA inspectors found one deficiency related to the home's failure to consistently complete ninety-day discharge reviews. In 2005, VA inspectors found deficiencies related to quality assurance, patient's rights, physician services and patient care at the home. Two deficiencies cited were related to quality assurance where the home had five quality/performance deficiencies and failed to establish a period when the identified deficiencies would be corrected. VA inspectors found that the physician did not have the correct diagnosis for the medications prescribed. Also, inspectors found the facility failed to provide patients with sufficient fluids to maintain proper hydration and health.

Jackson Home Inspections

Since PEER's 2003 review of the state veterans' homes, VA annual inspections show that the Jackson home has continued to experience problems with quality of care with deficiencies in areas related to physician services, quality assurance, medication administration, pharmacy, patient care, patient's rights, administration, safety, sanitation and food service deficiencies.

During its 2003 review of veterans' homes, PEER found that during VA inspections from 2000 to 2003, the Jackson home had deficiencies in eleven out of twelve major categories of standards. With exception to no deficiencies cited related to proper care and procedure of catheters, the Jackson home was cited for twenty-five deficiencies in physician services; nine deficiencies related to administrative, safety, sanitation and food service; seven deficiencies related to pharmacy; six deficiencies related to staffing; six deficiencies related to quality assurance; five deficiencies related to patient care; five deficiencies related to the documentation, investigation, and reporting of injuries and deaths; three deficiencies related to training; one deficiency related to medication administration; and one deficiency related to patients' rights.

VA inspectors visited the Jackson home from September 27-29, 2004, and found the quality of care at the Jackson home had declined. Inspectors found five deficiencies related to quality assurance, pharmacy services, and administration, safety, sanitation and food service. For example, inspectors found that the home's medical

director did not routinely see patients and one medical record was found where he had given a verbal order. The home also failed to establish a routine monitor for dehydration and three patients were diagnosed for dehydration with poor outcome and no follow-up. The pharmacy had expired narcotics mixed in with in-date medication, rather than pulled to the top of the shelf for disposal.

In 2005, VA inspectors found twelve deficiencies at the Jackson home related to quality assurance, patient care, training, physician services, administration of medication, safety, policies and evaluations that apply to staffing.

Overall Summary of VA Inspection Results for Calendar Years 2004 and 2005

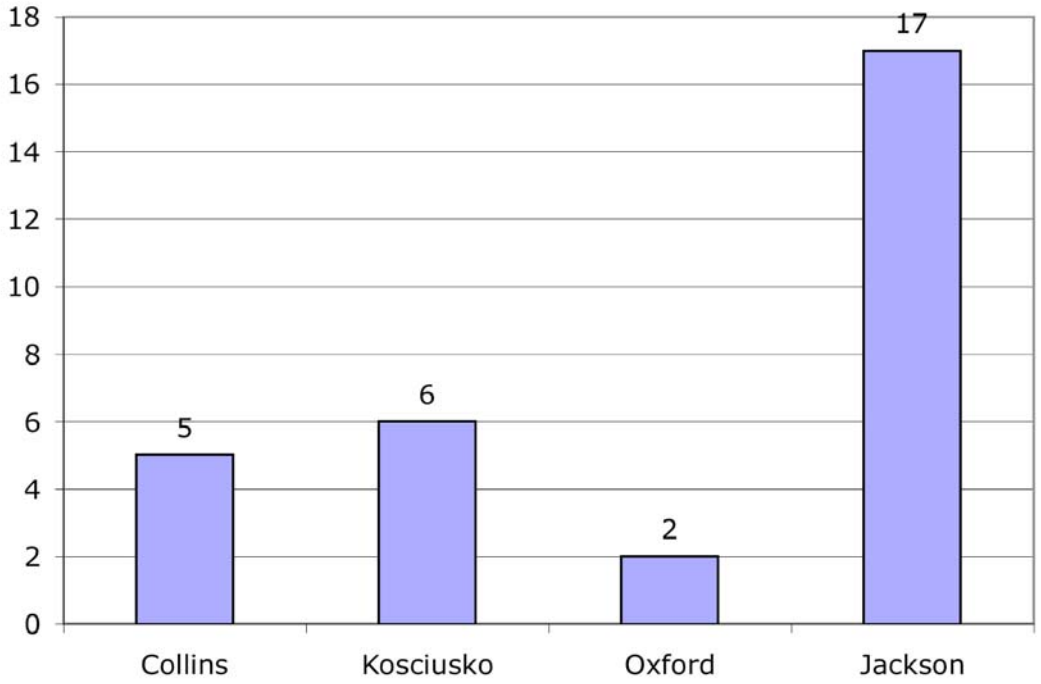
For calendar years 2004 and 2005, the state veterans' home in Jackson had more deficiencies on its VA inspection report than the other three homes combined.

Exhibit 21 on page 57 shows the number of deficiencies in twelve major categories of areas cited by the U. S. Department of Veterans Affairs during calendar years 2004 and 2005. As the exhibit shows, the VA inspectors cited the greatest number of deficiencies at the Jackson home, followed by the Kosciusko home.

In calendar years 2004 and 2005, the majority of findings cited by VA inspectors related to physician services, patient care, quality assurance, staffing and administration, safety, sanitation and food service.

During calendar years 2000 through 2003, the majority of findings cited by VA inspectors related to patient care and physician services. In calendar years 2002 and 2003, VA inspectors found problems with physician services, patient care, pharmacy, quality assurance, staffing, the reporting, documenting and investigation of injuries and deaths, patient's rights, and administration, safety, sanitation and food service. In calendar years 2004 and 2005, the majority of findings cited by VA inspectors related to physician services, patient care, quality assurance, staffing and administration, safety, sanitation and food service.

Exhibit 21: Number of Deficiencies Documented by U. S. Department of Veterans Affairs by State Veterans' Home, for Calendar Years 2004 and 2005



NOTE: VA inspects each home annually.

SOURCE: PEER analysis of VA's inspection reports.

VAB's Quality Assurance Methods for the State Veterans' Homes

What methods of quality assurance are being utilized in the four state veterans' homes to ensure quality of patient care?

Quality assurance methods at the state veterans' homes include external monitoring by the U. S. Department of Veterans Affairs and the VAB's internal monitoring through critical indicators of quality of care, the Pro-Tracking performance measurement system, quality assurance committees, and a Nursing Services Director.

A 1986 article in The National Academy of Sciences entitled "Improving Quality of Care in Nursing Homes" defined quality assurance as a process for promoting excellence in the performance of services. Some quality assurance activities for service delivery include, but are not limited to:

- specification of criteria and standards of performance quality;

- collection of accurate information about the quality of current performance;
- comparison with information on desired or acceptable standards of performance;
- analysis of the reasons for the differences between actual performance and desired standards of performance and determination of what needs to be done to eliminate these differences;
- adoption of the changes necessary to eliminate the differences between current performance and desired standards of performance; and,
- repeated collection of information to monitor the extent to which resolution of differences is taking place.

Quality assurance methods at the state veterans' homes include external monitoring by the U. S. Department of Veterans Affairs through quality assurance committees and the VAB's internal monitoring through use of critical indicators of quality of care, the Pro-Tracking performance measurement system, and a Nursing Services Director.

External Monitoring by the VA through Quality Assurance Committees

Not only is VAB accountable for meeting the need of the patients it serves, the agency is also accountable to the U. S. Department of Veterans Affairs, one of its funding sources.

Federal regulations require that the veterans' homes' quality assurance committees meet at least quarterly, develop action plans to correct identified quality deficiencies, and correct deficiencies within an established period.

38CFR51.210 enumerates the Department of Veterans Affairs' requirements for quality assessment and assurance in state veterans' homes. The U. S. Code of Federal Regulations requires facility management to maintain a quality assessment and assurance committee consisting of the director of nursing services, a primary physician designated by the facility, and at least three other members of the facility's staff.

The code further directs the quality assessment and assurance committee at each home to:

- meet at least quarterly to identify issues with respect to which quality assessment and assurance activities are necessary;
- develop and implement appropriate plans of action to correct identified quality deficiencies; and,

- correct identified quality deficiencies within an established period.

In order to meet federal requirements of maintaining a quality assurance committee, VAB policy requires each state veterans' home to have a quality assurance committee composed of the following staff:

- Medical Director;
- Director of Nursing;
- Nursing Home Administrator;
- Assistant Director of Nursing;
- Director of Food Services;
- Pharmacist;
- Director of Social Services;
- Activity Director;
- Executive Housekeeper;
- Medical Records Director;
- Care Plan Nurse/Minimum Data Set Nurse;
- Safety Officer;
- Committee on Quality Improvement Secretary;
- Restorative Care Nurse; and,
- others as may be appointed by the administrator.

VAB's policies and procedures manual requires that the individual homes' quality assurance committees meet monthly to assure that quality assurance is functional and meeting the needs of the facility. The committee's secretary is required to maintain written reports of all meetings held and the minutes of the meetings are to contain the following:

- the date and time of meeting;
- the members who are present and absent;
- a listing of identified problem areas;
- an action plan; and,
- other appropriate information.

See page 67 for additional information on quality assurance committees.

VAB's Internal Monitoring

Use of Critical Indicators of Quality of Care

In the first quarter of 2005, VAB began using the quality measures that are also used by the U. S. Department of Health and Human Services Centers for Medicare and

Medicaid Services (CMS). The Minimum Data Set (MDS) is part of the federally mandated process for clinical assessment of all residents in Medicare or Medicaid certified nursing homes. This process provides a comprehensive assessment of each resident's functional capabilities and helps nursing home staff identify health problems.

The veterans' homes use Minimum Data Set quality indicators to assess the residents' physical and clinical conditions and abilities.

VAB staff completes MDS assessment forms for all residents in certified nursing homes, regardless of source of payment for the individual resident. The nursing home quality measures come from resident assessment data that nursing homes routinely collect on the residents at specified intervals during their stay. The measures assess the residents' physical and clinical conditions and abilities. The assessment data have been converted to develop quality measures that show how well nursing homes are caring for their residents' physical and clinical needs.

Exhibit 22, page 61, lists the thirty indicators of quality care used by VAB.

See page 66 for additional information on quality indicators.

Use of the Pro-Tracking Performance Measurement System

During the first quarter of 2005, VAB began monitoring its performance measures using Pro-Tracking Services, a clinical outcome management information system of Accu-Med, Inc., that collects Minimum Data Set (MDS) assessment data on residents in nursing home facilities and generates reports to assess a facility's clinical, financial, and regulatory performance.

Pro-Tracking collects Minimum Data Set assessment data on residents and generates reports to assess the facility's clinical, financial, and regulatory performance.

VAB uses Pro-Tracking's basic services, which include Quality Indicator reports, facility characteristic and census reports, and MDS error checking reports. To receive basic services, VAB is required to register and submit Minimum Data Sets to Pro-Tracking's database.

MDS assessment data are used to generate Quality Measure/Indicator (QM/QI) Reports from Pro-Tracking that present data on thirty measures or indicators of quality care. These data are also presented at a state and national level. QM/QI reports summarize by state the average percentage of nursing home residents who activate or trigger one of the thirty quality measures/indicators. QM/QI reports can identify residents who have or are at risk for specific functional problems needing further evaluation.

See page 68 for additional information on VAB's use of Pro-Tracking.

Exhibit 22: Indicators that VAB Uses to Monitor Quality of Care at the State Veterans' Homes

Quality Assurance Indicators
Accidents
1.1 Incidence of new fractures
1.2 Prevalence of falls
Behavior/Emotional Patterns
2.1 Residents who have become more depressed or anxious
2.2 Prevalence of behavior symptoms affecting others
2.3 Prevalence of behavior symptoms of depression without antidepressant therapy
Clinical Management
3.1 Use of 9 or more different medications
Cognitive Patterns
4.1 Incidence of cognitive impairment
Elimination/Incontinence
5.1 Low risk residents who lost control of their bowel or bladder
5.2 Residents who have/had a catheter inserted and left in their bladder
5.3 Prevalence of occasional or frequent bladder or bowel incontinence without a toileting plan
5.4 Prevalence of fecal impaction
Infection Control
6.1 Residents with urinary tract infection
Nutrition/Eating
7.1 Residents who lose too much weight
7.2 Prevalence of tube feeding
7.3 Prevalence of dehydration
Pain Management
8.1 Residents who have moderate to severe pain
Physical Functioning
9.1 Residents whose need for help with daily activities has increased
9.2 Residents who spend most of their time in a bed or in a chair
9.3 Residents whose ability to move in and around their room got worse
9.4 Incidence of decline in range of motion
Psychotropic Drug Use
10.1 Prevalence of antipsychotic use, in the absence of psychotic or related conditions
10.2 Prevalence of anti-anxiety/hypnotic use
10.3 Prevalence of hypnotic use more than two times in the last week
Quality of Life
11.1 Residents who were physically restrained
11.2 Prevalence of little or no activity
Skin Care
12.1 High-risk residents with pressure sores
12.2 Low-risk residents with pressure ulcers
Post-Acute Care Measures
13.1 Short-stay residents with delirium
13.2 Short-stay residents who had moderate to severe pain
13.2 Short-stay residents with pressure ulcers

SOURCE: VAB and Pro-Tracking Services.

VAB's Nursing Services Director

To assist in monitoring quality assurance at the state veterans' homes, VAB hired a Nursing Services Director in November 2003.

In November 2003, VAB hired a Nursing Services Director to assist in monitoring quality assurance at the state's veterans' homes. Visits are conducted once a month at each nursing home and usually last for a week. The Nursing Services Director told PEER she makes unannounced visits to each veterans' home and performs quality assurance by conducting walking rounds observations of the facility, reviewing personnel files, reviewing the nursing stations, checking medication carts, monitoring infection control, reviewing resident charts, observing meal delivery by staff, checking resident and shower rooms, and conducting resident assessments.

The Nursing Services Director also discusses concerns and complaints with residents and family members during visits to the veterans' homes.

Progress in Implementing Quality Assurance and Areas Needing Improvement

Have the quality assurance measures for the state veterans' homes improved, declined, or remained the same since FY 2003?

While VAB's ability to monitor quality of care has improved with its acquisition of Pro-Tracking services and hiring of a Nursing Services Director, the agency has not developed a comprehensive structure for monitoring quality of care that includes a board with expertise and work experience related to the management of nursing homes, a well-defined comprehensive quality assurance plan, a system for compiling and analyzing consumer complaints, and quality assurance committees that adhere to federal regulations for attendance and recordkeeping.

As noted in the previous section, VAB's ability to monitor quality of care has improved because of the agency's acquisition of Pro-Tracking services and hiring of a Nursing Services Director. These actions could provide valuable tools for the agency's assurance of quality of care for its veterans' home residents.

However, PEER found that the VAB has not maximized the usefulness of these tools, as described on pages 66 and 68 of this report. Also, PEER found that the agency has not developed a comprehensive structure for monitoring quality of care that includes a board with expertise and work experience related to the management of nursing homes, a well-defined comprehensive quality assurance plan including policies and procedures that detail activities that define the responsibilities of VAB staff, a system for

compiling and analyzing consumer complaints, and quality assurance committees that adhere to federal regulations for attendance and recordkeeping.

Qualifications and Training of Veterans Affairs Board Members

State law creating the Veterans Affairs Board does not include qualifications requiring members to have financial and budgeting expertise, education and work experience related to the management of nursing homes.

During its 2003 review of VAB, PEER determined that MISS. CODE ANN. § 35-1-1 (1972), which sets forth the qualifications of board members, does not require members to have financial and budgeting expertise or education associated with the operation and management of nursing homes.

PEER recommended that MISS. CODE ANN. § 35-1-1 (1972) be amended to add three new members to the VAB Board of Directors and require that three members as a group have experience in financial management, nursing home administration, and nursing in order to ensure that the state veterans' homes are managed from a quality and efficiency standpoint. In his written response to PEER's 2003 report recommendation regarding the composition and qualification of VAB Board members, the former Executive Director of VAB wrote "[T]he knowledge and expertise provided by additional Board members should prove beneficial to the agency." To date, the Legislature has not chosen to amend MISS. CODE ANN. § 35-1-1 (1972) to address the need for the board to have financial expertise or education and work experience associated with the operation and management of nursing homes.

Because Mississippi does not require VAB's board members to have education or experience related to the operation and management of nursing homes, the state cannot assure that the board's membership possesses the knowledge and expertise necessary to manage the homes from a quality and efficiency standpoint.

PEER contacted other states to determine whether state veterans' board or commission members are statutorily required to have education or expertise associated with the operation and management of nursing homes. Tennessee law requires that any agency that has a board must have one board member serve on the agency's audit committee. The board member must have knowledge in the areas of accounting, auditing, or finance.

Because Mississippi does not require VAB's members to have education or experience related to the operation and management of nursing homes, the state cannot assure that the board's membership possesses the knowledge and expertise necessary to manage the homes from a quality and efficiency standpoint.

VAB has not developed a formal training program for its board members.

PEER reviewed VAB's policy and procedure manual and the board's *Rules and Regulations* and determined that there are policies or regulations that require training for board members. The policy section states that "[M]embers of the board shall keep themselves well informed on veterans' affairs. The Executive Director shall provide, at the expense of the board, such publications and informational material as he deems advisable." However, the VAB has not taken steps to develop a formal training program for board members.

PEER contacted other states and found that some state veterans' boards provide some training for board members. For example, Alabama provides training to board members on budgets and the legislative process. Texas provides training for board members in the areas of ethics, program operation, and laws.

Training is a key component of educating board members and helping them to understand their roles and responsibilities. Board members and the executive director should have a clear understanding about who does what, whose responsibilities are whose, and what the procedures are that must be followed to carry out the organization's mission and purpose.

The responsibilities of board members also involve being well-informed and asking difficult questions, participating in planning and policy making, ensuring a sound financial footing, and monitoring and evaluating the management and governance of the organization.

Lack of Comprehensive Quality Assurance Policies and Procedures

While VAB monitors performance internally, PEER did not find evidence of monitoring through a set of comprehensive quality assurance procedures that would allow VAB's administrators and quality assurance committees to use methods consistently to identify problem areas and promote the best monitoring practices.

Federal regulations and VAB policies and procedures require the quality assessment and assurance committee to meet at least quarterly and develop and implement appropriate plans of action to correct identified quality deficiencies. However, PEER reviewed VAB's policies and procedures manual and found that the agency has not developed comprehensive quality assurance policies and procedures outlining the responsibilities of quality assurance committees involved in monitoring quality of care in the state veterans' homes.

While reviewing the four state veterans' homes' quality assurance committee minutes for calendar years 2004 through September 2006, PEER found evidence of

variations in how quality assurance committees were monitoring quality of care. For example, the Oxford home's quality assurance committee minutes included detailed discussions of problems in each department (e.g., dietary, medical records, housekeeping) and quality assurance plans of action from each department identifying how problems would be corrected.

While reviewing the four state veterans' homes' quality assurance committee minutes for calendar years 2004 through September 2006, PEER found evidence of variations in how quality assurance committees were monitoring quality of care.

The Oxford home's quality assurance committee minutes also reflected discussions and plans of action related to addressing deficiencies cited by VA inspection reports and Pro-Tracking Quality Indicator reports. The Oxford home's quality assurance minutes also included copies of Pro-Tracking Quality Indicator reports to document deficiencies for the period when the quality assurance committee met.

PEER also determined that Collins home had well-written quality assurance committee minutes supported by departmental reports and action plans that outlined the home's actions to correct deficiencies.

The quality assurance committee minutes for the Kosciusko and Jackson homes showed a variation from the quality assurance methods used by the Oxford and Collins homes. Quality assurance committee minutes for these two homes were not written in sufficient detail or supported with departmental reports, Pro-Tracking Quality Indicator reports, or action plans for an external reviewer to determine what deficiencies were identified and what activities were implemented to address deficiencies. For example, Kosciusko's quality assurance committee minutes referred to department reports and quality indicator reports that were not included as support documentation. Also, PEER could not readily determine from reading quality assurance minutes from the Kosciusko and Jackson homes if and when deficiencies at the veterans' homes were cleared.

Because of the complexity of VAB's organizational structure as it relates to monitoring quality of care, the agency should develop a comprehensive quality assurance plan that includes policies and procedures identifying the responsibilities of VAB's Nursing Services Director, nursing home administrators, and quality assurance committees and their roles in quality assurance at the state's veterans' homes. VAB's policies and procedures should specifically require the reports and documentation (e. g, quality indicator reports, nursing home department reports, action plans) that should be included as part of quality assurance minutes.

The absence of a comprehensive quality assurance plan and policies and procedures for monitoring quality of care could result in the lack of sufficient quality assurance or duplication of effort in quality assurance. Also, nursing home administrators and quality committees may find it

difficult to identify good monitoring practices that could be used at the veterans' homes.

VAB's policies and procedures do not address how VAB's Nursing Services Director, nursing home administrators, and quality assurance committees should use Pro-Tracking quality measures and quality indicators reports to monitor quality of care.

Since VAB acquired Pro-Tracking services, the agency has not revised its policy and procedures manual to address how VAB staff and quality assurance committees at the state veterans' homes will use quality measures and quality indicators reports to monitor quality of care.

PEER also determined that Pro-Tracking reports are not being reviewed at the state office level to track performance problems at the veterans' homes.

PEER reviewed quality assurance minutes from the Oxford and Collins homes that show that they consistently use quality measure and quality indicator reports as part of the quality assurance committee's quality assurance process. However, when PEER interviewed VAB nursing home administrators, there was some uncertainty as to how to use the reports generated from Pro-Tracking. PEER also determined that VAB's Nursing Services Director does not review Pro-Tracking reports during visits to the nursing homes to assist in determining problem areas.

PEER also interviewed VAB's nursing home coordinator and determined that Pro-Tracking reports are not being reviewed at the state office level to track performance problems at the state veterans' homes. For example, PEER reviewed QM/QI reports and determined that the Collins, Kosciusko, and Jackson homes had not entered resident data associated with "prevalence of dehydration" from October 2005 through October 2006. This data entry problem would have been determined at VAB's state office if the nursing home coordinator or Nursing Services Director had monitored Pro-Tracking reports.

Consumer Complaints

VAB has not developed a policy requiring agency-wide consolidation of consumer complaint information.

VAB does not have consolidated information regarding complaints reported at all of the state veterans' homes. VAB does not have policies and procedures instructing nursing home administrators to compile information on complaints reported by residents, family members, and resident and/or family councils to VAB's central office.

Because information about these complaints is not compiled and analyzed at VAB's central office level, VAB lacks valuable management information that could be used to identify problem areas or possible deficiencies where additional staff training might be needed.

Because information about complaints is not compiled and analyzed at VAB's central office level, VAB lacks valuable management information that could be used to identify problem areas or possible deficiencies where additional staff training might be needed.

Also, VAB policies and procedures do not address how complaints should be incorporated into the activities of quality assurance committees. For example, the Oxford home maintains minutes of resident council and family council meetings with quality assurance committee minutes. The quality assurance committee minutes also include a report of resident complaints made to the veterans' home's social worker. PEER reviewed quality assurance committee meeting minutes for Kosciusko, Collins, and Jackson homes and determined that all of the quality assurance committees were not formally doing this. The inclusion and documentation of complaints during the quality assurance process would be useful to VAB administrators and external reviewers in assessing quality of care.

Quality Assurance Committee Meetings

The primary physicians at Collins and Jackson homes and the directors of nursing at Collins and Kosciusko homes do not consistently attend quarterly quality assurance committee meetings as required by federal regulations.

PEER reviewed quarterly assurance committee meeting minutes for calendar years 2004 and 2005 and found that the primary physician and/or director of nursing have not consistently attended quarterly quality assurance committee meetings at the Collins, Kosciusko, and Jackson veterans' homes. The director of nursing at the Collins home did not attend two meetings in October and November 2004 and was also absent at the January and April 2005 meetings. The primary physician at Collins home did not attend the November 2004 and October 2005 quarterly meetings.

The absence of primary physicians and directors of nursing from quality assurance committee meetings could possibly lead to lapses in the exchange of medical information and discussions concerning resident care.

The director of nursing at Kosciusko home did not attend the April and October 2005 quarterly meetings. PEER found that the primary physician at Jackson home did not attend January and April 2004 meetings. PEER could not determine whether the physician and director of nursing at Jackson home attended quarterly quality assurance committee meetings for Calendar Year 2005 because quality assurance committee meeting minutes could not be located.

PEER reviewed quality assurance committee meeting minutes at the Oxford home and determined that the primary physician and director of nursing had attended all quarterly meetings for calendar years 2004 and 2005.

The absence of primary physicians and directors of nursing from quality assurance committee meetings not only violates federal regulations, but also could possibly lead to lapses in the exchange of medical information and discussions concerning resident care. Because the quality assurance committee meetings give the primary physician

and director of nursing a comprehensive view of how other activities at the home (e.g., safety, food services, and pharmacy) may impact resident conditions, the sharing of information by other quality assurance committee members could impact their decisions related to plans of care for individual residents. Also, deficiencies and plans of action related to quality of care may not be fully addressed during the quality assurance committee meetings due to these absences.

The Jackson home has not maintained quality assurance committee meeting minutes for Calendar Year 2005 as required by VAB policy and procedures.

VAB's policies and procedures require the state veterans' homes to keep minutes of quality assurance committee meetings. As noted on page 59, the minutes should include the members who are present, the date and time of the meeting, a listing of problem areas identified, and an action plan. According to VAB policy, the minutes of meetings should be filed in the veterans' home's business office.

PEER found that Jackson home could not locate quality assurance committee meeting minutes for Calendar Year 2005. The fact that meeting minutes are missing prevents external reviewers from assessing whether the Jackson home is meeting federal requirements and VAB policies and procedures in the area of quality assurance.

Use of Pro-Tracking Services

VAB has not acquired clinical outcome management information system services that would allow VAB management and nursing home administrators to compare the performance of each state veterans' home, to monitor effectively the accuracy of resident assessment data, and to readily determine problems in quality care at each home.

In May 2000, VAB entered into a contractual agreement with Acc-Med, Inc., to purchase Accu-Care clinical software and Add-On financial software and receive monthly support services. VAB uses the basic services offered by Pro-Tracking, Accu-Med's clinical outcome management information system, which allows VAB management and nursing home administrators to obtain Quality Indicator and Quality Measurement reports in real time after new data has been transmitted to Accu-Med.

However, VAB has not acquired clinical outcome management information system services that would allow VAB management and nursing home administrators to see aggregated data to compare and evaluate quality measures and quality indicators for all four state veterans' homes. Also, VAB management and nursing home administrators cannot conduct audits that could be used to verify the

accuracy of documentation and pre-screen Minimum Data Set files for possible errors and inconsistencies. If VAB acquired the type of clinical outcome management information system services described above, VAB management and nursing home administrators could compare the performance results of each state veterans' home, monitor more effectively the accuracy of resident assessment data entered, and readily determine problems in quality care at each veterans' home.

Statewide Performance Targets for Each Quality Measure

VAB has not developed state performance targets for each quality measure.

PEER determined that quality measure and quality indicator (QM/QI) reports from Pro-Tracking capture Minimum Data Set (MDS) information that is transmitted electronically by nursing homes to the national MDS database at the U. S. Department of Health and Human Services' Centers for Medicare and Medicaid Services.

The reports can be used by a nursing home to compare its performance to the state and national level and target areas of care for improvement. For example, the QM/QI report can show the nursing home average, state and national average.

PEER reviewed VAB's policy and procedure manual and determined that VAB has not established annual statewide performance targets for each quality measure. VAB's nursing home coordinator told PEER each veterans' home strives to perform as well or better than its peer group or national average. Because some of the state veterans' homes may have residents who are more frail and ill than others, VAB should take this fact into account and establish statewide performance targets.

Recommendations

Costs

1. The Veterans' Affairs Board should seek the most cost-effective method for the state veterans' homes' compliance with MISS. CODE ANN. §29-5-161 (1972), which restricts smoking in all government buildings.

2. The Veterans' Affairs Board should seek executive and legislative branch support for a five-year capital improvement plan for all repair and renovations needed at the four state veterans' homes. VAB should work with DFA's Bureau of Building staff to ensure that the capital improvement plan is completed correctly and submitted in accordance with the Bureau of Building's submission deadlines.

3. The Veterans' Affairs Board should routinely assess future repair and renovation projects for grouping to meet the $400,000 per project, per home federal assistance threshold so that the state can take advantage of federal assistance dollars available for repairs and renovations to the state veterans' homes.

4. According to the U. S. Government Accountability Office, high staffing turnover can directly affect patient care. The Veterans' Affairs Board should closely monitor and analyze each home's staff turnover rates in relation to its nursing staff composition (e.g., contract vs. state employees) in order to determine how the composition of staff is affecting quality of patient care. VAB should make any necessary adjustments to its staff to produce a higher level of patient care.

5. While all state veterans' homes have decreased their use of staffing agency employees since the 2003 PEER report, VAB should work with the Jackson and Collins homes to further reduce their use of staffing agency LPNs. By reducing the number of staffing agency employees, VAB would help reduce staffing costs for the state veterans' homes and help produce a higher quality of patient care.

6. VAB's central office should develop and maintain a real-time management information system to collect and analyze data relevant to operating nursing homes. Such a system should include, but is not limited to:

- a daily resident census and profile, including
  - -- age;
  - -- marital status;
  - -- sex;
  - -- whether veteran or spouse of veteran;
  - -- Social Security eligibility;
  - -- disability eligibility;
  - -- total income;
  - -- VA pension status and amount;
  - -- Medicare status;
  - -- date of admission;
  - -- length of stay; and,
  - -- date of discharge;
- daily direct care staff hours, including
  - -- hours worked;
  - -- nursing credentials, such as CNA, LPN, or RN; and,
  - -- employment type, such as state service, contract, or staffing agency;
- inventory, including
  - -- medical supplies; and,
  - -- office and clerical supplies.

Quality of Patient Care and Quality Assurance

7. The Legislature should amend MISS. CODE ANN. Section 43-11-17 (1972) to require that the state Department of Health conduct a full inspection of all licensed skilled nursing facilities, including the state veterans' homes, at least once each calendar year to determine compliance with all standards, including life safety code standards.

8. The Legislature should amend MISS. CODE ANN. Section 35-1-1 (1972) to add three new members to the Veterans' Affairs Board. The new membership should include representation of experience in financial management, nursing home administration, and nursing. The additional qualifications that PEER recommends are:

- one member should have five years of experience as a licensed certified public accountant, a certified managerial accountant, or a chartered financial analyst;

- one member should be a licensed nursing home administrator with seven years of experience in the management of nursing homes; and,

- one member should be a registered nurse with ten years of experience in nursing.

9. The Veterans' Affairs Board should develop a training program for board members in areas including, but not limited to, budgeting, the legislative process, performance measurement, planning, and policy making, which should enhance its abilities to govern the agency.

10. The Veterans' Affairs Board should develop written, comprehensive quality assurance procedures to ensure the coordination of quality assurance activities at all of the state veterans' homes. The procedures should also describe the roles of VAB's Nursing Services Director, nursing home administrators, and quality assurance committees and nursing home staff in quality assurance. The procedures should specifically address how the quality assurance committees should monitor quality assurance by reviewing VA inspection and quality indicator reports. Also, the committees should conduct meetings and require that committee meeting minutes are well documented and include the following:

    - a sign-in sheet to document primary physician, director of nursing, and quality assurance committee members who attended the meeting;

    - the identification of deficiencies, including those cited by VA inspectors;

    - a plan of action for addressing deficiencies that includes follow-up and completion dates;

    - a copy of quality indicator reports documenting the homes' performance measures; and,

    - a summary of complaints made against the home and action(s) taken to resolve the complaint.

    VAB's Nursing Services Director should be required to review quality assurance committee meeting minutes on a quarterly basis to ensure compliance with federal requirements and VAB policies and procedures.

11. The Veterans' Affairs Board should develop policies and procedures requiring agency-wide consolidation of complaint information. VAB policies and procedures should require that nursing home administrators submit monthly complaint reports to VAB's Nursing Services Director. The complaint reports should include, but not be limited to, the following information:

    - the date the complaint was made;
    - a description of complaint;
    - the name of the complainant and whether he or she is a nursing home resident, family member, or VAB employee; and,
    - a summary (and date) of the complaint's resolution.

    VAB's Nursing Services Director should review monthly complaint reports to determine where additional staff training may be needed. Monthly complaint reports from all of the state veterans' homes should be compiled and analyzed to identify problem areas that must be addressed by VAB management.

12. VAB should conduct an assessment by July 1, 2007, to determine the potential benefits of acquiring clinical outcome management information services that would allow the agency to compare the performance results of the four state veterans' homes, effectively monitor the accuracy of resident assessment data, and detect resident data for possible errors and inconsistencies. The results of the assessment and VAB management's recommendations should be presented to VAB's board for its consideration and approval.

13. The Veterans' Affairs Board's management should create a methodology for setting annual state performance targets (e.g., a specific percentage) for each quality measure that could be used to assist quality assurance committees at each veterans' home in creating a standard to determine the exact percentages that should be reached for each quality measure.

Appendix A: Summaries of Previous PEER Reviews of the State Veterans' Homes

A Limited Management Review of the Veterans' Affairs Board (issued November 7, 1991)

PEER conducted its first review of VAB's management of the state veterans homes in 1991, when only the Jackson home was in operation. In its 1991 review, PEER concluded that the seven-member Veterans' Affairs Board had not provided adequate oversight of agency staff, resulting in life safety deficiencies in the Jackson home (e.g., lack of automatic dampers in smoke walls, missing exit lights) which were cited by the State Board of Health and the U. S. Department of Veterans' Affairs. The report also noted weaknesses in the agency's accounting operations, including its inability to account for all patients' personal funds.

A Follow-up Review of the Veterans' Affairs Board (issued December 16, 1992)

PEER's 1992 follow-up review of the board determined that the board had made significant progress in correcting life safety deficiencies in the Jackson home and accounting for funds.

Mississippi's State Veterans' Homes: An Analysis of Increasing Reliance on State General Funds and An Examination of Cost Reduction and Funding Options (issued May 9, 2000)

More recent PEER reviews of the state veterans' homes have focused on ways to reduce state funding of the homes. In 2000, PEER studied whether VAB had increased its reliance on state general funds to operate the state veterans' homes. PEER found that general fund support for operations grew from zero in FY 1990 through 1994 to 13% of total funding in FY 1999.

A Review of the Veterans Affairs Board's Funding of State Veterans Homes (issued September 11, 2001)

PEER's 2001 review of VAB focused on the extent to which the state veterans' homes had become self-supporting since PEER released its May 2000 report and whether VAB had followed PEER's recommendations for decreasing reliance on state general funds. PEER found that VAB had

followed several of its recommendations, including terminating payments for resident hospital costs (which could have led to significant costs in the event of catastrophic illness of an uninsured resident) and increasing resident fees. However, VAB had not followed other recommendations, because it continued to employ non-nursing staff at a rate greater than that of comparably sized nursing homes in the state and it continued to pay the nursing home management company for nursing hours not received. PEER also determined that the cost per resident day at the Collins home had increased by nine percent under direct management by VAB--i.e., the VAB was not operating the home more efficiently than the private sector management company.

A Review of Quality of Care and Cost Efficiency Issues at the State Veterans Homes (issued December 19, 2003)

PEER conducted a review of the state veterans' homes that focused on the quality of care in the state veterans' homes and other cost efficiency issues related to the operation of the homes.

PEER found that during calendar years 2000 through 2003, inspectors from the U. S. Department of Veterans Affairs and the Mississippi Department of Health documented deficiencies at the homes in areas affecting residents' health and safety. The nature and seriousness of deficiencies at the Jackson home prompted the Department of Health to declare the Jackson home a "substandard" facility and place it under intensive oversight for ninety days beginning December 20, 2003.

PEER also found VAB had not adequately monitored its own performance on critical indicators of quality of care at the homes nor was it making necessary corrections in operations to address performance problems.

Finally, PEER found that until 2003 VAB had not been actively managing costs at the homes. For example, if the VAB had filled direct care positions during FY 2003 with state employees earning a competitive wage, the homes could have avoided approximately $900,000 in health care staffing agency markup costs and approximately $300,000 in overtime pay.

Appendix B: PEER's Methodology for Comparing Costs of Operating the State Veterans' Homes to the Costs of Operating Medicaid-Certified Homes in Mississippi

PEER conducted its comparison of the state veterans' homes with Medicaid-certified homes located in Mississippi to isolate those costs that are most comparable. To accomplish this, PEER excluded costs from both the VAB homes and the Medicaid-certified homes that would prevent a minimal level of parity from being represented. In the 2003 comparison, PEER sought to compare the aggregate of VAB's operations, excluding an allowance for the expenditures of the State Veterans Claims Division and the State Approving Agency. However, as PEER conducted its analysis, PEER discovered problems with the coding of expenditures that had been supplied to PEER by VAB. In PEER's 2006 report, PEER was able to use the composite of all four veterans' homes, plus costs from VAB central office in Pearl. PEER also discovered some inherent limitations to the comparison between a privately run enterprise and a governmentally run agency. In order to account for these limitations, PEER further excluded costs, both from the state veterans' homes and the Medicaid-certified homes, that might hinder an accurate examination.

Selection of Comparable Medicaid-Certified Homes

In order to evaluate the expenses of state veterans' homes relevant to Medicaid-certified homes, PEER selected Medicare-certified homes in Mississippi that had a capacity that fell within a range of 130 beds to 160 beds to provide a distribution of expenses similar to that of VAB, in which each of its homes has a capacity of 150 beds. In CY 2005, PEER determined that the VAB homes had nearly 50,000 resident days, which is an occupancy rate of 91%, as compared to the Medicaid-certified average resident days of 45,262, which is an occupancy rate of 88%. Because this figure represents the denominator by which the expenses are divided, a fluctuation in resident days can materially alter the comparison.

Costs Excluded in the Comparison between the State Veterans' Homes and the Comparably Sized Medicaid-Certified Homes

Central Services

This comparison does not include the cost of providing therapeutic services by either the state veterans' homes or

the Medicaid-certified homes. VAB does not recognize these services as an expense in the State Automated Accounting System and consequently PEER excluded this amount from its analysis. In the analysis, the cost of providing these purchases is shown as higher in the Medicaid-certified nursing homes, but this is due to the approximately 4,500 more patient days over which to spread the cost in the state veterans' homes over the Medicaid-certified homes.

Administration Expenses

PEER excluded several items that are applicable to the administration expenses of the Medicaid-certified homes that are not applicable to the operation of the state veterans' homes. Principal among these are:

Salaries Paid to Owners. Because the Medicaid-certified nursing homes operate in a for-profit manner, this is not a comparable expense to the state veterans' homes. This expense represents, to a large degree, the distribution of profits in a private nursing home.

Accounting Fees. These are fees that are excluded to the extent that the Medicaid-certified homes have more stringent reporting standards than does the VAB. For example, Medicaid-certified homes are required to file reports with Medicaid that usually require additional accounting costs for compilations.

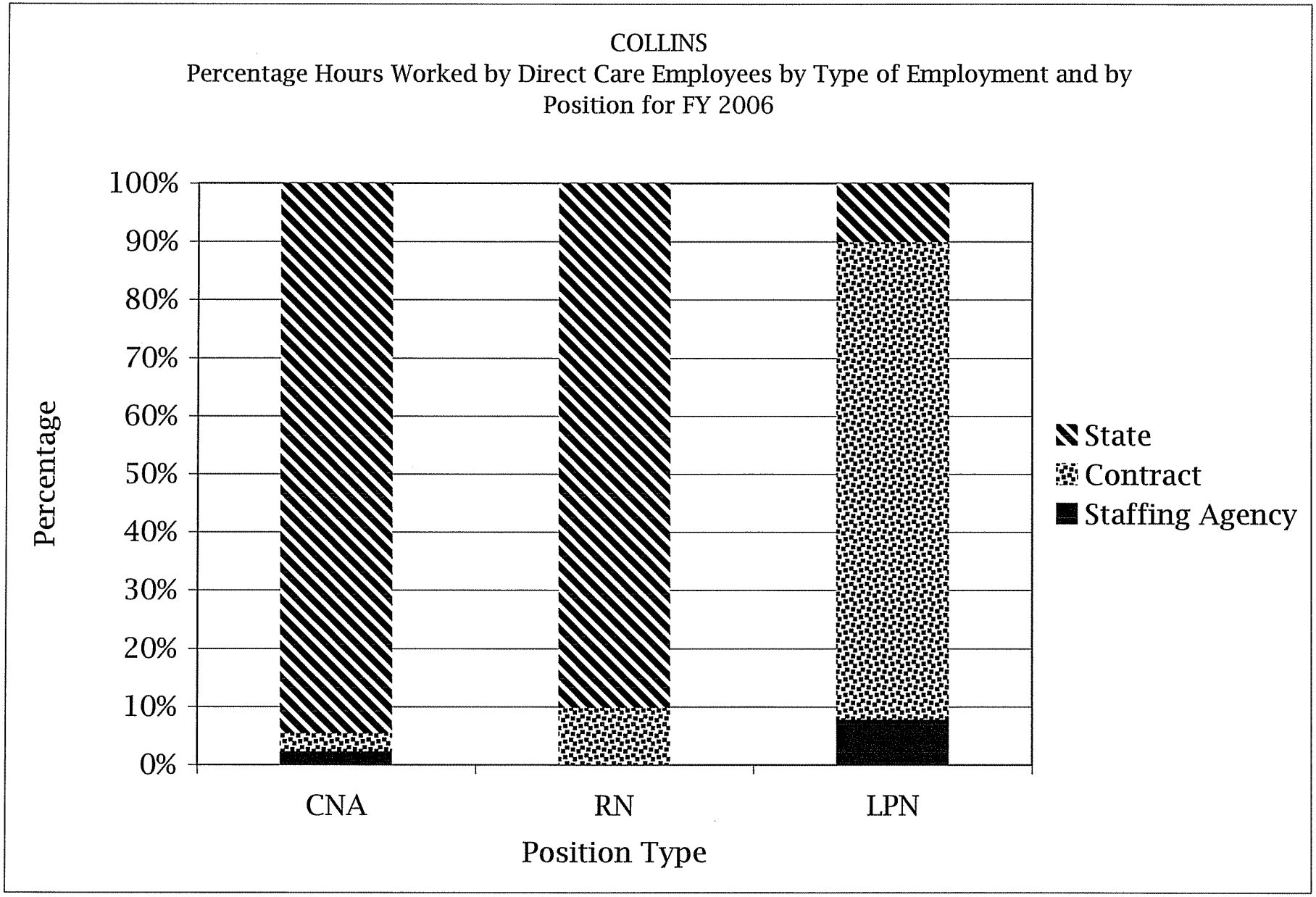
Professional Liability Insurance. These costs were excluded to the extent that VAB has a liability award cap that gives it an unfair advantage over the Medicaid-certified private homes that do not have such protection.

Taxes. Because VAB is a government-operated, not-for-profit entity, it pays neither income nor property taxes that are allocable to the for-profit Medicaid certified nursing homes. These are entirely excluded from the evaluation.

Advertising. VAB's central advertising focus is based on employee recruitment, whereas the Medicaid-certified private homes' advertising expenses are based on both employee recruitment and solicitations for residents. For this reason, the advertising expenses were excluded entirely.

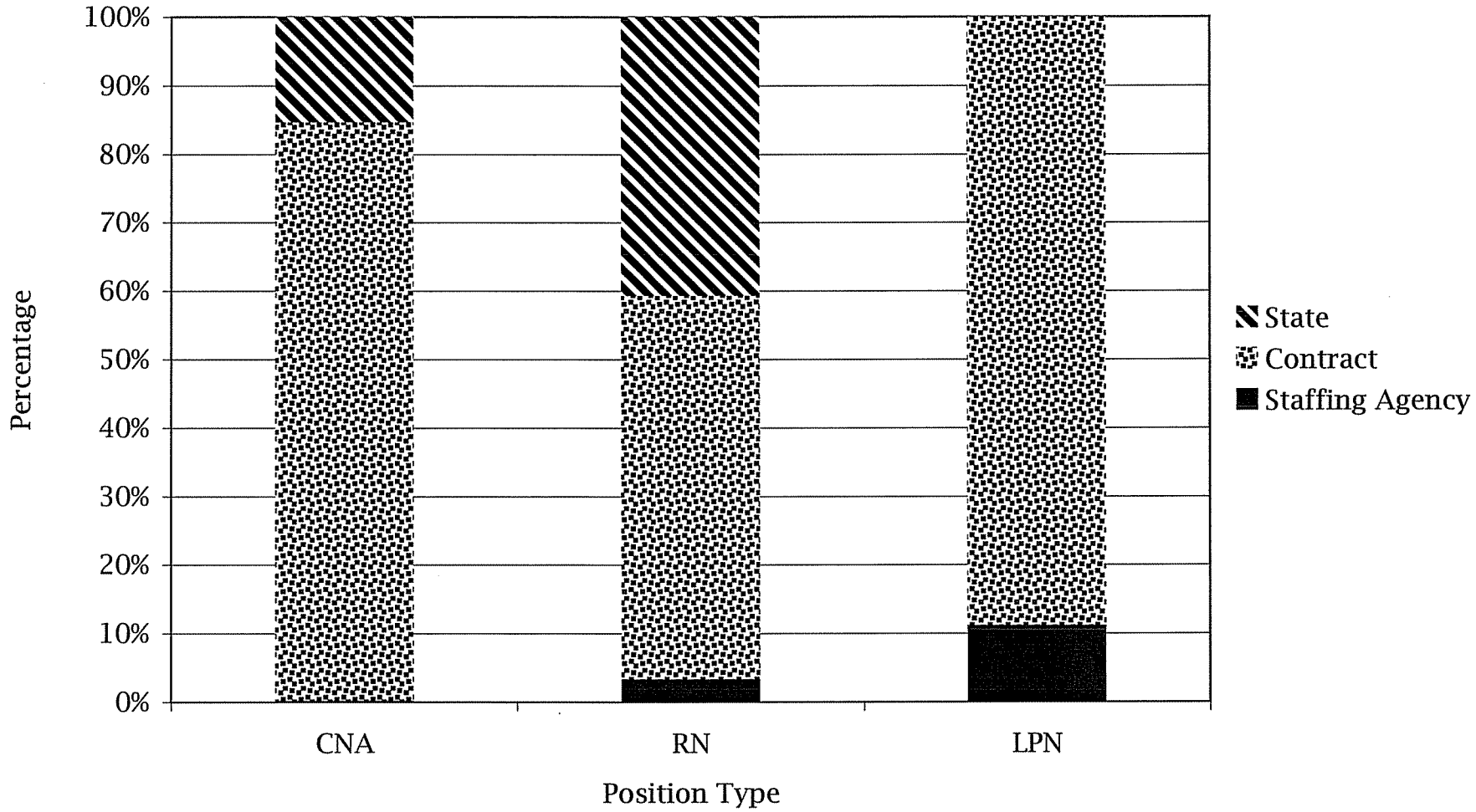
Contributions. Because VAB is restricted by law as an entity from making contributions, these expenses of the Medicaid-certified private homes were excluded from the analysis.

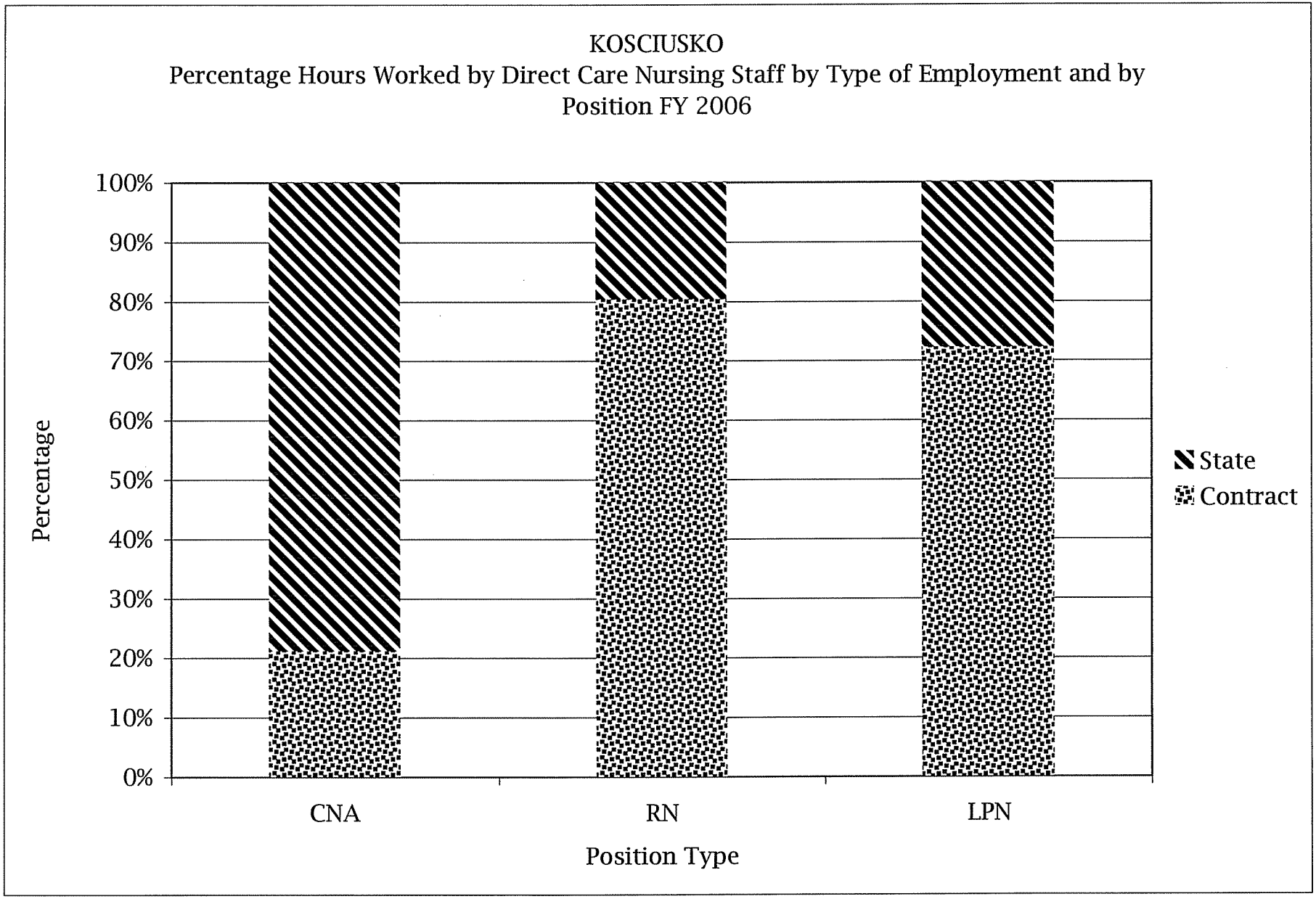
Appendix C: Composition of Nursing Staff by Home for FY 2006

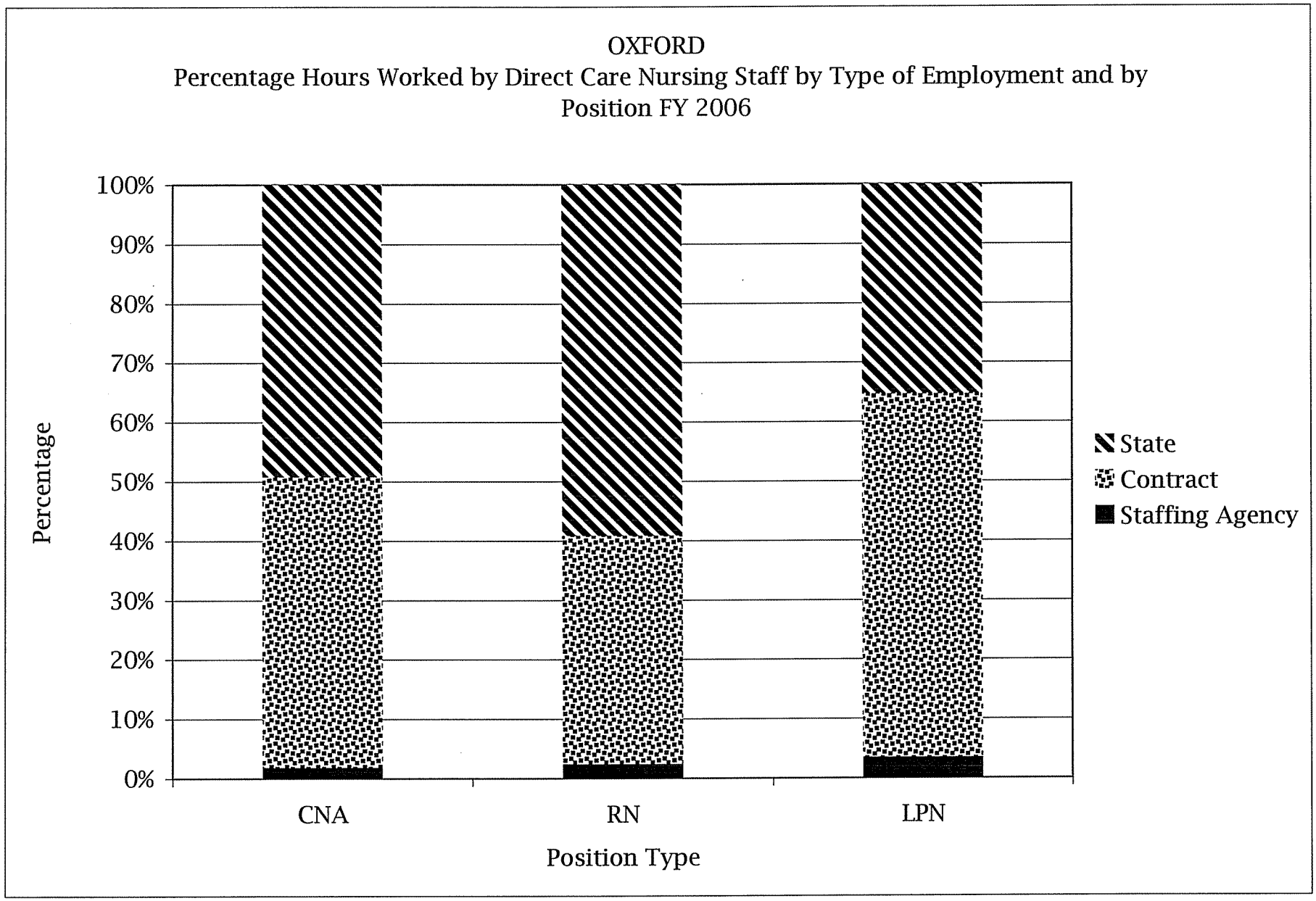


SOURCE: PEER analysis of records from VAB's Central Office.

JACKSON
Percentage Hours Worked by Direct Care Employees by Type of Employment and by Position FY 2006




KOSCIUSKO
Percentage Hours Worked by Direct Care Nursing Staff by Type of Employment and by Position FY 2006
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Percentage
CNA
RN
LPN
Position Type
State
Contract


OXFORD
Percentage Hours Worked by Direct Care Nursing Staff by Type of Employment and by Position FY 2006
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Percentage
CNA
RN
LPN
Position Type
State
Contract
Staffing Agency

Appendix D: DFA Bureau of Building Cost Inspection Report and Project Priority Classification for the State Veterans' Homes, as of October 30, 2006

Immediate Needs (FY 2008)

Priority	Project Title	Amount of Project
1	Correct smoking room ventilation at all locations	$1,200,000
2	Correct roofing detail and flashing deficiencies at 3 locations (Oxford, Collins, Kosciusko)	375,000
3	Correct site drainage issues—Jackson	250,000
	Immediate Need Total (1-3)	**$1,825,000**

Future Needs (FY 2009-FY 2012)

Priority	Project Title	Amount of Project
4	Upgrade nurses' call stations at all locations	$800,000
5	Perform cleaning and major maintenance on mechanical equipment--Jackson	250,000
6	Install exterior curbs and railings for residents' safety—all locations; Install ADA compliant hardware--Jackson	60,000
7	Install exterior storage buildings—all locations	400,000
8	Replace wood fencing with coated, chain link—all locations	125,000
9	Correct site drainage issues	75,000
10	Upgrade generators and install fuel tanks	1,200,000
11	Install door openers—all locations	350,000
12	Resurface parking lots and drives-all locations	850,000
13	Relocated guard building—Kosciusko	250,000
14	Remove day room wall—Jackson	75,000
15	Convert B wing dining to day room—Collins	450,000
	Future Needs Total (4-15)	**$4,885,000**

	GRAND TOTAL (All 15 Projects)	**$6,710,000**

NOTE 1: Immediate need projects are the top priority level projects the state needs to address by FY 2008. These projects are deemed to affect most directly patients' living conditions.

NOTE 2: Future need projects are lower-level priority projects that the state should address between FY 2009 and FY 2012 in order to ensure that the homes are operational and meet all required safety standards.

SOURCE: 2006 Bureau of Building Inspection Report for Repairs and Renovations needed at the State Veterans' Homes.

Appendix E: Classification of VA Standards by Major Category, with Examples

Major Category of Standards	Example of Standard
Physician Services	51.150 c. 1. The resident must be seen by the primary physician at least once every 30 days for the first 90 days after admission and at least once every 60 days thereafter, or more frequently based on the condition of the resident.
Quality assurance	51.210 p. 2. The quality assessment and assurance committee: i. Meets at least quarterly to identify issues with respect to which quality assessment and assurance activities are necessary; and ii. Develops and implements appropriate plans of action to correct identified quality deficiencies. 3. Identified quality deficiencies are corrected within an established time period.
Training	51.210 k. 2. The facility management must not use any individual working in the facility as a nurse aide whether permanent or not unless: i. That individual is competent to provide nursing and nursing related services; and ii. That individual has completed a training and competency evaluation program or a competency evaluation program approved by the state.
Administration of medication	51.120 n. The facility management must ensure that 1. Medication errors are identified and reviewed on a timely basis; and 2. Strategies for preventing medication errors and adverse reactions are implemented.
Reporting, documenting and investigating injuries and deaths	51.120 a. 3. The facility management must report sentinel events (an adverse event that results in the loss of life or limb or permanent loss of function) to the director of the VA medical center of jurisdiction within 24 hours of identification.
Administration, safety, sanitation and food service	51.210 o. 5. The clinical records must contain: i. Sufficient information to identify the residents; ii. A record of the resident's assessments; iii. The plan of care and services provided; iv. The results of any pre-admission screening conducted by the state; and v. Progress notes.
Staffing levels, policies, and evaluation	51.130 b. The facility management must provide registered nurses 24 hours a day, 7 days per week. d. The facility management must provide nursing services to ensure that there is direct care nurse staffing of no less than 2.5 hours per patient per 24 hours, 7 days per week in the portion of any building providing nursing home care.

Pharmacy policies and procedures	51.180 b. The facility management must employ or obtain the services of a pharmacist licensed in a state in which the facility is located or a VA pharmacist under VA contract who: 1. Provides consultation on all aspects of the provision of pharmacy services in the facility.
Patient care	51.110 a. At the time each resident is admitted, the facility management must have physician orders for the resident's immediate care and a medical assessment, including a medical history and physical examination, within a time frame appropriate to the resident's condition, not to exceed 72 hours after admission, except when an examination was performed within five days before admission and the findings were recorded in the medical record on admission.
Proper care and administration of feeding apparatus	51.120 h. 2. A resident who is fed by enteral feedings receives the appropriate treatment and services to prevent aspiration pneumonia, diarrhea, vomiting, dehydration, metabolic abnormalities, nasal-pharyngeal ulcers and other skin breakdowns, and to restore, if possible, normal eating skills.
Proper care and administration of catheters	51.120 e. 2. A resident who is incontinent of urine receives appropriate treatment and services to prevent urinary tract infections and to restore as much normal bladder function as possible.
Patient's Rights	51.70 a. 3. The resident has the right to freedom from chemical or physical restraint. f. 2. A resident has the right to prompt efforts by the facility to resolve grievances the resident may have, including those with respect to the behavior of other residents.

SOURCE: Department of Veterans Affairs, Title 38 CFR, Chapter 1, Section 51, Per Diem for Nursing Home Care of Veterans in State Homes.

Appendix F: Conditions for Medicaid Eligibility

The Division of Medicaid determines who is eligible for Medicaid benefits by examining applications. It is not determinable who is Medicaid eligible until this process in completed. The requirements for Medicaid eligibility are listed below.

How to Apply for Medicaid

Applicants apply through the Medicaid regional office that serves the county where the nursing home facility is located.

Income Requirements

The income limit for institutionalized applicants in $1,869 per month ($22,428 per year) effective on January 1, 2007. This is income solely for the applicant. If an applicant's income exceeds $1,869 per month, an applicant can establish an income trust whereby all income in excess of the limit is obligated to the Division of Medicaid, payable in a lump sum annually. If the applicant is a veteran, the applicant must apply for any and all benefits available through the U. S. Department of Veterans Affairs, including the VA pension.

Asset Requirements

There is an asset limit for the institutionalized individual of $4,000 of countable assets, including cash, savings, investments, non-home real property, the cash value of life insurance in excess of $10,000 (face value), the value of annuities, and other types of assets that hold value. The asset requirement for married individuals requires that assets held by both spouses be combined, whether owned individually or jointly, and that institutionalized individual is entitled to $4,000 and the community spouse can have up to $101,640 in assets. Individuals with assets that exceed these limits cannot qualify for Medicaid until the value is reduced to allowable amounts.

Prohibitions on Transfers of Assets

An individual may not transfer any asset, including the rights to income, for a period of 60 months (5 years) prior to an individual entering an institution. If assets are transferred, it can result in a penalty whereby Medicaid will not pay for the individual's institutional care.

SOURCE: Division of Medicaid staff.

Appendix G: Alternatives for Funding State Veterans' Homes in Other Southeastern States

Florida

Officials with the Florida Department of Veterans' Affairs indicate that the state operates five skilled nursing homes for veterans with 600 total beds at an occupancy rate of approximately 93% for FY 2006. Florida is planning to open another 120-bed facility in CY 2008.

Florida funds the operation of its state veterans' homes through a combination of state appropriated funds, Medicaid matching funds, Medicare A & B funds, VA federal per diem funds, and resident fees. For FY 2006, resident fees constituted the largest percentage of total revenue of 31%, followed by VA federal per diem funds of 28%, Medicaid matching funds of 26%, state subsidy of 5%, Medicare Part A & B funds of 6%, and veteran and military specialty car tag fees of 4%. There have been no changes in the funding scheme for FY 2007; however, Florida is currently working through complications associated with achieving certification as a network pharmacy so they can also utilize Medicare D funds.

Resident fees in Florida vary according to ability to pay on a sliding scale based on income. The daily charge to the veteran in Florida for FY 2006 differs by home but officials estimate that $185.00 is the highest amount paid based on the level of care needed. Because the amount a resident must pay is based on income, officials indicate that a small percentage of residents pay the maximum rate of $185.00 and a small percentage qualifying for Medicaid pay zero and that the average veteran pays approximately $72.32 per day or approximately $2,170 per month. Because prescription drugs are not included in the daily rate paid by the veteran, the veteran is charged additionally for medication.

Florida officials indicated that daily rates may be re-evaluated and adjusted annually on July 1 every year. The FY 2007 highest daily rate charged to the veteran is $185.00. This rate was not changed from the previous fiscal year.

Alabama

Officials with the Alabama Department of Veterans Affairs indicate that the state operates three skilled veterans'

nursing homes with a total of 450 beds at an occupancy rate of 98% for FY 2006. Alabama funds operation of its state veterans' homes through a combination of two state veterans' funds dedicated to operation of the homes, funded primarily by ad valorem taxes, personalized veterans' car tag fees and the federal VA per diem. Because the homes are managed by a contractor, resident fees are paid directly to the contractor and are not a source of revenue for the homes.

The Veterans Assistance Fund is primarily funded by a portion of the proceeds from a 1 mill ad valorem tax on annual property valuation and veteran car tag fees. The Veterans Assistance Fund pays a state per diem for every resident to an outside contractor to manage the homes. In FY 2006, $16.5 million was the portion of the revenue generated by the ad valorem tax for the fund. Because ad valorem taxes generate such a substantial amount of revenue, no state general funds are used.

The Veterans Home Trust Fund is funded by donations, income tax check-off, interest on money invested, a $3.00 per bed per day lease paid by the outside contractor, and the federal VA per diem.

For FY 2006, ad valorem taxes generated 61% of total revenues; federal VA per diem generated 35%; donations, income tax check-off, interest and bed lease were 4%; and veteran car tag fees were less than 1%.

Because Alabama subsidizes the veterans' daily charge through its two dedicated veterans' funds, the daily charge to the veteran for FY 2006 was $11.64. The daily care charge to the veteran is not based on ability to pay nor does it include prescription drugs. Because the homes are managed by a contractor, the resident fees are paid directly to the contractor.

Because the proceeds from the ad valorem tax are substantial, approximately $16.5 million, Alabama officials indicate that funding using resident fees centers on maintaining the daily charge to the veteran at a constant $11.64 through a leveling of the state per diem by decreasing it in conjunction with a federal VA per diem increase. Consequently, the FY 2007 daily charge to the veteran will remain at $11.64.

Louisiana

Officials with the Louisiana Department of Veterans' Affairs indicated that the state operates three state veterans' nursing homes with 473 total beds at an occupancy rate of 85% for FY 2006. In CY 2007, two more homes will open, adding 312 licensed skilled beds for a

total of 785 beds. Louisiana's five homes are exclusively dedicated to caring for war veterans.

Louisiana funds the operation of their homes with state appropriated funds, federal VA per diem payments, and resident fees. Of total revenues for FY 2006, state appropriated funds comprised 13%, VA federal per diem payments were 50%, and the remaining 37% consisted of resident fees. In FY 2008, they will begin billing Medicare for additional revenues.

Because low-income veteran residents are eligible for a maximum federal pension of $1,470 per month, referred to as federal pension with aid and attendance, no resident is charged more than this amount per month, or $48.33 per day for daily care charges. Louisiana charges $48.33 per day to private pay residents responsible for the full cost of care regardless of their income. The rate that the veteran pays is based on income because if a veterans' income is below $1,470 they pay their monthly income less $90. Prescription drugs are not included in the daily care charge of $48.33 per day.

The resident's fee is adjusted to the equivalency of the annual federal cost-of-living adjustment paid by the federal VA for pension with aid and attendance. The rate is adjusted every January. On January 1, 2007, the rate will be $1,519 and the veteran's daily charge will be approximately $50.00 per day.

Tennessee

Officials with the Tennessee State Veterans' Homes indicated that they have two nursing homes with a total of 240 beds at an occupancy rate of 92% for FY 2006. Tennessee lawmakers intended that the homes be self-supporting and therefore only provided approximately $1.4 million in start-up costs.

In FY 2007, each home will open new 20-bed units, increasing both to 140-bed facilities. Start-up costs for the new units have been funded by the homes. A third home will open in December 2006 or January 2007 and will add another 140 beds, bringing the total for all three homes to 420 beds. The state Legislature made a grant of $1.6 million as start-up funding for the new home.

Because Tennessee lawmakers intended that the homes be self-supporting, the state veterans' homes are not subsidized with general funds. Tennessee funds operation of its homes entirely with resident fees, Medicaid matching funds, Medicare Parts A and B, and VA federal per diem payments. For FY 2006, approximately 36% of total revenue consisted of Medicaid matching funds, resident

fees made up 27%, federal VA per diem was 16%, and Medicare Parts A and B were 21%.

For FY 2006, the daily care charge to the veteran is $145.60. The daily rate charged to the veteran includes costs for prescription drugs.

Resident fees are reviewed annually during the development of the annual plan of operation and whenever the Medicaid reimbursement and federal VA per diem rates are adjusted.

Arkansas

Officials with the Arkansas Department of Veterans Affairs indicated that the state operated one state veterans' nursing home with 116 beds at an occupancy rate of approximately 80% during FY 2006. The home is funded by resident fees, federal VA per diem payments, and general funds. Of total revenues for FY 2006, resident fees comprised 31%, federal VA per diem was 38%, and state general funds were 11%.

The daily care charge to the veteran is $50. Prescription drugs are not included in the rate paid the veteran.

Another home recently opened and began accepting residents on June 21, 2006, and has only 32 of 108 beds currently occupied. Because the new home was only open for one week during FY 2006, it is not included in FY 2006 information.

The new home currently relies only on Medicaid matching funds and resident fees for funding. The new home receives Medicaid because the act authorizing the home did not specifically prohibit Medicaid funding, whereas it did specifically prohibit it in the act authorizing the older home. The new home will not receive federal VA per diem payments until the successful completion of its second VA survey in December at which time it will receive retro-active payments dating back to opening in June. The home has applied to become Medicare Part A certified.

The intention of lawmakers is that the home will be self-supporting once it receives federal VA per diem in conjunction with resident fees, Medicaid matching funds, and Medicare A. However, it did receive some $2.4 million in general funds for start-up costs.

In the new home, the daily care charge to the veteran is $100.00. Prescription drugs are not included in the rate paid by the resident in daily care charges.

South Carolina

Officials with the South Carolina Department of Mental Health indicate that they have three state veterans' homes, with its last home recently opening on November 1, 2006. The two existing homes in FY 2006 had a total of 310 beds at an occupancy rate of 95%. The new home currently only has thirty residents but will have a capacity of 220 beds once an additional unit is completed at the facility in January 2007 for a total of 530 beds for all three facilities. Two of the three homes have contracted with a management company to operate the homes.

The homes are funded by state appropriations, Medicaid matching funds, Medicare Parts A and B, resident fees and federal VA per diem payments. Of FY 2006 total revenues, state general funds comprised 36%, federal VA per diem was 41%, Medicaid was 3%, and Medicare Parts A and B were 19%.

The daily care charge to the veteran was $28.76 for FY 2006. South Carolina officials indicated that the amount residents pay has been capped at $28.76 since FY 2003 $28.76 through a leveling of the state per diem by decreasing it in conjunction with a federal VA per diem increase. Consequently, the FY 2007 daily charge to the veteran will remain at $28.76.The daily charge to the veteran includes prescription drugs.

Georgia

Officials with the Georgia Department of Veterans Service note that the state operates two state veterans' homes with a total of 545 skilled nursing beds at an occupancy rate of 100% for FY 2006. State appropriated funds and VA federal per diem payments fully fund the homes. Georgia officials indicated resident fees are not charged to the veteran for care provided regardless of their income. For FY 2006, state appropriated general funds comprised 57% of total revenues and federal VA per diem was 43%.

Because Georgia has opted to fully fund its state veterans homes in conjunction with the VA federal per diem, daily care charges for its residents are $0. Income available to the resident (e.g. pension, social security, disability, retirement, investment or business income) is not used to pay for any part of their care and is therefore retained by the veteran.

Officials indicated that another funding alternative is possible in Georgia. If 1,000 signatures are petitioned, there will be a referendum to implement a special license tag. This is anticipated to happen in the 2007 legislative session.

Appendix H: Executive Summary of ***A Review of Quality of Care and Cost Efficiency Issues at the State Veterans' Homes***, #464, December 19, 2003

Introduction

MISS. CODE ANN. Section 35-1-19 (1972) authorizes the Veterans Affairs Board (VAB) to establish homes to "provide domiciliary care and other related services for eligible veterans of the State of Mississippi." The Veterans Affairs Board operates veterans' homes in Jackson, Kosciusko, Oxford, and Collins.

In response to complaints regarding quality of care at two of the four homes, PEER conducted this project to:

- review results of external reviews of the homes conducted by the Mississippi Department of Health and the U. S. Department of Veterans Affairs during calendar years 2000 through 2003;
- review staffing concerns highlighted in the external reviews;
- review internal quality assurance processes in place at the homes; and,
- determine whether the VAB is financially managing the homes to achieve cost efficiency.

Background

Each of the Mississippi veterans' homes was built to accommodate 150 residents, a total of 600 for the four homes. During FY 2003, occupancy at the homes averaged 95%.

Until recently, the VAB contracted with nursing home management companies for daily management of the homes. However, since 2002, the VAB has operated and maintained all four veterans' homes.

The VAB funds the veterans' homes through three primary sources of funds: federal VA per diems, resident fees, and state general funds. Other revenue sources include the state Health Care Expendable Fund, veterans' specialty license tag fees, and the state Budget Contingency Fund.

When the VAB initially approached the Legislature with the idea of constructing the homes, representatives of the agency told the Legislature that the only cost to the state would be the match required to build the homes and certain start-up costs, but that once the homes were operational, there would be no further reliance on state general funds. General fund support of the homes did decline slightly in FY 2002; however, the decline in state general funds was made up for through other state source revenues that had previously not been appropriated to the homes: revenues from the Health Care Expendable Fund and Budget Contingency Fund.

External Reviews of Quality of Care at the State Veterans' Homes

During calendar years 2000 through 2003, thirty-nine inspections and two focused reviews of the state veterans' homes by the Mississippi Department of Health and the U. S. Department of Veterans' Affairs showed deficiencies in areas affecting resident health and safety, particularly at the state veterans' home in Jackson.

The Mississippi Department of Health and the U. S. Department of Veterans' Affairs (VA) have established detailed standards governing operation of nursing homes. During inspections, the reviewing agencies cite deficiencies based on the standards and require the home to complete a plan of correction that addresses each deficiency.

PEER analyzed results of the Department of Health's and VA's inspections conducted on the four homes from calendar years 2000 through 2003. The majority of the findings identified during inspections of the VAB's homes during this period relate to deficiencies in patient care, physician services, documentation (including documentation, investigation, and reporting of patient injuries and deaths), and resident assessments and care plans. For calendar years 2000 through 2003, the state veterans' home in Jackson had more VA and Department of Health inspection report findings than the other three homes combined.

During the period under review, the VA also conducted two focused reviews of the Jackson home. In February 2002, the VA found that the Jackson home's heavy reliance on nurses hired through health care staffing agencies was negatively impacting resident care and that the home was not following proper procedures for handling sentinel events. In May 2002, the VA found that the Jackson home's improper administration of medications placed the residents at risk. The VA requested corrective action plans after both investigations.

Staffing

With the exception of the Collins home, the state veterans' homes have an unstable direct care workforce characterized by:

- **high vacancy rates in state employee positions (e.g., 85% for licensed practical nurses and 90% for registered nurses in the Jackson home as of August 30, 2003);**
- **a large percentage of temporary workers hired through health care staffing agencies (e.g., 36% of licensed practical nurses and 40% of registered nurses in the Jackson home as of June 30, 2003); and,**
- **high turnover in state employee positions (e.g., 67% for licensed practical nurses and 133% for registered nurses in the Jackson home during January through June of 2003).**

Of the 364 direct care full-time equivalent employees the veterans' homes had as of June 30, 2003, 67% were state employees, 17% were employees hired on individual contracts, and 16% were employees hired through health care staffing agencies. Of these three types of direct care employees hired for the veterans' homes, VAB pays the lowest salaries to licensed practical nurses and registered nurses who are state employees. This could be a factor in the high vacancy and turnover rates in these positions at the homes.

All of the state veterans' homes meet current minimum total direct care staffing ratios (calculated as the number of direct care staffing hours per resident per day) established in state and federal regulations as necessary for a minimum level of care. However, none of the veterans' homes meet the proposed minimum staffing level standard for registered nurses that is contained in Senate Bill 1988, which is currently before Congress.

The state veterans' homes in Jackson, Kosciusko, and Oxford employ a large percentage of temporary workers hired through health care staffing agencies to fill direct care positions, which could compromise the level of care provided.

Quality Assurance

VAB is not adequately monitoring its own performance on critical indicators of quality of care nor is it making necessary corrections in operations to address performance problems.

A system for ensuring quality in long-term care requires monitoring health care errors and threats to patient safety. Federal regulations require each veterans' home maintain a quality assessment and assurance committee composed of a primary physician, the director of nursing services, and other members of the facility's staff. The committee must meet at least quarterly to identify issues, develop and

implement appropriate plans of action to address quality deficiencies, and correct these deficiencies within an established period.

While all four veterans' homes have established quality assessment and assurance committees that meet at least quarterly, only the Collins home is consistently reporting data for all critical indicators of quality. The homes are arbitrarily adjusting minimum levels (thresholds) of acceptable performance in response to increasing deficiencies rather than developing effective strategies for improving performance. All four homes lack sufficient plans for correcting deficiencies. Also, at the Kosciusko home, a physician does not consistently attend quality assurance meetings as required by federal regulations.

Funding and Management of Financial Resources

Until recently, the VAB has not actively managed costs at the state veterans' homes. In comparison to similarly sized Medicaid-certified nursing homes operating in Mississippi, the VAB is expending more on direct nursing care by using health care staffing agencies (at up to a 135% agency markup) or working employees overtime, but provides fewer direct care hours per resident.

Concerning the tools for financial management at the veterans' homes, until the new Nursing Homes Division Director began to oversee the state veterans' homes in July 2003, the VAB was not analyzing expenditures for cost control purposes at the homes. Also, statutory requirements for members of the VAB Board of Directors do not encompass the expertise or education associated with financial and budgeting needs of nursing home operation.

PEER examined selected Calendar Year 2002 expenses of the veterans' homes, by functional category, and of thirteen Medicaid-certified nursing homes of similar size operating in Mississippi. PEER's analysis shows that VAB costs are higher overall--specifically, in costs of physicians, nursing staff, utilities, housekeeping, maintenance, and dietary.

PEER estimates that during Fiscal Year 2003, VAB could have possibly avoided $1.2 million in direct care staffing costs through better management of these costs.

Breakeven analysis of the veterans' homes shows that the current fees charged to residents in the homes are not adequate to cover operational expenses and require reliance on subsidies from state general and special funds.

Recommendations

1. The Legislature should amend MISS. CODE ANN. Section 43-11-17 (1972) to require that the state Department of Health conduct a full inspection of all licensed skilled nursing facilities, including the state veterans' homes, at least once each calendar year to determine compliance with all standards, including life safety code standards.

2. The VAB's homes should discontinue the practice of individually increasing performance thresholds in response to failure to attain minimum levels of acceptable performance on critical indicators. The VAB should only change a threshold following a proper assessment to establish a new threshold for the homes and the same threshold should apply to all of the homes. In the meantime, the homes should maintain the thresholds established by the first management company operating the homes, but create intermediate levels of attainment for a specified period. For example, the homes could set intermediate goals of reducing the occurrence of various critical indicators of quality of care (e.g., prevalence of falls) by 1% increments monthly.

3. The VAB should hold physicians working at the veterans' homes fully accountable for all care and related documentation for which they are responsible by contract, statute, or regulation by including more specific work requirements (e.g., specific hours of "on call" availability [the VA's and Department of Health's regulations require that the homes make available to the residents twenty-four-hour emergency physician services seven days per week; the VA's regulations require attendance at all quality assurance meetings]) in their contracts with physicians and enforcing penalty provisions contained in the contracts for failure to perform.

4. Due to the altered nature of the VAB's focus and responsibilities since assuming the management of the veterans' homes, the Legislature should amend MISS. CODE ANN. Section 35-1-1 (1972) to add three new members to the Veterans' Affairs Board and require that three members have experience in financial management, nursing home administration, and nursing. The additional qualifications that PEER recommends are:

    - one member should have five years of experience as a licensed certified public

accountant, a certified managerial accountant, or a chartered financial analyst;

- one member should be a licensed nursing home administrator with seven years of experience in the management of nursing homes; and,

- one member should be a registered nurse with ten years of experience in nursing.

5. In addition to continuing the process of coding and classifying of expenditures, the VAB should examine and explore the use of this system in order to better achieve cost efficiency. For example, the VAB should use the system actively as an analytical tool to reduce and forecast expenditures rather than for monitoring purposes only. In order to accomplish this, the VAB should seek to acquire, within existing resources, the knowledge and skills necessary through either additional staff with expertise in this area or through employing a qualified consultant to advise the board in matters concerning financial management, nursing administration, and nursing practice.

6. The VAB should actively monitor and analyze the staffing and turnover levels of its full-time staff and the composition of its direct care workforce in terms of the number of workers hired through health care staffing agencies, contractually, and through full-time state employment.

7. The VAB should explore different ways of recruiting and retaining direct care staff in full-time state positions, thereby reducing quality of care problems associated with an unstable workforce and minimizing the expenses associated with the use of direct care employees hired through health care staffing agencies and overtime.

   For example, the VAB should work with the State Personnel Board within the framework of existing SPB compensation policy to ensure that state employee direct care staff are receiving total compensation that is competitive with the compensation being paid to direct care employees by health care staffing agencies.

   The VAB should explore other nurse recruitment options such as helping to pay the costs of a nurse's education in return for a certain number of years of service at the homes. The VAB should also consider creative advertising to fill nursing positions in the

homes, such as emphasizing the non-monetary rewards of being able to serve the state's veterans.

If the VAB is unable to recruit and retain a stable workforce at the Jackson home and reduce its deficiencies related to patient care, the board should consider either closing the home or finding a location in the Jackson area where recruitment of direct care staff might not be so difficult.

8. The VAB should eliminate its reliance on state source funds by increasing resident fees to cover the costs of operation that are not covered through the VA's per diem payments and veterans' specialty license tag fees.

State of Mississippi

State Veterans Affairs Board

December 27, 2006

Dr. Max K. Arinder, Ph.D.
Executive Director
PEER Committee
Post Office Box 1204
Jackson, MS 39215-1204

RE: State Veterans' Homes: A Performance Review of Costs and Quality of Care

Dear Dr. Arinder:

We have reviewed your draft report concerning A Performance Review of Costs and Quality of Care. The State Veterans Affairs Board (VAB) appreciates and commends your staff for its diligence and professionalism. We appreciate the opportunity to provide a response to your report.

The four State Veterans Nursing Homes provide care for up to 600 veterans with each Home having 150 beds. The Nursing Homes not only provide medical care, but also provide religious services, recreational activities, barber and beautician services, pharmacy services, physician services and transportation to and from medical appointments.

RESPONSE TO PEER REPORT

Costs Associated with Operation of the State Veterans' Homes

VAB's costs to provide care to the veterans in the nursing homes is higher than Medicaid homes due in part to VA requirements. The Veterans' Homes are mandated to provide 24 hour RN coverage whereas Medicaid homes are required to provide RN coverage for only 8 hours per day. In addition, the Veterans' Homes provide on-site physician services 5 days per week. Another factor to be considered in the higher cost associated with the State Nursing Homes is the 36% fringe benefit package provided

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for employees who are in state positions.

The VAB always strives to reduce costs without jeopardizing resident care. Although the VAB must operate the homes in a cost efficient manner, VAB is also committed to quality care that is most advantageous to the veterans. The VAB is proud of the fact that reliance on temporary agency staff was reduced from 16% as of June 30, 2003 to 2% for fiscal year 2006. In the current fiscal year, steps have already been taken to further reduce nursing costs. Other factors are being considered to reduce the overall costs of providing quality care to our veterans.

Quality of Patient Care at the State Veterans' Homes

The VAB will continue to monitor resident health and safety issues at all Veterans' Homes. The VAB understands that while inspections by outside agencies are necessary and significant in determining the overall performance of a facility, there are other factors that should also be considered.

The VAB appreciates the fact that PEER recognizes the progress made in measuring performance at the Veterans' Homes and agrees that standardization is needed between the homes in the area of quality assurance. The VAB will develop comprehensive policies and procedures to give guidance to administrators and quality assurance committees.

Response to Recommendations

1. The VAB will seek a cost-effective method to comply with the MS Code which restricts smoking in government buildings.

2. The VAB and the Bureau of Building have developed a five-year capital improvement plan for the four state veterans' homes. The VAB plans to seek executive and legislative support for the five-year capital improvement plan.

3. The VAB will continue to routinely assess future repair and renovation projects for grouping to meet the $400,000 per project, per home federal assistance threshold so that the state can take advantage of federal assistance dollars available for repairs and renovations to the state veterans' homes.

4. The VAB will develop a system to monitor and analyze each homes' staff turnover rates in relation to its nursing staff composition in order to determine how it affects the delivery of care.

5. The VAB will continue to work with the Jackson and Collins home to further reduce their use of staffing agency LPNs.

6. VAB will study the benefits and costs of developing and maintaining a real-time management information system to collect and analyze the data as noted in the report

and make a decision accordingly.

7. Annual Department of Health inspections could be beneficial to the VAB.

8. The knowledge and expertise provided by additional Board members could prove beneficial to the agency; however, the current Board composition does include several qualifications listed in the recommendations.

9. The VAB currently trains board members in the areas listed in the recommendations, but will explore the development of a formal training program.

10. The VAB will develop written, comprehensive quality assurance procedures to ensure the coordination of quality assurance activities at all the state veterans' homes. The procedures will describe the roles of the staff mentioned in the recommendation and will address the items noted in the recommendation as well.

11. The VAB will develop policies and procedures for agency wide consolidation of complaint information. The complaints will be submitted by the administrators to the nursing services director for appropriate action.

12. The VAB will complete an assessment of the benefits of acquiring a clinical outcome management information system that will allow the agency to compare the performance results of the four homes, effectively monitor the accuracy of resident assessment data, and detect resident data for possible errors and inconsistencies. A recommendation will be made to the VAB accordingly.

13. The VAB staff will determine the most effective way of monitoring performance measures and then develop procedures for the quality assurance committees in each Veterans' Home to follow.

If you should need anything further, please do not hesitate to call me.

Sincerely,

Jo Leslie

M. Jo Leslie
Chairperson State Veterans Affairs Board

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