



PERFORMANCE AUDIT REPORT

Kansas Commission on Veterans' Affairs: A K-GOAL Audit Reviewing Issues Related to Veterans' Benefits

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
September 2011**

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$14 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

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September 21, 2011

To: Members, Legislative Post Audit Committee

Representative John Grange, Chair	Senator Mary Pilcher-Cook, Vice-Chair
Representative Tom Burroughs	Senator Terry Bruce,
Representative Ann Mah	Senator Anthony Hensley
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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Kansas Commission on Veterans' Affairs: A K-GOAL Audit Reviewing Issues Related to Veterans' Benefits*.

The report includes several recommendations for the Commission on Veterans' Affairs, Legislature, and Governor's Office. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink, appearing to read 'S. Frank'. The signature is fluid and cursive, with a large, stylized 'S' and 'F'.

Scott Frank
Legislative Post Auditor

This audit was conducted by Amy Thompson and Lynn Retz. Chris Clarke was the audit manager. If you need any additional information about the audit's findings, please contact Amy Thompson at the Division's offices.

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Kansas Commission on Veterans' Affairs: A K-GOAL Audit Reviewing Issues Related to Veterans' Benefits

The Kansas Governmental Operations Accountability Law (K-GOAL) subjects any State agency or program to audits, reviews, and evaluations as determined by the Legislative Post Audit Committee. Through this process, the Legislature can “retain and maintain appropriate and effective governmental operations, remediate defective governmental operations, and terminate inappropriate or obsolete governmental operations.”

Under K-GOAL, the Committee is required to direct at least four audits each year that focus on efficiency and cost savings issues. The law states that each audit may determine whether the agency is still needed, whether another agency could effectively perform the functions of the agency or program, whether the agency or program could be operated more efficiently and still fulfill its intended purpose, and other factors as determined by the Legislative Post Audit Committee. The Committee has designated this audit of the Kansas Commission on Veterans' Affairs as a K-GOAL audit.

The mission of the Kansas Commission on Veterans' Affairs is to provide Kansas veterans, their relatives, and other eligible dependents with assistance in attaining benefits in areas such as education, health, and employment.

This audit was performed for two reasons. First, the Legislature created the Veterans' Claims Assistance Program (VCAP) in 2006 to help ensure that every veteran receives claims counseling and assistance. K.S.A. 73-1237 requests the Legislative Post Audit Committee to authorize a performance audit of VCAP. The audit is to evaluate the program's effectiveness in increasing services to veterans through the veteran service representatives at the three U.S. Department of Veterans Affairs medical centers in Leavenworth, Topeka, and Wichita.

Second, other states have identified ways to fund veteran benefits using federal, not State dollars. The state of Washington implemented a program to identify veterans who would qualify for federal U.S. Department of Veterans Affairs programs and helped them access those programs to pay for medical care, replacing the need for Medicaid benefits and achieving cost savings for the state. Because of this, legislators were interested in seeing if the State could benefit from a similar program.

This performance audit answers the following questions:

- 1. Has the Veterans' Claims Assistance Program helped more veterans obtain services through staff located at the State's three Veterans Affairs medical centers?**
- 2. Could Kansas achieve cost savings by helping veterans and their dependents use federal Veterans Affairs programs instead of State-funded programs such as Medicaid?**

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*.

To determine if VCAP had increased services to veterans, we reviewed applicable statutes and regulations, used monthly report data showing the number of contacts made and claims submitted for veterans, and looked at VCAP grant and Kansas Commission on Veterans' Affairs expenditures. We also talked with Commission officials.

To determine if Kansas could achieve cost savings by transitioning veterans from Medicaid to federal veterans' benefits, we talked with officials in other states as well as those at the Commission, SRS, KDHE, and the Department on Aging. Finally, we matched Medicaid data with other federal data available to look for veterans who may qualify for U.S. Department of Veterans Affairs health care benefits.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. However, we found some issues with data we used in this audit.

Commission staff do not have good management data to help us determine the answer to Question 1. Data issues we identified affect the number of claims and contacts which we use to make comparisons. We found several different kinds of errors, so we can't say whether the data we used is over or understated. Because this is the only data available to show the number of veterans the Commission is helping, we had to use it. As a result, our findings in Question 1 should be viewed as general indicators and not absolute fact.

Our findings begin on page 7, following a brief overview.

Overview of the Kansas Commission on Veterans' Affairs

The Kansas Commission on Veterans' Affairs Helps Kansas Veterans Apply for Federal Benefits

The Kansas Commission on Veterans' Affairs (the Commission) was created to help Kansas veterans and their eligible dependents receive the federal benefits and services to which they are entitled. Federal benefits include such things as pensions, life insurance, and health care benefits. A general summary of those benefits and services appears in *Figure OV-1* on page 4.

Most veterans discharged from active duty are eligible for some federal benefits or services such as health care provided by the U.S. Department of Veterans Affairs hospitals or clinics. Those veterans include reserve and guard members called to active duty. Generally, most veterans are eligible for health care and some burial benefits. In other cases, however, veterans can obtain veteran benefits only if they meet certain eligibility or income requirements. For example, to obtain vocational rehabilitation and employment services a veteran must have a service-connected disability.

The Commission helps veterans apply for benefits through its own staff and by working in conjunction with veteran service organizations. These two similar processes are described below.

- **Veteran service representatives employed by the Commission help veterans understand what benefits are available to them and file a claim.** These staff—who must be veterans themselves—help Kansas veterans gather the necessary documentation to support a benefits claim, fill out the appropriate forms, and direct them to a veteran service organization that can help them file the claim with the U.S. Department of Veterans Affairs.

Commission veteran service representatives are located in 13 field offices and two mobile units (based out of two field offices) across the State. The Commission also has an administrative office in Topeka and operates veteran cemeteries in Fort Dodge, Fort Riley, WaKeeney, and Winfield. In addition, the Commission operates long-term care homes in Fort Dodge and Winfield.

The locations of the Commission's field offices, mobile units, long-term care facilities, and cemeteries as well as the State's U.S. Department of Veterans Affairs Hospitals are shown in *Figure OV-2* on page 5.

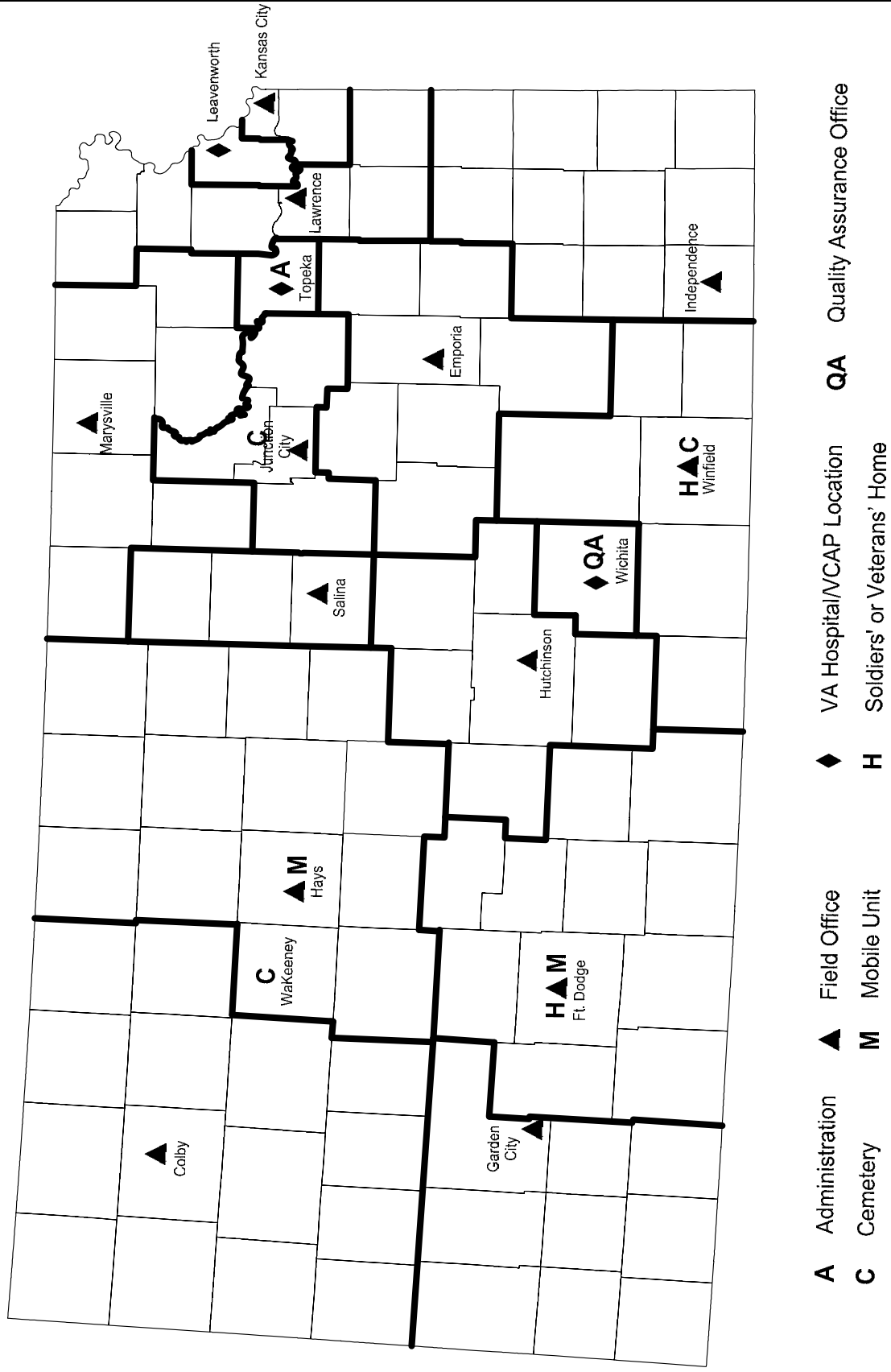
- **Similarly, some veteran service organizations also have veteran service representatives on staff to help veterans file claims for benefits.** Veteran service organizations, such as American Legion and Veterans of Foreign War, are advocacy groups for veterans and veterans' issues. These organizations can accept power of attorney for a veteran, which allows the organization to serve as a legal representative on the veteran's behalf to help expedite the claim process at the federal level. The Commission is prohibited by statute from accepting power of attorney. As a result, Commission staff often refer veterans to a veteran service organization once they have helped them prepare claims.

**Figure OV-1
Summary of Federal Benefits Available to Veterans**

Benefit	Description	General Eligibility Criteria
Burial and Memorial	Provides a burial allowance or burial in a national cemetery, headstone, and burial flag.	--Veterans discharged from active duty under conditions other than dishonorable. --Spouses and dependent children of veterans.
Disability Compensation for Service-Connected Disabilities	Monetary payments to disabled veterans based upon the severity of the disability.	--Veteran was discharged under conditions other than dishonorable. --Veterans who are disabled by an injury or illness that occurred or was aggravated during active military service.
Education and Training	Financial assistance for education and training opportunities, including Montgomery GI Bill, Veterans' Educational Assistance Program, and Post-9/11 GI Bill.	Eligibility depends on the program.
Health Care	Includes a full range of services including: outpatient services, inpatient services, medication, mental health, dental, and nursing home care.	--Active military service. --Discharge under other than dishonorable conditions. --If service after September 7, 1980 must have 24 months of continuous active duty military service or meet an exception.
Home Loan Guaranty	Helps guarantee and refinance certain home loans.	--Meet periods of eligibility and conditions of service. --Have a good credit rating, sufficient income, and valid Certificate of Eligibility. --Agree to live in the property.
Life Insurance	Low-cost term life insurance	--Veterans who had full-time Servicemembers' Group Life Insurance coverage upon release from active duty or the Reserves.
Pension	Pension payments for veterans with limited income, and who are disabled or at least 65 years old.	--Veteran was discharged under conditions other than dishonorable. --Served at least 90 days of active military service with at least 1 day during a wartime period. Veterans who entered active duty after September 7, 1980 may have to meet a longer minimum period of active duty. --Veteran's total income is below a level set by Congress. --Permanently and totally disabled or age 65 or older. --Disability must be for reasons other than the veteran's own willful misconduct.

Source: U.S. Department of Veterans Affairs documents.

Figure OV-2
Kansas Commission on Veterans' Affairs
Locations Around the State



***In 2006, the Legislature
Established the Veterans'
Claims Assistance
Program to Enhance
Services to Veterans***

The Veterans' Claims Assistance Program (VCAP) started in 2006. VCAP allows the Commission to award grants to qualified veteran service organizations so they can provide services to veterans at the three U.S. Department of Veterans Affairs hospitals located in Wichita, Topeka, and Leavenworth. Since VCAP started, \$500,000 to \$580,000 in grants have been awarded each year.

Veteran service organizations participating in the VCAP grant provide services to veterans at the three Veterans Affairs hospitals in the State. Only the Veterans of Foreign Wars and American Legion have participated in the grant so far. They use the grant funding to employ veteran service representatives who counsel veterans about the federal benefits available and help them apply for them. The grant doesn't specify the number of positions to be funded.

VCAP exchanged salaried Commission staff for veteran service organization staff paid for with grant moneys. Prior to VCAP, the Commission staff provided services to veterans at the hospitals. As a result of VCAP, most Commission staff working at the hospitals stopped working for the Commission and started working for one of the veteran service organizations receiving a VCAP grant. Although the Commission no longer provides direct services to veterans through the hospitals, it continues to provide services through the field locations throughout the State.

It is unclear if the VCAP grants were meant to provide additional funding or replace what the Commission was paying to provide these services. In practice, the Commission's budget was reduced after VCAP was established.

The same statute that created VCAP also established a quality assurance program. Four Commission staff remained to assume new duties with the Quality Assurance Office at the Wichita hospital. This office reviews all claims completed by VCAP or Commission staff before they are submitted. These staff act as an additional resource that wasn't available prior to VCAP's creation.

Because Question 1 is about VCAP, we mostly focus on the work that the service organizations' staff perform at the Veterans Affairs hospitals as a result of these grants.

Question 1: Has the Veterans' Claims Assistance Program Helped More Veterans Obtain Services Through Staff Located at the State's Three Veterans Affairs Medical Centers?

Answer in Brief:

The Veterans' Claim Assistance Program (VCAP) has not increased the amount of services provided to veterans. Although VCAP staff appear to have increased the number of contacts they make with veterans, the number of claims submitted on behalf of those veterans has declined. These results are not surprising, given that neither the Commission nor the veteran service organizations have added significant resources or changed how veterans are served.

We also found several additional issues with the program. The Veterans' Commission does not collect reliable management information about the services veterans receive, which severely limits the Commission's ability to use the data to make good management decisions. We also found a conflict of interest involving the board that advises the Commission on VCAP awards. These and related findings are discussed in the sections that follow.

The Veterans' Claims Assistance Program Has Not Increased the Amount of Services Provided to Veterans

As discussed in the Overview, the Veterans' Claims Assistance Program (VCAP) was established in 2006. Veteran service organizations participating in VCAP provide services to veterans at the three U.S. Department of Veterans Affairs hospitals located in Wichita, Topeka, and Leavenworth. Veteran service representatives counsel veterans about the federal benefits available and help them apply for those benefits. Prior to VCAP, the Commission's own staff provided these services to veterans at the hospitals.

The Commission staff track various factors to help evaluate the productivity of Commission and VCAP veteran service representatives, but don't track how many veterans they serve. Therefore, we had to use surrogate measures to evaluate the level of services, such as the number of claims filed and number of contacts. As noted on page 2, we found numerous problems with the Commission data in these areas. As a result, our findings based on these data should be viewed as general indicators and not absolute fact.

Although VCAP staff generally reported more contacts with veterans, the number of claims submitted on behalf of veterans has declined since VCAP started. According to Commission policies, a contact occurs anytime a person, including government and Commission staff, makes an office visit or phone call. On the other hand, claims for benefits occur whenever veteran service representatives help veterans or their dependents fill out the proper Veterans Affairs forms and submit them to quality assurance for review.

Figure 1-1 on page 9 shows the performance data for contacts and claims at field offices and the three Veterans Affairs hospitals over time. The data show:

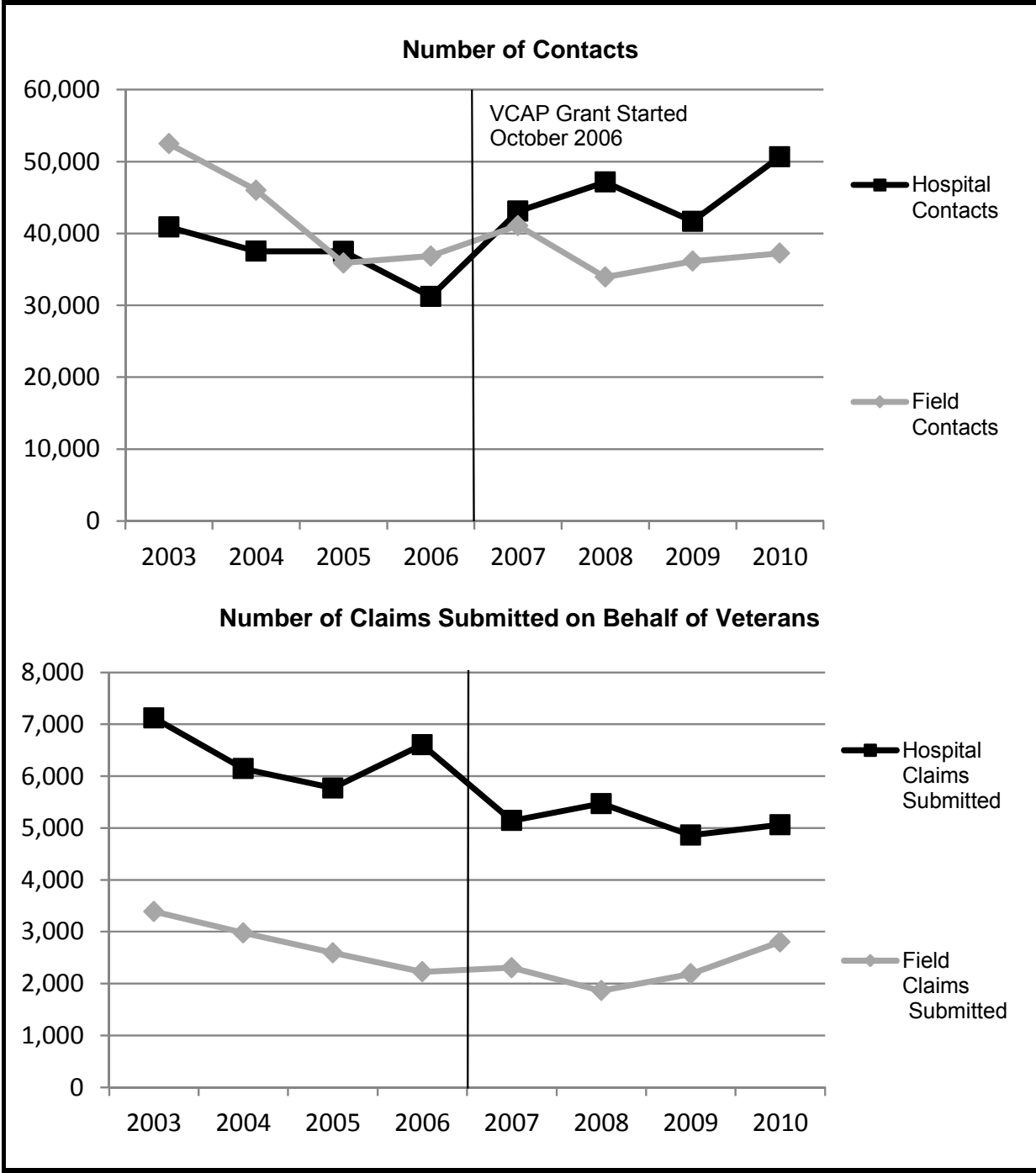
- **The number of contacts at the hospitals increased noticeably after VCAP, from 31,202 in 2006 to 50,663 in 2010.** After the first year of VCAP, contacts at field offices decreased, but they are trending up again.
- **The number of claims submitted at the hospitals decreased after VCAP, from 6,607 in 2006 to 5,061 in 2010.** Claims submitted at the field offices had remained somewhat constant after VCAP until 2010 when there was a noticeable increase.
- **Overall, hospital staff have had more contacts and filed more claims than Commission field staff since VCAP started in fiscal year 2007.** This is most likely because the field office staff have to work harder to find veterans to serve. Conversely, hospital staff have a steady stream of veterans going to the hospital each day.

Because neither the Commission nor veteran service organizations added significant resources or changed how they serve veterans, it is not surprising that the amount of services has not increased. The statutes authorizing VCAP are silent as to whether VCAP grants would provide new moneys or simply exchange what used to be provided to the Commission for these veteran claim services at the hospitals. As a result of VCAP, most of the Commission's staff at the hospitals now work for the veteran service organizations, but no additional staff have been added.

After VCAP was established, the Legislature reduced the Commission's subsequent budget for most of the grant amount (it appears they left enough funding for the newly created quality assurance program). The Commission continues to provide services to veterans at their field locations throughout the State. However, we noted that the Commission actually has fewer FTE field staff working as veteran service representatives than before VCAP.

Finally, U.S. Census data indicate that the veterans' population in Kansas has decreased by 1-2% per year since 2006. This may further explain some declines in contacts and claims over the last few years.

**Figure 1-1
Comparison of Field Offices and Hospitals
Number of Claims Submitted and Number of Contacts
Fiscal Years 2003 to 2010**



Source: LPA Analysis of Kansas Commission on Veterans' Affairs Monthly Activity Reports.

OTHER FINDINGS

*The Veterans’
Commission Does Not
Collect Reliable
Management Information
About the Services
Provided to Veterans*

VCAP and field office staff are required to file monthly reports with the Commission. The reports include such information as the type of claim application, number of claims allowed or denied, number of forms completed, number of correspondence sent or received, and number of contacts.

Significant inaccuracies in the service data severely limit the Commission’s ability to use the data to make good management decisions. The Veteran Services Program Director told us he uses the data to monitor VCAP and field offices, to help make decisions about closing field offices, and for the VCAP Annual Report. However, we found a number of data errors in the monthly reports submitted by field and hospital staff.

- **We saw noticeable inconsistencies and inaccuracies in the data.** It appeared one field office had 66,060 benefit confirmations in one month when it was actually 8. Another showed 5,400 benefit confirmations, but it should have been 4. Both of these reported numbers were out of line with the monthly activity for the respective field office and easily stood out. Not all inconsistencies could be explained or resolved because the data is self-reported by field and hospital staff and Commission officials rarely had sufficient supporting documentation.
- **Field office staff are not consistently filling out monthly reports.** A Commission official advised us staff at one field office counted letters and magazines as correspondence, and each page as separate correspondence. As a result, at that field office a 100 page magazine would be counted as 100 pieces of correspondence. At another office, it would be counted as one. Further, some field office staff appeared to count personal contacts and field contacts twice, in essence double counting the number of contacts.
- **We found a number of errors during a review of randomly selected monthly reports.** We randomly selected 41 monthly reports to review. Only ten monthly reports had sufficient documentation for us to review. We discovered six of these ten had errors.

In addition to many inaccuracies, we also found there was little supporting documentation. For example, an entire year of supporting documentation submitted by hospital and field staff in 2008 was missing. Commission staff were uncertain what happened to it. In addition, there was insufficient documentation for 22 other monthly reports we requested for review.

These issues made it difficult for us to accurately assess the services that field and hospital staff have been providing to veterans. More importantly, Commission staff say they use these data to make management decisions, but without good data, their decisions may be skewed.

The data problems stem from a lack of clear policy guidance, unverified reports, and a duplicative data entry process. Several issues contribute to the data problems we identified, including:

- **Commission policies and procedures conflict on what information to collect and how it should be collected.** The Commission has a monthly report form that each field office and VCAP location should complete. The form includes a line to account for incoming and outgoing correspondence. It also separately accounts for e-mails. The written policy that provides guidance for completing the form indicates that correspondence includes such things as letters, memorandums and e-mails. This potentially allows the offices to count e-mails twice, once under “correspondence” and once under “e-mails.”
- **The data is self-reported by field office staff and is not verified.** The Commission staff do not have any independent sources or data. The field and VCAP offices currently submit the required monthly reports to the central office in paper format. However, Commission staff could not always provide these corroborating documents. Based on our review of monthly reports, it does not appear that Commission staff check to make sure the data is reasonable, because we quickly noticed several significant outliers. In addition, staff do not appear to regularly verify the information because the data did not always match the supporting documentation.
- **Central office staff hand enter data twice.** Currently when Commission staff receive the monthly reports one staff member enters the data provided into a spreadsheet that is then rolled up into an annual spreadsheet. The program director also hand enters data into a separate spreadsheet for his own purposes. We identified data entry errors because of this.

Commission officials told us they are in the process of implementing a new computer system that will assist veteran service representatives in filing claims electronically. The system will allow Commission staff to track the number of unique veterans they have helped file claims, and will allow quality assurance staff to review each claim before it is submitted. At this point, the Commission has not decided what other non-claim information will be tracked, including data on nursing home visits and other field staff outreach efforts. These data are currently captured in the monthly reports, but officials do not plan to track them in the new system. As we’ve noted above, those reports often have significant errors.

We Found Several Other Problems With the Program

As previously mentioned, each year, qualifying service organizations apply for VCAP grants totaling about \$500,000. In reviewing the design of the program we identified several issues.

Some of the groups that advise the Commission on how to award the VCAP funds also receive those funds, creating a conflict of interest.

A statute related to VCAP narrowly defines the veteran service organizations that are eligible to apply for grants. Only three qualify currently. Another statute creates a board to advise the Commission on

the administration and implementation of VCAP. Each service organization receiving a grant is required by statute to appoint one member of the advisory board. This means service organizations receiving grants are also helping to advise the Commission about the grants they are receiving, which creates a conflict of interest.

We noticed two other issues with statutory requirements during the course of our work.

- **VCAP hasn't ever been reviewed by the Legislature, even though this is required annually.** Statutes require annual review of the VCAP program by the Legislative Budget Committee. Neither the Commission nor service organization officials receiving grants have appeared before the Legislative Budget Committee.
- **The Commission appears to be allowing an expenditure that statutes do not allow.** The Commission is required to review and approve VCAP expenditures. One service organization receiving a VCAP grant has used about \$3,400 in grant funds over the last two fiscal years as an incentive to get veterans into their offices at the hospitals.

We asked a Commission official why he allowed these expenditures and he told us he does not think he has the authority to deny these expenditures based on his interpretation of the statutes. However, the statute is very specific that grant funds can be used for salaries, wages, related employer contributions and personnel costs as well as operating and capital outlay expenditures for training and equipment as necessary for staff. The statutory language does not allow grant money to be used for incentives for veterans.

Conclusion

Before the Veterans' Claims Assistance Program (VCAP) was implemented in 2006, staff from the Kansas Commission on Veterans' Affairs provided counseling to veterans and helped them submit claims at the U.S. Department of Veterans Affairs hospitals. When VCAP was established, services to veterans at the hospitals continued, but were provided by staff from two veteran service organizations, American Legion and Veterans of Foreign Wars. Although the program doesn't appear to have increased the amount of services provided to veterans, limiting the amount of funding the State provides and requiring the service organizations to contribute some of their resources may make this a more economical model for the State.

Recommendations for Executive Action

1. To help ensure that the Kansas Commission on Veterans' Affairs has accurate data to make better management decisions, officials should do the following:
 - a. provide consistent written guidance to field staff and veteran service organizations receiving VCAP grants on the data that needs to be captured and how it should be captured.

- b. verify data reported by the veteran service representatives in the VCAP and field offices.
 - c. create a system that doesn't rely on manual reentry of data.
 2. To help ensure the Commission is allowing VCAP grant expenditures that are permitted by statutes, Commission staff should stop reimbursing veteran service organizations for incentives to get veterans into their offices at Veterans Affairs hospitals.
-

***Recommendations for
Legislative Consideration***

1. To help ensure the statute authorizing the Veterans Claims Assistance Advisory Board is operating as intended, the Senate Committee on Public Health and Welfare as well as the House Committee on Veterans, Military, and Homeland Security should reexamine whether service organizations receiving VCAP grants should advise the Commission in the administration of VCAP, including making recommendations about how grant funds are distributed.
2. To help ensure VCAP is operating as intended, the Legislative Budget Committee should have officials from the Commission and veteran service organizations receiving VCAP grants appear annually to update them on the program, as required by statute.

Question 2: Could Kansas Achieve Cost Savings By Helping Veterans And Their Dependents Use Federal Veterans Affairs Programs Instead of State-Funded Programs Such As Medicaid?

Answer in Brief:

Several states have undertaken initiatives to transition Medicaid-eligible veterans to health care benefits through the U.S. Department of Veterans Affairs. We estimate Kansas could save between \$1 million to \$2 million a year in State funds by transitioning Medicaid-eligible veterans to federal benefits, but any State savings will depend on the federal government fully funding veterans' health care benefits.

The State may need to add or reprioritize resources to achieve these savings, but these resources may decrease over time, once most veterans have transitioned to federal benefits. To be successful, the State will also need to establish a structure to better coordinate efforts between several State agencies including SRS, KDHE, the Department on Aging, and the Commission on Veterans' Affairs. These and related findings are discussed in the sections that follow.

Several States Have Undertaken Initiatives to Transition Medicaid-Eligible Veterans to Federal Veterans' Health Benefits

Medicaid is a joint federal and state program that provides health and long-term care services to people with low incomes. In general, the federal government covers about 60% of the expenditures and the State is responsible for the remainder.

Some Medicaid recipients are veterans and may be eligible for health care benefits from the U.S. Department of Veterans Affairs. Because health care benefits provided by Veterans Affairs are fully funded by the federal government, several states have taken initiatives to transition eligible veterans and save money:

- **Officials in Washington estimate its program has saved about \$27 million over the last nine years.** Washington began a program in 2003 to identify veterans, their families, and others who were receiving state social and health services who may qualify for increased veterans' benefits or federal health insurance. Officials used two different federal databases to identify and transition individuals from Medicaid to other federal benefits.
- **California started a pilot project in select counties in 2009 and expects to expand statewide.** Officials indicated the pilot project has saved the state money while providing a benefit to veterans. However, they told us they cannot provide more detailed cost savings information until they present their findings to the state legislature in November 2011.
- **Texas passed legislation during the 2011 session to implement a similar program looking for veterans who may qualify for veterans' health benefits.** The program will start this fall and is initially scheduled to last two years.

We Estimate Kansas Could Save Between \$1 Million and \$2 Million a Year (State Funds) by Transitioning Medicaid-Eligible Veterans to Federal Benefits

In 2009, officials at the Kansas Commission on Veterans' Affairs conducted their own analysis of the potential savings from transitioning eligible veterans, spouses, and children from Medicaid to U.S. Department of Veterans Affairs health care benefits. Using the results from the Washington program as a basis, the Commission estimated that Kansas could save between \$1.3 million and \$1.9 million a year.

We conducted our own analysis, using federal data that identifies veterans and Medicaid claims data for calendar year 2010.

By matching State and federal benefits data, we identified 592 veterans who received \$10.6 million (State and federal) in Medicaid services in calendar year 2010. PARIS is a federal computer data matching process to help states share information and identify public assistance recipients who are eligible for federal benefits including veteran benefits.

SRS provided data for 1,242 unique veterans from this federal veteran match data. We matched these veterans to State Medicaid data and identified 592 veterans with 26,991 claims paid during calendar year 2010. We pulled all claims paid, including health care, dental, and long-term care. Claims totaled \$10.6 million with the largest single claim being \$167,977.

We estimate the State could reduce State spending on Medicaid by almost \$1.3 million a year (\$3.1 million all funds) by transitioning Medicaid-eligible veterans to federal veterans' health benefits. Not all services would be transferred from Medicaid because of the following reasons:

- Federal veterans' health benefits do not cover all of the services provided by Medicaid. Those generally include services such as long-term care, dental, optometry, and audiology. We removed those claims from our analysis, and assume they would continue to be paid by Medicaid.
- Some veterans may have to travel too far to receive federal veterans' health benefits. Because the U.S. Department of Veterans Affairs requires most services to be administered at one of their hospitals or clinics, we removed claims for veterans who are not located within a reasonable distance (usually within one or two counties) of one of these locations. These claims may continue to be paid by Medicaid if veterans are unwilling to drive to a federal hospital or clinic for services.

We identified a number of factors that could affect our saving estimates, but that we could not address in formulating our estimates. These factors are shown in **Figure 2-1** on page 17. Had we accounted for these factors, some would have reduced our estimate, while others would have

increased it. However, based on our own high-level analyses, we believe that only one of these factors could significantly affect the estimates—aid and attendance benefits.

**Figure 2-1
Factors That Could Affect Savings Estimates**

Factors That Could Increase Estimate	LPA Assessment of Likely Impact on State Savings Estimates (a)
Some veterans may qualify for aid and attendance benefit payments which could offset Medicaid payments	Possibly Significant
Veterans with a service-connected disability (rated 70% or more) qualify for federal long-term care benefits	Slight
Spouses and dependent children may qualify for some federal veteran health care benefits	Slight
Factors That Could Decrease Estimate	
Some veterans may not want to change providers	Unknown
Some veterans may not want to switch to federal benefits because of potential co-pays	Unknown
Some veterans may not want to be associated with the U.S. Department of Veterans Affairs, or the federal government	Minimal
(a) Based on LPA calculations and estimates from PARIS data, and on experiences in other states. Source: LPA analysis of U.S. Department of Veterans Affairs Benefits and Kansas Medicaid Claims data, and officials from Washington state.	

Veterans who need in-home care or who live in nursing homes may be eligible for aid and attendance benefits, which are income based. These benefits provide additional funds to the veterans to help pay for having an aide help them perform personal functions of everyday living such as bathing, feeding, or dressing—similar to services provided through the frail elderly waiver available through the Department on Aging. Aid and attendance benefits can also be used to help pay for care received in a nursing

home. Aid and attendance benefit payments may not cover the entire cost of services needed, but these additional moneys could be used to offset the amount that Medicaid pays. We didn't have information about income, living arrangements, or services needed for the veterans we identified. Therefore we couldn't estimate this benefit or any offsets to Medicaid.

Once issues with the federal veterans' data are resolved, the State's savings could double to about \$2.5 million a year. In 2008, the U.S. Department of Veterans Affairs started converting to a new computer system. As a result, the number of veterans appearing in the federal veterans match data started to decline drastically. All states that use the federal match data were affected, not just Kansas.

SRS officials estimate we were working with about half the number of veterans matches they would have expected for the same time period had they not been having data issues. Officials expect this issue will be resolved by the end of the year. They estimate this could nearly double the number of veterans appearing in the match data, which could also double our original savings estimate to around \$2.5 million a year.

Any State savings will depend on the federal government fully funding veterans' benefits. Health care benefits available through the

U.S. Department of Veterans Affairs are not an entitlement. As a result, the number of veterans who can be enrolled in these benefits is determined by the amount of money Congress appropriates each year to these programs.

The agency sets up priority groups to make sure certain veterans are served before others. Veterans eligible for Medicaid fall into the fifth of eight priority groups. Although this priority group has not been affected by spending cuts in the past, it could be in the future if spending cuts are significant enough.

The State Will Need to Add or Reprioritize Resources to Achieve These Savings

A Commission official told us the agency could absorb the cost of a pilot project in western Kansas to help transition eligible veterans from Medicaid to federal veterans' health care benefits. However, he estimated the Commission will need \$450,000 to \$525,000 and four to six FTE staff per year to implement a program Statewide. We think the Commission's estimate is high.

It is likely the State may need one to two FTE staff to implement this type of project. Officials in three other states reported they used two staff to start projects like this, but they did not always add new staff. In some cases they just reallocated staff they already had. It is likely Kansas would need staff to identify veterans, work with them to try to obtain benefits, and report the outcome of their work.

Kansas already has staff working in these areas, and may not need new resources to identify and transition veterans to federal veterans' benefits. SRS and KDHE staff are already familiar with the quarterly match data and use it on a regular basis for other purposes. See the box on page 19 for more information. These same staff may be able to perform additional work with these data to facilitate the identification of veterans. In addition, the Commission has veteran service representatives located across the State to contact newly identified veterans, and help them transition to federal benefits. However, the State needs to assign resources to follow-up, report and quantify state savings.

The resources needed may decrease over time, once most veterans have transitioned to federal veterans' benefits. Because we have never had a program like this, the list of potential veterans eligible for federal veterans' benefits has built up over time and it may take more staff to work the list at the beginning of the program. However, as veterans are moved to these benefits, the list of potential veterans eligible will decrease and the Commission and SRS may need fewer staff to look for and follow up with veterans.

Other State Agencies Have Successfully Used the PARIS Quarterly Matches

The Public Assistance Reporting Information System (PARIS) is a computer data matching and information exchange system administered by the U.S. Department of Health and Human Services. PARIS was designed to match State social and health care enrollment data with federal databases. There are currently three different data matches.

- **Interstate match** – allows States to determine if enrolled recipients are receiving benefits in two or more states.
- **Veterans match** – allows States to confirm income and medical assistance from the Department of Veterans Affairs.
- **Federal match** – allows States to determine if participants are receiving income or are eligible for federal health care coverage through the Department of Defense or the Office of Personnel Management.

This audit looks at the Veterans match to identify veterans on Medicaid and their potential eligibility for veteran benefits. However, SRS and the Division of Health Care Finance within KDHE (formerly the Kansas Health Policy Authority) also use these data matches, as described below:

- SRS officials use all three data matches to determine or verify participants' income and to ensure recipients are not receiving benefits in two or more States. For example, SRS officials compare the income information clients provide to make certain the participant has fully disclosed all income. They will also use the database match information to make certain participants are not already receiving benefits in another state.
- KDHE officials use the federal match to identify Medicaid beneficiaries who are eligible for health care coverage through the Department of Defense (TRICARE). In the last year KDHE officials have identified 243 Medicaid beneficiaries who had previously undisclosed TRICARE coverage. KDHE officials have not been able to quantify savings.

The State Will Also Need To Establish a Structure To Better Coordinate Efforts Between Several State Agencies

Programs looking for eligible veterans and transitioning them from Medicaid to benefits available through Veterans Affairs tend to involve several agencies, including the agency that primarily works with veterans and social service agencies.

Officials in other states stressed the importance of cooperation and coordination among the various state agencies for a program such as this to be successful. To manage the overall State interests among the various agencies, any agreement should clearly identify roles, responsibilities, expectations and accountability, as done in other states.

- **Washington established an agreement between the Department of Social and Health Services to make referrals to the Department of Veterans Affairs identifying clients who may be eligible for federal veteran benefits.** The Department of Veterans Affairs would then review

the referrals and make contact with the clients. The agreement established the roles and responsibilities for each agency including responsibility to track the referrals, reporting on the status of the referrals and establishing a methodology to capture cost savings for the state. Over the years the agreement between the two agencies has been updated and modified as necessary, but state officials stressed the importance of having specific expectations and accountability identified in the agreement.

- **A California official stated in order for the program to be successful there needs to be sufficient staffing and the parties involved need to know their responsibilities.** In addition, there has to be accountability and a good cooperative working relationship between the agencies involved.

In Kansas, transitioning veterans from Medicaid to federal benefits will involve four different agencies, each with differing goals. Each of the agencies involved have different missions and provide services to different type of clients.

- The Department on Aging wants to improve long-term care as well as home and community based services to veterans while maximizing federal veterans' benefits and reducing State Medicaid expenditures.
- The Division of Health Care Finance within KDHE (formerly the Kansas Health Policy Authority) officials have an interest in reducing the overall costs associated with Medicaid by ensuring Medicaid is the payer of last resort.
- SRS wants to reduce the reliance on Medicaid and other social service programs.
- The Commission wants to provide outreach to veterans not receiving any services or benefits. Reducing Medicaid expenditures is not a priority for the Commission.

The Commission, Department on Aging, Division of Health Care Finance, and SRS signed a Memorandum of Understanding in July 2010 to create the "Kansas Veterans VA Benefit Enhancement Program." The goal of the program was to identify nursing home residents using Medicaid who are also eligible for long-term care benefits through the U.S. Department of Veterans Affairs.

A Commission official told us the program will initially focus on veterans in western Kansas. However, as described in a previous section, a problem with the federal data has delayed implementation of this project.

The current memorandum of understanding between the various Kansas agencies does not clearly outline the roles, responsibilities, expectations, accountability or timeframes for each agency. Further, the current memorandum does not identify which agency is responsible

for tracking or establishing a methodology to capture cost savings for the State. For the program to be successful in Kansas these issues need to be addressed and resolved.

**Medicaid and Medicare Provide New Funding
for the State's Veterans' Homes**

The Kansas Commission on Veterans' Affairs operates two long-term care facilities. The Kansas Soldiers' Home is located in Fort Dodge and the Kansas Veterans' Home is located in Winfield.

Until recently, these homes received funding from just three sources—per diem payments from the U.S. Department of Veterans Affairs, resident fees, and State General Fund. However, the Commission started accepting Medicaid and Medicare payments in fiscal year 2010.

This has generated about \$1.2 million in additional funding since the beginning of fiscal year 2010. These moneys have been used to reduce the amount of State General Funds needed, although the possibility exists that it could be used to increase the resources available to provide additional services.

Conclusion

Given the tight financial situation the State is in now, establishing a program to transition eligible veterans from Medicaid to health care available through the U.S. Department of Veterans Affairs could help the State avoid significant Medicaid costs. Establishing a program like this would require State resources, but the cost of these resources should be more than offset by the potential savings. However, because this program will require the coordination of several different State agencies, it will be unsuccessful unless a clear leader is identified and all agencies involved can agree on common goals and work together to accomplish them.

***Recommendations for
Executive Action***

1. To help ensure that the Memorandum of Understanding or any other such agreement between the Kansas Commission on Veterans' Affairs, Department on Aging, Division of Health Care Finance within KDHE, and SRS establishes a structure to better coordinate their efforts, the Governor should provide clear direction to each of the agencies and have them either amend the Memorandum of Understanding or create a new agreement to do the following:
 - a. select a lead agency and identify the roles and responsibilities each agency will have.
 - b. determine the priority of the work.
 - c. create deadlines for when work will be done and how follow up with the lead agency will be handled.
 - d. establish a methodology to capture cost savings for the State.

APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on November 18, 2010. The audit was requested by the Legislative Post Audit Committee.

SCOPE STATEMENT

Kansas Commission on Veterans' Affairs: Reviewing Issues Related to Veterans' Benefits

The mission of the Kansas Commission on Veterans' Affairs is to provide Kansas veterans, their relatives, and other eligible dependents with assistance in attaining benefits in areas such as education, health, and employment. Recently, legislators have become aware of two veterans' benefits issues, described below.

- **A statutory request for an audit of the Veterans' Claims Assistance program (VCAP).** In 2006, the Kansas Commission for Veterans' Affairs created VCAP to help ensure that every veteran receives claims counseling and assistance. Services available to veterans include disability benefits, a variety of health care services such as outpatient medical care and readjustment counseling, assistance with education, and assistance with finding housing and employment.

K.S.A. 73-1237 requests the Legislative Post Audit Committee to authorize a performance audit of the Veterans Claims Assistance Program. Such audit is to evaluate the program's effectiveness in increasing services to veterans through the veterans service representatives at the three United States Department of Veterans Affairs medical centers in Leavenworth, Topeka and Wichita.

- **The potential to switch some veterans and their dependents from State-funded programs to U.S. Department of Veterans Affairs programs.** The state of Washington implemented a program to identify veterans that would qualify for federal Veterans' Affairs programs, and helped them access those programs to pay for medical care, replacing the need for Medicaid benefits and achieving cost savings. According to officials from the Kansas Commission on Veteran's Affairs, a similar program in Kansas could save between \$1.4 million and \$1.9 million in Medicaid expenditures a year (as much as \$760,000 in State funding), but would require additional staff and training.

In addition, our 2008 audit of the Veterans Affairs Commission found that several other State agencies provide benefits and services similar to those provided by the U.S. Department of Veterans Affairs to veterans and their dependants. Those services include health and long-term care services provided by the Kansas Health Policy Authority and the Department of Aging, and vocational and employment services provided by the Department of Commerce and the Department of Social and Rehabilitation Services.

A performance audit in this area would address the following questions:

1. **Has the Veterans' Claims Assistance Program helped more veterans obtain services through staff located at the States three Veterans' Affairs medical centers?** To answer this question, we would collect data from each of the three Veteran's Affairs medical centers on the number of veteran contacts and amount of benefits claimed before and after VCAP's creation. We would differentiate between new and continued claims (prior claims that continue to be paid each year) to determine whether more veterans are obtaining services or not. Finally, we would compare changes in the number of veterans served by staff in the States three Veteran' Affairs medical centers to changes in the number of veterans served by staff in other VCAP regional offices.

2. **Could Kansas achieve cost savings by helping veterans and their dependants use federal Veterans Affairs' programs instead of State-funded programs such as Medicaid?** To answer this question, we would contact officials from the state of Washington to learn more about the program they created to replace Medicaid benefits with Veterans' Affairs benefits, and how that program worked. Using available lists of veterans and Medicaid data, we would try to identify which Kansas veterans and their dependents currently receive Medicaid benefits or other state-funded services, and whether those benefits potentially could be provided through the federal Veterans' Affairs programs. Further, we would evaluate KCVA's estimates of potential Medicaid savings to determine whether those estimates are reasonable, how savings would be achieved, and to identify any off-setting costs such as staff or training. Finally, we would try to estimate overall State savings related to switching veterans and their dependants from State-funded programs such as Medicaid to the federal Veterans' Affairs programs.

Estimated resources: 3 staff for 9-11 weeks (plus review)

Preliminary estimate of potential cost savings (a): Between \$0 and \$760,000 a year

(a) This is a preliminary estimate intended to help the Committee select audit topics. The estimate draws on a limited analysis of readily available information. The potential savings identified as part of a completed efficiency audit may differ from this estimate.

APPENDIX B

Agency Response

On September 12, 2011, we provided copies of the draft audit report to the Kansas Commission on Veterans' Affairs and the Governor's Office. The responses are included in this Appendix. The agency and the Governor generally concurred with the report's findings, conclusions, and recommendations.



KANSAS COMMISSION ON VETERANS' AFFAIRS



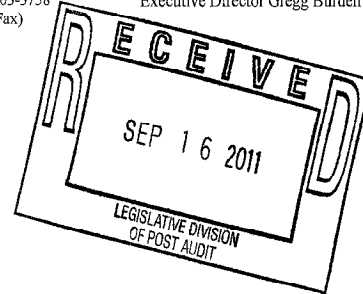
Governor Sam Brownback

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Executive Director Gregg Burden

September 15, 2011

Scott Frank
Legislative Division of Post Audit
800 SW Jackson Street, Suite 1200
Topeka, KS 66612-2212



Dear Mr. Frank:

Re: A K-Goal Audit Reviewing Issues Related to Veterans' Benefits

The Kansas Commission on Veterans' Affairs (KCVA) thanks you for the report and appreciates the opportunity to respond to the Legislative Post Audit's report on Kansas Commission on Veterans' Affairs: *A K-Goal Audit Reviewing Issues Related to Veterans' Benefits*.

The KCVA accepts the report and provides the following responses to LPA recommendations.

Question 1 / Recommendation 1:

- a) The agency will provide detailed guidance to all Veterans' Services staff as part of new employee training, as well as incorporating a review of Internal Management Policies and Procedures.
- b) The agency has purchased new software (Virtual Veteran Claims Processing System) and dedicated a server and back-up server to house the data. This new software will verify the accuracy of all data. All claims data will be reviewed by the KCVA Quality Review Staff prior to final submission.
- c) This recommendation has already been implemented. The new software and a dedicated server for Veterans' Services enabled the agency to create a centralized database system.

Question 1 / Recommendation 2:

The agency accepts the recommendation from the audit team and will inform the service organizations this is not an allowable operating expense that can be paid out of grant funds.

Question 2 / Recommendation 1:

The agency agrees with the LPA recommendations and will strive to better coordinate efforts with other agencies. The agency will adhere to directions from the Governor.

On behalf of the KCVA, I would like to thank you for your efforts during this audit. Your staff was courteous, knowledgeable, and receptive during all discussions and meetings. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Gregg Burden
Executive Director
Kansas Commission on Veterans' Affairs

Capitol Building
Room 241 South
Topeka, KS 66612

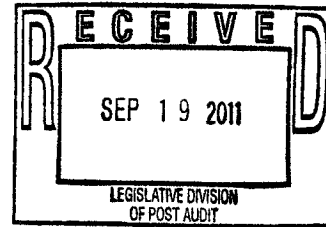


Phone: 785-296-3232
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Sam Brownback, Governor

September 19, 2011

Scott Frank
Legislative Post Auditor
Legislative Division of Post Audit
800 SW Jackson St., Suite 1200
Topeka, KS 66612-2212



Dear Mr. Frank,

I share the legislature's interest in this topic and have asked the Lt. Governor to work with the Cabinet to identify innovative solutions for reducing state spending on Medicaid.

I have also recently asked the Cabinet to work with the new Executive Director of the KCVA to better coordinate veterans' services across state agencies.

The report's recommendation for executive action is consistent with these ongoing efforts. Therefore, my office will provide the recommended direction to the identified agencies.

Sincerely,

A handwritten signature in black ink that reads "Sam Brownback".

Sam Brownback
Governor of Kansas

