



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #815

### **Nurse Education Stipend Program (Veterans Affairs -- Homes and Facilities for Veterans)**

[LFB 2003-05 Budget Summary: Page 461, #3]

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#### **CURRENT LAW**

The Department of Veterans Affairs (DVA) administers the state's facilities for veterans who are permanently incapacitated due to age or physical disability. The Wisconsin Veterans Home at King (King) serves approximately 740 members. It includes licensed skilled nursing care buildings, cottages for married couples, and the Wisconsin Veterans Memorial Cemetery. Residents receive complete medical and nursing care, along with therapeutic treatments and social services. King has 51 nurse clinician positions, of which 12 are currently vacant.

The Wisconsin Veterans Home at Union Grove (Union Grove) provides community-based residential facilities to serve veterans and their spouses who do not require skilled nursing home care, but need assisted living services. DVA expects to begin operating a 120-bed skilled nursing care facility on this site in 2005-06. Union Grove would require additional nursing staff for this facility once it begins operations.

#### **GOVERNOR**

Provide \$105,000 PR annually to fund a new nurse education stipend program. The program would provide stipends to individuals to attend school and receive the necessary credentials to become employed at King or Union Grove. DVA would be required to promulgate administrative rules related to the program, including establishing the application process, eligibility criteria, stipend amount, repayment provisions, and other provisions that DVA determines are necessary to administer the program. DVA would promulgate these rules as emergency rules without making a finding of an emergency.

## DISCUSSION POINTS

1. In a February 12, 2003, report entitled "Results of the 2002 AHCA Survey of Nursing Staff Vacancy and Turnover in Nursing Homes," the American Health Care Association (AHCA) indicates that in 2002, the national vacancy rate was 15% for registered nurses (RNs) and 13.2% for licensed practical nurses (LPNs). In addition, the turnover rate for both RNs and LPNs was 48.9%. Two-thirds of facilities indicated that it was harder to recruit RNs and LPNs in 2002 than during 2001.

2. The vacancy rate for Wisconsin in 2002 was 14.1% for RNs and 11.4% for LPNs. In Wisconsin, the turnover rates in 2002 were 32.7% for RNs and 29.7% for LPNs.

3. DVA had an RN vacancy rate of 14% at the end of fiscal year 1998-99, 14% at the end of 1999-00, 29% at the end of 2000-01, and 30% at the end of 2001-02 at King. DVA staff indicate that nurse staff turnover is a greater problem with newer employees. DVA must compete for nurse positions with other employers, such as a U.S. Department of Veterans Affairs (U.S. DVA) clinic in Appleton, the state Department of Corrections facility in Oshkosh, and private facilities. DVA staff indicate that, although the agency's salary and benefits are competitive, nurses have opportunities to work better hours at other facilities. For example, the U.S. DVA clinic in Appleton is open Monday thru Friday, 8:00 am to 4:30 pm. DVA staff indicate that nurses at the King Home frequently work evenings and weekends and may be asked to work overtime.

4. In addition to staff leaving for other nursing jobs, DVA expects that some current nursing staff will retire. The following table identifies the age of current nursing staff at King.

### King Home Nursing Staff, By Age April, 2003

<u>Age Range</u>	<u>Number of Staff</u>
30 thru 34	1
35 thru 39	3
40 thru 44	9
45 thru 49	8
50 thru 54	11
55 thru 60	0
60 thru 65	<u>7</u>
Total	39

The table shows that approximately half of the current nurse positions at King are 50 years of age or older.

5. Ten nurse clinicians left employment in fiscal year 1999-00, 14 in 2000-01, nine in 2001-02, and seven thus far in 2002-03. The average term of employment was 7.8 years for those

nurse clinicians who left in 1999-00, 9.6 years for those who left in 2000-01, 3.3 years for those who left in 2001-02, and 5.8 years for those who left so far in 2002-03.

6. To address nursing vacancy and turnover problems that result from retirement and competition, some private health facilities offer signing bonuses, or "forgivable loans," that range from \$1,000 to \$10,000. These are amounts provided to new employees that are not paid back as long as the employee works at the facility for a specified amount of time.

7. The University of Wisconsin Hospital and Clinics Authority (UWHCA) offers a nurse intern incentive program to address the nursing vacancy and turnover problems. The program offers a financial incentive, ranging from \$5,000 to \$10,000, to new graduates in exchange for a specified work commitment in a high-need area. A \$10,000 incentive is offered for a 36-month full-time work commitment. A \$7,000 incentive is offered for a 30-month full-time work commitment. Finally, a \$5,000 incentive is offered for a 24-month full-time work commitment. The participants apply while they are still in school and must meet certain criteria, such as a minimum grade point average and submission of a letter of recommendation from a clinical instructor.

8. In addition, the U.S. DVA has a national debt reduction program for RNs. Nurses must be appointed to their positions before receiving the benefit of this program. Nurses can receive a maximum of \$44,000 over a five-year period. U.S. DVA also has a student loan repayment program for LPNs.

9. In an effort to address the vacancy and turnover issues associated with RNs due to retirement and competition, DVA requested, as part of its 2003-05 biennial budget submission, funding to implement a nurse education stipend program. The funding DVA requested, \$105,000 per year, would provide 14 nursing students with a stipend of \$7,500 annually.

Under the Governor's bill, the details about how the program would be administered would be established under the rule-making process. However, DVA staff suggest that the program could be established so that nursing students would receive \$7,500 each year for their last two years of training. Upon graduation, they would work for DVA one year for each year they received the stipend. DVA would try to offer the stipend to students who qualify at the beginning of their last year in any accredited school of nursing. They would then have to apply for and be accepted for employment upon graduation or pay back the stipend. They would first work with DVA as graduate nurses, working in an RN position under the license of another nurse. Recipients who would not complete their employment obligations would be required to repay a pro-rated portion of the total amount of stipends received.

DVA staff would develop a screening and interview system to select the candidates. DVA would announce the program at the in-state schools. DVA would then screen applicants, based in part on grade point average, and interview the best candidates. The interviews would be conducted similar to a job interview because, ultimately, these candidates would be hired.

10. The Governor approved the funding amount requested by DVA (\$105,000 per year), but the amount and conditions of the stipend would be established by rule. Consequently, if each stipend was less than \$7,500, and the Governor's recommended funding was approved, more stipends could be provided. It is not known how many nursing students would apply for these stipends. Further, it is not known whether providing stipends would be necessary to ensure that there is sufficient nursing staff at the skilled nursing facility at Union Grove once it becomes operational. In its 2003-05 budget request, DVA requested 9.5 nurse clinicians and 4.0 nurse supervisor positions to staff the new skilled nursing facility in Union Grove. However, similar to King, some of the nurses that would work at the new facility would likely transfer from other nursing jobs, rather than accept a job immediately following the completion of their training.

11. Due to the uncertainty of the demand and cost of providing stipends, the Committee could modify the Governor's bill to reduce funding for this purpose, or to provide the funding beginning in 2004-05, rather than beginning in 2003-04. If the Committee reduced annual funding for the stipend, DVA would be required to: (a) offer fewer stipends; (b) reduce the amount of each stipend; or (c) both.

12. For example, UWHCA offers a \$5,000 incentive for nursing graduates who commit to employment for two years. The Committee could provide \$70,000 PR annually, which would be sufficient to support 14 stipends of \$5,000 per year for individuals who make a two-year employment commitment to a DVA facility.

13. On the other hand, other state agencies, including the Department of Health and Family Services, do not offer stipends to attract nursing staff. This proposal would advantage one agency, DVA, over other state agencies in competing for nurses. If the Committee approves this proposal, it may set a precedent for offering bonuses to nurses employed by other agencies or, for that matter, other types of state positions for which agencies have difficulty recruiting.

14. Others may argue that the salary, fringe benefits, and retirement benefits available to state positions, including nurses, are sufficiently competitive. Further, in light of the current state agency budget funding and position reductions, it could be argued that the state should not, at this time, offer more generous benefits to certain state workers, notwithstanding the agency's difficulty in retaining nurses.

15. Finally, this provision would increase medical assistance (MA) costs of operating the King facility and would increase the MA costs of operating the Union Grove facility once it becomes operational. If funding for these stipends is deleted, MA benefits funding could be reduced.

## **ALTERNATIVES**

1. Adopt the Governor's recommendation to provide \$105,000 PR annually to support the nurse education stipend program and the Governor's recommended statutory changes relating to the program.

2. Modify the Governor's recommendation by deleting \$35,000 PR annually so that \$70,000 PR would be budgeted annually for stipends, an amount that would support \$5,000, rather than \$7,500, for 14 students. Reduce MA benefits funding by \$35,000 (\$14,600 GPR and \$20,400 FED in 2003-04 and in 2004-05.

<b><u>Alternative 2: DVA</u></b>	<b><u>PR</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$70,000

<b><u>Alternative 2: DHFS</u></b>	<b><u>GPR</u></b>	<b><u>FED</u></b>	<b><u>TOTAL</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$29,200	- \$40,800	- \$70,000

3. Modify the Governor's recommendation to delete \$105,000 PR in 2003-04 so that \$105,000 PR would be budgeted annually for stipends, beginning in 2004-05, an amount that would support \$7,500 stipends for 14 students. Reduce MA benefits funding by \$105,000 GPR (\$43,700 GPR and \$61,300 FED) in 2004-05.

<b><u>Alternative 3: DVA</u></b>	<b><u>PR</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$105,000

<b><u>Alternative 3: DHFS</u></b>	<b><u>GPR</u></b>	<b><u>FED</u></b>	<b><u>TOTAL</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$43,700	- \$61,300	- \$105,000

4. Delete provision.

<b><u>Alternative 4: DVA</u></b>	<b><u>PR</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$210,000

<b><u>Alternative 4: DHFS</u></b>	<b><u>GPR</u></b>	<b><u>FED</u></b>	<b><u>TOTAL</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$87,400	- \$122,600	- \$210,000

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