108895

REPORT BY THE

Comptroller General

OF THE UNITED STATES

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The VA Health Manpower Assistance Program: Goals, Progress, And Shortcomings

A Veterans Admininistration program is intended to increase the number of physicians and other trained health professionals in the United States and to insure the best possible care for veterans.

GAO reviewed VA's management of the program and found that it needs a number of improvements.

Except for the VA health manpower assistance program, such Federal efforts are administered by the Department of Health, Education, and Welfare. GAO believes that such programs should all be administered by a single agency and recommends that HEW become responsible for any future Federal program support.

This review was made at the request of the Chairmen, Senate Committee on Veterans' Affairs, and the Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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

The Honorable William Proxmire
Chairman, Subcommittee on HUD-
Independent Agencies
Committee on Appropriations
United States Senate

This report is in response to your joint request of September 7, 1976, that we review the Veterans Administration's medical school assistance and health manpower training program as authorized by Public Law 92-541.

As instructed by your offices, copies of this report have been made available to the Veterans Administration. However, we plan no further distribution of the report until 10 days from its issue date. At that time copies will be available to other parties who request them.

Elmer B. Staats

Comptroller General
of the United States

REPORT BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

THE VA HEALTH MANPOWER ASSISTANCE PROGRAM: GOALS, PROGRESS, AND SHORTCOMINGS

D I G E S T

In 1972 the United States had an estimated shortage of about 48,000 physicians and 250,000 other health and medical people. To alleviate this problem and to provide the best possible care for veterans, the Veterans Administration (VA) was given the authority to assist medical and health professions schools with increasing the Nation's pool of trained health personnel.

GAO reviewed VA's performance under the Medical School Assistance and Health Manpower Training Act of 1972 (Public Law 92-541) to determine whether the program had achieved its goals.

After reviewing 17 VA-assisted grant projects, GAO concluded VA needs to improve its administration and management of the program. VA has not always insured that institutions seeking assistance developed sound projects and/or complied with program requirements.

VA conditionally approved several grants for funding, even though grant reviewers had recommended they be disapproved. VA also approved and funded grants when grantees did not project increased student enrollment--as required by VA regulations. (See ch. 2.)

Although VA was responsible for managing grants with commitments totaling more than $260 million, it had not developed a standard to insure that grant funds were properly accounted for by individual grantees. For the most part, VA relied on information submitted by grantees to determine the progress of grant-assisted projects.

VA conducted no onsite program compliance or financial audits to check the accuracy or objectivity of the information provided by grantees. As a result, it lacked assurance that grantees were using funds according to the projects' goals and objectives.

Financial records at grantee institutions showed numerous accounting discrepancies. VA program officials said they were unaware of these discrepancies and that insufficient staff and funds prevented them from conducting onsite examinations of grantee records. Moreover, VA may not be able to meet its commitments to the new medical schools established with VA assistance. (See ch. 3.)

VA grants generally expanded or improved the health manpower training capacities of the institutions GAO visited. Also, the affiliated VA hospitals benefited from the grants in that their access to trained health personnel was improved.

GAO was unable to specifically identify the impact that assistance had on the grantees or VA because definitive objectives were not developed; standards to measure effectiveness were not established; most grant projects had been recently funded; and in most cases, the grant projects received funds for similar purposes from other sources. (See ch. 4.)

Except for VA's health manpower assistance program, Federal programs for developing health manpower to meet the private sector's needs are administered by the Department of Health, Education, and Welfare (HEW). GAO believes that such programs should be administered by a single agency, and that the Congress should not extend VA's authority to provide funds for health manpower development.

The medical community continues to debate the need for additional trained health manpower by number, type, and geographic area. Until this need is precisely determined, the Congress should decide whether to continue Federal support to establish new health professions schools and increase the capacity of existing ones. If the Congress decides to continue such Federal support, responsibility for program administration should be assigned to HEW, and the program should be merged with existing HEW health manpower development programs.

Many VA projects are continuing; some will continue for several years. Therefore, regardless of the actions taken by the Congress, improvements in the VA program are needed. The Administrator of Veterans Affairs should take steps to strengthen the program's administration.

GAO provided VA with a draft of this report in October 1978, requesting comments. VA did not respond in time for its written comments to be included in the report. However, VA program officials expressed general agreement with the facts and recommendations to improve program administration.

VA officials disagreed with GAO's recommendation that the Congress not extend VA's authority to provide funds for health manpower development. They also disagreed about assigning responsibility for program administration to HEW if the Congress decides to continue such support.

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ABBREVIATIONS

DM&S	Department of Medicine and Surgery
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
MGS	Manpower Grants Service
NIH	National Institutes of Health
VA	Veterans Administration

CHAPTER 1

INTRODUCTION

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The Chairman, Senate Committee on Veterans' Affairs, and the Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations, requested that we review the Veterans Administration's (VA's) medical school assistance and health manpower training program, as authorized by Public Law 92-541 (38 U.S.C. 5070 et seq.). They questioned the extent to which the program was achieving the Congress intent of assisting the Nation and VA in providing an adequate supply of health manpower and the best possible health care to veterans.

Specifically, they asked us to determine the

--adequacy of VA's regulations and guidelines used to administer the program;

--extent to which VA assistance has affected the development of new medical schools;

--extent to which VA assistance has improved the educational and training capacities of existing medical schools and other health and allied health professions schools;

--extent and adequacy of coordination between VA and other organizations, including other Federal agencies, involved in medical school education programs;

--extent to which the program has strengthened the staff composition of affiliated VA hospitals and has had an effect on the quality of veteran health care; and

--extent to which internal VA and Office of Management and Budget decisions for the VA hospital and medical program considered the allocation of resources to this program.

The Chairmen also asked us to analyze whether the program's allocated resources are reasonably improving the VA health care system.

AUTHORIZING LEGISLATION

In October 1972, the Congress enacted Public Law 92-541 to help VA train needed health professionals and provide leadership in developing health manpower education and training programs. At that time, a national shortage of about 48,000 physicians and more than 250,000 other health professionals was perceived.

The act amended title 38 of the U.S. Code by adding chapter 82. This chapter contains four subchapters under which VA grant assistance may be awarded:

--Subchapter I authorizes VA to carry out a pilot program for establishing up to eight new State medical schools to be operated in affiliation with VA medical facilties.

--Subchapter II authorizes VA to make grants to assist established medical schools affiliated with VA medical facilities in expanding and improving their physician training capacities.

--Subchapter III authorizes VA to make grants to public and private nonprofit educational institutions affiliated with VA medical facilities for increasing the number of professional and technical health personnel and aiding in developing new approaches for health manpower training.

--Subchapter IV authorizes remodeling and improving VA buildings to make them suitable for health manpower training and education programs related to approved subchapter II and III grant programs.

PROGRAM FUNDING

The act authorized annual appropriations of $75 million--$25 million for subchapter I grants and $50 million for subchapters II, III, and IV grants--for fiscal years 1973 through 1979. Funds appropriated under each subchapter remain available for obligation until the end of the 6th fiscal year following the fiscal year in which they are appropriated.

For the 6-year period ending fiscal year 1978, the Congress appropriated about $184 million to carry out the act. Of this amount, $63.5 million has been appropriated under subchapter I and $120.5 million under subchapters II, III, and IV.

By the end of fiscal year 1977, VA had committed $256 million for 158 grants awarded to 126 affiliated medical and other health professions schools; the grant periods ranged from 1 to 7 years.

	Number of VA grant awards	Amount of grant awards (millions)
Subchapter I	5	$121.2
Subchapter II	18	91.8
Subchapter III	135	43.0
Total	158	$256.0

In addition, 39 subchapter IV projects totaling $5.8 million have been funded. Of these, 9 awards totaling about $4.8 million were made in conjunction with subchapter II programs and 30 awards totaling about $1 million were made in conjunction with subchapter III programs.

PROGRAM ADMINISTRATION

AGC 00536

VA's Department of Medicine and Surgery (DM&S) is responsible for (1) providing complete medical and hospital service for eligible veterans and (2) carrying out the day-to-day administration of VA's hospital-medical school affiliation program and the medical school assistance and health manpower training program.

VA's Manpower Grants Service (MGS), which is within DM&S' Office of Academic Affairs, is responsible for, among other things, (1) evaluating initial and continuation grant applications and recommending their approval or disapproval to the Chief Medical Director, (2) monitoring grant programs for fiscal management, progress toward achieving program goals, and continued compliance with program eligibility requirements, and (3) maintaining liaison with grantees, other offices within VA, and other agencies and organizations in the fields of medical education and training of allied health manpower.

OTHER FEDERAL PROGRAMS WHICH ASSIST MEDICAL SCHOOLS

AGC 00022

In addition to the VA's health manpower assistance program, the Department of Health, Education, and Welfare (HEW) has the following programs to assist medical schools in developing health manpower:

--Federal capitation grants based on a specific amount for each 1st-, 2d-, and 3d-year student and $4,000 (plus additional funds for schools that had programs designed to accelerate granting the Doctor of Medicine degree) for each graduating student.

--National Institutes of Health (NIH) grants for developing and operating programs to train research personnel in health professions.

--NIH grants to support specific research projects related to health.

In addition, Federal agencies such as the Department of Defense and the Environmental Protection Agency use grants and contracts to support specific research projects related to health and the environment.

In an effort to establish a firm financial base from which medical schools could operate, the Congress enacted the Comprehensive Health Manpower Act of 1971 (Public Law 92-157, approved Nov. 18, 1971). Among other things, this act authorized institutional assistance in the form of formula grants called "capitation" grants.

As a condition of receiving capitation grants schools were required to expand enrollment, maintain non-Federal funding, and plan to conduct programs responsive to national needs. Capitation grant funds could be used for any purpose, except construction or student aid, which the school determines will most effectively advance its educational program. During fiscal years 1972-77 HEW obligated $875 million of capitation grant funds.

In contrast to the flexibility medical schools have in using capitation funds, they have limited latitude in using other Federal funds, such as NIH research grants and NIH training grants.

SCOPE OF REVIEW

We researched the legislative history of VA's medical school assistance and health manpower training program, reviewed pertinent regulations and policies, and interviewed officials at the VA Central Office in Washington, D.C., responsible for administering the program.

To address the issues raised by the chairmen, we selected for detailed onsite review 10 educational institutions which

received 17 VA grants. (See app. I.) At the time of our review, these grants represented about half of the total funds awarded under the program. Our basis for selecting these 17 grants included varied program goals and disciplines, geographic dispersal, and grant amounts. VA's Director of MGS told us that these grants, when selected, were fairly representative of the total program.

For each of the 17 grants we interviewed school and affiliated VA hospital officials; reviewed pertinent records and reports; and contacted State and local officials who were primarily responsible for assuring that the grants were consistent with State and local health plans, policies, and programs.

In addition, we obtained information from the Bureau of Health Manpower, Health Resources Administration, HEW concerning the extent of coordination between VA and HEW grant programs and the adequacy of existing national health manpower resources.

CHAPTER 2

GRANT REVIEW AND AWARDS

VA has implemented a review process in awarding health manpower training grants. Although it is an effective management tool, several grant awards we reviewed were not in strict compliance with program requirements; others were approved despite objections raised by VA grant reviewers. A brief discussion of each of these awards follows.

GRANT REVIEW PROCESS

To receive assistance under VA's grant program, an institution must submit an application to VA. Each application must contain (1) information on the institution and the budget requirements for the proposed project, (2) a description of the project, (3) data on the resources of the affiliated VA medical facility, and (4) assurances of accreditation, coordination with State and local health plans, and non-VA resource commitments to support the project during and after the grant period.

MGS initially reviews the grant applications and forwards them to HEW's Bureau of Health Manpower, which determines possible program overlaps and duplicate funding requests. Then VA's medical school assistance review committee or its health manpower training assistance review committee reviews the applications for their merit and suitability. These committees are comprised of VA and non-VA personnel.

The academic affairs subcommittee of the Administrator of Veterans Affairs Special Medical Advisory Group further assesses applications for their statutory relevance and general relationship to other DM&S activities. The overall results of the review process are then presented for review to the Chief Medical Director, who makes the final recommendation to the Administrator. The Administrator reviews the applications and assigns one of the following categories to each application:

--Approval for the grant period in the amount requested.

--Approval with conditions. These are in effect contingencies which the grantee may or may not wish to accept, and generally relate to such details as elimination of certain budget items or alterations of the length of the program period.

--Deferral.

--Return for revisions.

--Disapproval.

Once an application is approved and funded, a grantee must submit a continuation grant application to VA for each 12-month period following the initial award period. Should a grantee want additional funds for an approved VA program or an extension of the grant period, a supplemental application containing information similar to that of a new application must be submitted.

QUESTIONABLE SUBCHAPTER II AND III GRANTS

VA regulations required subchapter II and III grant applicants with ongoing programs to show that the programs would significantly increase student enrollment during the first full academic year following the grant awards. Four of the 17 grants which we reviewed were approved and funded, even though they did not strictly comply with the increased student enrollment requirements.

University of California at San Francisco School of Medicine

In June 1975, VA awarded the university an $8 million subchapter II grant for a 7-year period.

The grant's purpose was to expand the university's medical education program by establishing a satellite campus for clinical training in the Fresno-Central San Joaquin Valley area. In its application, the university did not provide VA with reasonable assurance that a substantial increase in full-time student enrollment would result during the first academic year following the grant award. Instead, the university projected a 4-percent (24-student) enrollment increase to be phased in over a 4-year period starting in the second year of the grant. According to university officials, the grant was not intended to significantly increase medical student enrollment but was directed primarily toward solving a physician maldistribution problem in the Fresno area.

The enrollment increase in the university's approved project will consist of 24 3d- and 4th-year transfer students from the university's San Francisco campus. However, according to university officials 24 students may not select the Fresno area to take their 3d- and 4th-year training. We were told that the actual number depends on the availability of clinical clerkships and the number of students who choose to

accept them. According to the associate dean for the university's program, the university did not need the clinical clerkships in the Fresno area to meet the planned enrollment increase.

According to university officials, they were not in favor of a larger student enrollment because recent increases in U.S. medical school enrollment had eliminated the physician shortage. Therefore, since the passage of Public Law 92-541, enrollment increases have been unnecessary. Furthermore, they believed that larger undergraduate enrollments would be detrimental to the medical school because they would not be able to obtain a letter of reasonable assurance of accreditation.

According to VA officials, the university's VA grant award was based on a projected 44-student enrollment increase in the university's total undergraduate program rather than the projected 24-student enrollment increase in the Fresno program. However, because the university also was receiving HEW assistance, we do not believe the entire 44-student enrollment increase should be attributed directly to the VA grant. Moreover, because the university did not intend to substantially increase its medical student enrollment as required, VA should not have approved and funded the grant.

University of California at
San Francisco School of Nursing

In June 1975, VA awarded the university a 3-year subchapter III grant of about $142,000. The grant was to establish an internship program at the San Francisco VA Hospital for the university's school of nursing graduates. The program would accelerate the career development of recent graduate nurses by integrating academic nursing theory with clinical nursing practices. VA approved this grant as a greatly needed endeavor to strengthen clinical training for nurses and a novel venture in education which would offer long-range benefits to the San Francisco VA Hospital.

In our opinion, this grant was not a novel venture and should not have been approved and funded. Specifically, the grant did not materially improve or expand the university's school of nursing program because it

--was intended to operate for only 3 years,

--had no impact on the school's undergraduate nursing curricula, and

--was limited to only 14 graduate nurses each year.

The transition problems of recent graduate nurses had been recognized for some time by 10 other San Francisco community hospitals which have established special orientation programs for nursing graduates; one of these hospitals is the university's own Moffit Hospital. In addition, the San Francisco Consortium, comprised of five San Francisco universities and colleges, had received an HEW grant in 1974 to conduct a similar program.

According to an official from the university's school of nursing, the VA grant project was never intended to become a continuing part of the nursing program. VA's Director of MGS told us that the postbaccalaureate program for clinical nurses had been a part of the regular offering of the nursing school for many years. Although VA's grant had no effect on the school's student enrollment, she believed that VA's approval of the grant was consistent with the intent of subchapter III.

University of Alabama

In January and June 1975, VA awarded two subchapter III grants to the university. One $78,855 grant was awarded to supplement the development of a simulated laboratory in the university's medical technology program. This program had been originally established and funded in mid-1974 with State and Federal support. The other grant for $154,779 was awarded to expand and improve the administrative residency portion of the university's hospital and health administration graduate program, which began in 1966.

According to VA's Director, MGS, VA approved and funded both grants as new, rather than ongoing, projects and therefore did not require the university to project student enrollment increases in its grant applications. University officials told us that they had not been aware that receipt of VA funds was contingent upon the university increasing student enrollment. Moreover, they said that VA had never questioned the university about this matter.

In our opinion, neither of these projects was new and VA grant funds were used to augment existing university programs. Therefore, projected student enrollment increases should have been required as conditions for grant approval.

GRANTS APPROVED FOR FUNDING DESPITE REVIEWER OBJECTIONS

VA has generally followed its established review and approval process in awarding grants. However, we reviewed two subchapter I grants and one subchapter II grant which were approved for funding by VA's Administrator, even though his advisors questioned the grantees' ability to carry out their proposed projects. A brief discussion on each of these grant awards follows.

Marshall University

In February 1974, Marshall University submitted to VA a subchapter I grant application requesting about $15 million to establish a new medical school in affiliation with the Huntington, West Virginia, VA Hospital. Upon completing the application review process, the Chief Medical Director forwarded the application to VA's Administrator, recommending that it be disapproved and that the university be requested to resubmit it following further planning for the medical school and the role of the VA hospital in the proposed affiliation. According to the Chief Medical Director, approval of the application would have made the grant impossible to administer by the university and VA.

Contrary to the director's recommendation, in June 1974 VA's Administrator conditionally approved the university's application as submitted. The conditional approval was effective until March 1975 and dependent on the university

--obtaining reasonable assurance of accreditation,

--providing documentation to evidence the State's continued and supplemental financial support of the new school, and

--clarifying the roles of and relationships between the new school and the VA hospital.

In February 1975, the university submitted a revised application which addressed most of these conditions and requested an extension of the conditional approval period. VA approved the revised application in May 1975, dependent upon receiving reasonable assurance of accreditation and an opinion from VA's Office of General Counsel that the university had satisfied the statutory requirement proving State financial support of the medical school. According to VA's Assistant General Counsel, in June 1975 the university had satisfied

the program's statutory requirement regarding State financial support. In January 1976 the university received assurance of accreditation for the medical school, and in March 1976 VA approved the application.

After receiving the initial grant award, the university submitted two supplemental grant requests. When VA approved them, the university's total grant award was increased to about $16.1 million.

East Tennessee State University

In March 1974 East Tennessee State University submitted a subchapter I application to VA requesting about $18.7 million to establish a new medical school in affiliation with the Mountain Home, Tennessee, VA Hospital. After completing his review of the university's application, the Chief Medical Director forwarded it to VA's Administrator and recommended that it be disapproved. The director pointed out that the university and the local medical facilities lacked adequate resources to establish a base for the new medical school. He also said that the university lacked experience in graduate medical education and formal planning of the organizational structure of a medical school, including development of the essential relationships among the community hospitals, the VA hospital, and the university. In addition, he recommended that VA evaluate the Mountain Home VA Hospital's potential to become a teaching hospital.

Despite the conclusions and recommendation, VA's Administrator in June 1974 conditionally approved the university's application as submitted. He stated, however, that much would have to be accomplished by the State and university to justify final award of the grant. The Administrator informed the university that the application's conditional approval would be effective until March 1, 1975, by which time the university was expected to provide VA with

--assurance of continued financial support from the State and other sources,

--reasonable assurance of accreditation, and

--a detailed statement clarifying the role of the Mountain Home VA Hospital in the affiliation.

In February 1975, at VA's direction, the university submitted a supplemental application requesting an extension of the conditional approval. The Chief Medical Director approved

the application in June 1975, which extended the conditional approval until March 1, 1976. He stated that VA's final approval of the grant depended upon the university receiving a letter of reasonable assurance of accreditation.

In January 1976 the university advised VA of recent accomplishments and plans regarding the new school and requested another extension of the conditional approval. One month later the Chief Medical Director extended the conditional approval until December 31, 1976.

In September 1976 the university submitted a supplemental grant application, requesting an additional $15.6 million. Even though the university's initial June 1974 application had not received final approval and the required letter of reasonable assurance of accreditation had not been obtained, in January 1977 VA's Administrator approved the supplemental application, thereby increasing the total grant award to about $34.4 million. At the same time, VA also extended conditional approval of the initial application until September 1, 1977. After finally receiving the letter of reasonable assurance of accreditation for the new school, in August 1977 VA approved and funded the university's grant for the total $34.4 million. As discussed on p. 16, the decision to approve and fund the university's grant may affect VA's ability to meet its subchapter I program commitments.

University of South Dakota

In March 1974 the university submitted a 7-year subchapter II grant application requesting about $9.1 million--including about $938,000 for the first year. The university sought VA assistance to supplement existing funds used in converting from a 2-year to a 4-year degree-granting medical school. According to the VA reviewers, the grant, though not essential to the school's ultimate development, would permit the university to accelerate faculty recruitment, reduce dependence on volunteer faculty, and establish the Sioux Falls VA Hospital as a focal point for clinical training. However, the reviewers expressed concern about the State's willingness and capability to sustain funding for the medical school during and after the VA grant period.

Accordingly, the Chief Medical Director concurred with the reviewers' recommendation that the university's application be approved for only 1 year at a reduced level, not to exceed $500,000, and that the university be requested to submit another application at the end of the first year.

The reviewers noted that the university needed more time to obtain (1) a substantial funding base to support the program and (2) a firm commitment for continued support from sources other than VA.

Despite this recommendation, VA's Administrator in June 1974 unconditionally approved the university's grant application for the entire 7-year period at the full funding level, including the $938,000 first year funding, as requested.

Former VA Administrator's rationale for grant awards

We met with the former VA Administrator, who approved the three grant awards discussed above, to determine the rationale for his decisions. He told us he had closely followed the congressional hearings on Public Law 92-541 and had several lengthy discussions with some Members of Congress who were responsible for formulating the law. As a result, he said he became aware of the "political" interest in and congressional intent of the law, and had applied this understanding during his review of these grant applications. He said that the VA reviewers could not apply this insight in reaching their decisions. He interpreted congressional intent to be a deep interest in using the mechanism articulated in the law to efficiently alleviate the shortage of medical personnel.

The former Administrator said that he approved the Marshall University grant application after discussing it in a meeting with the university's president, a Member of Congress, and several medical professionals. He said that these individuals assured him that the university could overcome the objections raised by VA reviewers and, therefore, deserved the grant award. Under these circumstances, he believed a conditional award was appropriate.

The former Administrator told us that he visited East Tennessee State University before VA reviewed the university's application. He was impressed with the university's plans for developing a new medical school and decided a conditional award was appropriate.

Although he had no specific explanation for his decision on the approval of the University of South Dakota's application, the former Administrator said that he believed that approving the university's grant in the requested amount would help the university in carrying out its conversion plans.

CHAPTER 3

ACCOUNTING CONTROLS FOR GRANT FUNDS ARE INADEQUATE

Although responsible for managing a grant program with commitments exceeding $256 million, VA had established no system to insure that grant funds are properly accounted for by individual grantees. For the most part, VA relies on information submitted by grantees to determine the progress of grant-supported programs. To date, VA has conducted no onsite regulatory compliance or financial audits to check the accuracy or objectivity of the information received. As a result, VA has no assurance that grantees are expending funds in line with stated goals and objectives of approved projects or properly accounting for grant funds.

In addition, VA may not be able to meet its subchapter I program commitments. Should VA fail to fulfill these commitments, the new medical schools established with VA assistance may be adversely affected.

DEFICIENCIES IN GRANTEE ACCOUNTING CONTROLS

As of December 1978, VA had not audited any grant projects to validate the financial transactions and reports submitted by grantees. Our examination of grantee financial records and reports disclosed numerous deficiencies in the fiscal administration of grant funds. According to VA officials, insufficient travel funds and qualified staff have precluded onsite audits of grantees. As a result, VA officials have no assurance that the financial reports submitted by grantees contain accurate and reliable information.

The examples below illustrate the types of deficiencies we noted in the grantees' financial administration of grant funds and demonstrate the need for VA to conduct onsite audits.

Our review of the University of California at San Francisco financial reports submitted to VA, university accounting records, and other source documents showed that:

--Indirect cost rates were applied improperly from July 1975 through February 1977 and, as a result, VA was overbilled by about $5,700.

--Salary charges incurred during the 2d year of the grant were incorrectly charged to the 1st year's grant budget.

--The university could not locate a letter of credit voucher--an important, prenumbered form by which up to $1 million in grant funds could be obtained from the U.S. Treasury.

--Four erroneous cash transaction reports indicating that withdrawals of grant funds were submitted to VA, thereby overstating expenditures.

--Total grant expenditures reported as of December 30, 1976, did not reconcile with the total reported on prior quarterly reports plus the amount expended during that quarter; the difference was more than $1,800.

--Two June 30, 1976, reports summarizing grant fund expenditures differed by more than $29,000.

--Three of nine quarterly reports submitted to VA did not reconcile with university accounting records.

After we informed university accounting officials of these discrepancies, they made appropriate corrections and adjustments. According to the university's Federal funds supervisor, VA previously had not questioned the validity of the reports submitted.

At the University of North Dakota, we reviewed financial reports, accounting records, and other source documents and found:

--The university had no effective system to account for payroll costs.

--During a 3-month period, four employees' salaries totaling about $26,000 were paid with VA grant funds, even though their positions were not included in the grant budget request approved by VA.

--The university used an inappropriate indirect cost rate during the first 2 years of the grant, resulting in an overpayment by VA of about $84,000. Had this error gone undetected, over the remaining 5 years of the grant the university would have received about $800,000 more than permitted by VA regulations.

After we completed our review, corrective actions were taken or planned by the university regarding these deficiencies.

At the University of Alabama, we found a reporting discrepancy of about $31,000 relating to cash disbursements. At Wright State University, we discovered several miscalculations in the quarterly financial reports submitted to VA during calendar year 1976. The University of South Dakota had an inadequate inventory control system in that equipment serial numbers were not maintained as required by VA regulations. Thus, items purchased with VA grant funds could not be identified. These universities initiated or planned actions to correct these deficiencies.

According to an MGS official, VA was unaware of the deficiencies discussed above, and they could not have discovered them without conducting onsite audits.

SUBCHAPTER I PROGRAM COMMITMENTS MAY NOT BE MET

On the basis of available information, VA may fall short of meeting its financial commitments to subchapter I grantees by about $32 million. In December 1976, we advised VA that subchapter I commitments would exceed future appropriations by about $17.1 million. At that time most of the shortfall was directly due to the $18.7 million initial grant award to East Tennessee State University. Shortly thereafter, VA awarded a supplemental grant of about $15.6 million to it.

Federal grants are normally funded on an annual basis and are subject to the continuing availability of funds appropriated. However, the investments initiated by VA's funding of new medical schools have been sizable, and the viability of these institutions could be jeopardized if VA's commitments cannot be met.

The legislative authorization for VA's health manpower assistance program expires on September 30, 1979. VA has not requested an extension of the program or any budget authority for the program in its fiscal year 1980 budget request. However, in October 1978 the Congress enacted Public Law 95-520, the Veterans Administration Programs Extension Act of 1978, and, among other things, provided VA additional authorization for its fiscal year 1979 appropriations to meet all outstanding grant commitments under the program. Accordingly, VA requested a fiscal year 1979 program supplemental appropriation of $57,468,000 to meet

its commitments for all active grants through fiscal year 1983. As of February 1979, VA's funding request had not been approved.

CHAPTER 4

PROGRAM EFFECT ON GRANTEES AND VA

VA grant assistance generally has enabled the educational institutions we reviewed to expand and/or improve their health manpower training capacities. (App. I contains information on the amounts and duration of the 17 grant projects reviewed.) Although, to a lesser degree, the affiliated VA hospitals participating in these grant projects benefited as well, particularly in that their access to trained health personnel was improved.

At the time of our review, a comprehensive evaluation of the impact of VA assistance on the grantees or the affiliated VA hospitals was not possible because

--standards to measure program effectiveness were not established,

--definitive goals for individual grants were not developed,

--most of the grant projects were funded recently, and

--most grantees received financial support from non-VA sources for purposes similar to those for which the VA assistance was provided.

CHANGED PERCEPTIONS REGARDING SUPPLY OF HEALTH MANPOWER

When Public Law 92-541 was passed in 1972, many qualified medical experts believed that there was a national shortage of qualified physicians and that additional medical schools were needed. Since then, the outlook has changed; many medical experts now see a distribution imbalance, rather than a shortage among trained health manpower, particularly physicians.

In a May 1978 report to the Congress, 1/ we reported that the medical professions are still debating as to the number of physicians being trained in the United States and their ability to meet the Nation's health care needs. While

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1/"Are Enough Physicians of the Right Types Trained in the United States?" (HRD-77-92, May 16, 1978).

many believe the Nation may be soon training too many physicians, VA has increased the number of medical schools and the overall supply of physicans to comply with Public Law 92-541. We concluded that an accurate determination of the Nation's needs for physicians can be made only after we know how many specialists and subspecialists will be required to meet these needs. We recommended, among other things, that the Congress determine whether Federal financial assistance designed to increase the number of medical school graduates is necessary and should be continued.

ESTABLISHING NEW MEDICAL SCHOOLS

Although Public Law 92-541 provided that up to eight new medical schools could be established through subchapter I grants, VA only awarded five such grants. The last subchapter I grant was approved in August 1977, and VA officials do not plan to approve any additional subchapter I grant programs. They attributed this decision to the continuing debate within the medical community regarding the need for additional medical schools.

We reviewed three subchapter I grants--Wright State University, Marshall University, and the University of South Carolina. For these three grantees, VA has provided most of the financial support to date and will continue to be a major source of funding until the VA grant periods terminate.

The deans at Marshall and South Carolina stated that their medical schools could not have been established without VA assistance. According to Wright State's dean, the school could have been established without VA assistance, but the growth and progress achieved to date would not have been possible. For example, he said that VA assistance enabled the school to admit students 2 to 3 years earlier than originally planned. According to officials from each school, VA assistance made it possible for the new schools to

--develop curriculums,

--employ needed faculty,

--procure supplies and equipment, and

--construct and/or renovate educational facilities.

The viability of the new medical schools depends on their ability to obtain sufficient funds from other sources after

the VA grants terminate. At the time of our review, none of the three schools were assured funding after the grant periods. Accordingly, the future of these schools depends on the willingness and ability of their respective State legislatures to support them.

In establishing their academic programs, the schools have had understandable difficulties in obtaining provisional accreditation and integrating their programs with the administration of affiliated VA facilities. As a result, according to VA officials, the effectiveness of the plans initiated and programs operated by the medical schools cannot be assessed at this time.

The three schools budgeted $41.8 million (about 60 percent of the grant funds received) to pay salaries. The remaining 40 percent ($27.9 million) was to be used to purchase equipment and supplies and to carry out construction and renovation projects. At the time of our review, the salary expenditures were proper and within the limits imposed by the law. None of the institutions we visited had completed its approved construction or renovation projects at the time of our review. Therefore, we could not assess the utilization of the facilities.

ASSISTANCE TO EXISTING MEDICAL SCHOOLS

According to VA officials, although sufficient time has not elapsed to permit a final assessment of the subchapter II grant programs, the educational programs supplemented by VA grant funds have shown improvement:

--Curriculums were expanded.

--Student enrollment increased.

--Certain affiliations with VA hospitals have been strengthened.

--New clinical clerkships were established.

--Additional faculty were recruited.

--Projects were undertaken to upgrade existing VA facilities or build new ones for educational activities.

Although officials at the five medical schools we reviewed indicated they had plans to continue the programs after the grant periods expired, some may not be able to do so because of funding problems.

The medical schools in North Dakota and South Dakota have expanded from 2- to 4-year degree-granting institutions. The University of Florida and the University of California at San Francisco medical schools developed major primary care curriculums, including clinical training, in locations where physician shortages existed. The University of Alabama used its grant funds to expand and improve the medical education program at Tuscaloosa.

Four of the five grantees experienced substantial student enrollment increases ranging from 18 to 71 percent during the first full academic year following the grant awards. The fifth grantee--the University of California at San Francisco medical school--increased student enrollment by 7.5 percent, an increase that VA considered substantial.

All five medical schools are affiliated with both VA and community hospitals for student rotations. However, the University of California at San Francisco presently does not have an active affiliation with the Fresno VA Hospital in regard to student rotations; only one clerkship position has been established at the hospital. According to a medical school official, the primary focus of the Fresno grant project was on community hospitals rather than the VA hospital.

The five medical schools used most of their VA grant funds to pay salaries of staff associated with the educational and clinical aspects of the grant projects. These staff members included additional residents, faculty, administrators, and secretarial/clerical support staff.

Three of the subchapter II grants we reviewed also received subchapter IV grant funds to upgrade VA facilities or build additional facilities to accommodate the grant programs. The University of California at San Francisco program involved about $2 million; the University of North Dakota, about $250,000; and the University of South Dakota, about $289,000 for these purposes.

A substantial portion of the total funding received by each of the five schools during the grant periods will come from VA. For example, VA will provide from about 20 percent

of the total funding at the University of Alabama at Tuscaloosa to 81 percent of the total funding at the University of Florida for its primary care program.

The continuity of the projects at the Universities of Florida and South Dakota after the VA grant periods ended seemed questionable because of the schools' lack of assurances concerning future sources of funds. At the time of our review, the University of Florida officials had taken no steps to replace funds provided by VA. Officials at the University of South Dakota told us that the VA grant's expiration will create funding problems, as no firm commitments had yet been obtained to assure continuation of the project.

According to school officials at the Universities of Alabama, Florida, and North Dakota, if VA grant assistance were withdrawn before the end of the grant periods, the projects would continue--but at a reduced scope. University of South Dakota officials predicted that withdrawal of VA grant funds before the grant period expired would jeopardize both the continuation of the project and the school's accreditation.

We believe the training capacities of the medical schools have been improved; but, because the projects were in the developmental stages, we could not precisely assess the effect of the medical school grants. Also, because VA grant funds are commingled with funds received from other sources, improvements attributed directly to VA funds could not be clearly identified.

ASSISTING ALLIED HEALTH SCHOOLS

The nine subchapter III grant projects we reviewed received a total of $2.2 million from VA. The grants represented a major part of the total budgets and, for the most part, significantly affected the grantees.

Five of the nine were new projects initiated with VA funds--the associate degrees in health-related fields, the community dietetics, and the nurse practitioner programs at the University of Florida; the nurse internship program at the University of California at San Francisco; and the dental assistants' program at the University of Alabama. VA is expected to provide between 46 and 100 percent of the new projects' total funding during the grant periods. The four ongoing projects supplemented by VA grants were the dietetics, medical technology laboratory, and health and hospital administration programs at the University of Alabama and the medical technology program at the University of Florida. For

the ongoing projects, VA will provide between 21 and 47 percent of the total funding during the VA grant periods.

With the exception of the University of California at San Francisco nursing program, officials of the reviewed subchapter III programs planned to continue the programs after the VA grant periods. However, because of the uncertainty regarding the availability of State and other funds, we could not determine the extent to which the grantees will obtain the funds necessary for continuing the projects. At the time of our review:

--Four grantees expected to receive State assistance to continue their projects.

--Three grantees had applied for HEW funds.

--One expected to receive funds from the State and private foundations.

The withdrawal of VA funds during the grant period could affect the grant programs in several ways:

--The number of faculty and/or levels of student enrollment would be reduced, according to school officials from four subchapter III projects.

--The program would be discontinued, according to the director of the dietetics program, University of Florida.

--The program would incur no serious damage, according to a University of Florida nursing program official.

However, when VA grants expire, the programs either continue with funds from other sources or terminate. For example, the medical technology and dental assistants' programs at the University of Alabama continued with State assistance after the VA grant expired in 1977. Yet, the nursing program at the University of California at San Francisco was terminated when the VA grant expired in June 1978.

The curriculums at all of the ongoing projects we reviewed have been improved and/or expanded as a result of VA grants. The medical technology program curriculum at the University of Florida was completely revised. At the University of Alabama, the continuing education component of the health and hospital administration program was improved and a new course was added to the medical technology

curriculum. The dietetics program at Alabama was expanded to include additional clinical experiences for students at the affiliated VA hospital.

Three of the four ongoing projects had student enrollment increases during the first full academic year following the VA grant award. The dietetics program at the University of Alabama increased enrollment by 48 percent. The hospital and health administration program at Alabama had a 7-percent increase. The medical technology program at the University of Florida increased its student enrollment by 4 percent in the year following the grant award but had experienced a decline in total student enrollment since the year the award was made. Enrollment in the medical technology laboratory program at the University of Alabama did not increase until 2 years after the VA grant award.

The grantees rely on the affiliated VA hospitals as educational resources for students. These hospitals provide clinical experiences to students in all but the associate degrees in health-related fields program at the University of Florida. There, student rotations were planned to occur through the Gainesville VA Hospital beginning in late 1978.

EFFECT OF GRANTS ON VA HOSPITALS

Public Law 92-541 intended that the VA health care system benefit from the grant projects, but the exact nature of these benefits or the extent to which they were to occur were specified neither in the law nor VA program guidelines. VA officials generally indicated the grants had a positive effect on affiliated VA hospitals. However, because most of the grants had recently been funded and no criteria for measuring effect had been established, the final effect could not be assessed at the time we completed our field work.

Effect on VA hospitals affiliated with subchapter I grantees

The effect of VA grants on VA hospitals affiliated with subchapter I grantees could not be determined because each of the medical schools we reviewed was in the early stages of development. According to VA officials, the effectiveness of these new medical schools will be judged largely by their abilities to improve the quality of care for veteran patients in affiliated VA hospitals. To measure the effectiveness of newly established medical schools, VA considers whether

--VA hospitals are participating in graduate and continuing education programs;

--clinical faculty are provided in VA hospitals;

--staff are available as consultants to VA hospitals;

--new and improved services are offered through sharing and regionalization;

--a leadership role is assumed in providing high quality care in the community, including new treatment specialties; and

--help is extended to improve the recruitment and retention of professional staff in VA hospitals.

During our review, it appeared that the VA hospitals' most direct benefit to date had been the ability to recruit and retain qualified professional staff. Many of these individuals, while employed by the VA hospital, also hold appointments on the medical school's faculty. These appointments are attractive to many because of the academic prestige and the supplementary salary provided. Also, certain hospital construction and renovation activities have resulted in expansion of available VA patient care services.

Effect on VA hospitals affiliated with subchapter II grantees

VA officials believe that some existing affiliations have been revitalized as a result of subchapter II grant-supported activities. They also believe the quality of patient care had improved or would improve due to the grants.

The primary effect on VA hospitals centered on recruiting and retaining qualified professional staff, developing residency programs, and adding or expanding major medical service components. However, since the subchapter II grantees we reviewed had established academic affiliations with VA hospitals before receiving VA grant assistance, some of the improvements and changes we observed may have occurred even if the grants had not been made.

According to the directors of the VA hospitals we visited, a formal evaluation standard had not been developed to determine the grant projects' contributions to veteran health care.

Overall, the directors believed it was too soon to assess the effect of the grants on quality of care. However, the directors identified certain aspects of their grant projects that have or will improve the quality of care. For example, in an April 28, 1976, letter to the Director, MGS, the Sioux Falls VA Hospital director stated that the affiliation with the University of South Dakota had helped the VA hospital to

--recruit quality professional staff, particularly in several specialty areas;

--establish a surgical residency program; and

--add 12 medical service components.

According to the Fargo VA Hospital director, he was unaware of any goals that had been established regarding the hospital's affiliation with the University of North Dakota School of Medicine. However, he said the university has been instrumental in recruiting highly qualified physicians to practice in specialties and subspecialties at the hospital, improve the quality of patient care, and provide continuing education for staff physicians and allied health personnel. We found that the hospital's internal medicine residency program, started in 1975 with 2 residents, had increased to 14 residents by 1977. Also, 11 outpatient services have been added at the hospital, thereby increasing outpatient visits and decreasing inpatient average lengths of stay.

The University of Florida College of Medicine, in affiliation with the Gainesville VA Hospital, added 14 of the 27 faculty and staff members participating in its primary care program as a result of the VA grant. Of the 27, 7 faculty members spend from 10 to 50 percent of each week in the VA hospital. According to hospital officials, as a result of the additional professional staff--especially concentrated in the areas of dermatology, rheumatology, and allergies--patient care has been improved. Also, a new outpatient clinic has been established at the hospital for each of these disciplines. Finally, through student rotations, each year 12 medical students and 7 physician assistants will participate in educational activities and 12 interns will participate in elective training at the VA hospital.

The affiliation between the College of Community Health Sciences at the University of Alabama in Tuscaloosa and the Tuscaloosa VA Hospital was not formalized until January 1977.

As a result, their working relationship was still in the developmental stages at the time of our review. According to a Tuscaloosa VA Hospital official, the grant has improved the hospital's ability to provide quality patient care. The official cited the following developments as results of affiliation with the college and the grant:

--The continuing presence of at least one family practice resident at the hospital to focus attention on the details of patient care.

--A joint program of continuing medical education, emphasizing psychiatry.

--Upgrading of the hospital's 60-bed general medical service unit through the college's recruitment of highly qualified physicians who will work at the hospital.

If VA's plan to develop an ambulatory surgical clinic at the Tuscaloosa hospital is implemented, medical services for patients would be expanded even further. According to the VA's chief of staff at Tuscaloosa, the new clinic, if established, would be a direct result of the hospital's affiliation with the college, as the clinic would be staffed in part by college faculty.

The University of California at San Francisco grant program helped the Fresno VA Hospital to recruit five physicians, including new chiefs of medicine and psychiatry. In addition, the Fresno VA Hospital director told us that, because of the hospital's new role as a teaching facility, the VA Central Office has authorized 10 new positions for the hospital and several renovation projects to improve the facility. These projects include a medical education facility for inservice training, a new ambulatory care facility, and improvements in the radiology department.

Based on the information we obtained during our review, it is evident that the VA grants received by established medical schools have benefited the VA hospitals in varying degrees. However, because these medical school-VA hospital affiliations had been operative before VA grant funds were awarded, some improvements and changes possibly could have occurred at the VA hospitals without the grants.

Effect on VA hospitals affiliated with subchapter III grantees

Due to the experimental nature of most projects funded under subchapter III, the legislation and VA regulations do not require that VA hospitals directly benefit from these grants. Furthermore, VA has adopted the view that these projects are unique in their potential to improve care, not only in VA facilities, but throughout the community. During our review of nine subchapter III grants, we found that seven VA hospitals benefited at least indirectly and/or marginally from the grant projects. According to officials at five of these VA hospitals their hospitals benefited immediately from the grant projects; officials at two others stated the primary effect of the grant projects would be long range in that they would provide VA with future sources of qualified staff. Officials at the two remaining VA hospitals stated that the grant projects had no impact on their hospitals.

According to a San Francisco VA Hospital official, additional nursing staff, who were not charged against the VA hospital staffing authorization, were provided through the nursing internship program. Furthermore, upon completing the program 14 participating nurse interns were hired by VA.

Students in the clinical and community dietetics program at the University of Florida used the facilities at the Gainesville VA Hospital to gain clinical experience. Their duties included (1) providing individual attention and instruction to patients concerning their nutritional needs and (2) treating and observing patients in relation to assigned course work under the supervision of an instructor or a VA dietitian. According to a Gainesville VA Hospital official, the individual attention provided the patients by the students improved the quality of patient care.

The VA grant to develop a simulated medical technology laboratory for the University of Alabama School of Community and Allied Health Resources brought about no increase in the services provided for VA patients or in the number of students assigned to the Birmingham VA Hospital. The VA hospital chief of medical technology, however, pointed out that the simulated laboratory had (1) reduced the number of students rotating to VA laboratories to gain clinical experience, thereby resolving space problems, (2) freed VA clinical laboratory instructors to provide more individual instruction, and (3) provided the VA hospital with a future source of qualified medical technicians.

The Gainesville VA Hospital was affiliated with the University of Florida College of Health Related Professions, which received a grant to improve its curriculum in medical technology. According to VA hospital officials, the presence of program students and faculty had a positive effect on the quality of patient care, but they were not able to specify this effect. The VA hospital had employed two of the 1976 graduates at the time of our review.

According to the Gainesville VA Hospital's chief of nursing service, the grant to assist the University of Florida College of Nursing in establishing a continuing educational program to prepare nurse practitioners in extended care responsibilities had improved the quality of patient care. The presence of nurse practitioner students influenced the hospital staff involved in training to keep up with and practice the latest nursing techniques.

The Birmingham VA Hospital director in an April 1975 letter noted that the dental assistants' program, established by the VA grant at the University of Alabama School of Dentistry, will provide a continued source of trained certified dental assistants in the VA region. At the time of our review, six 1975 graduates from the program had been hired by VA.

The grant awarded to the University of Alabama in the Birmingham School of Community and Allied Health Resources to expand its residency program in hospital and health administration did not directly increase the services provided to VA patients or the number of students placed in the Birmingham VA Hospital. According to the hospital director, the program benefited VA by developing a resource to recruit future management personnel for the VA health care delivery system and by providing continuing education benefits for the VA staff.

The grant to expand the coordinated undergraduate dietetics program for the University of Alabama School of Home Economics was not designed to meet the specific needs or requirements of the Tuscaloosa VA Hospital. According to a Gainesville VA Hospital official, the University of Florida grant project to educate and upgrade personnel with associate degrees in health-related fields had no overall impact on patient care. At the time of our review, none of the students in the program had been assigned to the VA hospital.

We agree with VA officials that an overall appraisal of the effect of subchapter III grants presently cannot be made. Even though the progress of individual projects may be assessed, the grants' purposes are varied. For this reason more time must pass before meaningful evaluations can be made as to whether pilot or demonstration projects will produce results worthy of recommendations to

--continue them as routine medical service components or

--extend them so they can be implemented at other facilities.

PARTICIPATION OF VETERANS IN GRANT PROGRAMS

Both Public Law 92-541 and VA regulations provided that VA would especially consider grant seeking institutions which adopted veterans' preference policies in selecting students. Seven of the 17 grant projects we reviewed did not have policies giving preference to veterans seeking admission. In many cases, no records were available to identify whether a student was a veteran. As a result, we were not able to determine the number of veterans participating in the grants we reviewed. According to a VA official, each grantee decides on the methods used and amount of effort expended to carry out this responsibility.

According to VA records, as of October 1977, 2,452 veterans had participated as students in VA's health manpower training program since its inception. VA officials said this number is an understatement because many grantees do not collect information on the number of enrolled student veterans.

CHAPTER 5

NATIONAL HEALTH PLANNING AND PUBLIC LAW 92-541

In January 1975, the Congress enacted Public Law 93-641, the National Health Planning and Resources Development Act of 1974. The purpose of the act is to facilitate

--developing recommendations for a national health planning policy;

--augmenting areawide and State planning for health services, manpower, and facilities; and

--authorizing financial assistance for developing resources to further that policy.

In enacting this legislation, the Congress concluded that Federal funding efforts had failed to produce an adequate supply or distribution of health resources in the United States. The Congress further concluded that the lack of a comprehensive rational approach to this problem contributed to

--the lack of uniformly effective methods of delivering health care,

--an imbalance in the distribution of health care facilities and manpower, and

--the increasing cost of health care.

The act directed the Secretary of HEW to coordinate with State Governors the development of health systems agencies which would have primary responsibility for (1) health planning and (2) promoting the development of resources to meet identified health care needs. In addition to assembling and analyzing health care statistics and data, the health systems agencies are required to develop annual plans describing the objectives and priorities of the health service plans.

VA awarded grants to medical and other health professions schools for purposes which were consistent with existing State and local health plans. However, the lack of definitive health manpower standards or priorities prevented VA from matching its grant awards to national manpower needs. As a result, the extent to which VA's health manpower assistance program has effectively met these national needs is questionable.

NATIONAL HEALTH MANPOWER NEEDS

In 1970, the Carnegie Commission on Higher Education issued a report, "Higher Education and the Nation's Health," which addressed the adequacy of trained health manpower in the United States. This report, used in formulating Public Law 92-541, noted that U.S. medical and other health professions schools at that time were not capable of producing the numbers of health professionals needed in the country. It also noted that, as the demand for health care increased during the 1970s, this problem would become more serious. The commission acknowledged that certain health manpower distribution problems existed in the United States, but concluded that these and most other health manpower resource problems could best be addressed by increasing the total aggregate supply of trained health manpower.

Since the enactment of Public Law 92-541, many health planners have changed their perception of national health manpower needs and priorities. The position now taken is that a more balanced distribution, not necessarily greater numbers, of health manpower resources is needed. For example, in 1976 the Carnegie Council on Policy Studies in Higher Education report, "Progress and Problems in Medical and Dental Education," concluded that there no longer appeared to be a shortage of physicians, but there was an imbalance in the distribution of physicians, particularly involving primary care physicians. According to the council, developing too many new medical schools is a serious danger. In addition, failure to impose stricter Federal and State controls over the development of new medical schools could contribute to excessive increases in the total supply of physicians. In line with this belief, the council recommended that VA's authority to establish new medical schools be repealed and all decisions related to startup and construction funds from Federal sources be centralized with the Secretary of HEW.

According to our May 1978 report (see footnote p. 18), knowledgeable health care bodies generally agreed that more primary care physicians needed to be trained in the United States. However, questions concerning (1) the number of primary care physicians needed, (2) the number of primary care physician extenders needed and their impact on primary care physicians, and (3) the extent to which specialists should be relied on to provide primary care were still unresolved. Opinions differed as to the number that constituted a sufficient supply of other specialists and whether too many physician specialists were being trained. In this regard, none

of the specialty boards and societies or residency review committees we contacted believed that too many physicians existed within their respective specialties. Yet about half of the organizations could not estimate the appropriate physician-to-population ratio which could serve as a basis for estimating the number of physicians needed within their respective specialties.

During the last 20 years, several Presidential and other commissions have examined health care and developed national projections on the number of physicians needed. However, the criteria used and the resultant estimates differ greatly; therefore, we could not reach a conclusion concerning this issue. In our May 1978 report we recommended that the Secretary of HEW direct his Graduate Medical Education National Advisory Committee to work with the Coordinating Council on Medical Education in determining the numbers and types of physicians and physician extenders needed in the Nation. In addition, until the overall need for additional physicians has been more precisely determined, we recommended that the Congress should decide whether VA should continue to provide Federal grants under Public Law 92-541.

STATE HEALTH PLANS AND VA GRANTS

In reviewing grant applications, VA evaluates the extent to which the programs specifically address the health manpower needs of the applicants' local areas. Like HEW, VA has not established standards or priorities to verify the validity of the information presented in grant applications. Therefore, the extent to which VA-supported training programs address national health manpower imbalance problems is questionable.

Five States included in our review--North Dakota, Ohio, South Carolina, South Dakota, and West Virginia--had not developed comprehensive State health plans at the time of our review. The scopes of the health plans developed by Alabama, Florida, and California ranged from general to specific statements of need and were based on various sources of information. Also, each of these States relied on different criteria to assess health manpower needs.

Of the 17 grants included in our review, 5 were in States which had not developed comprehensive health manpower plans. Each of the five grantees received sizable VA grant awards ranging from $9.1 million to $28.6 million. None of the other 12 grants located in States with health manpower plans were

questioned by State and/or local health planners concerning whether their proposals were compatible with State health manpower needs. On the other hand, only 8 of the 12 grants related to staffing needs specifically identified in the respective State or local health plans.

The types of professionals trained in the hospital and health administration program at the University of Alabama and in the associate degrees in health-related fields program and the medical technology program at the University of Florida were not referred to in either State's plans. The nurses' hospital orientation training program at the University of California at San Francisco had no effect on the health manpower supply and therefore was not addressed in California's health plan.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

As one would expect, the educational institutions that have received funds under Public Law 92-541 generally have derived more direct and immediate benefits than the affiliated VA hospitals. On the other hand, the VA health care system has and will continue to benefit, especially in regard to recruiting and retaining trained health personnel.

VA needs to improve the management and administration of its health manpower assistance program authorized by Public Law 92-541. It has funded several grant programs which, in our opinion, do not fully comply with program requirements. In other cases, VA has approved grants even though grant reviewers considered the applications to be unacceptable.

VA has established no systematic standards to evaluate the effectiveness of the program. Instead, for the most part, it relies on information submitted by the grantees. In addition, VA conducts no onsite audits to (1) evaluate the progress of the programs, (2) insure compliance with grant conditions, or (3) verify information on financial and progress reports submitted by grantees. VA officials attributed this inability to monitor, evaluate, or audit individual grant projects to limited funds and insufficient qualified staff.

Based on our estimate, VA may fall short of meeting its subchapter I program commitments by about $32 million. Action has been taken to address this problem, but to date it has not been fully resolved.

We could not specifically determine the impact individual grants have had on the VA health care system because of (1) the lack of established program objectives and definitive criteria to measure program effectiveness and (2) the broad- and long-range purposes of funded grants, particularly under subchapters I and II.

Because national health manpower priorities have not been established, we could not determine whether the VA grants have met national health manpower needs. At the time of our review, five of the eight grantees' States had developed no

comprehensive health plans. Of three States which had developed such plans, the grantees' projects appeared to be consistent with the States' plans. However, in describing their projects in the grant applications, the grantees were vague in their references to the elements in the State plans.

VA has not effectively carried out its responsibility to encourage grantees to adopt veterans' preference policies in selecting students. In many cases, the grantees kept no records to identify whether a student was a veteran. As a result, the number of veterans who benefited from the program could not be determined.

Except for the VA health manpower assistance program, Federal programs for developing health manpower to meet the private sector's needs are administered by HEW. The delivery of Federal assistance can be simplified and improved by coordinating programs which serve similar objectives into broader purpose programs and placing them within the same agency. Specifically, we believe that HEW and VA both should not administer programs serving the same basic objective--the development of health manpower to meet national needs. When Public Law 92-541 was enacted in 1972, many medical experts believed there was a shortage of health professionals in the United States. Since then, many have changed their beliefs and now think the problem is in the distribution of health manpower by number, type, and geographic area. Considerable debate on this issue continues.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress not extend VA's authority to provide funds for health manpower development under Public Law 92-541.

We further recommend that, until the overall need for additional health manpower is more precisely determined, the Congress decide whether it wants to continue the Federal support to establish new health professions schools and increase the capacity of existing ones. Should the Congress decide that such Federal support should be continued, we recommend that responsibility for program administration be assigned to HEW and that the program be managed with existing HEW health manpower development programs.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS

Many VA-funded projects are still ongoing, and some will not be completed for several years. Therefore, regardless of the actions taken by the Congress we recommend that the Administrator of Veterans Affairs direct the Chief Medical Director to:

--Insure that grant applications are not approved for funding until assurances have been received that all grant conditions and requirements have been fully satisfied.

--Allocate sufficient staff and funds to the program so that it can be effectively administered and managed.

--Establish a comprehensive evaluation system to (1) assess the effectiveness of grantees in achieving program objectives, (2) determine compliance with grant conditions, and (3) verify information submitted on required financial and progress reports. Periodic onsite visits should be an integral part of the evaluation system.

--Establish definitive program objectives and criteria by which to measure each program's effectiveness and, specifically, the extent to which each affects the grantee and the affiliated VA hospital.

--Establish a reporting system encouraging grantees to keep records on the number of eligible veterans applying for, participating in, and graduating from VA-assisted training programs. This information should be included in VA's annual report to the Congress.

NO WRITTEN RESPONSE FROM VA

We provided VA with a draft of this report, requesting comments in October 1978. VA did not respond in time for its written comments to be included in the report. We met with VA program officials who expressed general agreement with our facts and recommendations to improve program administration. VA officials, however, disagreed with our recommendation that the Congress not extend VA's authority to provide funds for health manpower development. They also disagreed about assigning responsibility for program administration to HEW if the Congress decides to continue such support. We continue to believe that our recommendations to the Congress are appropriate.

PUBLIC LAW 92-541 GRANT PROJECTS REVIEWED BY GAO

Grantees and programs	Grant periods	Grant amounts	Percentage of VA funding	Subchapter IV grant amounts
		(000 omitted)		(000 omitted)
Subchapter I:				
Wright State University	1974-81	$ 28,574	55	-
University of South Carolina	1974-81	25,059	84	-
Marshall University	1976-83	16,139	50	-
Total		69,772		-
Subchapter II:				
University of California at San Francisco	1975-82	8,005	(a)	$2,140
University of Florida	1974-81	1,810	81	-
University of Alabama	1975-81	6,445	20	-
University of North Dakota	1975-82	12,240	14	250
University of South Dakota	1974-82	9,129	29	289
Total		37,629		$2,679
Subchapter III:				
University of Alabama	1975-82	254	21	-
Dietetics				
Hospital and Health Administration	1975-82	155	47	-
Medical Technology Laboratory	1975-78	79	39	-
Dental Assistants	1974-77	160	49	-
University of Florida				
Dietetics	1974-81	428	46	-
Associate Degrees in Health	1975-82	586	69	-
Medical Technology	1975-79	304	31	-
Nurse Practitioner	1974-79	119	61	-
University of California at San Francisco				
Nursing	1975-78	142	100	-
Total		2,226		-
Total		$109,627		$2,679

a/Funds from several sources were provided for the medical education program in the Fresno area, but at the time of our review the percentage of funds provided by VA could not be determined.

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