



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #855

Program Revenue Transfer (DVA -- Homes and Facilities for Veterans)

Bill Agency

[LFB 2007-09 Budget Summary: Page 589, #12]

CURRENT LAW

The Department of Veterans Affairs (DVA) currently operates two Wisconsin veterans campuses (King and Union Grove) that provide residential care, nursing and medical services, food services, and social and counseling opportunities to veterans and dependents. The operations costs of these facilities are supported with a program revenue appropriation.

2005 Wisconsin Act 468 authorizes DVA to transfer up to \$16 million from the PR operations appropriation for the veterans homes to the veterans trust fund in 2006-07 if DVA determines that there are excess revenues in the appropriation.

GOVERNOR

Authorize DVA to transfer up to \$7,000,000 during the 2007-09 biennium from the program revenue appropriation that supports the institutional operations of the veterans homes to the veterans trust fund if, in either year of the biennium, the balance in the appropriation is in excess of the amount needed for the care of the members of the homes and to support its employee stipend program. Delete the current provision that authorizes DVA to transfer up to \$16 million from this appropriation in 2006-07 if there are excess revenues in this appropriation.

DISCUSSION POINTS

1. The sources of program revenue for the appropriation that supports the operations of

the veterans homes are medical assistance (MA) payments DVA receives from the Department of Health and Family Services for caring for MA-eligible nursing home residents, per diem payments DVA receives from the U.S. Department of Veterans Affairs for caring for veterans, and member contributions, which include VA pension payments.

2. The federal Veterans Health Programs Improvement Act of 2004 changed the way states are permitted to treat USDVA per diem payments so that states are no longer permitted to include these payments as patient liability under MA or otherwise use these payments to offset or reduce any other payment made to assist veterans. As a result, MA payments to the veterans homes have increased, as the state now submits claims for federal MA matching funds for expenditures that were previously supported by USDVA per diem payments.

MA payments to the veterans homes are based on the nursing home services that the facilities have already provided to MA recipients. Therefore, once the MA program makes this payment to DVA, the state may use these funds for any purpose. Consequently, authorizing DVA to transfer funds from this PR appropriation to the veterans trust fund, or any other fund, would not violate any federal MA requirement.

3. DVA has not yet acted on the authority it was provided under 2005 Act 468 to transfer surplus funds to the veterans trust fund. Staff indicates that DVA wants to ensure that sufficient resources are available in the appropriation to proceed with a commitment to open a new veterans home in Chippewa Falls. Further, DVA is developing a business plans for both the Union Grove and King campuses to assess the long-term financial solvency of these facilities and staff believe that it would be prudent to wait until these plans were completed before making a transfer from the operations appropriation.

4. An estimate of the revenues, expenditures, and reserve funds for the operations appropriation supporting the veterans home at King under the bill indicates that the appropriation is expected to have an ending balance of approximately \$13 million as of June 30, 2009. The following table identifies the projected revenues, expenditures, reserves, and ending balance of the appropriation that supports operations at the veterans home at King without the transfer of \$7 million from the appropriation to the veterans trust fund. Under the bill, DVA would have the authority to transfer up to \$7 million during either year of the biennium.

Veterans Home at King
Appropriation Condition Statement under SB 40
(Assumes no Transfer to the Veterans Trust Fund)
2005-06 through 2008-09

	Actual <u>2005-06</u>	Estimate <u>2006-07</u>	SB 40 <u>2007-08</u>	SB 40 <u>2008-09</u>
Opening Balance	\$3,131,200	\$23,007,900	\$18,546,600	\$15,206,600
Revenues				
Member Contributions	\$17,721,600	\$18,263,900	\$18,807,100	\$19,331,500
MA Payments*	46,359,300	26,517,500	27,827,200	29,183,200
VA Per Diems	13,103,100	13,871,500	14,773,100	15,511,800
Debt Service and Other	-28,800	733,500	823,100	922,100
Transfers to Union Grove Assisted Living	-4,277,800	-2,220,200	-2,338,800	-2,101,800
Transfers to Union Grove Skilled Nursing Facility	0	-4,351,700	-1,222,100	-190,600
Transfers for Nurse Stipends and Energy Costs	<u>-2,065,900</u>	<u>-2,449,900</u>	<u>-2,903,200</u>	<u>-3,455,800</u>
Total	\$70,811,500	\$50,364,600	\$55,766,400	\$59,200,400
 Total Available	 \$73,942,700	 \$73,372,500	 \$74,313,000	 \$74,407,000
 Expenditures	 \$50,934,800	 \$50,619,400	 \$57,247,800	 \$57,998,100
Reserves				
Employee Compensation and Fringes	\$0	\$3,839,600	\$802,800	\$1,621,700
Health Insurance Benefits	0	344,400	1,033,300	1,722,100
Rent, Municipal Services	<u>0</u>	<u>22,500</u>	<u>22,500</u>	<u>26,000</u>
Total	\$0	\$4,206,500	\$1,858,600	\$3,369,800
 Ending Balance	 \$23,007,900	 \$18,546,600	 \$15,206,600	 \$13,039,100

*Includes the upper payment limit portion of retroactive claims in 2005-06.

5. While the uncommitted balance in the operations appropriation is estimated to be sufficient to accommodate the transfer provided under the bill, the long-term stability of the operations appropriation should be considered. As shown in the table, DVA has used portions of the excess balance of the appropriation to support operations costs for the assisted living facility, and now the skilled nursing facility, operated on the Union Grove campus. As operating costs for the veterans homes' residential skilled nursing facilities are supported primarily from member contributions, MA payments for services, and USDVA per diem payments, the number of members served on each campus directly affects the amount of operating revenue available each year. Although revenues to support operations are dependent on occupancy levels, most costs for the facilities (including capital, utilities, and most staffing overhead) are fixed. As a result, until the skilled nursing facility at Union Grove recruits a sufficient membership level that revenues received as reimbursement for providing care equal overhead costs, the facility will operate in deficit, necessitating ongoing transfers from the King operations appropriation to maintain solvency.

6. Until the skilled nursing facility at Union Grove enrolls a sufficient number of members for the revenues related to their care to balance the fixed costs associated with the new facility, DVA intends to subsidize a portion of the new facility's operations costs with funding from the King operations appropriation. As shown in the table, transfers from the King institutional operations appropriation to the Union Grove campus are expected to total approximately \$3.6 million in 2007-08 and almost \$2.3 million in 2008-09.

7. 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.

8. 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.

9. However, while the long-term condition of the operations appropriation for the King home should be considered when making the decision to approve the Department's ability to make a transfer from the available balance, so should the condition of the veterans trust fund. The King operations appropriation is expected to have a sufficient balance within the current biennium to support the operation of the veterans homes and to complete a transfer of up to \$7 million for the veterans trust fund, while still retaining a balance to support a potential structural deficit in the following biennium (2009-11).

Further, the provisions under the bill authorize DVA to transfer "up to" \$7 million, allowing the Department some flexibility to weigh concerns for the solvency of the veterans homes operations appropriation against the condition of the veterans trust fund, and transfer a lesser amount if revised estimates over the course of the biennium warrant it.

10. Given the condition of both the veterans trust fund and the appropriation that supports the King Home, the Committee may want to have some oversight over any transfers from King to the trust fund. Accordingly, the Committee could include the Governor's recommendation, but require that any transfers receive prior approval from the Committee under a 14-day passive review process.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to: (a) authorize DVA to transfer up to \$7,000,000 during the 2007-09 biennium from the program revenue appropriation that supports the institutional operations of the Veterans Homes to the veterans trust fund if, in either year of the biennium, the balance in the appropriation is in excess of the amount needed for the care of the members of the homes and to support its employee stipend program, and (b) delete the current provision that authorizes DVA to transfer up to \$16 million from this appropriation in 2006-07 if there are excess revenues in this appropriation.

2. Approve the Governor's recommendation, but require that any transfers to the veterans trust fund be subject to approval from the Joint Committee on Finance under a 14-day passive review process.

3. Delete provision.

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