



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #986

Veterans Emergency Assistance Grant Program Modifications (Veterans Affairs -- Trust Fund Programs and Veterans Benefits)

[LFB 2001-03 Budget Summary: Page 703, #3]

CURRENT LAW

Subsistence Aid Grants. The subsistence aid grant program provides temporary emergency aid to veterans in the event of an illness, disability or death that causes a loss of income. The purpose of the emergency grant is to help the veteran meet everyday living expenses such as rent, food and clothing. Aid is generally provided on a month-to-month basis and is limited to a maximum of three 30-day grants within a 12-month period, unless the Department of Veterans Affairs (DVA) determines that there is need in excess of three months due to a relapse. The base level of funding for the subsistence aid grant program is \$300,600 SEG annually.

Health Care Aid Grants. The health care aid grant program provides emergency assistance to financially needy veterans to help pay for medical treatments, hospitalization, some dental care and the cost of hearing aids and eyeglasses. Grants are limited to \$5,000 per veteran or dependent for a 12-month period beginning with the first day of care for which the person seeks a grant. A veteran and the veteran's dependents living in the same household may not have liquid assets in excess of \$1,000 without losing eligibility for a health care aid grant. Veterans who suffer from alcoholism or other drug abuse may use the health care aid grant to cover treatment or health care required because of the condition. The base level of funding for the current program is \$1,200,000 SEG annually.

GOVERNOR

Subsistence Aid Grants. Provide \$200,000 SEG in 2001-02 and \$275,000 SEG in 2002-03 to meet anticipated increases in demand for the subsistence aid grant program. Authorize

DVA to grant subsistence aid to an individual whose incapacitation is the result of alcohol or other drug abuse. This modification is made in conjunction with changes being recommended to the health care aid grants program.

Health Care Aid Grants Program. Repeal the current health care aid grant program and replace it with an eye and dental care grant program. Delete the current statutory annual grant limit of \$5,000 per veteran for the new eye and dental program. Specify that DVA may award grants to eligible veterans or their dependents for the costs of eyeglasses, contact lenses, hearing aids and basic dental care, including dentures. Re-title the existing health care aid grants program to apply instead to the new eye and dental care grant program. Direct the Department to promulgate rules establishing criteria and procedures for awarding the new grants. Specify that the rules must include eligibility requirements and application procedures. During the period prior to the promulgation of permanent rules, authorize the Department to promulgate emergency rules without first having to provide evidence of an emergency. The base level of funding for the program would not be changed under the proposed modifications.

DISCUSSION POINTS

1. *Subsistence Aid Grants.* Prior to 1997 Wisconsin Act 27, the subsistence aid grant program was funded along with three other veterans programs (the part-time study grant, retraining grant and health care aid grant programs) from a single, SEG annual appropriation. This arrangement provided the Department with considerable flexibility in funding the program needs of the subsistence aid grant program if demand rose. Funds could be reallocated within the appropriation to meet any unanticipated costs due to increased demand.

2. Provisions of Act 27 established a separate SEG annual appropriation for the subsistence aid grant program and provided \$236,200 SEG annually for grants in both 1997-98 and 1998-99. Up until the time of this modification, annual expenditures for subsistence aid grants had been relatively stable, averaging about \$181,500 SEG per year during the three-year period from 1994-95 through 1996-97.

3. As part of the 1997-99 budget adjustment bill, DVA requested that the subsistence aid grant program be converted to a biennial basis in order for the agency to have more funding flexibility in managing what appeared to be a growing demand for the program. Instead, this Committee authorized the Department to request any required supplementations for the program under a permanent 14-day passive review procedure applicable to the subsistence aid grant appropriation only. This provision was enacted under 1997 Wisconsin Act 237.

4. Since the enactment of the supplementation procedure for the subsistence aid grant program, the Department has required additional funding in each fiscal year:

Subsistence Aid Grant Supplements

<u>Fiscal Year</u>	<u>Original Appropriation</u>	<u>Supplement</u>	<u>Total Available</u>	<u>Expenditures</u>
1998-99	\$236,200	\$56,700	\$292,900	\$260,000
1999-00	276,000	63,800	339,800	339,800
2000-01	300,600	187,700	488,300	488,300*

*Projected 2000-01 expenditures. Through April, 2001, subsistence aid expenditures totaled \$425,500.

5. The Department believes that the recent increases in program costs are largely attributable to an aging population of potential grant recipients coupled with weakening economic conditions.

6. When the Department developed its projections of anticipated growth in the subsistence aid grant program, it assumed that a total of \$425,000 SEG would be expended under the program during the 2000-01 fiscal year, and that annual expenditures would continue to climb from that level by an additional \$75,000 in each successive fiscal year of the 2001-03 biennium. Based on the Department's analysis, a total of \$500,600 SEG would be expended during 2001-02 and \$575,600 SEG would be expended during 2002-03. These amounts represent increases over the base of \$200,000 SEG in 2001-02 and \$275,000 SEG in 2002-03.

7. Language included in the bill would newly provide subsistence aid grants to individuals whose incapacitation is specifically the result of alcohol or other drug abuse. The Department has indicated that it is unlikely this change will have a material fiscal impact on the program. This is because individuals become eligible for subsistence aid grants under general criteria relating to loss of income due to illness or disability. Consequently, under current law, an individual with an alcohol or drug-related disability would typically qualify for subsistence aid, as long as they meet the current standards for receipt of the aid. It does not appear that the program would need to be provided any further additional funding as a result of this modification.

8. A trend line analysis of cost increases in the program since the 1994-95 fiscal year, including projected expenditures in the 2000-01 fiscal year of \$488,300 SEG, projects future program growth during the next biennium of approximately 24% annually.

9. Based on these projections, total subsistence aid grant expenditures for 2001-02 are projected at \$605,500 SEG in 2001-02 and \$750,800 SEG in 2002-03. These projections would represent additional program costs, compared to the funding levels recommended by the Governor, of \$104,900 SEG in 2001-02 and \$175,200 SEG.

10. The Committee could choose to provide these additional amounts. However, accurate predictions in the recent past of future years' subsistence aid grant requirements have been difficult to achieve. Accordingly, the Committee could still choose to provide the additional funding levels recommended by the Governor. The Department would continue to have the option

of returning to the Committee in the future under the current law passive review supplementation procedure authorized for this program, if additional funding would be required.

11. *Health Care Aid Grant Program Modifications.* Provisions of 1999 Wisconsin Act 9 directed the Department to review the health care aid grant program and examine program modifications that could be made to restrain expenditure growth in the program. As part of this review, the Department convened an agency team to: (a) identify existing gaps in federal Department of Veterans Affairs health coverage programs that might be filled by restructuring the state program; (b) examine other insurance coverage options for veterans; and (c) devise administrative efficiencies for the current program.

12. The current state health care aid grant program provides payments for essential medical services such as hospital and physicians charges, eye glasses and contact lenses, hearing aids and most dental care. The Department's review of the uniform benefits package now offered to veterans under the federal Veterans' Health Care Eligibility Reform Act of 1996 determined that the new federal act provides medical care services for a majority of the same purposes as are covered by the state program. As a result of this determination, the Department recommended refocusing the state program to limit its applicability to the costs of eyeglasses, contact lenses, hearing aids and basic dental care, including dentures for veterans and their dependents.

13. The Department's rationale for this proposed modification to the program was that "USDVA medical centers that support the majority of Wisconsin veterans do not provide services to the typical [health care aid grant] applicant for high demand purposes such as glasses, hearing aids and dental care."

14. The Department did not address the feasibility of providing insurance premium coverage for the typical low-income health care aid grant applicant because of the cost implications of such an option. However, certain changes to improve the administrative efficiency of the program were considered.

15. On December 28, 1999, the Department submitted its report to the Joint Committee on Finance. The agency's recommendations in the report form much of the basis of the recommended changes to the program, as contained in the budget bill. The principal recommendations in the report were the following

- The eligible purposes for the health care aid grant program should be for such health services as dentures, basic dental care, eyeglasses and contact lenses, and hearing aids.
- Coverage should not be allowed for services received before then grant application is received.
- Annual cost limits on coverage should be established by rule.
- Eligibility should be limited by rule to eligible veterans, spouses and dependents with household incomes that do not exceed 175% of the federal poverty level and with liquid assets

of less than \$2,500.

16. The Department has indicated that the likely annual coverage limits that would be established by rule for the program would likely be in the following amounts:

Eye and Dental Care Annual Grant Maximums

Dentures and Repairs	\$2,000
Dental Services	1,500
Hearing Aids and Exam	1,100 per ear
Eye Glasses, Contacts and Eye Exam	300

17. Under current state law, the health care aid grant program is available to veterans and their eligible dependents. Under s. 45.35(5m) of the statute, "dependents" includes a wife or husband, an unremarried widow or widower and children. During the period from 1995-96 through 1999-00, some 159 health care aid grants out of a total of 1,929 were made to dependents. Grants to dependents represented 8.2% of all grants during this five year period.

18. Under the Veterans' Health Care Eligibility Reform Act of 1996, dependents are not included in the priority listing of veterans that are eligible for federal coverage health care coverage. At public hearings around the state on the biennial budget, the Committee received testimony that the proposed changes being recommended for the health care aid grant program would have the effect of eliminating the availability of some essential medical services such as doctors' services, hospital charges and the leasing or purchasing of medical appliances for dependents of veterans, including widows and widowers.

19. In addition, the Senate Committee on Health, Utilities and Veterans and Military Affairs has also submitted a recommendation to the Committee that the Governor's recommendations for the health care aids grant program be deleted from the budget on the grounds that the more narrow focus of the program would eliminate important medical services for needy veterans and their dependents.

20. If the Committee believes that these are important considerations, it could delete the proposed modifications to the health care aid grants program for the budget.

21. Alternatively, it can be argued that the Department's recommendations have merit, in that they focus scarce funding resources in a manner that would support the types of medical services and equipment not generally provided to veterans under current federal veterans health care policies. Further, the potential denial of coverage of more general medical services to certain dependents under the proposed program revisions should be considered in the context that such individuals constitute a relatively small portion of the program's total caseload. If the Committee believes that these considerations have merit, it could approve the Governor's recommendations.

ALTERNATIVES TO BILL

A. Subsistence Aid Grants

1. Approve the Governor’s recommendation to provide \$200,000 SEG in 2001-02 and \$275,000 SEG in 2002-03 to meet anticipated increases in demand for the subsistence aid grant program.

2. Modify the Governor’s recommendation by providing an additional \$104,900 SEG in 2001-02 and \$175,200 SEG in 2002-03 for the subsistence aid grant program, based on a revised estimate of program needs.

Alternative A2	SEG
2001-03 FUNDING (Change to Bill)	\$280,100

3. Delete the Governor’s recommendation.

Alternative A3	SEG
2001-03 FUNDING (Change to Bill)	- \$475,000

B. Health Care Aid Grant Program Modifications

1. Approve the Governor’s recommendation to repeal the current health care aid grant program and replace it with an eye and dental care grant program.

2. Delete the Governor’s recommendation.

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