



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #853

Veterans Home at King -- Supplies and Services and Radiology Equipment (DVA -- Homes and Facilities for Veterans)

Bill Agency

[LFB 2007-09 Budget Summary: Page 587, #5 and Page 588, #8]

CURRENT LAW

The Wisconsin Veterans Home at King provides residential care, nursing and medical services, food services, and social and counseling opportunities to its resident veterans and dependents. The campus currently includes four separately licensed nursing homes, with a total of 721 licensed skilled nursing care beds, cottages for married couples that provide an additional 28 domiciliary beds, a chapel, and an activity center containing a post office, theatre, bowling alley, museum, and library.

Base funding for the facility's operations is \$48,055,900 PR, which includes \$7,446,000 PR for supplies and services and \$445,000 PR for permanent property.

GOVERNOR

Supplies and Services -- General. Provide \$1,798,600 PR in 2007-08 and \$2,265,600 PR in 2008-09 to fund projected increases in the cost of food, insurance, pharmacy, and other supplies and services at the Veterans Home at King.

Radiology Equipment. Provide one-time funding of \$110,000 PR in 2007-08 to replace an x-ray film processor at the facility.

DISCUSSION POINTS

1. In 2005-06, DVA's costs of providing supplies and services at the King Home exceeded the amounts provided in 2005 Act 25 (the 2005-07 budget act) for this purpose by approximately \$932,100. DVA funded this shortfall by: (a) requesting additional funding authority under s. 16.515 of the statutes (\$386,200); and (b) transferring funds budgeted for the Veterans Home at Union Grove that were not needed due to a delay in opening that facility (\$546,000). Based on current reported and anticipated expenditures, it is likely that supplies and services expenditures will exceed amounts budgeted in Act 25 again in 2006-07.

However, since the Joint Committee on Finance previously approved a request for additional funding under s. 16.515 of the statutes in July, 2006, for both 2005-06 and for 2006-07, and some funding budgeted for supplies and services for the Veterans Home at Union Grove is estimated to be available in 2006-07 due to the delay in opening that facility, DVA staff has indicated that it is likely that DVA will be able to support estimated 2006-07 supplies and services costs for the King campus through internal reallocation of available funding.

2. The following table shows actual supplies and services expenditures for the King campus from 2003-04 through 2005-06, and the Department's estimate of costs for 2006-07.

Veterans Home at King Supplies and Services Expenditures, by Fiscal Year

<u>Fiscal Year</u>	<u>Expenditure</u>	<u>Percent Increase</u>
2003-04	\$7,404,200	
2004-05	8,028,400	8.4%
2005-06	8,791,500	9.5
2006-07	9,270,500	5.4

3. As shown in the table, supplies and services costs have increased steadily in previous years. The Department estimates that the rate of growth in these costs may decrease somewhat in 2006-07.

4. Base funding for supplies and services for the King campus is \$7,446,000 PR. Under the bill, funding would increase to \$9,354,600 PR in 2007-08 and \$9,711,600 PR in 2008-09 to support projected increases in costs of all supplies and services, including food, drugs, and insurance. The amount of funding recommended by the Governor is the same amount requested by DVA in its September, 2006, budget request. The Department has not requested revisions to this estimate based on anticipated 2006-07 expenditures to date.

5. It is currently estimated that supplies and services costs for the King home will be \$9,461,300 PR in 2007-08 and \$9,959,300 PR in 2008-09, which is \$216,700 in 2007-08 and

\$247,700 in 2008-09 greater than the amounts that would be provided in the bill. The current estimate is based on: (a) a review of actual annual supplies and services costs at King during the past several years and year-to-date expenditure information for 2006-07; and (b) applying projected increases in the consumer price index in 2007-08 and 2008-09 for most supplies and services costs, and projecting greater annual increases in the cost of some categories of supplies and services, such as drugs and insurance. Based on this analysis, the Committee may wish to increase funding in the bill to reflect the current estimates.

6. However, the Committee could also provide the funding amount recommended by the Governor for the following reasons. First, there is considerable uncertainty regarding future funding needs. The additional amount that would be provided to fully fund the current estimates (\$464,400 in the biennium), above the amount recommended by the Governor, represents approximately 2.4% of the projected need (\$19,420,600). In addition, the Governor's budget fully funded the level included in the agency's 2007-09 budget request.

Second, fully funding projected inflationary costs of supplies and services would not encourage the agency to seek ways to reduce these costs.

Finally, increasing funding for supplies and services at King would reduce the estimated available balance in the PR operations appropriation for the facility, a portion of which the Governor has proposed be made available for transfer to the veteran's trust fund during the 2007-09 biennium, at the discretion of DVA.

7. The bill would provide \$110,000 on a one-time basis in 2007-08 to replace an x-ray processor with a digital processing model. DVA staff indicates that the current x-ray processor provides poor images, requiring costly retakes that expose patients to additional radiation. In the past, DVA has purchased medical and laboratory equipment, including relatively expensive equipment, from its supplies and services budget.

ALTERNATIVES TO BILL

A. Supplies and Services -- General

1. Approve the Governor's recommendation to provide \$1,798,600 in 2007-08 and \$2,265,600 in 2008-09 for supplies and services at the Veterans Home at King.

ALT A1	Change to Bill Funding	Change to Base Funding
PR	\$0	\$4,064,200

2. Modify the Governor's recommendation to instead provide \$2,015,300 in 2007-08 and \$2,513,300 in 2008-09 for supplies and services at the Veterans Home at King to fully fund

current estimated costs.

ALT A2	Change to Bill Funding	Change to Base Funding
PR	\$464,400	\$4,528,600

3. Delete provision.

ALT A3	Change to Bill Funding	Change to Base Funding
PR	- \$4,064,200	\$0

B. X-Ray Film Processor

1. Provide one-time funding of \$110,000 in 2007-08 to replace the x-ray film processor at King.

ALT B1	Change to Bill Funding	Change to Base Funding
PR	\$0	\$110,000

2. Delete provision.

ALT B2	Change to Bill Funding	Change to Base Funding
PR	- \$110,000	\$0

Prepared by: Rebecca Hotynski