Legislative Fiscal Bureau

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

[LFB 2005-07 Budget Summary: Page 519, #1]

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 of the veterans homes are supported by program revenues (PR) that is composed of member contributions, medical assistance (MA) payments, and per diem payments DVA receives from the U.S. Department of Veterans Affairs (USDVA). As of July 1, 2004, the PR appropriation that supports the operations of the veterans homes at King and Union Grove had an unallocated cash balance of approximately $14.8 million.

The federal Veterans Health Programs Improvement Act of 2004 changed the way in which 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. This federal law change will result in an increase in MA payments to the veterans homes in 2004-05, 2005-06, and 2006-07.

GOVERNOR

Lapse $25,000,000 in 2005-06 from the PR appropriation that supports the operations of the Wisconsin Veterans Homes at King and Union Grove to the general fund. Prohibit the DOA Secretary from lapsing or transferring moneys to the general fund from the appropriation if the lapse or transfer would violate a condition imposed by the federal government on the expenditure of the moneys or if the lapse or transfer would violate the federal or state Constitution.

DISCUSSION POINTS

1. The revenues that are deposited to this PR appropriation are composed of VA per diem payments, member contributions, and MA payments. The MA payment revenues comprise slightly less than 50% of the PR funds. Based on discussions with staff from DOA, the Department of Health and Family Services (DHFS), and DVA, it is currently estimated that MA payments to the veterans homes will total approximately $18.8 million in 2004-05, $44.7 million in 2005-06, and $28.7 million in 2006-07.

2. In 2004-05, expenditures at King are projected to total approximately $49.7 million, based on actual expenditures in the first three quarters of 2004-05. Further, if all of the items affecting this appropriation in the Governor's budget are approved, these expenditures would total approximately $46.3 million in 2005-06 and $46.5 million in 2006-07.

3. The appropriate amount of reserves that should be maintained for employee compensation, fringe, and health insurance benefits was determined based on discussions with the administration and DVA, projected expenditures in 2004-05, proposed pay plan increases for non-represented employees, and the cumulative nature of reserves.

4. The available balance in the appropriation is also based on the amount of revenue that would be transferred to support: (a) the operations at Union Grove; (b) nurse's stipends; and (c) energy costs. These transfers are projected to total $15.6 million over the biennium if all items in AB 100 affecting Union Grove are approved.

5. A reestimate of the revenues, expenditures, and reserve funds indicates that, if the Committee wishes to lapse $25.0 million to the general fund, as proposed by the Governor, the ending balance in the appropriation is projected to be approximately $1.0 million in 2006-07. The following table identifies the projected revenues, expenditures, reserves and ending balance of the appropriation that supports the Veterans Home at King if the Committee approves a lapse of $25,000,000 in 2005-06.

Veterans Home at King
Appropriation Condition Statement Under AB 100
2003-04 thru 2006-07

	2003-04	2004-05	2005-06	2006-07
Opening Balance	$4,699,100	$14,842,400	$6,837,200	$2,963,100
Revenues				
Member Contributions	$16,547,800	$17,467,100	$18,234,600	$18,466,800
MA Payments*	25,866,100	18,785,000	44,692,000	28,677,400
VA Per Diems	12,170,600	12,560,000	12,876,800	13,194,600
Debt Service and Other	127,800	-535,000	-520,500	-520,500
Transfers to Union Grove, Nurse Stipends and Energy Costs	0	-6,582,300	-4,820,500	-10,754,800
Lapse to General Fund	0	0	-25,000,000	0
Total	$54,712,300	$41,694,800	$45,462,400	$49,063,500
Expenditures	$44,569,000	$47,845,200	$46,337,600	$46,464,300
Reserves				
Employee Compensation and Fringes	$0	$1,854,800	$2,174,800	$2,807,700
Health Insurance Benefits	0	0	824,100	1,747,000
Total	$0	$1,854,800	$2,998,900	$4,554,700
Ending Balance	$14,842,400	$6,837,200	$2,963,100	$1,007,600

*Includes the upper payment limit portion of retroactive claims in 2001-02 thru 2004-05.

6. Based on the availability of revenue from this appropriation, the Committee may wish to lapse $5.0 million less from this appropriation to the general fund to maintain a higher balance in the appropriation of approximately $6.0 million by the end of the 2005-07 biennium.

7. The ending balance in this operations appropriation could be considerably higher if DHFS is permitted to retroactively claim additional MA payments to reflect the recent federal law change that prohibits VA per diem payments from being included as patient liability under MA. DHFS indicates that, if the agency could make these retroactive claims for 2001-02, 2002-03, and 2003-04, approximately $11.5 million in additional MA payments would be deposited in this appropriation.

8. The Committee may wish to increase the amount of the PR lapse from this appropriation to the general fund to reflect the increase in MA payments to the veterans homes in 2005-06 if the retroactive claims are approved. The Committee could lapse $35.0 million from this appropriation and still maintain an ending balance of approximately $2.5 million in 2006-07 if the retroactive claims are approved. However, DVA has raised concerns about the reliance upon receiving additional MA funding for retroactive claims related to the VA per diem change. Since the legislation did not go into effect until December 1, 2004, it is not certain that DHFS will be

permitted to retroactively make claims for care provided in 2001-02, 2002-03, and 2003-04. DVA indicates that it is unlikely that these retroactive claims will be approved. Therefore, it would be prudent for the Committee to disregard these revenues for the purposes of determining the amount of PR that could be lapsed to the general fund.

9. There is also concern about lapsing federal VA per diem payments and federal MA matching funds to the general fund to support other purposes. The federal VA per diem payments are intended to support domiciliary and skilled nursing facility care provided to veterans in a DVA-operated care facility. The federal MA matching funds are intended to support care provided to MA-eligible individuals. In 2003-04, these two sources of revenues accounted for approximately 66.4% of total revenues deposited to this PR appropriation.

10. The Committee could limit the amount of the PR lapse to the amount of projected member contributions in each year of the biennium. Member contributions are projected to total approximately $18.2 million in 2005-06 and $18.5 million in 2006-07. Under this approach, the Committee could still lapse $25.0 million over the biennium; however, $12.5 million would be lapsed in each year of the biennium, rather than lapsing $25.0 million entirely in 2005-06.

ALTERNATIVES

1. Approve the Governor's recommendation to lapse $25,000,000 PR to the general fund in 2005-06.

2. Modify the Governor's recommendations to instead lapse $20,000,000 PR to the general fund in 2005-06.

Alternative 2	GPR
2005-07 REVENUE (Change to Bill)	- $5,000,000

3. Modify the Governor's recommendation to instead lapse $12,500,000 PR in 2005-06 and $12,500,000 PR in 2006-07 to the general fund, to limit the amount of the lapse to projected member contribution revenues in each year of the biennium.

4. Delete the provision.

Alternative 4	GPR
2005-07 REVENUE (Change to Bill)	- $25,000,000

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