In spring 1888, Congressman George Steele, Sr., of Marion, Indiana, introduced legislation authorizing the establishment of a National Home for Disabled Volunteer Soldiers (NHDVS) in Grant County. Construction began in 1889, and six barracks and a hospital were completed the next year. Between 1895 and 1898, a headquarters building, six more barracks, dining hall, kitchen, chapel, and Stinson Memorial Hall were built.

When the National Home opened in 1890, only fifty-six Civil War veterans sought admittance. The next year, 500 men arrived. A decade later, there were more than 1,700 residents. The number of Civil War and Spanish-American War veterans declined through the first two decades of the twentieth century. Incoming World War I veterans required a different type of care, so the facility became a psychiatric hospital. The National Homes were merged with the U.S. Veterans Bureau and the Bureau of Pensions to form the Veterans Administration (now U.S. Department of Veterans Affairs) in 1930.

A cemetery was established on unused land on the east side of the Marion campus. Henry Smith, formerly a private in Company E, 20th Indiana Infantry, who died May 29, 1890, was the first interment. The initial graves were laid out in concentric circles. Sections developed in the 1920s, north of the original cemetery, were laid out in a traditional grid. The property was designated a national cemetery in 1973.

The Soldiers Monument is composed of a 10-foot-tall bronze statue of three Civil War soldiers on a granite pedestal. It was designed by American sculptor and educator Lorado Taft. It is a copy of a larger work erected in 1894 on the Chickamauga battlefield in Georgia. The Marion monument, unveiled in 1914, honors all Union soldiers. Its location at the original cemetery entrance is a reminder that the National Home was built to care for Civil War veterans.

Two Civil War recipients of the Medal of Honor are buried in the cemetery. First bestowed in 1863, it is the highest award for military valor in the U.S. Armed Services. For acts above and beyond the call of duty, 1,522 individuals who served in the Civil War received the medal.

Seaman Nicholas Irwin, U.S.S. Brooklyn, manned his gun with skill and courage at Mobile Bay, August 5, 1864. His act resulted in the surrender of the C.S.S. Tennessee and damage to Fort Morgan, Alabama (Section 1, Grave 382).

Lt. Jeremiah Kuder, 74th Indiana Infantry, captured a Confederate battle flag at the Battle of Jonesboro, Georgia, September 1, 1864 (Section 4, Grave 2464).