



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #771

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

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

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#### **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 its 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

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