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Mr. Chairman and Members of the Committee:

I am pleased to be here today as you discuss personnel issues in the Department of Veterans Affairs (VA). One such issue VA faces is an increased demand for the services provided by certified registered nurse anesthetists (CRNA), who provide the majority of anesthesia care veterans receive in medical facilities operated by VA. CRNAs are registered nurses who have completed a 2- to 3-year master's degree program in nurse anesthesia and who typically provide anesthesia care in health care settings with anesthesiologists and surgeons. There are approximately 500 VA-employed CRNAs (VA CRNA) who provide anesthesia care to veterans in VA medical facilities. When hiring VA CRNAs, VA places them in one of five pay grades, based on the CRNA's education and experience. The demand for these practitioners in VA medical facilities has continued to increase because CRNAs are no longer used only in the operating room, but are used in other areas of a medical facility, such as administering anesthesia to patients who are undergoing cardiac catheterization and providing airway management to patients during cardiac emergencies.

While the demand for CRNAs has continued to increase, many VA CRNAs are nearing retirement eligibility age. According to VA officials, more than half of VA CRNAs are over the age of 51, and the average VA CRNA is 7 years closer to retirement eligibility than the average CRNA nationally. Given the increased demand for CRNAs and the important role they play in providing anesthesia services in VA medical facilities, concerns have been raised about the challenges VA may face in making VA CRNA salaries competitive in order to maintain its VA CRNA workforce, particularly in some local markets where the labor market for CRNAs can be highly competitive.

In December 2007 we issued a report that examined the challenges VA faces recruiting and retaining VA CRNAs. My remarks today are based on this report. Specifically, I will (1) identify workforce challenges that VA medical facilities experience related to VA CRNAs, and (2) identify a key mechanism that VA medical facilities have to help make VA CRNA salaries competitive for recruitment and retention purposes and the extent to which VA facilities use this mechanism.

To do the work for our December 2007 report, we analyzed Web-based surveys we sent to all VA chief anesthesiologists, VA human resources (HR) officers, and VA CRNAs, with survey response rates of 92, 85, and 76 percent, respectively. We also analyzed data on VA CRNA vacancies-the number of unfilled VA CRNA positions at VA medical facilities-obtained from VA headquarters. These data were from 2005, the most recent year for which vacancy data were available at the time of our review. Additionally, we obtained data on VA CRNAs' salaries for 2005, 2006, and 2007 and compared these to national salary data we obtained from the American Association of Nurse Anesthetists (AANA), a professional organization for CRNAs. We visited

eight VA medical facilities and interviewed chief anesthesiologists, VA CRNAs, HR officers, and other facility officials about their efforts to recruit and retain VA CRNAs. We also interviewed a representative from Kaiser Permanente, a large health care plan that primarily uses CRNAs to deliver anesthesia services, to identify what steps this plan takes to ensure it has a sufficient number of CRNAs and to determine the indicators this plan uses to identify a CRNA shortage or potential future CRNA shortage. To ensure the reliability of the survey and national salary data we used, we performed a systematic review of the returned questionnaires and interviewed VA and AANA officials about the quality checks and edits they performed on their data. We determined that the data we used were adequate for our purposes. We conducted our work from June 2006 through October 2007 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

In summary, in December 2007 we reported that VA medical facilities had challenges recruiting and retaining VA CRNAs. Seventy-four percent of the VA chief anesthesiologists who responded to our survey reported that they had difficulty recruiting VA CRNAs in fiscal years 2005 and 2006. The challenge of recruiting VA CRNAs affected the ability of VA officials to reduce existing VA CRNA vacancy rates at their medical facilities. In our survey, 54 percent of the VA chief anesthesiologists with VA CRNA vacancies reported that they temporarily closed operating rooms, and 72 percent reported that they delayed elective surgeries as a result of VA CRNA vacancies in fiscal year 2006. Based on our survey results, we also found that in addition to their current recruiting challenges, VA medical facilities would likely face a challenge retaining VA CRNAs in the next 5 years due to the number of VA CRNAs projected to either retire from or leave VA. VA medical facility officials reported in our survey that the recruitment and retention challenges were caused primarily by the low level of VA CRNA salaries when compared with CRNA salaries in local market areas. In December 2007 we also reported that VA's locality pay system (LPS) is a key mechanism that VA medical facilities can use to determine whether to adjust VA CRNA salaries to help the facilities remain competitive with CRNA salaries in local market areas. We reported that the majority of VA medical facilities that employ VA CRNAs used LPS. However, at the eight VA medical facilities we visited, we found that although the facilities used VA's LPS, five of these facilities did not fully follow VA's LPS policy correctly in either 2005 or 2006. The problems some VA medical facilities had fully following VA's LPS policy, along with the explanations of facility officials, indicated that VA had not provided adequate training on its LPS policy. As a result, VA medical facility officials cannot ensure that VA CRNA salaries have been adjusted as needed to be competitive in local market areas. Training on the LPS is necessary to help ensure that VA medical facilities are competitive as an employer.

To improve VA's ability to recruit and retain VA CRNAs, we recommended that the Secretary of Veterans Affairs direct the Assistant Secretary for Human Resources and Administration to expedite development and implementation of a training course on VA's LPS policy for VA medical facility officials responsible for compliance with the policy. VA generally agreed with our conclusions and recommendation and stated that it had developed a draft action plan for

training staff on this policy and anticipated that an online training course would be available by the end of fiscal year 2008.

VA Medical Facilities Have VA CRNA Recruitment and Retention Challenges Primarily Because of Noncompetitive Salaries

We reported in December 2007 that VA medical facilities had challenges recruiting and retaining VA CRNAs. On the basis of our survey results, we found that VA medical facilities had challenges in recruiting VA CRNAs at their facilities and will likely face challenges in retaining VA CRNAs in the next 5 years due to the number of VA CRNAs projected to either retire from or leave VA. VA medical facility officials reported in our survey that the recruitment and retention challenges were caused primarily by the low level of VA CRNA salaries when compared with CRNA salaries in local market areas.

VA Officials Reported Challenges Recruiting CRNAs, and Projected VA CRNA Attrition Will Likely Create Retention Challenge in the Next 5 Years

In December 2007 we reported our survey results indicating that VA medical facilities had a challenge recruiting VA CRNAs. Of all VA medical facility chief anesthesiologists who responded to our survey, 74 percent reported that they had difficulty recruiting VA CRNAs in fiscal years 2005 and 2006. The recruiting challenges also affected VA medical facility officials' ability to reduce existing VA CRNA vacancy rates at their medical facilities. Additionally, VA medical facility officials responding to our survey reported that it took VA facilities a long time—on average about 15 months—to fill a VA CRNA vacancy from the time facility management approval is granted to fill the position until the time the VA CRNA actually begins providing services at the facility. In particular, VA chief anesthesiologists at 11 medical facilities reported that their facilities took 2 years or more on average to fill a VA CRNA vacancy. In our survey, the shortest time taken to fill a vacancy, as reported by the chief anesthesiologists, was 2 months, and the longest was 60 months.

The challenge of recruiting CRNAs limited the ability of VA officials to reduce existing vacancy rates at their medical facilities. VA's fiscal year 2005 vacancy data show that VA had about a 13 percent VA CRNA vacancy rate systemwide, or 70 unfilled VA CRNA positions at 43 medical facilities. These rates varied across VA, with 26 medical facilities having vacancy rates of 25 percent or more and 15 of them having vacancy rates of 40 percent or more in fiscal year 2005. According to the director of Kaiser Permanente's school of anesthesia for nurse anesthetists, a vacancy rate of 40 percent or higher is considered indicative of a staffing problem. Like VA's vacancy data, our survey also suggested that VA CRNA vacancies were common across VA medical facilities. Of the chief anesthesiologists responding to our survey, 54 percent reported that they had VA CRNA vacancies at their VA medical facilities, with the number of VA CRNA vacancies ranging from one to six.

According to our survey, VA CRNA vacancies impacted the delivery of services at VA medical facilities. For example, 54 percent of the VA chief anesthesiologists with VA CRNA vacancies

reported that they temporarily closed operating rooms, 72 percent delayed elective surgeries, and 68 percent increased the use of overtime for VA CRNAs, as a result of VA CRNA vacancies in fiscal year 2006. Moreover, 44 percent of chief anesthesiologists that had VA CRNA vacancies reported that contract CRNAs supplied by outside companies were used to supplement the VA facilities' VA CRNA workforce. In addition, almost one-third of the chief anesthesiologists whose vacancies were filled by VA CRNAs reported that they still had a shortage of CRNAs.

In addition to the challenges of recruiting VA CRNAs, we also reported that VA medical facilities were likely to face another workforce challenge in the future. Specifically, we found that in the next 5 years VA medical facilities would likely have difficulty retaining VA CRNAs in their workforce and this trend could increase the number of VA CRNA vacancies across VA. On the basis of VA CRNA responses to our survey, we projected a VA CRNA attrition rate of 26 percent across VA in the next 5 years—that is, 26 percent of VA CRNAs either planned to retire or leave VA's health care system within the next 5 years. Overall, 93 VA CRNAs at 53 of VA's 120 medical facilities that employ VA CRNAs reported that they plan to retire or leave VA's health care system. While the overall projected attrition rate across VA, on the basis of our survey results, will likely be

26 percent, this rate will vary by medical facility. In 27 VA medical facilities, we projected that the attrition rate would likely be 50 percent or higher. According to the director of Kaiser Permanente's school of anesthesia for nurse anesthetists, an attrition rate of 50 percent or higher is considered indicative of a future staffing problem.

According to VA Officials and VA CRNAs, Recruitment and Retention Challenges Are Due to Noncompetitive VA CRNA Salaries

Our surveys of VA medical facility chief anesthesiologists and HR officers indicated that medical facilities had trouble recruiting and will have trouble retaining VA CRNAs because salaries for VA CRNAs were low compared to CRNA salaries in local market areas. Specifically, of the 69 chief anesthesiologists who reported having difficulty recruiting VA CRNAs during fiscal years 2005 and 2006, about 60 of them attributed this difficulty primarily to the fact that salaries for VA CRNAs at their medical facilities were not competitive with CRNA salaries in local market areas. Additionally, of the 46 chief anesthesiologists who reported having difficulty retaining VA CRNAs during fiscal years 2005 and 2006, 36 of them attributed this primarily to the fact that salaries for experienced VA CRNAs at their medical facilities were not competitive with CRNA salaries in local market areas. Other reasons most frequently cited by the chief anesthesiologists were indirectly associated with the level of VA CRNA salaries.

Of the chief anesthesiologists we surveyed, 72 percent (67) reported that VA CRNA starting salaries for new graduates at their facility were lower than local market area salaries in fiscal year 2005, and 69 percent (64) reported this in fiscal year 2006. In fiscal years 2005 and 2006, 79 percent (73) of chief anesthesiologists estimated that salaries for experienced VA CRNAs at their medical facility were lower than local market area CRNA salaries. Furthermore, about 40 percent of chief anesthesiologists also reported that salaries for both new graduate and experienced VA CRNAs at their facility were \$10,000 to \$30,000 lower than CRNAs salaries in local market

areas during fiscal years 2005 and 2006. (See table 1 for the differences in VA CRNA salaries and CRNA salaries in local market areas in fiscal years 2005 and 2006, as reported by VA chief anesthesiologists.)

Table 1: Differences in VA CRNA Salaries and CRNA Salaries in Local Market Areas, as Reported by VA Chief Anesthesiologists, Fiscal Years 2005 and 2006

	Percentage of chief anesthesiologists reporting for fiscal year 2005		Percentage of chief anesthesiologists reporting for fiscal year 2006	
	New graduate VA CRNAa		Experienced VA	
CRNAb	New graduate VA CRNAa		Experienced VA CRNAb	
VA CRNA salaries				
lower than CRNA				
salaries in local market				
areas by \$10,000				
or less		12		13
9	12			
VA CRNA salaries				
lower than CRNA				
salaries in local market				
areas by				
\$10,001 to \$30,000		41		
40	40		42	42
VA CRNA salaries				
lower than CRNA				
salaries in local market				
areas by more				
than \$30,000		19		26
18	23			
Not checkedc		8		
3			9	7

Not applicabled
23

20
17

18

In December 2007, we reported that to address recruitment challenges related to VA CRNA salaries, VA CRNAs and the director of VA's anesthesia services told us that they were revising VA's CRNA qualification standards. These standards establish the five pay grades-grade I being the lowest-that VA CRNAs are placed into when hired, based on CRNAs' education and experience. According to the officials, the change to VA's qualification standards will have the effect of increasing starting salaries for new graduate VA CRNAs from grade I to grade II. However, we found that this revision to VA CRNA qualification standards-increase in grade and resulting starting salary-would be unlikely to make most VA CRNA starting salaries competitive with local market area CRNA starting salaries. We compared VA CRNA 2007 salary schedules to projected AANA 2007 salary data to determine whether VA CRNA salaries would be competitive with local market area CRNA salaries if salaries for new graduate VA CRNAs were changed from grade I to grade II. Our analysis showed that this revision to VA CRNA qualification standards would not make most VA CRNA starting salaries competitive with local market area starting CRNA salaries. Specifically, 75 of 120 VA medical facilities that employ VA CRNAs would have VA CRNA starting salaries below local market area CRNA salaries by \$20,000 or more.

We found similar challenges related to the retention of VA CRNAs. At the time of our review, more than half of all VA CRNAs earned the maximum statutory salary cap for a VA CRNA in 2006, which was \$133,900. However, at 107 of VA's 120 medical facilities that employ VA CRNAs the 2006 maximum statutory salary cap was at least \$20,000 lower than 2006 CRNA salaries in local market areas. The 2007 maximum statutory salary cap increased to \$136,200. According to VA officials, VA is developing proposed legislation to increase this maximum statutory salary cap for VA CRNAs by \$9,200. Our analysis comparing AANA 2007 salary data for CRNAs to VA's CRNA 2007 maximum statutory salary cap indicated that increasing the VA CRNA maximum statutory salary cap by \$9,200 would not, at a majority of VA medical facilities, make VA CRNA salaries competitive with CRNA salaries in local market areas. Specifically, using 2007 rates, we found that after the proposed change, 70 of the 120 VA medical facilities' VA CRNA salaries would still be at least \$20,000 or lower than the local market area CRNA salaries.

VA Medical Facilities Can Use LPS to Help Make VA CRNA Salaries Competitive, and While Majority of Facilities Have Used LPS, Some Have Not Followed VA's LPS Policy

In December 2007, we reported that VA's LPS system is a key mechanism that VA medical facilities can use to determine whether to adjust VA CRNA salaries to help the facilities remain competitive with CRNA salaries in local market areas. We also reported that the majority of VA medical facilities that employ VA CRNAs used LPS. However, at the eight VA medical facilities we visited, we found that although the facilities used VA's LPS, the majority of them did not fully follow VA's LPS policy correctly in either 2005 or 2006.

To Recruit and Retain VA CRNAs, Medical Facilities Can Adjust Salaries Using VA's LPS

In December 2007, we reported that VA CRNA pay grades-and thus salaries-are initially determined by VA's qualification standards for VA CRNAs. Although VA medical facility directors are required to use the LPS to determine if VA CRNA salaries should be adjusted, they have the option of adjusting these salaries to recruit and retain VA CRNAs. When adjusting VA CRNA salaries, VA medical facilities are required to use a process known as LPS. The system is intended to help VA medical facilities determine whether to adjust VA CRNA salaries to be regionally competitive. VA's LPS supports this goal by providing information on salaries paid to CRNAs in a facility's local market area. To collect data for the LPS, medical facility directors, who are responsible for their facility's LPS, can either use a salary survey conducted by another entity or conduct their own survey in order to determine the CRNA salary levels paid by health care establishments in the local market area. VA has an LPS policy, which requires that a medical facility director initiate an LPS survey if the director determines that a significant pay-related staffing problem exists or is likely to exist for any occupation or specialty. VA's LPS policy instructs medical facilities to use a survey conducted by the Bureau of Labor Statistics (BLS); however, if data from this survey are not available or not current, facilities are to use a third-party locality pay survey. Third-party surveys include those that are purchased from a third-party service that collects compensation data on salaries of health care occupations. These surveys can also include salary data collected by local hospital associations for their member health care establishments. When BLS or other third-party surveys are not available or do not contain sufficient salary data, facilities are to conduct their own locality pay survey.

Under VA's LPS policy, a third-party locality pay survey must include data from at least three non-VA health care establishments, such as hospitals and outpatient clinics. VA's LPS policy requires that a third-party survey cover an appropriate local market area, which is defined by VA as one that includes the county in which the VA medical facility is located and includes health care establishments that compete for the same type of clinical employees, such as CRNAs. The health care establishments that participate in a third-party survey should provide job descriptions that include the duties, responsibilities, and education and experience requirements of CRNAs and should be able to be readily job-matched to VA's description of the VA CRNA grade levels.

If a VA medical facility conducts its own LPS survey, VA's LPS policy requires that the geographic area surveyed be defined. In order to be valid, three health care establishments must have job descriptions for CRNAs that can be job-matched to VA CRNA grade levels. A VA medical facility may expand the geographic area surveyed when the surveyed area will not adequately reflect the local market area salaries for CRNAs or there are less than three job matches.

Once the survey is completed, a facility's HR officer reports the results to the medical facility director and on the basis of the survey data, recommends whether to adjust VA CRNA salaries. The facility director makes the final decision on whether to adjust the facility's VA CRNA salaries and, therefore, may choose not to adjust existing salaries regardless of what the survey data show, according to VA's policy. VA medical facility directors consider the competing

demands for funding across the facility when making decisions about VA CRNA salary increases.

VA's LPS policy requires VA medical facilities to report annually to VA headquarters on VA CRNA staffing, such as the vacancy and turnover rates for VA CRNAs within the recent fiscal year. VA medical facilities are also required to report whether the facility had a pay-related staffing problem as determined by the medical facility director and whether a medical facility director used a locality pay survey to determine if VA CRNA salaries should be adjusted. VA reported that in 2005 and 2006 all VA medical facility directors who determined that a significant pay-related staffing problem existed or was likely to exist at their facility used a locality pay survey to determine whether VA CRNA salaries should be adjusted.

The Majority of VA Medical Facilities Used LPS, but Instances of Incorrect Use Indicated Inadequate Training on LPS Policy

In December 2007 we reported that according to VA, the majority-86 out of 120-of the VA medical facilities that employ VA CRNAs used VA's LPS to determine whether to adjust salaries of VA CRNAs at their facilities. Of those facilities that used VA's LPS, 63 used a third-party survey to obtain data on local market area salary rates for CRNAs.

We also reported that, while VA facilities that employed VA CRNAs used LPS, five of the eight facilities we visited did not use the LPS in accordance with VA's LPS policy in 2005 or 2006. VA's LPS policy is designed to ensure that facility officials have a mechanism to determine whether their VA CRNA salaries should be adjusted to be competitive in recruiting and retaining VA CRNAs. By not fully following this policy, officials at these five facilities made decisions to adjust or not adjust VA CRNA salaries without sufficient data on the salaries of CRNAs in their local market areas.

At the five VA medical facilities that did not fully follow VA's LPS policy correctly, facility officials with oversight responsibility for the LPS were not knowledgeable about certain aspects of the LPS policy. One facility official told us that the third-party salary survey data were determined to be insufficient, so the facility used salary data from a Hot Jobs Web site to determine whether to adjust VA CRNA salaries. The official was unaware that this data source cannot be considered valid survey data for the purpose of adjusting VA CRNA salaries. At one facility, officials applied an outdated methodology for adjusting VA CRNA salaries and in doing so did not fully follow the most current LPS policy. The outdated policy only permitted VA medical facility officials to adjust salary rates for each VA CRNA grade at 5 percent above or below the beginning CRNA salary rates in local market areas. In contrast, VA's current LPS policy allows facility officials to adjust these salaries in order to be competitive. The remaining three facilities did not have sufficient salary data from their own facility-conducted surveys to determine whether VA CRNA salaries should be adjusted, and officials from these facilities told us they believed they could not use salary data of CRNAs that work for organizations that contract CRNA anesthesia services. These officials were unaware that VA's policy allows them to expand their data collection to include the use of salary data of CRNAs that work for

organizations that contract anesthesia services if the data they had previously collected were insufficient.

The problems some VA medical facilities had fully following VA's LPS policy, along with the explanations of facility officials, indicated that VA had not provided adequate training on its LPS policy. VA medical facility officials can refer to VA's LPS policy when they have questions, or they can contact VA headquarters, according to a VA official. VA last changed its LPS policy in 2001, which resulted in a number of changes, such as the use of third-party surveys and the use of salary data of CRNAs that work for organizations that contract anesthesia services. VA, however, had not conducted nationwide training on its LPS policy since 1995. As a result, VA medical facility officials had not received LPS training that reflected VA's current LPS policy and, accordingly could not ensure that VA CRNA salaries had been adjusted as needed to be competitive.

In our December 2007 report we noted that VA was in the process of developing a Web-based training course for the LPS that VA medical facility officials could complete online. We reported that because VA had not made the training a priority, it had not established a time frame for finalizing the development and implementation of the training course. In our December 2007 report we recommended that VA expedite the development and implementation of the training course for VA medical facility officials responsible for compliance with the policy. VA agreed with our recommendation and in comments on our draft report stated that it had developed a draft action plan for training staff on its LPS policy. VA anticipated that the online training course would be available by the end of fiscal year 2008.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you or other members of the committee may have.