



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #996

Supplies and Services (DVA -- Homes and Facilities for Veterans)

[LFB 2001-03 Budget Summary: Page 707, #2]

CURRENT LAW

In 2000-01, the Department of Veterans Affairs (DVA) is budgeted \$6,312,800 PR to fund supplies and services costs for the Veterans' Home at King.

GOVERNOR

Provide \$149,300 PR in 2001-02 and \$236,100 PR in 2002-03 to fund projected increases in the cost of supplies and services, including physician services, medical supplies, pharmaceuticals and food, at the King Home.

DISCUSSION POINTS

1. The administration calculated the funding increase in the bill by applying projected inflation rates in the Department of Administration's budget instructions to actual expenditures in fiscal year 1999-00 for three categories of services -- medical services, food and beverages, and medications and medical supplies. The amounts in the bill reflect the difference between projected expenditures in 2001-02 and 2002-03 and actual expenditures in 1999-00 for these three types of costs.

2. However, these funding increases do not account for the fact that actual expenditures in 1999-00 were less than the amount budgeted for supplies and services in that year. There is funding already budgeted in the agency's base to fund a portion of the projected inflation costs between 1999-00 and the 2001-03 biennium. It may be more appropriate to fund inflation increases by applying projected rates to all supplies and services expenditures and comparing those

projections to the base funding level. The table below shows this calculation.

**Projected Supplies and Service Costs
Veterans' Home at King
2001-03 Biennium**

	Actual	Projected Expenditures		
	Expenditures 1999-00	2000-01	2001-02	2002-03
Medical Services	\$633,420	\$651,789	\$673,289	\$699,893
Food and Beverages	1,109,124	1,135,743	1,166,966	1,200,234
Medications and Medical Supplies	870,398	891,723	914,462	939,152
Other	<u>3,375,197</u>	<u>3,457,889</u>	<u>3,546,065</u>	<u>3,641,809</u>
Total	\$5,988,139	\$6,137,144	\$6,300,801	\$6,481,090
Base Funding			\$6,312,800	\$6,312,800
Base Budget Less Projected Expenditures			\$11,999	-\$168,290

3. The table indicates that base funding may be sufficient to fund supplies and services expenditures in 2001-02, but projected expenditures may exceed base funding for supplies and services by \$168,300 PR in 2002-03. This amount is \$67,800 PR less than the amount that would be provided in the bill in 2002-03.

4. Although the Veterans' Home at King is supported by program revenue, a major source of that program revenue is medical assistance (MA) funding, which is supported on a 41% GPR/59% FED basis. Approximately 85% of the residents at King are supported under MA. As a result, an additional \$1 of program revenue expenditure authority for the Veterans' Home at King increases GPR costs by approximately \$0.35 ($\$0.41 \times .85$).

5. Approximately two-thirds of the Home's program revenue is derived from sources other than MA, such as member contributions and VA per diem payments, and revenue from these sources are projected to increase each year. However, these other sources cannot fund all of the Governor's recommended increases for the Home. Consequently, at the margin, increases or decreases in the Home's expenditures will result in corresponding changes in MA payments to the Home. Although the Home has encountered some difficulties with federal limits on MA payments, the Governor's budget recommendations assume that these difficulties can be resolved, and that the Home will be able to claim under MA any costs not covered by other sources.

6. If the Committee reduces funding for the Home to reflect this reestimate of supplies and services costs for the Home in the 2001-03 biennium, MA funding should be reduced by \$52,300 GPR and \$74,600 FED in 2001-02 and \$23,900 GPR and \$33,700 FED in 2002-03.

ALTERNATIVES

1. Adopt the Governor's recommendation to provide \$149,300 PR in 2001-02 and \$236,100 in 2002-03 to fund projected increases in the cost of supplies and services at the Home.

2. Modify the Governor's recommendation by deleting \$149,300 PR in 2001-02 and \$67,800 PR in 2002-03 to reflect a reestimate of the costs for supplies and services. Reduce MA benefits funding in DHFS by \$52,300 GPR and \$74,600 FED in 2001-02 and \$23,900 GPR and \$33,700 FED in 2002-03 to reflect this change.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$76,200	- \$108,300	- \$217,100	- \$401,600

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