

**38 CFR Part 51****RIN 2900-AS41****State Home Care Agreements for State Home Medical Model Adult Day Health Care**

AGENCY: Department of Veterans Affairs.

ACTION: Proposed rule.

SUMMARY: The Department of Veterans Affairs (VA) proposes to amend two of its State Veterans Home (State home) regulations. One amendment would define medical model adult day health care (MMADHC). The other would codify into regulation VA's ability to enter into State Home Care Agreements (SHCA) for MMADHC and pay for services rendered. Additionally, this rulemaking proposes the methodology for the payment rate.

DATES: Comments must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: You may submit comments through www.regulations.gov under RIN 2900-AS41. That website includes a plain language summary of this rulemaking. Instructions for accessing agency documents, submitting comments, and viewing the rulemaking docket, is available on www.regulations.gov under "FAQ."

FOR FURTHER INFORMATION CONTACT: Dr. Rhonda Toms, Veterans Health Administration, (202) 632-8320.

SUPPLEMENTARY INFORMATION:**I. Background**

State homes provide skilled nursing care, domiciliary care, and adult day health care (ADHC) to eligible veterans and non-veterans. VA reimburses State homes for care provided to eligible veterans admitted into such programs. Each State home is

owned, operated, and managed by each State's government. While VA has no authority over the management or control of a State home, VA must formally recognize each State home after verifying certain standards (such as, quality of life, quality of care, physical environment, etc.). After the initial recognition, VA certifies each State home annually to ensure continued compliance with VA standards.

MMADHC includes medical supervision at an intermediary level of care between a social model of ADHC and nursing home care. The MMADHC is a medical supervision program intended to help medically complex veterans remain safely in the community and out of hospital emergency rooms and hospitalizations. They care for veterans who would otherwise be institutionalized in a nursing home.¹ There are currently three State homes that provide MMADHC; these three facilities are in New York, Minnesota, and Hawaii. Although there are several similarities between MMADHC and ADHC, there are also several differences.

One similarity is that both provide services in a congregate setting, which is an environment that allows and encourages veterans to experience camaraderie with other veterans, establish friendships, and maintain connections within their community. This contributes to better overall health outcomes. Additionally, both provide respite for the veterans' caregivers several times a week. Next, both enable disabled veterans to

¹ Dabelko, H. I., & Zimmerman, J. A. (2008). Outcomes of Adult Day Services for Participants: A Conceptual Model. *Journal of Applied Gerontology, 27*(1), 78-92. <https://doi.org/10.1177/0733464807307338> (Original work published 2008)

Moriah E Ellen, Peter Demaio, Ariella Lange, Michael G Wilson, Adult Day Center Programs and Their Associated Outcomes on Clients, Caregivers, and the Health System: A Scoping Review, *The Gerontologist*, Volume 57, Issue 6, December 2017, Pages e85–e94, <https://doi.org/10.1093/geront/gnw165>

Leitsch, S. A., Zarit, S. H., Townsend, A., & Greene, R. (2001). Medical and Social Adult Day Service Programs: A Comparison of Characteristics, Dementia Clients, and their Family Caregivers: A Comparison of Characteristics, Dementia Clients, and their Family Caregivers. *Research on Aging, 23*(4), 473-498. <https://doi.org/10.1177/0164027501234005> (Original work published 2001)

Brown L, Forster A, Young J, Crocker T, Benham A, Langhorne P; Day Hospital Group. Medical day hospital care for older people versus alternative forms of care. *Cochrane Database Syst Rev.* 2015 Jun 23;2015(6):CD001730. doi: 10.1002/14651858.CD001730.pub3. PMID: 26102196; PMCID: PMC7068157.

continue living at home, rather than in an institutional setting (that is, an assisted living facility, nursing home, etc.). Lastly, both programs help prevent the need for hospitalization by providing preventive and maintenance care.

A major difference between MMADHC and ADHC is that MMADHC provides additional medical resources including a medical director, the provision of laboratory or radiology services, quality assessments, and assurance committees. Another way in which MMADHC differs from ADHC is that under MMADHC, the participant must remain under the care of a physician and each participant is supervised by a primary care physician, with another physician available if the primary physician is unavailable. (38 CFR 51.445(a)). Also, the participant must be seen by the primary physician at least annually and as indicated by a change in condition. (38 CFR 51.445(b)). MMADHC is better equipped than ADHC to assist in deterring the need to admit a veteran into a nursing home, which is not only a benefit to the veteran but also to the taxpayer because the cost of MMADHC is a fraction of nursing home care.

Historically, State homes were paid at the same rate for rendering ADHC and MMADHC services, even though MMADHC provided a higher level of care. A new law was passed in 2018 allowing VA to pay for MMADHC at a rate that is higher than that paid for ADHC.

II. Authority

On March 27, 2018, the President signed into law the State Veterans Home Adult Day Health Care Improvement Act of 2017 (ADHC Improvement Act). Pub. L. 115-159, 132 Stat. 1244-1245. The ADHC Improvement Act was added as a new section in 38 U.S.C. 1745 and labeled it as section (d). This new law authorized VA to pay State homes for providing medical supervision model adult day health care to eligible veterans. Pub. L. 115-159, § 2(a), 132 Stat. 1244. For the purposes of this rulemaking,

we use the term, “medical model adult day health care (MMADHC)” rather than the statutory term, “medical supervision model adult day health care.”

To regulate 38 U.S.C. 1745(d), VA proposes to add definitions to 38 CFR 51.2 to provide clarity to providers and the public. Additionally, we propose the following changes to § 51.41:

- Revise paragraphs (a) and (c).
- Create a new paragraph (d).
- Redesignate current paragraphs (d) through (g) as paragraphs (e) through (h), respectively.

III. Changes to § 51.2

A. Definition of medical model adult day health care (MMADHC)

VA proposes to add a definition for the term “medical model adult day health care”, to mean “adult day health care that includes the coordination of physician services, dental services, nursing services, the administration of drugs, and such other requirements as determined appropriate by the Secretary.” The definition VA proposes mirrors the definition of medical supervision model adult day health care provided in 38 U.S.C. 1745(d)(4). Although the statute included the word supervision in its term, VA did not. Instead, VA explains in the definition that the two phrases (“medical supervision model adult day health care” and “medical model adult day health care”) are interchangeable. We propose to use the latter term because it has historically been used by VA and the medical industry. We believe that including a statement in the definition showing they are interchangeable would provide clarity in facilities and among the general public.²

² See U.S. Department of Health and Human Services, *Regulatory Review of Adult Day Services: Final Report, 2014 Edition* (Dec. 1, 2014), <https://aspe.hhs.gov/basic-report/regulatory-review-adult-day-services-final-report-2014-edition> (last visited August 13, 2025).

B. Definition for State home care agreement (SHCA)

We propose to add a definition for the term “State home care agreement” to mean “a legally binding document between a State home and VA, which is not a contract, is signed by each entity’s authorized representative and defines the terms for payment of per diem for an eligible Veteran’s nursing home care, or medical model adult day health care.” This definition is necessary because PL115-159 requires VA to enter into agreements with state homes to pay per diem at a rate that is prescribed by the Secretary and that “adequately reimburse[s] the State home for care provided by the State home, including necessary transportation expenses.” These considerations mean that MMADC payment rates will be different than the basic per diem rate. Additionally, the term State home care agreement is referenced throughout current part 51 regulations without the benefit of a definition. Therefore, we propose to provide a clear understanding of the term.

IV. Changes to § 51.41(a)

We propose to amend eligibility provisions within § 51.41(a). First, we propose to revise the initial sentence in § 51.41(a) by changing the word “may” to “will” and the word “and” to “or.” These changes are needed to be consistent with the mandate in 38 U.S.C. 1745(a)(1). Additionally, we propose to revise the first sentence in 38 CFR 51.41(a) from “VA and State homes may enter into both contracts and State home care agreements.” to read: “VA and a State home shall enter into a contract or State home care agreement to pay per diem for each eligible veteran’s nursing home care.” We would then add a second sentence to paragraph (a) to mirror the restrictions set forth in 38 U.S.C. 1745(d)(1). These restrictions ensure that the State home does not receive both MMADHC and nursing home per diem for the same veteran for the same period of medical service.

We propose to add a note stating that MMADHC is intended for eligible veterans, who would need nursing home care if MMADHC did not exist or was not available. This distinction comes from 38 U.S.C. 1720(f), which authorizes VA to provide adult day health care to a veteran who would otherwise need nursing home care.

IV. Changes to § 51.41(c)

In paragraph (c)(1), we propose to add the phrase “, known as the prevailing rate, which is” to the last sentence of (c)(1) to clarify that when VA uses the term “prevailing rate” it is referring to the rate calculated for the State Home Agreement.

In paragraph (c)(4), we propose to add the phrase “or for medical model adult day health care” to allow the State home to request retroactive payment in cases where the veteran receives a retroactive VA service-connected disability rating. We propose this change to mirror the practice currently used in similar situations in nursing homes that provide services under SHCAs.

VI. Changes to § 51.41(d) through (g)

We propose to amend § 51.41 by adding a new paragraph (d) to establish a rate of payment for MMADHC to eligible veterans through a SHCA, as required by 38 U.S.C. 1745(d)(2)(A).

Section 1745(d)(2)(B) required VA to consult with the State homes in prescribing regulations to establish the rate to be paid for MMADHC. On February 13, 2020, VA conducted this consultation with the National Association of State Veterans Homes (NASVH), a national State home membership organization, that serves as representation for State homes. During this consultation, members of NASVH stated their preference for calculating per diem for MMADHC at the rate of 65 percent of the prevailing rate that VA pays State homes for nursing home care under 38 CFR 51.41(c). There are two main reasons they requested this rate to calculate per diem for MMADHC

to include the following. First, it would cover the cost of the travel that is needed to transport veterans to and from the State home. For example, in New York, there is a drive time restriction stating that people that live more than an hour away do not qualify for free public transportation; therefore, the State home would require a vehicle and driver (or contracted transportation service) to bring the veteran back and forth to and from the facility. Additionally, new State legislation in New York changed liability insurance requirements, which caused rates to increase and caused the State home transportation expenses to increase. Second, the 65 percent rate would cover the cost for the program to coordinate additional specialty services (that is, dental services, administration of drugs, etc.) to participating veterans. In due diligence, VA conducted research to determine the cost of MMADHC outside of VA but did not find any consistent payment rate.

Based on the consultation and rationale detailed above, VA agreed to pay for MMADHC at the rate of 65 percent of the prevailing rate of nursing home care. We are paying this rate now to State homes because they are currently providing MMADHC to veterans under the authority of the statute. In this rulemaking, VA proposes to continue paying at the 65 percent rate described above but add a caveat that if the daily cost of MMADHC is less, then we will pay the lesser amount. We propose to pay the lesser of these two rates because 38 U.S.C. 1745(d)(2)(A) states that VA shall adequately reimburse the State homes for the care they provide; paying more than the full cost of daily care does not seem to match with the intent of this language. Lastly, we propose to use the same criteria for calculating the daily cost of a veteran's care and determining whether a veteran spent a day receiving MMADHC. These criteria are detailed in 38 CFR 51.40(b) and (d), respectively. With the proposed addition of a new paragraph (d) to § 51.41, we would redesignate current paragraphs (d) through (g) as paragraphs (e) through (h), respectively.

VII. Technical Corrections

We propose to change the reference to “VA provider agreement” in § 51.41(f) to “State home care agreement” because this is the correct term. This correction would standardize the language throughout part 51.

Executive Orders 12866, 13563, and 14192

VA examined the impact of this rulemaking as required by Executive Orders 12866 (Sept. 30, 1993) and 13563 (Jan. 18, 2011), which direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. The Office of Information and Regulatory Affairs has determined that this rulemaking is not a significant regulatory action under Executive Order 12866. This proposed rule is an Executive Order 14192 deregulatory action. The regulatory impact analysis associated with this rulemaking can be found as a supporting document at www.regulations.gov.

Regulatory Flexibility Act

The Secretary hereby certifies that this proposed rule would not have a significant economic impact on a substantial number of small entities as defined in the Regulatory Flexibility Act (5 U.S.C. 601-612). The certification is based on the fact that this rule would affect veterans and State homes. State homes are State government entities under the control of the State government in which they are located. Therefore, pursuant to 5 U.S.C. 605(b), the initial and final regulatory flexibility analysis requirements of 5 U.S.C. 603 and 604 do not apply.

Unfunded Mandates

This proposed rule would not result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation) in any one year.

Paperwork Reduction Act

Although this action contains provisions constituting collections of information at 38 CFR 51.41 under the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3521), no new or proposed revised collections of information are associated with this proposed rule. The information collection requirements for § 51.41 are currently approved by the Office of Management and Budget (OMB) and has a valid OMB control number of 2900-0160.

Assistance Listing

The Assistance Listing number and title for the program affected by this document is 64.015, Veterans State Nursing Home Care.

List of Subjects in 38 CFR Part 51

Administrative practice and procedure; Claims; Day care; Dental health; Government contracts; Grant programs-health; Grant programs-veterans; Health care; Health facilities; Health professions; Health records; Mental health programs; Nursing homes; Reporting and recordkeeping requirements; Travel and transportation expenses; Veterans.

SIGNING AUTHORITY

Douglas A. Collins, Secretary of Veterans Affairs, approved this document on February 13, 2026 and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs.

Gabriela DeCuir,

Alternate Federal Register Liaison Officer, Department of Veterans Affairs.

For the reasons described in the preamble, the Department of Veterans Affairs proposes to amend 38 CFR part 51 as set forth below:

PART 51—PER DIEM FOR NURSING HOME, DOMICILIARY, OR ADULT DAY HEALTH CARE OF VETERANS IN STATE HOMES

1. The authority citation for part 51 continues to read as follows:

Authority: 38 U.S.C. 101, 501, 1710, 1720, 1741-1743, 1745, and as follows.

2. Amend § 51.2 by adding entries for “medical model adult day health care (MMADHC)” and “State Home Care Agreement” in alphabetical order to read as follows:

§51.2 Definitions.

* * * * *

Medical model adult day health care (MMADHC) means adult day health care that includes the coordination of physician services, dental services, nursing services, the administration of drugs, and such other requirements as determined appropriate by the Secretary. This term is interchangeable with “medical supervision model adult day health care.”

* * * * *

State Home Care Agreement means a legally binding document between a State home and VA, which is not a contract; is signed by each entity's authorized representative; and defines the terms for payment of per diem for an eligible Veteran's nursing home care, or medical model adult day health care.

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3. Amend § 51.41 by:

a. Revising paragraph (a);

b. Revising paragraph (c)(1) and (c)(4);

c. Redesignating paragraphs (d) through (g) as paragraphs (e) through (h), respectively;

d. Adding new paragraphs (d), (d)(1), and (d)(2); and

e. Revising paragraph (f)(1).

The revisions and additions read as follows:

§ 51.41 Contracts and State home care agreements for certain veterans with service-connected disabilities.

(a) *Contract or State home care agreement required.* VA and a State home will enter into a contract or State home care agreement to pay per diem for the nursing home (NH) care of each eligible veteran. VA and a State home will enter into a State home care agreement to pay per diem for medical model adult day health care (MMADHC) for each eligible veteran for whom VA does not pay for NH care. Eligible veterans are those who:

(1) Are in need of nursing home care or MMADHC for a VA adjudicated service-connected disability, or

(2) Have a singular or combined rating of 70 percent or more based on one or more service-connected disabilities or a rating of total disability based on individual unemployability and are in need of nursing home care or MMADHC.

NOTE: Per diem for MMADHC is only payable for eligible veterans, who would need nursing home care if MMADHC did not exist or was not available.

* * * * *

(c)(1) State homes must sign an agreement to receive payment from VA for providing care to certain eligible veterans under a State home care agreement. A State home care agreement for nursing home care under this section will provide for payments at the rate, known as the prevailing rate, which is determined by the following formula.

(2) * * *

(3) * * *

(4) If a veteran receives a retroactive VA service-connected disability rating and becomes a veteran identified in paragraph (a) of this section, the State home may request payment under the State home care agreement for nursing home care or for medical model adult day health care back to the retroactive effective date of the rating or February 2, 2013, whichever is later. For care provided after the effective date but before February 2, 2013, the State home may request payment at the special per diem rate that was in effect at the time that the care was rendered.

(d) *Payments for medical model adult day health care under State home care agreements.* A State home care agreement for MMADHC will provide for payments at the lesser amount of either:

(1) sixty-five percent of the rate calculated for nursing home care under paragraph (c) of this section, or

(2) the daily cost of care as provided on the invoice.

NOTE: The criteria set forth in 38 CFR 51.40(b) and (d) apply to MMADHC in calculating the daily cost of a veteran's care and determining whether a veteran spent a day receiving MMADHC.

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(f) *Termination of State home care agreements.* (1) A State home that wishes to terminate a State home care agreement with VA must send written notice of its intent to the Director of the VA medical center of jurisdiction at least 30 days before the effective date of termination of the agreement. The notice shall include the intended date of termination.

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