



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 2, 2007

Joint Committee on Finance

Paper #836

Veterans Homes Expansion Projects (DVA –General Agency Provisions)

Bill Agency

[LFB 2007-09 Budget Summary: Page 580, #6]

CURRENT LAW

The Department of Veterans Affairs (DVA) operates two Wisconsin veterans homes -- one at King in Waupaca County and one at Union Grove in Racine County -- that provide residential care, nursing and medical services, food services, and social and counseling opportunities to veterans and their dependents.

The Veterans Home at King has 721 licensed beds, cottages for married couples that provide 28 domiciliary beds, a chapel, and an activity center containing a post office, theater, bowling alley, museum and library. The Veterans Home at Union Grove opened in 2001 and includes a 42-bed residential care apartment complex (Gates Hall) and two community-based residential facilities (Shemanske and Fairchild Halls) that provide 86 beds. A 120-bed skilled nursing facility (Boland Hall) was licensed to begin admitting members in September, 2006.

2003 Wisconsin Act 102 authorized DVA to develop and operate residential, treatment and nursing care facilities and programs on the campus of the Northern Wisconsin Center for the Developmentally Disabled in Chippewa Falls, that could include an assisted living facility, a skilled nursing facility, a medical clinic, an adult day health care center, an activities center, and a veterans assistance program. While the state enumerated \$24.5 million (or approximately 35% of anticipated costs, of which \$8,575,000 was program revenue supported bonding) in the 2005-07 capital budget to secure matching federal funds, the project has not yet been enumerated in the federal budget.

GOVERNOR

Provide \$375,000 SEG of one-time funding in 2007-08 from the veterans trust fund for the following capital planning and feasibility studies: (a) \$35,000 for a study of a new state veterans cemetery in the Fox Valley region; (b) \$65,000 for a study of a veterans home in Superior; (c) \$75,000 for development of a master plan for future DVA capital construction projects; and (d) \$200,000 to initiate design planning of a veterans home in Chippewa Falls.

DISCUSSION POINTS

1. As discussed in the issue paper addressing DVA's request for marketing funds, member enrollment at the skilled nursing facility at Union Grove has lagged behind expectations to date. As operating costs for the veterans homes' residential skilled nursing facilities are supported primarily from member contributions, medical assistance (MA) payments for services, and per diem payments the Department receives from the U.S. Department of Veterans Affairs (USDVA), the number of members served on each campus directly dictates the amount of operating revenue available each year. While revenues to support operations are dependent on occupancy levels, most costs for the facility (including capital, utilities, and most staffing overhead) are fixed. As a result, the skilled nursing facility at Union Grove is expected to operate in deficit until a break-even population is reached. The Department is currently revising its business plans for both the King and Union Grove campuses to establish more accurate estimates for the operation of the homes.

2. Until the facility at Union Grove enrolls enough members for the revenue from their contributions and resulting federal payments to offset the cost of operating the facility, DVA plans to fund a portion of its operating costs from an available balance in the program revenue appropriation that supports the operation of the Veterans Home at King. The Department estimates that a transfer of approximately \$3.6 million in 2007-08 and \$2.3 million in 2008-09 will be required to fully fund operations at the Union Grove skilled nursing facility and the Union Grove assisted living facilities.

3. While the bill assumes that the skilled nursing facility at Union Grove will be able to recruit sufficient membership to become largely self-supported by the end of the biennium, the assisted living facilities at Union Grove are still expected to require significant transfers (over \$2 million annually) to cover the cost of their operations during the 2007-09 biennium and an undetermined amount annually in future years. The long-term solvency of the Union Grove campus is tied to maintaining higher occupancy rates in the skilled nursing facility and in the assisted living facilities. Given the emphasis in recent years on the expansion of home and community-based care, and the recent expansion of the Family Care initiative into geographical areas served by the Union Grove campus, the ability of the Department to meet these occupancy goals for institutional services is uncertain.

4. Under the bill, expenditures budgeted from the King operations appropriation (including expected transfers to support costs associated with the Union Grove assisted living and

skilled nursing facilities) are estimated to exceed anticipated available revenues. This structural deficit, if not resolved, may reduce the available balance of the appropriation's reserve over time, limiting the ability of the Department to ensure the solvency of the King and Union Grove operations, and future expansion of the veterans homes to Chippewa Falls. Further, the bill provides an option for the Department to use a portion of the available balance in the King home's operations appropriation to support the veterans trust fund, potentially exacerbating the problem of ensuring the veterans homes long-term financial stability.

5. From this perspective, it could be argued that proceeding with plans to design and construct a third skilled nursing facility for DVA may be premature. In order to first protect the long-term solvency of the existing veterans homes at King and at Union Grove, the Committee could direct DVA to focus its planning efforts on stabilizing their operations and ensuring the existing campuses' long-term financial stability before planning additional expansions. Accordingly, the Committee could delete the funding provided under the bill for a study of a veterans home in Superior, for the development of a master plan for future DVA capital construction projects, and to initiate design planning of a veterans home in Chippewa Falls. Given that federal funds have not been provided for the Chippewa Falls project, and no state bonding authority has been accessed to proceed with development, the Committee could also repeal the enumeration for the Chippewa Falls expansion until DVA could demonstrate that the business model for its existing facilities was sufficient to ensure long-term solvency, and that there was sufficient demand in the face of the expansion of home and community based long-term care services to require the construction of a third skilled nursing facility.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$375,000 SEG of one-time funding in 2007-08 for the following capital planning and feasibility studies: (a) \$35,000 for a study of a new state veterans cemetery in the Fox Valley region; (b) \$65,000 for a study of a veterans home in Superior; (c) \$75,000 for development of a master plan for future DVA capital construction projects; and (d) \$200,000 to initiate design planning of a veterans home in Chippewa Falls

| ALT 1 | Change to Bill Funding | Change to Base Funding |
|--------------|-----------------------------------|-----------------------------------|
| SEG | \$0 | \$375,000 |

2. Do not approve the Governor's recommendation. Rather, provide \$35,000 SEG for a study of a new state veterans cemetery in the Fox Valley region and delete: (a) \$65,000 for a study of a veterans home in Superior; (b) \$75,000 for development of a master plan for future DVA capital construction projects; and (c) \$200,000 to initiate design planning of a veterans home in Chippewa Falls.

| ALT 2 | Change to Bill Funding | Change to Base Funding |
|--------------|-----------------------------------|-----------------------------------|
| SEG | - \$340,000 | \$35,000 |

3. Delete provision.

| ALT 3 | Change to Bill Funding | Change to Base Funding |
|--------------|-----------------------------------|-----------------------------------|
| SEG | -\$375,000 | \$0 |

4. In addition to Alternatives 1, 2, or 3, delete the current law enumeration for the construction of a skilled nursing facility at Chippewa Falls, which was previously approved as part of the 2005-07 capital budget.

| ALT4 | Change to Bill Funding | Change to Base Funding |
|-------------|-----------------------------------|-----------------------------------|
| BR | - \$8,575,000 | - \$8,575,000 |

Prepared by: Rebecca Hotynski