



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #778

### **Veterans Home Transfers to the Veterans Trust Fund (DVA -- Veterans Homes)**

[LFB 2011-13 Budget Summary: Page 524, #8]

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#### **CURRENT LAW**

2007 Act 20 authorized the Department of Veterans Affairs (DVA) to request permission from the Joint Committee on Finance to transfer to the veterans trust fund (VTF) any monies in the veterans home institutional operations appropriations that were in excess of the amount needed for the care of members of the veterans homes and for the payment of stipends for nursing students recruited to work at the DVA nursing homes. These transfers were only authorized for fiscal years 2007-08 and 2008-09, were subject to a 14-day passive review process by the Joint Committee on Finance, and the total amount transferred could not exceed \$7.0 million in the 2007-09 biennium.

#### **GOVERNOR**

Authorize DVA to transfer all or part of the unencumbered balance in any of the following veterans home program revenue appropriations to the VTF on June 30 of each fiscal year: (a) the home exchange and work therapy program; (b) the veterans home cemetery operations; (c) institutional operations; (d) gifts and bequests; (e) gifts and grants intended for geriatric evaluations, research, and education programs; (f) rental fees from state-owned housing at the veterans homes; and (g) revenue from geriatric programs.

Delete the provision that authorized DVA to transfer up to \$7.0 million in surplus PR balances from the veterans homes to the VTF in the 2007-09 biennium with the approval of the Joint Committee on Finance under a 14-day passive review process.

## DISCUSSION POINTS

1. The provision that would authorize the transfer of surplus revenue generated by the operations of the veterans homes to the VTF would create an ongoing mechanism to partially address future shortfalls in the VTF. If surplus balances become available in the veterans homes appropriations and DVA exercises this option, this provision would reduce the need to increase revenue to the VTF from other sources or reduce expenditures supported from the trust fund.

2. DVA currently estimates that the VTF will have a deficit of approximately \$3.7 million in 2012-13. At this time it is not known what the projected balances in the veterans homes appropriations will be at the end of the 2011-13 biennium under the Governor's bill, but the Department of Administration indicates that it should be sufficient to fund the projected shortfall in the VTF in the next biennium.

3. The veterans homes are funded with program revenue from the following four sources: (a) revenue from private pay residents at the DVA nursing homes and assisted living facilities; (b) the state's medical assistance (MA) program; (c) per diem payments from the U.S. Department of Veteran Affairs (USDVA); and (d) 70 percent or Greater Service Connected Disability per diem payments from USDVA. These funding sources are briefly described below.

Private pay rates are calculated every January for the various categories of care provided by the homes and are based on the estimated costs of care incurred by the homes for the succeeding annual period. As of January 2011, the private pay rates for residents requiring nursing home care were \$290 per day at the Veterans Home at King and \$338 per day at the Veterans Home at Union Grove.

The state's MA program reimburses DVA for costs of caring for MA recipients that receive services at the DVA nursing homes. The average MA payments to the Veterans Homes in 2009-10 were approximately \$200 per day for the Veterans Home at King and \$258 per day for the Veterans Home at Union Grove. These MA reimbursement rates are approximately \$80 to \$90 below the actual cost of care for nursing home residents at the Veterans Homes, as represented by the daily private pay rates.

DVA receives USDVA per diem payments for its member veterans, which vary depending on the level of care these members receive. USDVA pays \$38.90 per day for each resident in an assisted living unit and \$94.59 per day for each resident who receives care in a DVA nursing home.

Finally, USDVA provides monthly cash benefits to veterans that have a service-connected disability and were discharged under other than dishonorable conditions. To be eligible for disability compensation a veteran must have: (1) a medical diagnosis of the impairment; (2) evidence the condition occurred or worsened in-service; (3) medical proof of a connection between the in-service injury or illness and the current disability. In federal fiscal year 2011, average USDVA service connected disability payments were \$271 per day and \$373 per day for nursing home residents at King and Union Grove, respectively.

4. Due to the restrictions placed on the calculation of private pay rates and the below-cost reimbursement payments provided by MA, any transfer to the veterans trust fund from the

institutional operations appropriations of the veterans homes would be from revenues DVA collects from USDVA per diem and service connected disability payments.

5. The veterans homes may have surplus funding in 2012-13 as a result of the Governor's proposal to contract with a private organization to operate the Veterans Home at Chippewa Falls. The funding in the bill to operate this facility is based on the funding DVA requested to staff the home with state positions. To the extent that contracting with a private organization would reduce the costs of care at the Veterans Home at Chippewa Falls, compared with the costs of operating the facility with state staff as the agency requested, not all of the funding in the Governor's bill may be needed to support operations of this facility, so these surplus funds may be available to transfer.

6. If the Committee agrees that the Governor's proposal offers DVA a management tool to help maintain a positive balance in the VTF in the current biennium without reducing VTF-funded programs, it could approve the Governor's recommendation (Alternative 1). A similar transfer mechanism was enacted in 2007 Act 20, which authorized transfers in 2007-08 and 2008-09.

7. However, the bill would establish the veterans home appropriations as ongoing supplemental sources of funding to the VTF. It could be argued that these revenues should be budgeted exclusively to fund the costs of care for individuals at the veterans homes, since the veterans homes' operations generate these revenues. For this reason, the Committee could delete the provision from the bill, but retain the provisions that would repeal the funding transfer authority provided in the 2007-09 biennium (Alternative 3). However, by doing so, DVA would have fewer options to maintain positive balances in the VTF.

8. Under current law, DVA may accept gifts, bequests, grants, or donations of money or of property from private sources to fund activities relating to the veterans homes. DVA indicates that donors often direct that such monies be used for services provided to veterans at the veterans home or for maintenance activities at the veterans homes. Further, if funds that are donated for specific purposes or projects at the veterans homes are instead transferred to the VTF under this provision, this authority to transfer funds from the agency's gifts and grants appropriation may raise ethical and legal issues relating to fraud and misrepresentation. For this reason, the Committee may wish to modify the bill by excluding the gifts and grants appropriation from the appropriations from which transfers to the VTF could be made (Alternative 2a).

9. Several other options are available for the Committee's consideration. First, the bill could permit a transfer in the 2011-13 biennium only, so that the veterans homes would not be an ongoing source of revenue to the VTF (Alternative 2b). Second, the bill could require that any transfer be approved by the Joint Committee on Finance under a 14-day passive review process (Alternative 2c), a requirement enacted as part of the 2007 Act 20 transfer provision.

## **ALTERNATIVES**

1. Approve the Governor's recommendation.

2. Modify the bill by adopting one or more of the following options.
  - a. Prohibit transfers from the agency's gifts and grants appropriation.
  - b. Authorize the transfer to occur in the 2011-13 biennium only.
  - c. Require that any transfer from the veterans homes appropriations be contingent upon a 14-day passive review by the Joint Committee on Finance.
3. Delete the provision authorizing the transfer of revenues from the veterans homes appropriations. However, retain the provision in the bill that would delete references to transfers that occurred in the 2007-09 biennium.

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