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HEALTH CARE

VA's Implementation of the Nurse Pay Act of 1990

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SUMMARY

At the request of the Chairman and Ranking Minority Member, Senate Committee on Veterans' Affairs, GAO reviewed the Department of Veterans Affairs' (VA) implementation of the Locality Pay System established under the Nurse Pay Act of 1990. Under the system, each VA medical center bases the salaries of its nurses on the results of local salary surveys.

VA does not know whether accurate salary rates are being established under the locality pay system because it is basing its salary rates on questionable survey methods. Although VA is supposed to use survey methods comparable to those used by the Bureau of Labor Statistics, VA, unlike the Bureau, did not

-- pretest the survey questionnaire used to collect salary data;

-- provide adequate training to staff collecting the data;

-- use a well-defined system to match the job duties and responsibilities of the nurses whose salaries are being compared;

-- conduct personal interviews to collect survey data and verify the data obtained;

-- prohibit nurses from independently gathering data used to set their own salaries; and

-- validate the surveys done by most medical centers.

Moreover, the four VA medical centers GAO visited were late in their efforts to keep their staff informed about the development and implementation of the locality pay system. As a result, nurses GAO met with did not understand how the system works and were frustrated by the lack of information about it.

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the results of our review of the Department of Veterans Affairs' (VA) implementation of a locality pay system for nurses. As you know, under this system, each VA medical center bases the salaries of its nurses on the results of local salary surveys. The locality pay system is expected to improve the recruitment and retention of nurses. My testimony today focuses on (1) the appropriateness of survey methods used by VA medical centers, and (2) the adequacy of VA efforts to inform nurses about the system.

BACKGROUND

VA employs over 39,000 registered nurses and certified registered nurse anesthetists. Their salaries and benefits account for about 15 percent of VA's fiscal year 1992 health care budget of $13.7 billion.

Like other health care providers VA has had continuing problems in recruiting and retaining nurses. Although almost all VA medical centers established special salary rates for nurses based on 1980 legislative authority (Public Law 96-330), the medical centers continued to have recruitment and retention problems. For example, in 1990, turnover for both registered nurses and certified registered nurse anesthetists was 20 percent or more and hiring replacements frequently took from 3 to 12 months.

Because of these continuing problems, the Congress enacted the Nurse Pay Act of 1990 (Public Law 101-366) requiring VA to establish a locality pay system for nurses. The act's primary intent is to make VA medical facilities' salary rates competitive with those used by private sector health care facilities in the same communities. The act requires VA to reduce the number of pay grades for nurses from 8 to 4, establishes criteria for setting minimum and maximum salary rates, and provides for cash bonuses.

VA medical centers are normally expected to set salary rates that are within 5 percent of the prevailing rates in the community. In setting the rates, VA is required to use salary surveys conducted by the Bureau of Labor Statistics (BLS) whenever such surveys are available. When BLS surveys are not available, VA is required to conduct salary surveys in a manner comparable to the Bureau's. Finally, VA regulations implementing the act authorizes VA medical centers to conduct surveys and adjust salary rates as often as four times a year.

VA implemented the locality pay system on April 7, 1991, about 8 months after passage of the Act. VA gave local medical center directors broad latitude in administering the system. Because suitable BLS data were not available, all medical centers conducted their own salary surveys.

In conducting our study, we reviewed the implementation of locality pay at VA medical centers in West Los Angeles and Long Beach, California and Philadelphia and Lebanon, Pennsylvania. In addition to our work at the four medical centers, which included meetings with groups of nurses, we interviewed and analyzed documentation provided by officials from VA central office, VA nursing organizations, and BLS.

RESULTS IN BRIEF

VA does not know whether accurate salary rates are being established under the Nurse Pay Act. This is because VA uses questionable survey methods, including the gathering of salary data and information regarding position comparability almost exclusively through the use of telephone calls to competing health care facilities. Little is done to verify the information obtained during these calls.

The accuracy of salary rates resulting from the surveys is important for two primary reasons. On the one hand, rates set too high could significantly increase VA health care costs. On the other, rates set too low could limit the effectiveness of the system in improving the recruitment and retention of nurses.

The problems in setting appropriate salary rates, coupled with the untimely efforts VA medical centers made to inform nurses about how the salary surveys would be conducted and how the locality pay system would affect them, has led to a great deal of frustration among nurses.

PROBLEMS WITH SURVEY METHODS

I would like to first discuss six problems we found with the survey methods VA used to establish salary rates.

Survey Not Pretested

First, VA central office did not pretest the survey questionnaire before sending it to the medical centers. By contrast, BLS does extensive pretesting of its survey questionnaires to determine whether (1) the right questions are being asked, (2) the contents of each question are relevant and the respondent has the knowledge to answer the question, and (3) the procedures used in conducting the surveys are adequate to ensure that valid and reliable results are obtained.

Little Training Provided

Second, VA provided little training to those conducting the salary surveys. For example, 12 of the 18 data collectors conducting salary surveys at the four medical centers we visited did not receive any formal training from VA. The other 6 attended

a 1-week technical training seminar. Training was particularly important because 8 of the 18 data collectors had no prior experience in conducting salary surveys.

BLS requires its surveyors to be certified which involves a 2 to 3 year process of course work, on-the-job training and passing written exams. While VA could not reasonably be expected to adopt such requirements given the limited time it had to implement the locality pay system, we believe that it could have worked more closely with BLS to establish an appropriate mix of training, experience, and testing.

Salary Data Obtained Through Unverified Telephone Calls

Third, VA collected salary data through telephone calls without verifying the information obtained. By contrast, BLS conducts personal interviews at the selected health care facilities to obtain its survey data. Although neither VA nor BLS have authority to demand access to health care facility records, BLS verifies the data provided in its interviews by examining salary information through the voluntary cooperation of the facilities. In our opinion, VA should attempt to similarly verify the information provided, either through reviews of salary documentation or some other means, such as written confirmation of the telephone conversations. VA officials are concerned, however, that attempting to verify the information provided may further hamper it's efforts to obtain salary data from its competitors. Health care facilities may be more reluctant to cooperate with VA because VA is in direct competition with them whereas BLS is an independent agency not in competition with the facilities it surveys.

Job Matching System Not Used

Fourth, VA did not follow a rigorous approach to ensure that job matches are accurate. The accuracy of data collected in a salary survey depends on the proper matching of duties, responsibilities and educational requirements. VA data collectors did not receive detailed training on how to conduct job matches and conducted the matches over the telephone. As was the case with the salary data, VA did not have a system to validate the job matches.

BLS devotes considerable resources to ensure that job matches are adequate. For example, BLS data collectors are trained in how to conduct job matches and visit job sites, sometimes inspecting the workplace and interviewing employees, to obtain appropriate matches. In addition, BLS has a job match validation system through which a sample of job matches are reviewed and sites are revisited to validate or correct salary data as appropriate.

While it may not be feasible for VA to follow such a rigorous approach, we believe VA could provide additional training on how to perform job matches, request copies of position descriptions, or have a second surveyor validate the information obtained.

Nurses Involvement Can Represent A Conflict of Interest

Fifth, nurse involvement in collecting salary data can create a conflict of interest. VA's Office of General Counsel stated that it is not clear whether nurse involvement in data collection would be impermissible. But that office suggested that to help avoid potential problems, VA adopt a policy that excludes beneficiaries of special salary rate increases from any substantive involvement in setting their own pay rates. Similarly, VA's Inspector General recommended that nurse participation in the surveys should be limited to the extent practicable. The Inspector General said that if nurses are involved in the surveys, they should not have sole responsibility over the data gathered. To date, VA has not issued a formal written policy on nurses' involvement in the salary surveys, but has, through conference calls, encouraged medical centers to involve nurses in data collection.

Nurses at the four medical centers we visited had substantive involvement in collecting salary data for their own and their supervisors' pay grades. Because they worked independently using information obtained by telephone and because no verification of the data collected took place, these nurses essentially had sole responsibility for much of the data gathered and used to set theirs' and others' salaries.

Central Office Did Not Review Most Surveys

Finally, despite widely varying salary increases, including a more than doubling of salaries for some pay grades at 18 medical centers, VA did not review three-fourths of the medical center surveys.

At 82 percent of VA medical centers, registered nurses' and certified registered nurse anesthetists' salaries for one or more pay grades increased by 20 percent or more as a result of the implementation of the locality pay system. The largest increases typically occurred at the entry level for registered nurses. Other, more senior, registered nurses at the same medical centers typically received smaller raises. At about two-thirds of VA medical centers, salary increases were 5 percent or less for at least one pay grade. Dramatic increases in salaries at the entry level, coupled with slight increases at the senior level, lead to pay compression. Not surprisingly, nurses at the higher grades expressed the most concern about the implementation of the Nurse Pay Act during our meetings.

VA's central office reviewed the survey data collected by 42 of the 171 VA medical centers. It concluded that 14 medical centers had set beginning rates of pay that were too high and required them to conduct new surveys and/or reduce salaries.

VA selected medical centers for review primarily because they had large increases in salary rates. Although we agree that it was appropriate to focus on such centers, VA also needs to review centers with little or no increase in salary rates. This is because the act's intent was to make VA competitive with private facilities. If the survey methods resulted in VA medical centers setting rates that are too low, the law may not have its intended effect of improving the recruitment and retention of nurses. VA does not, however, plan to review the adequacy of the surveys conducted by the remaining 129 medical centers.

NURSE EDUCATION EFFORTS TOO LATE

I would like to turn now to VA's efforts to include nurses in the process of developing and implementing the locality pay system. The medical centers we visited did not keep nurses informed about VA's progress in developing the locality pay system. Instead, they concentrated their efforts during 1 to 2-week periods shortly before or after the locality pay system was implemented. For example, the Long Beach Medical Center did not provide any information on the locality pay system to its nurses until the month the system was implemented. During that month the medical center held training sessions at which a nurse locality pay system video developed by central office was shown and handouts about the system were distributed.

Our meetings with groups of nurses at the medical center revealed that many nurses who attended the training sessions did not understand the mechanics of the locality pay system and were frustrated by the lack of information about it.

At the Philadelphia VA Medical Center there were no educational efforts initiated for nurses until 3 months after the system was implemented. About one-fourth of the centers' nurses attended the training sessions.

Although the Philadelphia and West Los Angeles Medical Centers provide orientation on the locality pay system to new hires, none of the medical centers provided any further training to their nurses after the initial orientation.

CONCLUSIONS

In conclusion, VA is basing its nurses' salaries, which amount to more than $2 billion annually, on salary data that are gathered through questionable methods and are inadequately verified.

Accordingly, we believe the Secretary of Veterans Affairs should report its administration of the locality pay system to the Office of Management and Budget as a material internal control weakness under the Federal Managers' Financial Integrity Act. At the same time, VA should promptly develop a plan for correcting the deficiencies and establish a timetable for completing the corrective actions.

The Secretary should also require each VA medical center to provide continuous training concerning the locality pay system to its nursing staff.

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This concludes my prepared statement. My colleagues and I will be glad to answer any questions you and Members of the Committee may have.