

Veterans Affairs

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Legislative Fiscal Bureau

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June, 2019

Joint Committee on Finance

Paper #770

General Fund Supplement to the Veterans Trust Fund (Miscellaneous Appropriations and Veterans Affairs)

[LFB 2019-21 Budget Summary: Page 291, #2 and Page 445, #2]

CURRENT LAW

The veterans trust fund (VTF) is a segregated fund that supports programs benefiting Wisconsin veterans and their families, and promoting interests of veterans. The fund receives revenues from various sources, including repayments of loans the Department of Veterans Affairs (DVA) made under the personal loan program, federal grants, and receipts from sales at the Wisconsin Veterans Museum. In 2017-18, the VTF had total revenues of \$12.8 million, an amount that includes a \$12.5 million transfer from uncommitted revenue in the program revenue appropriation for the state veterans homes. DVA is authorized to transfer uncommitted revenue from the state veterans homes to the VTF and the veterans mortgage loan repayment fund. In 2018-19, the Department transferred an additional \$14.5 million under this authority.

VTF expenditures totaled \$13.6 million in 2017-18. Although this amount exceeded VTF revenue for that year, the fund had an opening balance of \$2.6 million, sufficient to support total expenditures for that year.

GOVERNOR

Effective July 1, 2020, modify a current appropriation that authorizes the transfer of general fund revenues to the veterans trust fund as follows: (a) convert it from a sum certain appropriation to a sum-sufficient appropriation and specify that its purpose is to supplement the VTF if the VTF contains insufficient moneys, as determined by the Secretary of the Department of Administration; (b) transfer the appropriation from DVA to Miscellaneous Appropriations; and (c) provide \$15,800,000 GPR in 2020-21 as an estimate of the amount of this transfer.

DISCUSSION POINTS

1. Most veterans benefit programs administered by the state Department of Veterans Affairs are funded from the veterans trust fund. Historically, loan repayments under the personal loan program were the primary ongoing source of revenues for the fund. However, due to a depletion in the amount of trust fund revenue available to make new loans, as well as a decrease in the demand for new loans, the Department stopped issuing new loans in 2011. Accordingly, loan repayment revenue has declined and is no longer a significant source of revenue.

2. Due to declining annual revenues, the VTF has been reliant in recent years on one-time transfers from unappropriated balances in the program revenue account for the state veterans homes to maintain a positive balance. The following table shows these since from 2015-16.

<u>Fiscal Year</u>	<u>Transfer</u>
2015-16	\$12,000,000
2016-17	9,000,000
2017-18	12,500,000
2018-19	<u>14,500,000</u>
Total	\$48,000,000

3. At the time that transfers began, the state veterans homes PR account had a substantial unappropriated balance, in excess of \$50 million. Over time, however, this balance has declined and can no longer be considered a reliable source of revenue for the VTF. DVA projects that the balance will be \$14.4 million at the end of 2018-19, which would be equivalent to less than two months of the operating budget for the homes.

4. The decline in the unappropriated balance in the state veterans homes PR account is due in large part to the transfers to the VTF, but also is due to a decline in the number of residents at the King Veterans Home. Whereas there were 690 residents at King at the start of 2016-17, that number declined to 542 at the end of May of 2019. When the King Home was at or near full capacity, the amount of revenue generated from all sources, including Medicaid, member payments, and federal per diem payments, exceeded costs. However, with fewer beds filled, the amount of revenue that the homes generate has declined, and expenses at the King Home are now projected to exceed revenues.

5. In order to replace the transfers from the state veterans homes, the bill would establish a GPR appropriation for making transfers to the VTF, effectively making the general fund the primary source of ongoing revenue for veterans benefit programs. Since it appears unlikely that the veterans homes could be a continuing source of revenue for the VTF in the near term, the Committee could decide that establishing a GPR appropriation to support the VTF is necessary (Alternative 1).

6. The GPR appropriation for the VTF supplement would first apply in 2020-21. The administration assumed that the fund would require one additional transfer from the state veterans homes in 2019-20, estimated at \$13.8 million, to remain solvent in that year. However, due in part to

continued decreases in the number of residents at the King Home, and the fact that the current PR balance is already less than two months of operating expenses, it now appears that there may not be a sufficient PR balance to make a full transfer in that year. Based on current revenue and expenditure projections, DVA projects that the PR account would have a deficit in excess of \$10 million at the end of 2019-20 if the Department were to make a transfer to the VTF in that year. In light of this, the Committee may decide that it is necessary to begin the GPR transfer to the VTF in 2019-20 (Alternative 2). Under this alternative, the GPR transfer would be estimated at \$13,800,000 in that year.

ALTERNATIVES

1. Approve the Governor's recommendation to establish a GPR appropriation for making a transfer to the veterans trust fund, beginning in 2020-21, and estimate the transfer at \$15,800,000 in that year

ALT 1	Change to	
	Base	Bill
GPR	\$15,800,000	\$0

2. Modify the Governor's recommendation by beginning the GPR transfers in 2019-20 and estimate the transfer at \$13,800,000 in that year.

ALT 2	Change to	
	Base	Bill
GPR	\$29,600,000	\$13,800,000

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June, 2019

Joint Committee on Finance

Paper #771

State Veterans Homes -- Contracted Nurse Home Staffing (Veterans Affairs)

[LFB 2019-21 Budget Summary: Page 446, #3]

CURRENT LAW

The Department of Veterans Affairs (DVA) operates three veterans homes that provide residential care, nursing and medical services, food services, and social and counseling opportunities to its resident veterans and dependents.

The Veterans Home at King in Waupaca County includes four separately licensed skilled nursing facilities (Ainsworth Hall, MacArthur Hall, Olson Hall and Stordock Hall), with a total of 721 licensed beds. The Veterans Home at Union Grove includes a 158-bed skilled nursing facility (Boland Hall) and a 40-bed assisted living facility. The Veterans Home at Chippewa Falls includes a 72-bed skilled nursing facility. Unlike the two other veterans homes, which are operated with state staff, the Veterans Home at Chippewa Falls is operated with contracted staff employed by Health Dimensions Group.

The skilled nursing home facilities at all three locations are licensed and regulated by the Department of Health Services (DHS) and the U.S. Department of Veterans Affairs (USDVA) and are subject to state and federal rules that govern the maintenance, operation and construction of nursing homes. These rules specify staffing requirements, program and service standards, and various sanitary and physical plant regulations.

The nursing homes are supported from five primary sources: (a) medical assistance payments; (b) private pay revenue; (c) per diem payments the state receives from USDVA (currently \$109.73 per day for veterans who receive care in skilled nursing facilities); (d) service-connected disability payments, which are paid in lieu of federal per diem payments for certain residents; and (e) Medicare. These revenues are deposited to a sum certain program revenue (PR) appropriation to support the operations of the veterans homes. Since all three of the veterans homes' institutional operations costs are supported from one appropriation, DVA may transfer

funding and staff between its facilities to reallocate staff and funding if necessary to address the needs of residents at the veterans homes.

GOVERNOR

Provide \$750,000 PR annually to increase funding for contracted nursing staff at the Veterans Home at King (\$500,000 PR annually) and the Veterans Home at Union Grove (\$250,000 PR annually) on a one-time basis in the 2019-21 biennium.

DISCUSSION POINTS

1. The Department uses contract agencies to supplement permanent position staffing at the state veterans homes, typically to compensate for position vacancies and to reduce the amount of overtime shifts worked by certified nursing assistants (CNAs) and licensed practical nurses (LPNs). In 2017-18, DVA spent \$2,645,200 for contract staffing at the King veterans home (\$1,590,200) and Union Grove veterans home (\$1,055,000).

2. The King and Union Grove veterans homes contract with several agencies to purchase direct care services, including Worldwide Travel Staffing, STAT Temporary Services Incorporated, Staff Today Incorporated, Med Career Resource Center, and the Quality Placement Authority. The King veterans home purchases approximately 95% of it contracted direct care staff from Worldwide Travel Staffing, at an hourly rate of \$52 for LPNs and \$32.90 for CNAs.

3. During the past several years, DVA's expenditures for contracted direct care services at King have increased, primarily due to increases in direct care vacancy rates. Table 1 provides information on direct care position vacancy rates for fiscal years 2011-12 through 2017-18.

TABLE 1

**Full-Time Equivalent Position Vacancy Rates at King Veterans Home
Fiscal Years 2011-12 through 2017-18**

<u>Fiscal Year</u>	<u>Number of Vacant Positions as of June 30</u>				<u>Percent Vacant</u>
	<u>CNAs</u>	<u>LPNs</u>	<u>RNs</u>	<u>Total</u>	
2011-12	18.5	10.0	4.5	33.0	8.5%
2012-13	20.5	13.4	2.6	36.5	8.5
2013-14	17.2	5.5	3.9	26.6	5.2
2014-15	28.6	9.9	6.5	45.0	9.0
2015-16	39.0	5.7	2.1	46.8	9.3
2016-17	83.5	7.9	5.4	96.8	19.3
2017-18*	33.0	20.0	16.0	69.0	15.5

*Average for entire year.

4. The table shows that the average vacancy rates have increased significantly during the past three years, particularly for CNAs. Overall, the total direct care vacancy rate in 2017-18 (15.5%) was nearly double the 2011-12 vacancy rate for direct care positions (8.5%). The Department cites the direct care workforce shortages in Wisconsin and nationwide as the reason for the current high vacancy rates, which will likely continue in the 2019-21 biennium.

5. In order to meet the care needs of the residents at the state's veterans homes, the Department has relied on offering, or requiring, direct care permanent nursing staff to work overtime hours, the salary cost of which is 50% greater than non-overtime hours. The Department indicates that employees are offered the opportunity to work additional shifts (overtime) before a decision is made to purchase contracted staff hours. However, the agency attempts to strike a balance by not relying too heavily on staff to work overtime hours, which may result in staff quitting, and additional training costs resulting from staff turnover.

6. Another factor the administration cites, with respect to the Union Grove veterans home, is the labor market in southeast Wisconsin, and the competition for labor. Several health systems, including Aurora Health, Ascension Health, and Froedert Health Systems are building new hospitals in close proximity to the Veterans Home at Union Grove. According to DVA, the recent competition for CNAs in the area has increased starting wages for CNAs to \$20.00 per hour or more, which is likely to continue to increase the hourly rates DVA will pay for contracted direct care services.

7. Table 2 provides information on the DVA expenditures on contracted staff for fiscal years 2013-14 through 2017-18.

TABLE 2

**Expenditures for Contracted Staff
Fiscal Years 2013-14 through 2017-18**

<u>Fiscal Years</u>	<u>King</u>	<u>Union Grove</u>	<u>Total</u>
2013-14	\$23,000	\$64,200	\$87,200
2014-15	0	12,000	12,000
2015-16	147,800	286,400	434,200
2016-17	976,900	560,800	1,537,700
2017-18	1,590,200	1,055,000	2,645,200

8. During the past several years, the Department has been able to fund increases in contracted care costs and overtime with funding budget for supplies and services costs, and savings in salary costs resulting from position vacancies. Base funding for supplies and services is \$12,698,600 PR for the Veterans Home at King and \$2,480,500 PR for the Veterans Home at Union Grove. This funding is used to support nearly all of the non-staff costs of operating these nursing homes.

9. In light of the recent increases in the cost of contracted direct care staff services at the veterans homes at King and Union Grove, the Committee could adopt the Governor's recommendations (Alternative 1).

10. During the past three years, the average resident population at the Veterans Home at King has decreased by approximately 21%, from 690 in July, 2016 to 542 in May, 2019. During this period, the number of authorized CNA positions at King has decreased by approximately 9%, from 344.60 FTE positions to 313.20 FTE positions, while the number of authorized LPNs, nurse clinicians and nursing supervisors has increased somewhat, from 175.80 to 183.90 positions. While both nursing homes have increased reliance on contracted direct care staff due to the challenges of hiring and retaining positions, the current authorized positions are fully funded under a standard budget adjustment ("full funding of continuing positions").

11. Based on the decline in the number of residents requiring care at King, and the agency's past ability to manage increasing cost of purchasing contracted services, the Committee could decide to reduce or delete the Governor's recommended funding increases for contracted direct care services at the veterans homes. (Alternatives 2 or 3). Under these alternatives, DVA could seek supplemental funding under the passive review procedures under s. 16.515 of the statutes if the veterans homes are unable to manage the increases in contracted costs under its current budget authority.

ALTERNATIVES

1. Adopt the Governor's recommendation to provide \$750,000 PR annually, on a one-time basis in the 2019-21 biennium, to increase funding for contracted nursing services for the Veterans Home at King (\$500,000 PR annually) and for the Veterans Home at Union Grove (\$250,000 PR annually).

ALT 1	Change to	
	Base	Bill
PR	\$1,500,000	\$0

2. Reduce funding in the bill by \$250,000 PR annually to provide an increase of \$500,000 PR annually to fund contracted services at the Veterans Home at King (\$325,000 annually) and at the Veterans Home at Union Grove (\$175,000 annually).

ALT 2	Change to	
	Base	Bill
PR	\$1,000,000	-\$500,000

3. Take no action.

ALT 3	Change to	
	Base	Bill
PR	\$0	-\$1,500,000

Prepared by: Charles Morgan

VETERANS AFFAIRS

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
4	Veterans Outreach and Recovery Program
5	Debt Service Reestimate
6	Eliminate Veterans Mortgage Loan Program
7	County Veteran Service Office Grants
8	Position Reallocation
9	Appropriation Adjustments