

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$3,753	\$3,839	\$3,392	-\$361	\$3,681	\$289
Contractual Services	8,380	9,761	12,158	3,778	12,765	607
Grants	185	152	198	13	198	0
Contingent & Back of Bill Reductions	0	0	0	0	-12	-12
Adjusted Grand Total	\$12,319	\$13,753	\$15,748	\$3,430	\$16,633	\$884
General Funds	7,224	6,334	8,819	1,595	9,316	497
Contingent & Back of Bill Reductions	0	0	0	0	-12	-12
Adjusted General Funds	\$7,224	\$6,334	\$8,819	\$1,595	\$9,304	\$485
Special Funds	482	2,923	207	-275	263	56
Federal Funds	4,612	4,496	6,722	2,110	7,065	343
Adjusted Grand Total	\$12,319	\$13,753	\$15,748	\$3,430	\$16,633	\$884
Annual % Change		11.6%	14.5%		5.6%	

- The \$361,000 decrease in operations between fiscal 2002 and 2004 is driven by cost containment reductions including the abolition of eight positions. These reductions are offset by an increase in the cost of care contract.
- The largest increase in the fiscal 2005 allowance is \$742,000 for the cost of care contract at the veterans' home.

Note: Numbers may not sum to total due to rounding.

For further information contact: Brian Baugus

Phone: (410) 946-5530

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	73.0	70.0	65.0	-8.0	65.0	0.0
Contractual FTEs	1.9	1.9	1.9	0.0	1.9	0.0
Total Personnel	74.9	71.9	66.9	-8.0	66.9	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	2.28	3.50%
Positions Vacant as of 12/31/03	4.50	6.92%

- Since fiscal 2002 the department has abolished eight regular positions mostly in veterans' services and the Cemetery Program.
- The fiscal 2005 allowance does not include two new federal funded building service positions approved by the Board of Public Works in February 2004.

Analysis in Brief

Major Trends

Department Changes Measures of Cemetery Quality: In the fiscal 2004 analysis, it was noted that the department anticipated an increase in problems in the Cemetery Program. In the fiscal 2005 Managing for Results, the department has presented a different measure of quality.

Charlotte Hall Care: Various quality of life measures for Charlotte Hall residents are expected to show dramatic improvement.

Issues

Large Number of Alzheimer's Patients at Veterans Home: There is a significant percentage of veterans home residents with cognitive impairment. This presents a unique set of challenges in providing care.

Recommended Actions

	<u>Funds</u>
1. Reduce telephone and cell phone expenses.	\$ 5,308
2. Reduce automobile maintenance and repair expenses.	10,000
Total Reductions	\$ 15,308

Updates

New Wing at Charlotte Hall Is Open: After many delays and problems, the new wing finally opened in June 2003.

D55P00 – Department of Veterans Affairs

D55P00
Department of Veterans Affairs

Operating Budget Analysis

Program Description

The Department of Veterans Affairs (DVA) provides a variety of administrative and support services to the State's veterans, their families, dependants, and survivors. The department also manages five veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages the Charlotte Hall Veterans Home. The Military Monuments and Memorials Commission was transferred to DVA in fiscal 2001.

The department's goals are to:

- aid veterans in the preparation of claims for benefits to which they are entitled such as educational assistance, death benefits, and medical care;
- operate and maintain the five veterans cemeteries;
- provide upkeep and maintenance for Maryland's war memorials; and
- provide and operate the State veterans home at Charlotte Hall.

Performance Analysis: Managing for Results

Department Changes Measures of Cemetery Quality

In the fiscal 2004 analysis, it was noted that the department anticipated an increase in problems in the Cemetery Program. In the fiscal 2005 Managing for Results (MFR), the department has emphasized different quality measures. In the fiscal 2004 MFR, the department reported that, of the assessed sites, it expected 25% of the burial sites and 50% of the headstones to have problems in fiscal 2004. In the fiscal 2005 MFR, it presented the data as shown in **Exhibit 1**.

Exhibit 1
Quality Measures for the Veterans Cemetery Program
Fiscal 2002 – 2005

<u>Measure</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004 (Est.)</u>	<u>FY 2005 (Est.)</u>
Number of burial sites	51,107	54,137	57,437	60,937
Number of complaints received	180	213	150	135
Percent of complaints resolved in 30 days	95%	95%	96%	97%

Source: Governor's Budget Books

While the Department of Legislative Services believes that these measures may be more informative than what the department previously reported, the change makes it difficult to follow up on the department's fiscal 2004 report.

The department should explain how these measures tie into the fiscal 2004 report, if the expectations regarding problems with burial sites and headstones materialized, and if so, how these problems are being addressed.

Charlotte Hall Care

The department provides a variety of measures to assess the veterans home program. It also provides the same statistics for nursing homes in the State so that its numbers may be reviewed with some context. **Exhibit 2** shows the details. Charlotte Hall expects improvement in three of the four categories over fiscal 2003 and hopes to perform better than other nursing homes in the State in two out of four categories.

With the exception of the prevalence of physical restraints, Charlotte Hall's quality statistics in fiscal 2003 reflected that its performance was behind the average for State nursing homes. However, it is noted that Charlotte Hall's population is significantly different from the average State nursing home. Charlotte Hall's population is overwhelmingly male (94%) while the average nursing home has a population of mostly female residents (70%). The department expects significant improvement in several of its quality categories. **The department should be prepared to explain how it expects such significant improvement in several quality measures in a short period of time.** While the higher level of physical activity of its residents may explain the expected increase in falls, it is noted that the State homes have fewer falls but use physical restraint devices more often. **The department**

Exhibit 2
Quality of Life Measures for Charlotte Hall and State Nursing Homes
Fiscal 2003 – 2004

<u>Measure</u>	<u>FY 2003 State Average</u>	<u>FY 2003 Charlotte Hall</u>	<u>FY 2004 (Est.) State</u>	<u>FY 2004 (Est.) Charlotte Hall</u>
Prevalence of bedfast residents	5.8%	8.2%	5.2%	5.0%
Prevalence of falls	11.3%	18.2%	11.3%	18.0%
Prevalence of bed sores	10.0%	14.7%	11.0%	11.0%
Prevalence of physical restraints	8.4%	2.3%	9.5%	5.0%

Source: Governor's Budget Books

should comment on any correlation between these two measures and, to the extent there is a correlation, why the department has made the decision to use restraint devices less but at the expense of a higher number of falls.

Fiscal 2004 Actions

Impact of Cost Containment

As a result of the Board of Public Works' actions in July 2003, DVA took \$522,788 in cost containment. The majority of this reduction, \$502,790 in general funds, came from the veterans home's cost of care contract and reflects current occupancy projections.

Governor's Proposed Budget

Exhibit 3 presents the details of the Governor's fiscal 2005 allowance which increases by \$884,000 (5.6%) over the fiscal 2004 working appropriation.

Exhibit 3
Governor's Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$6,334	\$8,819	\$9,316	\$497	5.6%
Contingent & Back of Bill Reductions	0	0	-12	-12	
Adjusted General Funds	\$6,334	\$8,819	\$9,304	\$485	5.5%
Special Funds	\$2,923	\$207	\$263	\$56	27.0%
Federal Funds	\$4,496	\$6,722	\$7,065	\$343	5.1%
Adjusted Grand Total	\$13,753	\$15,748	\$16,633	\$884	5.6%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	\$39
Employee and retiree health insurance.....	37
New pay grade for assistant secretary and an increase for the director of the Cemetery Program	31
Workers' compensation premium assessment	20
Turnover and cost containment adjustments	19
Other fringe benefit adjustments.....	4

Other Changes

Veterans Home Program

Increase in the cost of care contract due to inflation and expected increases in the anticipated number of residents.....	742
Increase in the water and sewage fees paid to the Maryland Environmental Service	22
Increase due to the cost of maintaining certain historical sites on the grounds of the home.....	20

D55P00 – Department of Veterans Affairs

Where It Goes:

Renovation of 12 rooms in the older wing to accommodate assisted living overflow	14
Purchase of replacement medical equipment such as beds, lifts, and vital sign monitors	9
Cemetery Program	
Increase in federal burial allowance	21
Decrease in grounds maintenance.....	-127
Other Miscellaneous Changes.....	33
Total	\$884

Note: Numbers may not sum to total due to rounding.

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of \$11,621, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Veterans Home Program

The fiscal 2005 allowance for the Charlotte Hall Veterans Home increases by \$742,000; this is the majority of the department's fiscal 2005 increase (84%). This is driven primarily by annual increases built into the contract and the number of residents.

There are three components to this increase. One part (\$171,280 in general funds) reflects the annualized cost for the increase in assisted living residents during fiscal 2004. These are residents who were only resident for part of the year in fiscal 2004 and are expected to be residents for the full fiscal 2005. A second part (\$249,760 in general funds) is a partial restoration of the fiscal 2004 cost containment actions financed by a pro-rated increase for assisted living residents. The third element of the increase (\$320,960 in federal funds) is the anticipated increase in the federal per diem which is based upon an anticipated increase in residents. **Exhibit 4** shows the resident population for Charlotte Hall.

Adjusted for the cost of care contract increase, the department's fiscal 2005 allowance grows by less than 1% over the fiscal 2004 working appropriation.

Exhibit 4
Charlotte Hall Resident Census
Fiscal 2001 – 2005

<u>Year*</u>	<u>Assisted Living</u>	<u>Comprehensive Care</u>	<u>Total Residents</u>	<u>Total Beds</u>	<u>Percent Filled</u>
2001	82	199	281	378	74.3%
2002	71	180	251	378	66.4%
2003	77	192	269	378	71.2%
2004**	112	237	349	504	69.2%
2005**	134	251	385	504	76.4%

* As of June 30 of each fiscal year.

** Estimates

Source: State Department of Veterans Affairs

Issues

1. Large Number of Alzheimer’s Patients at Veterans Home

There is a significant percentage of veterans home residents with cognitive impairment. Approximately 15% of the home’s residents suffer from Alzheimer’s disease and another significant percentage have lesser forms of cognitive impairment and dementia. This presents a unique set of challenges in providing care. These residents require significantly more attention from care givers, both medically as well as assistance in daily activities.

As medical technology enables people to live longer, the incidence of cognitive impairment is increasing. Several generations ago, death was often attributable to some malfunction of the body while one’s mind was still coherent and able. In 1935 the life expectancy was 63 years, now it is well over 75 years. Through medications, healthier living, better sanitation, and the like, it is far more likely that a person’s body will survive many more years allowing the effects of age to deteriorate one’s mind.

The department should comment on its preparations and plans to deal with this trend and how this trend may create a need for changes, either in the kind of care expertise it contracts for in the future, structural modifications to rooms in the home, or other possible effects these demographic trends may have.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce the fiscal 2005 allowance telephone and cell phone planned increases. These reductions still allow increases over the fiscal 2004 working appropriation.	\$ 5,308	GF
2. Reduce the fiscal 2005 allowance for automobile repairs. This reduction still allows a 17.7% increase over the fiscal 2004 working appropriation.	10,000	GF
Total General Fund Reductions	\$ 15,308	

Updates

1. New Wing at Charlotte Hall Is Open

After delays, problems, and many false starts, the new wing finally opened in June 2003. This adds 126 new beds to the home and allows residents to be moved so that much needed renovations to the older wings can be undertaken.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Veterans Affairs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$6,588	\$248	\$7,127	\$0	\$13,963
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,675	250	0	2,925
Cost Containment	-253	0	0	0	-253
Reversions and Cancellations	0	0	-2,881	0	-2,882
Actual Expenditures	\$6,334	\$2,923	\$4,496	\$0	\$13,753
Fiscal 2004					
Legislative Appropriation	\$9,342	\$207	\$6,722	\$0	\$16,271
Cost Containment	-523	0	0	0	-523
Budget Amendments	0	0	0	0	0
Working Appropriation	\$8,819	\$207	\$6,722	\$0	\$15,748

Note: Numbers may not sum to total due to rounding.

Fiscal 2003

The \$2.7 million in budget amendments in fiscal 2003 are due to the increase in the cost of the management contract for Charlotte Hall. The department contracted with a different care provider and the cost of the contract increased. The \$2.8 million federal funds reversion is due to the fact that the new wing at Charlotte Hall did not open, and the anticipated increase in the federal per diem was cancelled.

**Object/Fund Difference Report
Department of Veterans Affairs**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	70.00	65.00	65.00	0	0%
02 Contractual	1.92	1.92	1.92	0	0%
Total Positions	71.92	66.92	66.92	0	0%
Objects					
01 Salaries and Wages	\$ 2,787,368	\$ 2,736,849	\$ 2,898,955	\$ 162,106	5.9%
02 Technical & Spec Fees	47,101	54,610	56,288	1,678	3.1%
03 Communication	69,106	60,748	72,844	12,096	19.9%
04 Travel	22,261	31,356	33,297	1,941	6.2%
06 Fuel & Utilities	356,147	246,217	265,635	19,418	7.9%
07 Motor Vehicles	88,471	75,933	91,147	15,214	20.0%
08 Contractual Services	9,761,155	12,158,035	12,764,973	606,938	5.0%
09 Supplies & Materials	177,504	160,384	173,501	13,117	8.2%
10 Equip - Replacement	106,897	9,000	20,000	11,000	122.2%
11 Equip - Additional	19,243	6,000	15,000	9,000	150.0%
12 Grants, Subsidies, and Contracts	152,381	198,088	198,088	0	0%
13 Fixed Charges	57,899	11,279	20,994	9,715	86.1%
14 Land & Structures	107,288	0	33,601	33,601	N/A
Total Objects	\$ 13,752,821	\$ 15,748,499	\$ 16,644,323	\$ 895,824	5.7%
Funds					
01 General Fund	\$ 6,334,485	\$ 8,819,079	\$ 9,316,161	\$ 497,082	5.6%
03 Special Fund	2,922,792	207,435	263,350	55,915	27.0%
05 Federal Fund	4,495,544	6,721,985	7,064,812	342,827	5.1%
Total Funds	\$ 13,752,821	\$ 15,748,499	\$ 16,644,323	\$ 895,824	5.7%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of Veterans Affairs**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Service Program	\$ 1,240,294	\$ 1,005,127	\$ 985,129	-20.6%	\$ 1,171,791	18.9%
02 Cemetery Program	2,705,001	2,630,284	2,630,284	-2.8%	2,587,419	-1.6%
03 Memorials and Monuments Program	402,028	435,972	435,972	8.4%	397,420	-8.8%
05 Veterans Home Program	9,405,498	12,199,904	11,697,114	24.4%	12,487,693	6.8%
Total Expenditures	\$ 13,752,821	\$ 16,271,287	\$ 15,748,499	14.5%	\$ 16,644,323	5.7%
General Fund	\$ 6,334,485	\$ 9,341,866	\$ 8,819,079	39.2%	\$ 9,316,161	5.6%
Special Fund	2,922,792	207,434	207,435	-92.9%	263,350	27.0%
Federal Fund	4,495,544	6,721,984	6,721,985	49.5%	7,064,812	5.1%
Total Appropriations	\$ 13,752,821	\$ 16,271,287	\$ 15,748,499	14.5%	\$ 16,644,323	5.7%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.