



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #997

### **Staffing at the Veterans Home at King (DVA -- Homes and Facilities for Veterans)**

[LFB 2001-03 Budget Summary: Page 706 through 708, #1, 3, 5, 6 & 7]

#### **CURRENT LAW**

The base budget, as adjusted to include standard budget adjustments, for the Veterans Home at King is \$31,894,900 PR. The Veterans Home is authorized 694.74 full-time equivalent (FTE) positions and is budgeted \$535,600 PR to support limited-term employees (LTEs). The Veterans Home has 721 licensed skilled nursing care beds and 14 cottages that provide 28 domiciliary beds.

#### **GOVERNOR**

Provide the following to address staffing needs at the Veterans Home.

- a. *Overtime.* \$429,500 PR annually to support staff overtime costs resulting from vacancies in positions that provide care to the residents;
- b. *Program Assistants.* \$60,600 PR annually and 1.5 program assistant positions, beginning in 2001-02, to convert 3.0 half-time positions to full-time positions;
- c. *Activity Therapists.* \$58,700 PR in 2001-02 and \$68,800 in 2002-03 to fund 1.0 activity therapist and 0.5 activity therapist assistant, beginning in 2001-02, to support organized activities;
- d. *Pharmacy Technician.* \$29,600 PR in 2001-02 and \$30,400 in 2002-03 to fund 1.0 pharmacy technician, beginning in 2001-02; and
- e. *LTE Wage Increases.* \$50,200 PR annually to fund wage increases for LTEs.

## DISCUSSION POINTS

1. The Veterans Home consists of four buildings (Ainsworth, MacArthur, Olson and Stordock), which are separately licensed. Each building is surveyed separately and on a different date. Surveys must be conducted every nine to 15 months. The results of the last three surveys for each of these four buildings are presented in Table 1. The number of federal deficiencies is listed in the table, as well as a description of each citation. Federal deficiencies are categorized according to the level of harm and the proportion of residents who were, or could have been, affected. Federal deficiencies use a scale of 1 to 4 for gauging the level of harm, with 1 representing the least amount of harm and 4 representing the highest level of harm.

**TABLE 1**  
**Nursing Home Survey Results**  
**Veterans Home at King**  
**1998, 1999 and 2000**

	<u>Ainsworth</u>	<u>MacArthur</u>	<u>Olson</u>	<u>Stordock</u>	<u>Total</u>
<b>2000 Survey</b>					
Deficiency #1 -- Type	None	Pharmacy	Pharmacy	None	2
-- Level of Harm		2	2		
-- Residents Affected		Few	Few		
<b>1999 Survey</b>					
Deficiency #1 -- Type	Incomplete Assessment	None	None	Incomplete Assessment	2
-- Level of Harm	2			2	
-- Residents Affected	Few			Some	
<b>1998 Survey</b>					
Deficiency #1 -- Type	Lack of activities	Lack of activities	Lack of social services	Lack of activities	6
-- Level of Harm	2	2		2	
-- Residents Affected	Some	Few		Few	
Deficiency #2 -- Type		Incomplete Assessment		Incomplete Care Plan	
-- Level of Harm		2		2	
-- Residents Affected		Few		Some	

2. Table 1 indicates that the 1998 surveys resulted in the greatest number of deficiencies (a total of six), with each of the facilities receiving a deficiency with respect to the amount of activities available to residents. 1999 Wisconsin Act 9 (the 1999-01 biennial budget act) provided funding for 2.0 additional therapy assistant positions. In 1999, two of the facilities (MacArthur and Olson) were not found to have any federal deficiencies, while the other two each received one citation for an incomplete assessment. Both citations were categorized as having

minimal harm or potential for actual harm and as affecting few residents. In 2000, two facilities (Ainsworth and Stordock) had no citations, while the other two each had one citation for pharmacy service deficiencies regarding: (a) making sure that residents who take drugs are not given too many doses or for too long of time; (b) use of drugs is carefully watched; or (c) stop or change drugs that cause unwanted effects. Each of the citations were rated as causing minimal harm or potential for actual harm and as affecting few residents.

3. Three of the facilities at King have a census of approximately 200 residents, while the fourth facility (MacArthur) has a census of approximately 120 residents. In 1999, only 11% of nursing homes in Wisconsin had a licensed bed capacity of 200 or more beds. In 1999, the average number of citations per nursing home in Wisconsin was 3.2. For homes with 200 or more beds, the average number was 5. The range for the number of citations varied from 0 to 44.

4. Part of the survey process includes a report from the nursing home on the number of nursing staff hours for a two-week period prior to the time of the state inspection. The survey includes a check concerning whether the reported hours meets the state's minimum required hours for staffing. As a group, the four facilities at King had a nurse staffing percentage equal to 103% of the state's minimum requirements in 1999 and 110% in 2000. In Wisconsin, for facilities with 200 or more beds, the average percentage of the minimum nursing staffing hours was 131%, with a range of 80% to 340%.

5. Table 2 lists the number of nurses and nurse's aides per resident for each of the four facilities at King and provides a comparison to the average in Wisconsin. While MacArthur had a slightly higher nursing staff ratio than the Wisconsin average, the other three facilities were below the statewide average.

**TABLE 2**

**Number of Nurses and Nurse Aides Per Resident**

	<u>Number of Residents</u>	<u>Number of Registered Nurses Per Resident</u>	<u>Number of Licensed Practical Nurses Per Resident</u>	<u>Number of Certified Nurse Aides Per Resident</u>	<u>Number of Nurses and Nurse Aides Per Resident</u>
Ainsworth	202	0.16	0.06	0.37	0.59
MacArthur	116	0.26	0.09	0.37	0.72
Olson	199	0.17	0.06	0.36	0.59
Stordock	200	0.13	0.06	0.31	0.49
Wisconsin - Average all Homes	92	0.15	0.09	0.46	0.70

6. Although three of the four facilities at King have a nursing staff ratio below the statewide average, the residents at King, in general, have lower acuity levels than the statewide average. Table 3 shows the relative distribution of patient days at King relative to statewide totals.

**TABLE 3****Relative Care Level at the Veterans Home at King**

	Relative Reimbursement Level Under MA	Percentage of Patient Days in Each Category	
		Veterans Home	Wisconsin
Developmentally Disabled 1 (DD1)	1.85	0.0%	0.4%
Developmentally Disabled 2 (DD2)	1.55	0.0	0.1
Intensive Skilled Nursing (ISN)	1.30	0.2	3.5
Developmentally Disabled 3 (DD3)	1.10	0.0	0.0
Skilled Nursing Care (SNF)	1.00	63.9	82.2
Intermediate Care 1 (ICF 1)	0.70	32.4	13.5
Intermediate Care 2 (ICF 2)	0.50	3.4	0.3
Intermediate Care 3 & 4	0.25	0.2	0.0
Average Case Mix Index (Wisconsin's MA)		0.89	0.97
Average Case Mix Index (Medicare)		0.65	0.83

7. The information in Table 3 indicates that the Veterans Home has a greater proportion of its patient days in lower care levels. Based on state MA reimbursement levels, the Veterans Home would have a case mix index of 0.89, which is 9% lower than the statewide case mix of 0.97. Since the SNF category contains a broad range of care levels and such a large proportion of residents are in this category, this comparison probably does not provide a full picture of the relative care level at King compared to the state.

A more accurate measure of care levels is provided by the Medicare payment system, which is based on 44 different categories of care. The case mix index under the Medicare system is also listed in Table 3. Based on this system, the Veterans Home would have a case mix index that is 22% lower than the statewide average. Thus, although the nursing staff ratio at King is only 83% (.58/.70) of the statewide average, the relative care level (based on Medicare index) of the residents at King is also lower by a slightly larger amount, 78% [(65/.83) of the statewide index].

8. Comparative statistics are also available on the retention rate of nursing staff at the state's nursing homes. Table 4 lists two measures of staff retention rates for full-time and part-time nurses and nurse aides. As Table 4 indicates that the Veterans Home has higher retention rates and lower turnover rates, especially for full-time staff, than the statewide average.

**TABLE 4**

**Nursing Staff Retention Rates  
Calendar Year 1999**

	<u>% of Staff Employed for at Least One Year</u>		<u>% of Total Staffing that are New Hires in Year</u>	
	<u>Veterans Home</u>	<u>Wisconsin</u>	<u>Veterans Home</u>	<u>Wisconsin</u>
Full-time Registered Nurses	88%	78%	16%	33%
Part-time Registered Nurses	88	74	44	38
Full-time Licensed Practical Nurses	100	80	0	32
Part-time Licensed Practical Nurses	94	76	31	40
Full-time Nurse Aides	92	68	11	69
Part-time Nurse Aides	77	60	64	79

9. On April 17, 2001, DVA submitted a s. 16.515 request for a one-time increase of \$974,100 in 2000-01 to fund a salary shortage at the Veterans Home. In its request, DVA listed three factors that have contributed to the funding shortfall: (a) increased minimum staffing requirements enacted in 1997 Act 237; (b) the statewide nursing shortage; and (c) salary contract increases for nursing staff wages. This request was approved by the Department of Administration and forwarded to the Joint Committee on Finance on April 24, 2001. To date, the Committee has not taken action on this request.

10. In 1999-00, the DVA also submitted a s 16.515 request on June 9, 2000 to fund a projected salary shortfall. The Committee approved a one-time increase of \$783,300 for 1999-00.

11. The full-funding standard budget adjustment adjusts base salary funding for wage increases through July, 2000. The wage contract also includes a wage adjustment in October, 2000. Additional expenditure authority for delayed wage increases in 2000-01 can be provided by DOA at the end of this fiscal year and need not be addressed as part of the 2001-03 biennial budget bill.

12. In calendar year 1999, the annual inspections found that, when all units at King are considered together, nursing staffing was at 103% of the minimum required by state law. The number of authorized positions at King is sufficient to meet minimum staffing requirements given vacation time and sick leave, but there is little room to accommodate any nursing vacancies.

13. In the current fiscal year, the Veterans Home has experienced an average staff vacancy rate of approximately 11%. DVA can respond to staff vacancies by funding overtime and using LTEs to perform work that would otherwise be performed by vacant, permanent positions. The salary costs of funding overtime are 50% greater than the costs of regular hours worked by the Veterans Home's staff, but lower fringe benefit costs are incurred for overtime hours (21% versus

41%). If DVA uses LTEs to perform this work, it is less expensive, because there is no wage premium and fringe benefit costs budgeted for LTEs is 7.65% of the salary funding, rather than 41% for permanent staff.

14. The annual base salary budget for overtime and LTEs is \$423,400 and \$535,600, respectively. The sum of these two items equals 4.4% of the amount of funding for base salaries.

### **Overtime**

15. DOA budget instructions require all agencies with appropriations that fund over 50 full-time, permanent positions to reduce salary funding in those appropriations by 3% from the base permanent position salary line. Historically, the turnover reduction for the Veterans Home has been 2%, rather than 3% because it has been argued that the Veterans Home must maintain adequate staffing levels for needed care and to meet regulatory requirements. The Governor recommends that the 2% turnover reduction of \$429,500 annually be restored to provide the Veterans Home more funding to cover staffing needs created by vacancies.

16. As previously indicated, the Veterans Home's current nursing staffing level has very little room relative to the minimum staffing requirements. In 1999 and 2000, the surveys indicated that, over a two-week period, the Home at King was at 103% and 110%, respectively, of the minimum staffing requirement. An analysis of the current staffing level indicates that the permanent staff level of nurses and nursing assistants is only slightly above the required minimum when fully staffed. This calculation assumes no vacancies, but allows for vacation time and sick time.

17. It may be useful to list the various resources that are available to King for covering for staff vacancies, and to describe changes from the base budget regarding these resources. Funding for overtime and LTEs are two obvious resources that can be used to maintain care levels when positions become vacant. In addition, it is important to recognize any deficiencies or changes in other areas, such as holiday pay and weekend and night differentials, since any deficiencies or surpluses in those areas may affect the availability of overtime and LTE funding. Overtime, weekend and night differentials and holiday premiums are all budgeted as permanent salary funding. Finally, any increases in permanent positions for the Veterans Home would be expected to reduce overtime costs.

Table 5 provides a listing of these items, including the base salary savings from the assumed 2% turnover rate, and compares the amounts under the base budget to the amounts under the Governor's recommendations.

**TABLE 5**

**Annual Funding to Support Costs of Covering for Vacancies  
Salaries Only**

	<u>Base</u>	<u>Governor</u>	<u>Change</u>
<b>Salary Available from Turnover</b>			
Assume 2% turnover	\$429,500	\$429,500	\$0
<b>Major Items in Salary Line (except Base salary) and LTE Funds</b>			
Overtime	\$423,400	\$447,100	\$23,700
Turnover reduction	-429,500	0	429,500
Holiday premiums	0	147,600	147,600
Night and weekend differentials	360,500	360,500	0
LTEs	<u>535,600</u>	<u>585,800</u>	<u>50,200</u>
Subtotal	\$890,000	\$1,541,000	\$651,000
<b>Less Costs of Nonbase Salary Items</b>			
Holiday premiums	-\$147,600	-\$147,600	\$0
Night and weekend differentials	-360,500	-360,500	0
Half-time program assistants working full-time	<u>-60,000</u>	<u>0</u>	<u>-60,000</u>
Subtotal	-\$568,100	-\$508,100	\$60,000
<b>Amount Available for Overtime and LTEs</b>	\$751,400	\$1,462,400	\$711,000
<b>As a % of Base Salaries</b>	3.5%	6.8%	3.3%

18. Table 5 indicates that the base budget provides \$751,400 of funding for overtime and LTEs for filling vacancies after recognizing the need for funding holiday premiums, night and weekend differentials and the overtime for the three half-time programs assistants. The Governor's recommendations would increase this amount to \$1,462,400 due to: (a) restoring the \$429,500 turnover reduction; (b) providing \$147,600 for holiday pay premiums; (c) providing \$50,200 for LTE funding; and (d) providing \$60,000 annually for converting the 3.0 program assistant positions to full-time positions.

19. Given that care must be provided and that minimum staffing requirements are close to authorized nursing levels, there is a need to fund overtime and LTEs to fill vacancies. However, the Veterans Home does have funding for overtime and LTEs, and the Governor's recommendations in other areas provide increases in related items. For this reason, the Committee may wish to restore a smaller part of the turnover reduction, such as 1%, rather than restoring the full 2%, as recommended by the Governor.

### **Program Assistants**

20. The Governor's budget includes a request for \$60,000 PR annually to convert 3.0 part-time program assistants to full-time. The rationale for this request is that these 3.0 staff persons are already working full-time due to workload demand. If they are working full-time currently, the costs must be funded from amounts budgeted for overtime.

21. DVA indicates that the three part-time program assistants have been working full-time due to workload demands. Consequently, approving the Governor's recommendations would free up an equal amount of funding that DVA could use to support overtime costs resulting from position vacancies.

### **Activity Therapists**

22. In the 1998 inspection, all four facilities at King were found deficient in providing activities for its residents, especially low-functioning members. The 1999-01 biennial budget act provided 2.0 therapy assistant positions. In the 1999 and 2000 inspections, the Veterans Home did not receive any citations for a lack of activities at any of the facilities.

23. Given that activities were a past problem for the Veterans Home, this may be an appropriate area to add staff. DVA indicates that the Home has been using LTEs to meet activity needs, but it would improve continuity of care to provide this care with permanent, full-time staff. Further, although the Veterans Home was not cited for a lack of activities in the most recent survey, inspectors indicated that the Veterans Home's activities for lower-functioning residents was an area that could be improved. However, given that the Veterans Home has not been cited in the last two years, the Committee may wish to delete this position.

### **Pharmacy Technician**

24. In the most recent survey, two of the facilities at King were cited for pharmacy deficiencies in regard to: (a) making sure that residents who take drugs are not given too many doses or for too long; (b) use of drugs is carefully watched; or (c) stop or change drugs that cause unwanted effects. Each of the citations were rated as causing minimal harm or potential for actual harm and as affecting few residents.

25. Part of the function of pharmacists is to monitor and review prescriptions. An addition of a pharmacist technician would be a relevant staffing change to address the pharmacy deficiencies.

26. The number of prescriptions filled at King increased from 145,700 in 1998-99 to 154,300 in 1999-00, which is an increase of 6%. The Veterans Home currently employs 1.0 pharmacy supervisor, 3.0 pharmacists and 4.0 pharmacy technicians. Consequently, an increase of 1.0 pharmacist position at the Home would increase staffing for this function by approximately 12.5%.



## **LTE Funding**

27. DVA indicates that the increase of \$50,200 annually for LTEs is needed because recent labor contracts have increased average wage rates by 8.7%. The \$50,200 increase consists of \$46,600 for wages and \$3,600 for fringe benefits. The \$46,600 is equal to 8.7% of the base budget of \$535,600 for LTE salaries.

28. Contract increases for regular employees are not binding on LTE wages. The Veterans Home is not required by contract to provide the same wage increases to LTE staff. An alternative increase for LTE funding could be the 5.6% increase that is used in the standard budget adjustments for overtime and night and weekend differentials.

29. The use of LTEs is a more cost-effective way to fill vacancies than the use of overtime. Overtime requires a premium pay of time and a half plus a fringe rate of 21%. In contrast, the time and a half pay premium does not apply to LTEs and the fringe rate is 7.65% for LTEs.

30. The Governor recommends \$585,800 PR annually for LTE salaries in 2001-03. The Veterans Home expended \$536,600 PR in 1998-99 and \$620,400 in 1999-00 to fund LTE salaries.

## **Medical Assistance (MA) Effect**

31. 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 expenditure authority for the Veterans Home increases GPR costs by approximately \$0.35 ( $\$0.41 \times .85$ ).

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

## **ALTERNATIVES**

### **A. Overtime**

1. Approve the Governor's recommendation to provide \$429,500 PR annually for overtime by eliminating the 2% turnover reduction.

2. Modify the Governor's recommendation by reducing funding for overtime by \$246,300 PR annually, which would provide a 1% turnover reduction for the Veterans Home. Reduce MA benefits funding in DHFS by \$86,400 GPR and \$123,000 FED in 2001-02 and \$86,900 GPR and \$122,500 FED in 2002-03.

<b>Alternative A2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$173,300	- \$245,500	- \$492,600	- \$911,400

### **B. Program Assistants**

1. Approve the Governor's recommendation to provide \$60,600 annually and 1.5 program assistant positions, beginning in 2001-02, to convert 3.0 half-time positions to full-time positions.

2. Delete the Governor's recommendation. Reduce MA benefits funding in DHFS by \$21,200 GPR and \$30,300 FED in 2001-02 and \$21,400 GPR and \$30,100 FED in 2002-03 to reflect this change.

<b>Alternative B2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$42,600	- \$60,400	- \$121,200	- \$224,200
<b>2002-03 POSITIONS</b> (Change to Bill)			- 1.50	- 1.50

### **C. Activity Therapists**

1. Approve the Governor's recommendation to provide \$58,700 in 2001-02 and \$68,800 in 2002-03 to fund 1.0 activity therapist and 0.5 activity therapist assistant, beginning in 2001-02, to support organized activities.

2. Modify the Governor's recommendation by reducing PR expenditure authority by \$18,700 in 2001-02 and \$22,900 to delete the 0.5 activity therapy assistant position. Reduce MA benefits funding in DHFS by \$6,600 GPR and \$9,300 FED in 2001-02 and \$8,100 GPR and \$11,400 FED in 2002-03 to reflect this change.

<b>Alternative C2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$14,700	- \$20,700	- \$41,600	- \$77,000
<b>2002-03 POSITIONS</b> (Change to Bill)	0.00	0.00	- 0.50	- 0.50

3. Modify the Governor's recommendation by deleting \$42,800 PR in 2001-02 and \$55,200 in 2002-03 and delete 1.0 activity therapist position. Reduce MA benefits funding in DHFS by \$15,000 GPR and \$21,400 FED in 2001-02 and \$19,500 GPR and \$27,400 FED in 2002-03 to reflect this change.

<b>Alternative C3</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$34,500	- \$48,800	- \$98,000	- \$181,300
<b>2002-03 POSITIONS</b> (Change to Bill)	0.00	0.00	- 1.00	- 1.00

4. Delete the Governor's recommendation. In addition, reduce MA benefits funding in DHFS by \$20,600 GPR and \$29,300 FED in 2001-02 and \$24,300 GPR and \$34,200 FED in 2002-03 to reflect this change.

<b>Alternative C4</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$44,900	- \$63,500	- \$127,500	- \$235,900
<b>2002-03 POSITIONS</b> (Change to Bill)	0.00	0.00	- 1.50	- 1.50

#### **D. Pharmacy Technician**

1. Approve the Governor's recommendation to provide \$29,600 PR in 2001-02 and \$30,400 PR in 2002-03 to fund 1.0 PR pharmacy technician, beginning in 2001-02.

2. Delete the Governor's recommendation. Reduce MA benefits funding by \$10,400 GPR and \$14,800 FED in 2001-02 and \$10,700 GPR and \$15,100 FED in 2002-03 to reflect this change.

<b>Alternative D2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$21,100	- \$29,900	- \$60,000	- \$111,000
<b>2002-03 POSITIONS</b> (Change to Bill)	0.00	0.00	- 1.00	- 1.00

#### **E. LTE Wage Increases**

1. Approve the Governor's recommendation to provide \$50,200 PR annually to fund wage increases for LTEs.

2. Modify the Governor's recommendation by deleting \$17,900 annually to apply an increase of 5.6% to base funding rather than 8.7%. Reduce MA benefits funding in DHFS by \$6,300 GPR and \$8,900 FED annually to reflect this change.

<b>Alternative E2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$12,600	- \$17,800	- \$35,800	- \$66,200

3. Delete the Governor's recommendation. Reduce MA benefits funding in DHFS by \$17,600 GPR and \$25,100 FED in 2001-02 and by \$17,700 GPR and \$25,000 FED in 2002-03 to reflect this change.

<b>Alternative E2</b>	<b>GPR</b>	<b>FED</b>	<b>PR</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$35,300	- \$50,100	- \$100,400	- \$185,800

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