



Legislative Fiscal Bureau

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May 5, 2011

Joint Committee on Finance

Paper #776

Licensed Bed Assessment (DVA - Veterans Homes)

[LFB 2011-13 Budget Summary: Page 522, #2]

CURRENT LAW

Except as described below, all nursing homes, including the nursing homes operated by the Department of Veterans Affairs (DVA), are required to pay a monthly assessment of \$170 for each licensed bed, regardless of whether the bed is occupied. All assessment revenue paid by nursing homes is deposited to the medical assistance (MA) trust fund to support MA benefits costs, including MA payments to nursing homes.

2009 Act 28 exempted DVA from paying the assessment in the 2009-11 biennium and reduced DVA's budget by \$1,513,900 PR in 2009-10 and by \$1,715,700 PR in 2010-11 to reflect that DVA would not need to make these payments to DHS in the 2009-11 biennium. In addition, Act 28 increased GPR funding for MA benefits by corresponding amounts to replace the assessment revenue DHS did not collect from DVA in the current biennium.

DVA is required to establish private pay rates at its nursing homes that are based on the actual cost of care the homes provide. These costs include DVA's cost of paying the assessment. Under federal law, the bed assessment must apply to all licensed beds in a facility, including beds of private pay residents.

GOVERNOR

Provide \$1,862,500 PR annually to fund monthly nursing home bed assessments that DVA will be required to pay, beginning in July, 2011, when DVA's exemption from the nursing home bed assessment expires. The Governor's bill would not change the assessment rate of \$170 per licensed bed per month.

DISCUSSION POINTS

1. If the Committee approves the Governor's proposal to maintain current law, which requires DVA to pay the nursing home assessment, beginning in July, 2011, funding budgeted in the bill should be adjusted to reflect current estimates of the costs to DVA of paying the assessment. The current estimate assumes that DVA will license the new beds in November, 2012, when the facility is expected to open. Table 1 summarizes the current estimate.

TABLE 1

Estimated Cost of Funding DVA's Nursing Home Assessment

Fiscal Year 2011-12

<u>Home</u>	<u>No. of Beds</u>	<u>No. of Months</u>	<u>Monthly Assessment Rate</u>	<u>Cost</u>
King	721	12	\$170	\$1,470,800
Union Grove	120	12	170	244,800
Chippewa Falls	72	0	170	<u>0</u>
Total				\$1,715,600
Amount in Bill				<u>\$1,862,500</u>
Difference (Change to Bill)				-\$146,900

Fiscal Year 2012-13

King	721	12	\$170	\$1,470,800
Union Grove	120	12	170	244,800
Chippewa Falls	72	8	170	<u>97,900</u>
Total				\$1,813,500
Amount in Bill				<u>\$1,862,500</u>
Difference (Change to Bill)				-\$49,000

Table 1 shows that funding in the bill for DVA's institutional operations should be reduced by \$146,900 PR in 2011-12 and by \$49,000 PR in 2012-13 to reflect the current estimates.

2. The administration did not adjust estimates of revenue to the MA trust fund to reflect that the Veterans Home at Chippewa Falls would begin paying the bed assessment in November, 2012. If the Committee adopts the Governor's recommendation, estimated revenue to the MA trust fund from the nursing home bed assessment should be increased by \$97,900 in 2012-13, which would be available to replace GPR funding budgeted for MA benefits costs in that year (-\$97,900 GPR and \$97,900 SEG). The reestimate of DVA's costs of paying the bed assessment and the funding adjustments for the MA program are incorporated into Alternative 1.

3. In its 2011-13 biennial budget submission, DVA requested that the agency remain exempt from paying the nursing home bed assessment in the 2011-13 biennium. Several arguments could be made in support of the agency's position. First, unlike private and locally-owned nursing homes, the nursing homes operated by DVA receive no benefit from paying the nursing home assessment. Currently, the MA program pays the DVA nursing homes at the "Medicare upper limit" for the care the DVA homes provide to MA recipients. The Medicare upper limit is the maximum amount the state's MA program can pay to support the care of MA recipients at the DVA nursing homes, based on Medicare payment principles. Consequently, the homes receive the same MA reimbursement, regardless of whether they pay the assessment or not. Requiring DVA to pay the assessment reduces the amount of program revenue that would otherwise be available to support the operations of the DVA nursing homes.

4. Second, because DVA is required to establish its rates at the veterans homes so that the homes can recover their costs of providing care (which DVA indicates would include payment of the nursing home bed assessment), the agency would need to increase its rates to its private pay residents, effective July 1, 2011, to reflect the additional cost of the assessment. It is estimated that the private pay rates at the veterans homes would increase by approximately \$6 per day, or approximately \$2,200 per year, once the exemption period ends. As of December, 2009, there were 66 private pay residents at King (9.7% of 680 residents) and 29 private pay residents at Union Grove (approximately 25% of 116 residents). Based on its estimates of private pay members in the 2011-13 biennium (an average of 100 in 2011-12 and 110 in 2012-13), private pay members as a group would pay an additional \$220,000 and \$242,000 in these years, respectively.

5. The private pay rates at the DVA facilities are already high compared to the private pay rates at most other nursing homes in the state. Consequently, increasing rates to pay for the assessment would increase the current disparity. In a 2010 memorandum, DHS estimated that the median cost of private pay nursing home care in Wisconsin was \$204 per day. DHS indicated that the maximum private pay rate in the Appleton region (near King) was \$223 per day and the maximum daily rate for the Racine region (near Union Grove) was \$230 per day.

6. By comparison, in its August, 2010, report on rate setting at the DVA veterans homes, the Legislative Audit Bureau (LAB) reported that the Veterans Home at King had a daily private pay rate of \$207 per day for veterans and \$285 per day for veterans' spouses. Similarly, the Veterans Home at Union Grove had a private pay rate of \$257 per day for veterans and \$335 per day for veterans' spouses.

7. DVA staff indicates that private pay rates at the veterans homes are higher than average private nursing homes for three reasons. First, to continue receiving per diem payments from the U.S. Department of Veterans Affairs, DVA is required to provide more services to their residents than most private nursing homes, including optometry, audiology, dental, podiatry, barber, beautician, clothing and other grooming supplies, and medications. In addition, DVA facilities must comply with stricter staffing requirements than other nursing homes. Second, the veterans homes are staffed with state employees, who typically have, on average, higher salary and fringe benefit costs than employees at private nursing homes. Third, DVA indicates that the veterans homes have less staff turnover than most private nursing homes. For example, 61% of the staff at the Veterans Home at King have worked at that facility for more than five years. DVA staff indicates that low turnover increases the quality and consistency of care for residents.

8. Finally, it can be argued that the bed assessment exemption permits the Department to expend its program revenues for costs directly related to the operation of the DVA veterans homes, rather than to support the costs of paying the nursing home assessment. DVA estimates that the exemption from the nursing home assessment that was provided in the 2009-11 biennium permitted the agency to "save" approximately \$3.2 million of PR revenue in the 2011-13 biennium, which is reflected in the program balances in the agency's institutional operations appropriation.

9. The primary argument in support of the Governor's proposal is that, if the exemption were maintained, additional GPR would need to be budgeted to replace the nursing home bed assessment revenue that would be collected from the veterans homes under current law. Specifically, if DVA nursing homes were to remain exempt from the nursing home bed assessment, revenue to the MA trust fund would decrease by an estimated \$1,715,600 PR in 2011-12 and by \$1,813,500 PR in 2012-13, SEG spending from the MA trust fund would need to be reduced by these amounts, and replaced with corresponding amounts of GPR in each year.

10. Another argument for the Governor's proposal is that the total estimated benefit to the private pay residents at the DVA facilities from the exemption of the nursing home assessment (\$220,000 in 2011-12 and \$242,000 in 2012-13) is far less than the estimated additional GPR cost of the exemption (\$1,715,600 GPR in 2012-13 and \$1,813,500 GPR in 2012-13). This difference is a result of the relatively small number of private pay residents at the DVA nursing homes, and the fact that, unlike other nursing homes that receive higher reimbursement as a result of their beds being occupied by MA recipients, the DVA facilities do not receive this enhancement to their MA reimbursement.

11. The Committee could approve the Governor's proposal, but prohibit DVA from collecting the cost of the bed assessment from private pay residents (Alternative 3). The Department would remain responsible for paying the bed assessment for every bed at the veterans homes. However, relative to the bill, program revenue from private pay residents would decrease by \$220,000 in 2011-12 and by \$242,000 in 2012-13. Under this option, DVA would still have to pay the bed assessment on all its licensed beds, as under the Governor's bill.

12. There are two primary arguments for this alternative. First, private pay rates, which are already higher at the veterans homes than at private nursing homes, would not increase. Second, since there would be no loss of revenue to the MA trust fund, compared to the Governor's proposal, GPR would not be needed to replace the loss of revenues to the MA trust fund.

ALTERNATIVES

1. Adopt the Governor's recommendation to maintain the current law provision that requires the veterans homes to begin paying the nursing home bed assessment as of July 1, 2011. However, reduce funding for the veterans homes by \$146,900 PR in 2011-12 and by \$49,000 PR in 2012-13 to reflect current estimates of the amount of funding DVA will need to pay the nursing home bed assessment in the 2011-13 biennium. Further, increase projected nursing home bed assessment revenue to the MA trust fund by \$97,900 in 2012-13 to reflect additional revenue that will be collected from DVA due to the opening of the Chippewa Falls facility. Reduce funding for MA benefits by \$97,900 GPR in 2012-13 and increase SEG funding from the MA trust fund by a corresponding amount to use this additional revenue to replace GPR funding for MA benefits.

ALT 1	Change to Bill	
	Funding DVA	Funding DHS
SEG-REV		\$97,900
GPR		-\$97,900
PR	-\$195,900	
SEG		97,900

2. Exempt the DVA nursing homes from the bed assessment in the 2011-13 biennium. Reduce funding for the Veterans Homes by \$1,862,500 PR annually. In addition, reduce estimated revenue to the MA trust fund by \$1,715,600 in 2011-12 and by \$1,813,500 in 2012-13. Reduce funding for MA benefits by \$1,715,600 SEG in 2011-12 and by \$1,813,500 SEG in 2012-13 and increase funding by \$1,715,600 GPR and \$1,813,500 GPR in 2012-13 to replace the loss of the segregated revenue to the MA trust fund due to the continuation of the exemption from the nursing home bed assessment in the 2011-13 biennium.

ALT 2	Change to Bill	
	Funding DVA	Funding DHS
SEG-REV		-\$3,529,100
GPR		\$3,529,100
PR	-\$3,725,000	
SEG		-\$3,529,100

3. Modify the Governor's recommendation by prohibiting DVA from adding the cost of the nursing home bed assessment in calculating rates to private pay residents. Reduce projected program revenue funding to the veterans homes by \$220,000 in 2011-12 and by \$242,000 in 2012-13 to reflect that private pay residents at the veterans homes would not pay the bed assessment.

Reduce funding for DVA by \$146,900 PR in 2011-12 and by \$49,000 PR in 2012-13 to reflect current estimates of the amount of funding DVA will need to pay the nursing home bed assessment in the 2011-13 biennium. Further, increase projected nursing home bed assessment revenue to the MA trust fund by \$97,900 in 2012-13 to reflect additional revenue that will be collected from DVA due to the opening of the Chippewa Falls facility. Reduce funding for MA benefits by \$97,900 GPR in 2012-13 and increase SEG funding from the MA trust fund by a corresponding amount to use this additional revenue to replace GPR funding for MA benefits.

ALT 3	Change to Bill	
	Funding DVA	Funding DHS
SEG-REV		\$97,900
PR-REV	-\$462,000	
GPR		-\$97,900
PR	-\$195,900	
SEG		97,900

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