

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,327	\$9,572	\$9,974	\$402	4.2%
Special Fund	353	267	228	-39	-14.6%
Federal Fund	<u>5,845</u>	<u>7,317</u>	<u>8,169</u>	<u>851</u>	<u>11.6%</u>
Total Funds	\$15,525	\$17,156	\$18,370	\$1,214	7.1%

- The Department of Veterans Affairs (DVA) budget increases by \$1,213,909, or 7.1% in the fiscal 2007 allowance. General and federal funds are expected to increase by \$401,699 and \$851,195 respectively, while special funds are expected to remain relatively flat.
- The general and federal fund increases are largely due to a \$1.1 million increase in purchase-of-care services for assisted living services at Charlotte Hall Veterans Home.

Personnel Data

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>
Regular Positions	66.00	66.00	66.00	0.00
Contractual FTEs	<u>3.26</u>	<u>3.26</u>	<u>4.82</u>	<u>1.56</u>
Total Personnel	69.26	69.26	70.82	1.56

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	1.98	3.00%
Positions Vacant as of 12/31/05	2.00	3.03%

- There are 2.0 full-time equivalent (FTE) positions vacant as of December 31, 2005. The turnover rate budgeted by the agency requires that 1.98 FTE positions remain open through fiscal 2007.
- The number of contractual FTEs increases by 1.56 in the allowance due to increased need for security during holidays and weekends and secretarial support at various veterans' cemeteries.

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

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Analysis in Brief

Major Trends

DVA Cemetery Program: The number of burial sites used, or total number of burials completed, is anticipated to increase from 60,520 in fiscal 2005 to 66,970 in fiscal 2007. At the same time, the number of complaints received is expected to decrease.

Charlotte Hall Veterans Home: The Charlotte Hall population exhibits a lower incidence of decline in daily living skills, antipsychotic drug use, symptoms of depression, and use of physical restraints than populations in other State long-term care facilities. The proportion of residents who spend a majority of time in a bed or a chair, of which there is a higher incidence than other facilities, reflects the availability of a hospice program for terminally ill residents.

Issues

Charlotte Hall Veterans Home: DVA appears to have overestimated its assisted living population for fiscal 2006, based on the current census, and for fiscal 2007. The Department of Legislative Services has provided a more realistic estimate and has recommended a corresponding reduction in general funds.

Recommended Actions

	<u>Funds</u>
1. Reduce funds to more accurately reflect the number of assisted living residents at Charlotte Hall Veterans Home.	\$ 394,000
Total Reductions	\$ 394,000

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, dependents, and survivors. The department also manages five veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages Charlotte Hall Veterans Home. The Military Monuments and Memorials Commission was transferred to DVA in fiscal 2001.

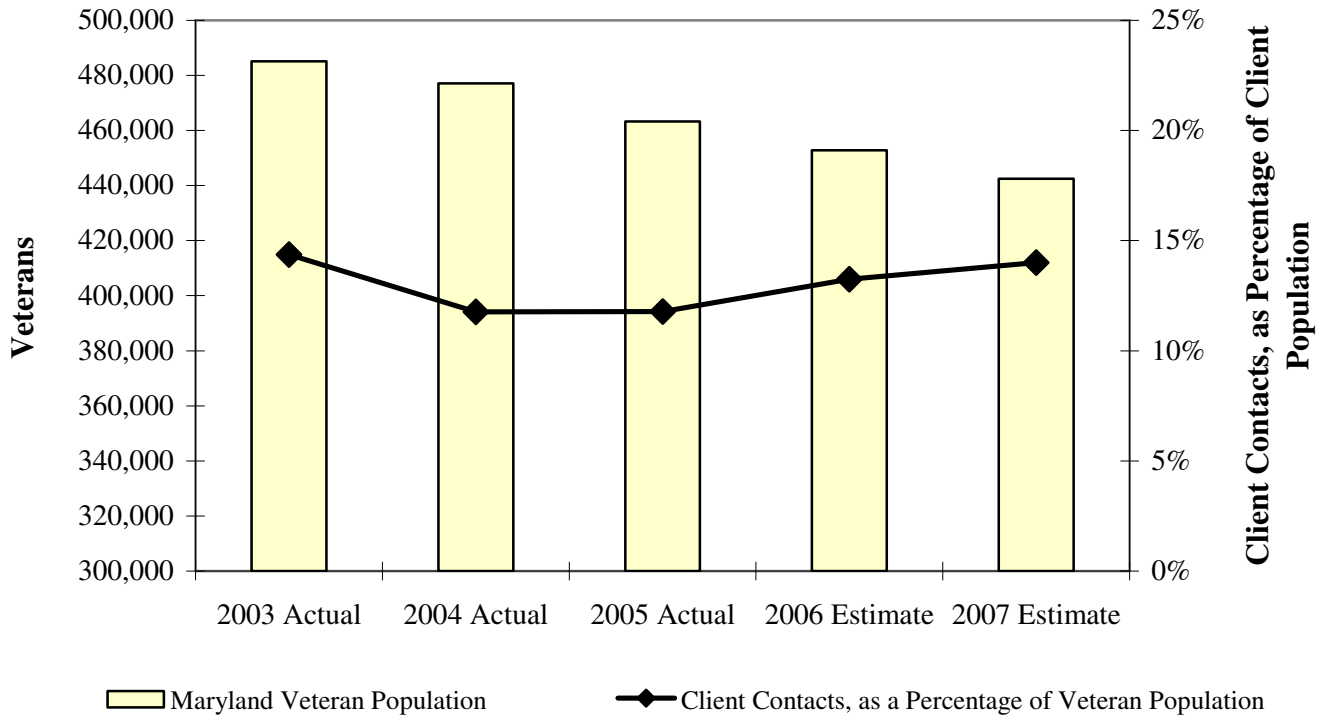
The department's goals are to:

- 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

DVA's Service Program provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits, and entitlements granted by law. These benefits include disability compensation, pension, death benefits, educational assistance, home loans, and medical care. The population of Maryland veterans has decreased from 485,116 in fiscal 2003 to 463,228 in fiscal 2005, as has the number of veterans, dependents, and survivors contacting the DVA for services, as shown in **Exhibit 1**. DVA has estimated that even though the veteran population is projected to decrease further in the current fiscal year and the budget year, the percentage of client contacts will rise. **The department should comment on the basis for that assumption.**

Exhibit 1
Maryland Veteran Population and DVA Client Contacts

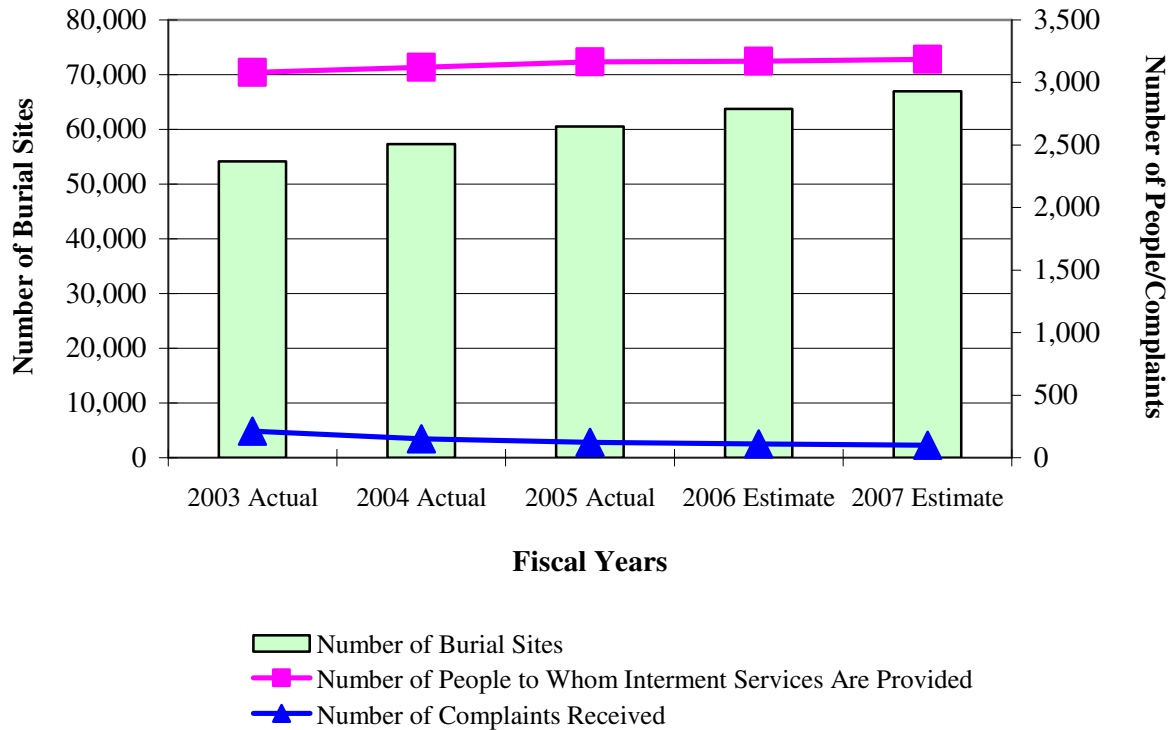


Source: Department of Veterans Affairs

Cemetery Program

Performance data for the department’s Cemetery Program is provided in **Exhibit 2**. The number of burial sites used, or total number of burials completed, have increased from 54,137 in fiscal 2003 to 60,520 in fiscal 2005 and are anticipated to grow to 66,970 in fiscal 2007. The number of veterans’ burials is growing at a relatively fast pace with the aging of the World War II population and is expected to peak in fiscal 2008. The number of people who are eligible to be interred at a veterans’ cemetery in Maryland and are actually interred at one of them dropped slightly from 21% in fiscal 2003 to 19% in fiscal 2005. The agency is anticipating that by fiscal 2007 21% of the eligible population will avail themselves of that opportunity. The number of complaints related to the cemetery program is expected to decrease from 213 during fiscal 2003 to 122 in fiscal 2005 and are projected to decrease to 100 in fiscal 2007. Two of the reasons that complaints decreased through fiscal 2005 were greater attention to burial procedures and maintenance of burial sites by the agency. **The agency is asked to comment on its plans to ensure continued improvement in these areas.**

**Exhibit 2
Maryland Veterans’ Cemetery Services**

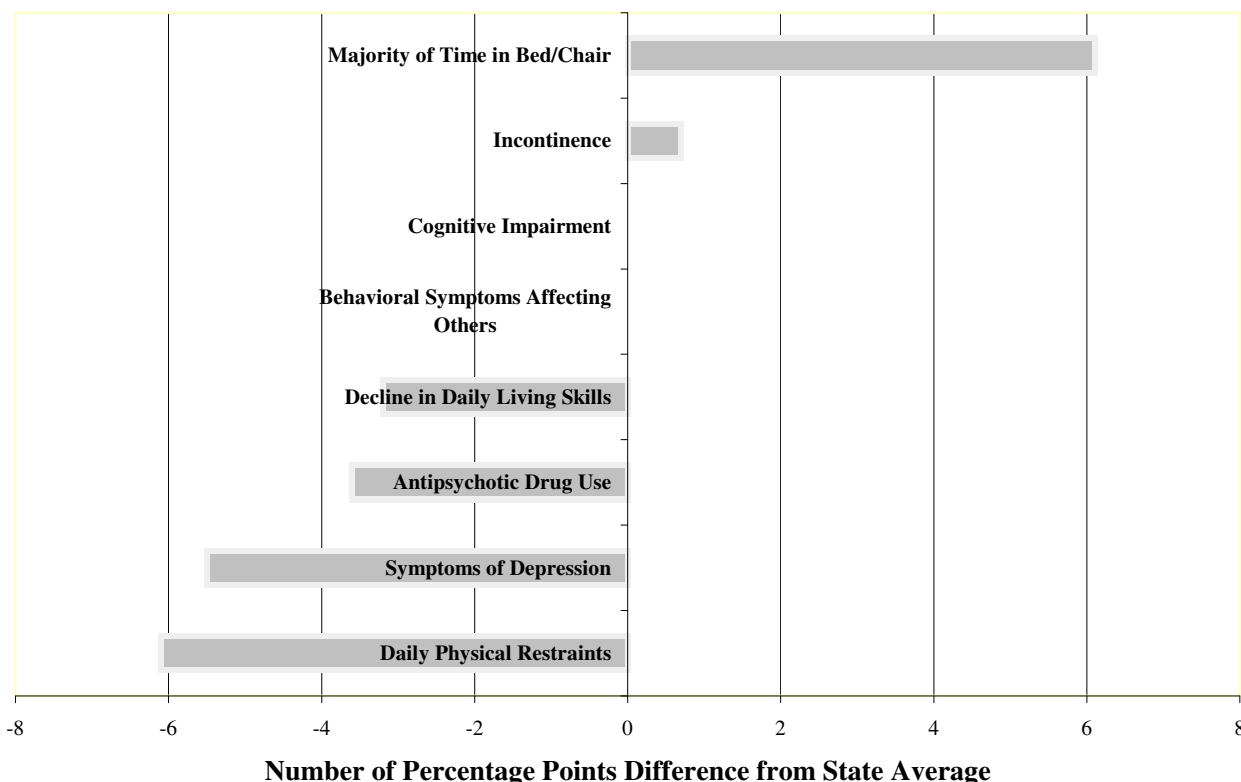


Source: Department of Veterans Affairs

Charlotte Hall

The Charlotte Hall Veterans Home provides assisted living and skilled nursing long-term care to Maryland veterans and eligible spouses who are unable to take care of themselves due to age or disability. The home provides support and services required for shelter, sustenance, medical care, and the social services necessary to maintain a resident’s quality of life. **Exhibit 3** compares the Charlotte Hall resident population to the resident population at all of Maryland’s long-term care facilities. The Charlotte Hall population exhibits a lower incidence of decline in daily living skills, antipsychotic drug use, and symptoms of depression. The lower incidence of use of physical restraints reflects both the population and the facility’s commitment to maintaining resident dignity and quality of life, reflected in its policy of not using restraints except in the most extreme cases. The indicator for which Charlotte Hall compares ostensibly least favorably, the proportion of residents who spend a majority of time in a bed or a chair, reflects the availability of a hospice program for terminally ill residents, the vast majority of whom are unable to leave their beds.

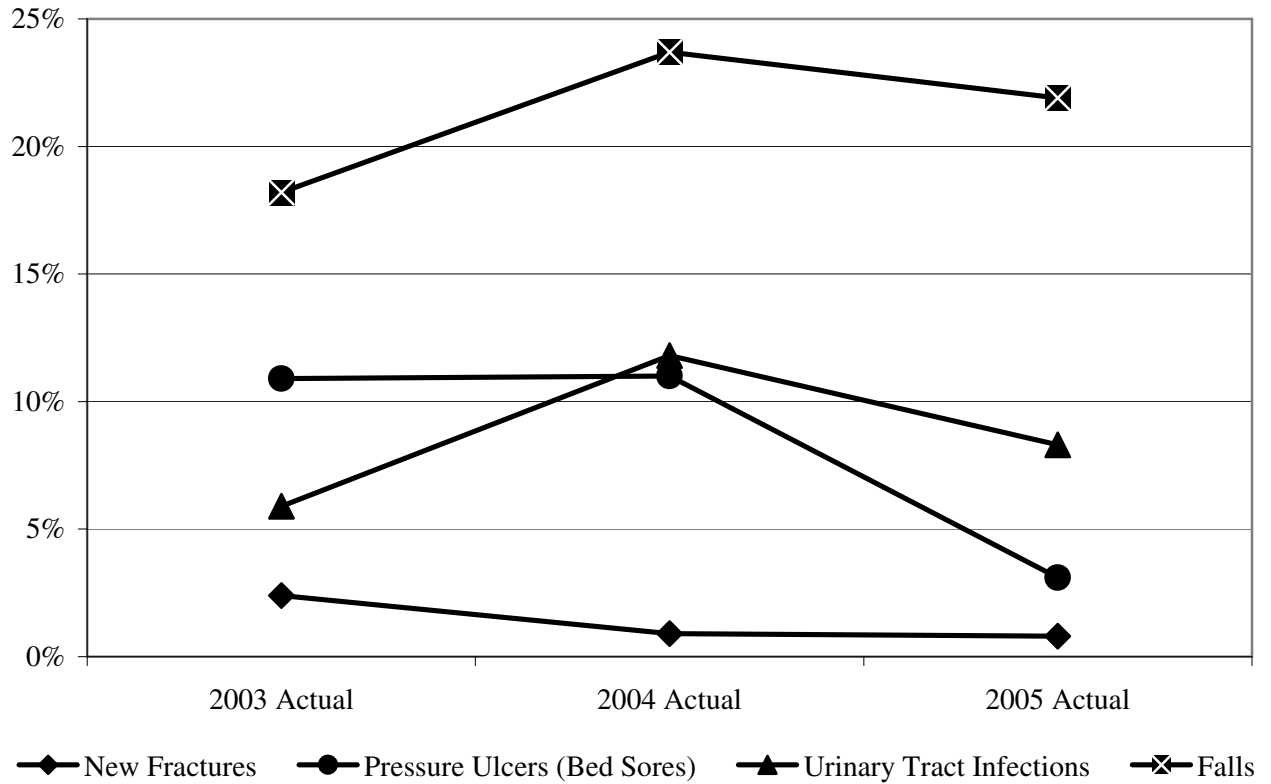
Exhibit 3 Charlotte Hall Veterans Home Compared to State Average



Source: Department of Veterans Affairs

Indicators that are more reflective of the quality of care available at Charlotte Hall are shown in **Exhibit 4**. The exhibit presents trends in incidents (as a percentage of the population) of new fractures, pressure ulcers or bed sores, urinary tract infections, and falls for fiscal 2003 through 2005 estimates. The indicators showing poorer performance in fiscal 2004 and 2005 than in fiscal 2003 are urinary tract infections and falls. The higher incidence of falls is reflective of the department’s policy to not use restraints; significantly, the incidence of breaks in fiscal 2005 resulting from those falls is only half that of comparable State facilities. The facility has a “Safe Fall” program that utilizes low beds, protective equipment, and increased supervision for recreational and therapeutic activities. The higher incidence of urinary tract infections is more troubling. **The agency should comment on the high incidence of urinary tract infections at Charlotte Hall.**

**Exhibit 4
Quality of Care at Charlotte Hall**



Source: Department of Veterans Affairs

Governor's Proposed Budget

Exhibit 5 shows the major changes in DVA's budget. The most significant change is for purchase of care for assisted living services at the Charlotte Hall Veterans Home.

Exhibit 5
Governor's Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2006 Working Appropriation	\$9,572	\$267	\$7,317	\$17,156
2007 Governor's Allowance	<u>9,974</u>	<u>228</u>	<u>8,169</u>	<u>18,370</u>
Amount Change	\$402	-\$39	\$851	\$1,214
Percent Change	4.2%	-14.6%	11.6%	7.1%

Where It Goes:

Personnel Expenses

Overstatement of fiscal 2006 regular salaries.....	\$14
Fiscal 2007 budgeted increase in employee and retiree health insurance	81
Fiscal 2006 underfunding of employee and retiree health insurance	55
Regular position increments	47
1.56 additional full-time equivalent contractual positions for weekend and holiday security at veterans' cemeteries and for secretarial assistance at the Eastern Shore and Rocky Gap cemeteries	47
Other regular position fringe benefits.....	-1

Other Changes

Purchase of care at Charlotte Hall Veterans Home	1,146
Agricultural supplies based on actual fiscal 2005 expenditures	19
Vehicle maintenance and repair.....	18
Fuel and utilities	11
Cell phones	4
Travel to out-of-state conferences and seminars	2
Postage.....	-4
Telephone and cell phones.....	-4
Medical equipment at Charlotte Hall Veterans Home.....	-22
Department of Budget and Management telecommunication charges	-42
Other contractual services (non-data processing).....	-127
Other miscellaneous	-29

Total **\$1,214**

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

Issues

1. Charlotte Hall Veterans Home

Charlotte Hall Veterans Home opened in 1985. By 2003, there were 226 assisted living care and 278 comprehensive care beds available. Assisted living services are for relatively independent residents and comprehensive care is for those with significant health conditions that require constant care, including the hospice facility housed in the home. Comprehensive care is funded by individuals, insurance, Medicaid and Medicare, and federal reimbursement; no general funds are used for this purpose. General funds budgeted within the Veterans Home Program are used for assisted living residents.

The number of assisted living and skilled nursing care average daily residents in the home increased from 275 in fiscal 2004 to 297 in fiscal 2005, an increase of 8.0%. The census of the home as of January 25, 2006, is 323, and if the number of average daily residents is similar at the end of the fiscal year, the home will have experienced an increase of 8.8%. Most of the growth has been in the number of average daily skilled nursing care residents.

For fiscal 2007 the department expects to serve 145 assisted living residents; however, the department has consistently overestimated its average daily occupancy, as shown in **Exhibit 6**. As of the end of January 2006, there are 112 assisted living residents, far short of the agency estimate for the year. If the number of new residents is increased in both the present year and the budget year by the maximum number of net new residents seen in the recent past, the department can more realistically expect 118 average daily residents in fiscal 2006 and 134 in fiscal 2007. The growth this represents between fiscal 2006 and 2007 is 67% of that projected by the department. **As a result, the Department of Legislative Services is recommending that the increase in the general fund appropriation for this purpose be reduced by 34%, or \$103,000.** This reduction is supported by DVA's consistent overestimates of the census (Exhibit 6). The department has in the past supported its projections with assurances of a stepped up marketing plan (**Appendix 5**), but the plan has not produced dramatic results.

Exhibit 6
Assisted Living Residents of Charlotte Hall Veterans Home
Fiscal 2004 – 2007

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Current</u> <u>FY 2006¹</u>	<u>DLS Est.</u> <u>FY 2006</u>	<u>Allowance</u> <u>FY 2007</u>
Available Beds	226	226	226	226	226
Average Daily Residents (ADR)	88	102	112	118	134
Agency Estimate	110	120	121	121	145
New Residents	16	14	10	16	16
Occupancy	39%	45%	50%	52%	59%

¹ The fiscal 2006 number of daily residents is the census as of January 25, 2006.

Source: Department of Budget and Management

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds to more accurately reflect the number of assisted living residents at Charlotte Hall Veterans Home. The Department of Veterans Affairs estimates that it will have 145 assisted living residents at Charlotte Hall in fiscal 2007, 33 more than it does currently. However, the department has consistently overestimated its assisted living resident population and need for funds. The reduction assumes the number of assisted living residents will climb to 134 in fiscal 2007, 22 more than are currently residing at Charlotte Hall.	\$ 108,000	GF
	\$ 286,000	FF
Total Reductions	\$ 394,000	
Total General Fund Reductions	\$ 108,000	
Total Federal Fund Reductions	\$ 286,000	

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 2005					
Legislative Appropriation	\$9,272	\$263	\$7,064	\$0	\$16,600
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	55	90	76	0	221
Reversions and Cancellations	0	0	-1,296	0	-1,296
Actual Expenditures	\$9,327	\$353	\$5,845	\$0	\$15,525
Fiscal 2006					
Legislative Appropriation	\$9,535	\$267	\$7,317	\$0	\$17,120
Budget Amendments	37	0	0	0	37
Working Appropriation	\$9,572	\$267	\$7,317	\$0	\$17,156

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

Fiscal 2005

- \$55,954 was transferred from the Department of Budget and Management (DBM) through budget amendment to cover the general fund portion of the \$752 general salary increase.
- \$90,000 in special funds was made available from the unappropriated special fund balance to replace the bus used to transport the residents of the Charlotte Hall Veterans Home, which had been destroyed in an accident. The funds were to be used to purchase two smaller American with Disabilities Act-capable buses.
- A federal fund budget amendment for \$76,000 appropriated funds available due to an increase in the veteran internment rate and the collection of burial plot allowances. These funds were to be used to offset the cost of procurement for concrete burial liners and contractual services for grounds maintenance and other cemetery improvements.

Fiscal 2006

In fiscal 2006, \$36,834 in general funds were transferred from DBM through budget amendment to cover the general fund portion of the 1.5% general salary increase.

Audit Findings

Audit Period for Last Audit:	February 12, 2001 – March 10, 2004
Issue Date:	October 25, 2004
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

Finding 1: The department has not received federal reimbursement for certain funding requests totaling approximately \$4 million that were made during fiscal 2004.

Finding 2: **Property records were not adequately maintained, and physical inventories of sensitive and non-sensitive items were not completed as required.**

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	66.00	66.00	66.00	0	0%
02 Contractual	3.26	3.26	4.82	1.56	47.9%
Total Positions	69.26	69.26	70.82	1.56	2.3%
Objects					
01 Salaries and Wages	\$ 2,916,323	\$ 3,078,987	\$ 3,274,449	\$ 195,462	6.3%
02 Technical & Spec Fees	70,202	72,955	119,915	46,960	64.4%
03 Communication	52,752	119,967	70,623	-49,344	-41.1%
04 Travel	37,452	33,760	35,615	1,855	5.5%
06 Fuel & Utilities	295,287	310,111	320,930	10,819	3.5%
07 Motor Vehicles	180,249	59,943	73,684	13,741	22.9%
08 Contractual Services	11,527,099	13,112,021	14,130,918	1,018,897	7.8%
09 Supplies & Materials	130,645	76,237	82,404	6,167	8.1%
10 Equip – Replacement	39,045	23,110	4,110	-19,000	-82.2%
11 Equip – Additional	39,864	12,000	12,000	0	0%
12 Grants, Subsidies, and Contributions	195,118	198,088	198,088	0	0%
13 Fixed Charges	25,154	28,773	31,160	2,387	8.3%
14 Land & Structures	15,479	30,407	16,372	-14,035	-46.2%
Total Objects	\$ 15,524,669	\$ 17,156,359	\$ 18,370,268	\$ 1,213,909	7.1%
Funds					
01 General Fund	\$ 9,326,647	\$ 9,572,272	\$ 9,973,971	\$ 401,699	4.2%
03 Special Fund	353,350	266,650	227,665	-38,985	-14.6%
05 Federal Fund	5,844,672	7,317,437	8,168,632	851,195	11.6%
Total Funds	\$ 15,524,669	\$ 17,156,359	\$ 18,370,268	\$ 1,213,909	7.1%

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Service Program	\$ 1,323,014	\$ 1,345,711	\$ 1,426,427	\$ 80,716	6.0%
02 Cemetery Program	2,544,327	2,541,795	2,545,146	3,351	0.1%
03 Memorials and Monuments Program	374,053	361,695	376,417	14,722	4.1%
05 Veterans Home Program	11,283,275	12,907,158	14,022,278	1,115,120	8.6%
Total Expenditures	\$ 15,524,669	\$ 17,156,359	\$ 18,370,268	\$ 1,213,909	7.1%
General Fund	\$ 9,326,647	\$ 9,572,272	\$ 9,973,971	\$ 401,699	4.2%
Special Fund	353,350	266,650	227,665	-38,985	-14.6%
Federal Fund	5,844,672	7,317,437	8,168,632	851,195	11.6%
Total Appropriations	\$ 15,524,669	\$ 17,156,359	\$ 18,370,268	\$ 1,213,909	7.1%

Charlotte Hall Veterans Home Marketing Plan

Health Management Resources of MD, LLC, the private contractor operating the Charlotte Hall Veterans Home, has the responsibility to market and fill the home's beds, and the program manager (State Executive Director) monitors the contractor's performance. The program director and the contractor are developing a market plan to increase the rate of census gained through public/private and State/local partnerships to establish programs to ensure that veterans are aware of their benefits and to facilitate an increase in census. Ongoing marketing efforts include:

- brochures, and promotional gifts;
- attendance at veterans organizations events;
- attendance at civic and community events;
- outreach and coordination with United States Department of Veterans Affairs facilities;
- outreach to outplacement coordinators at hospitals and nursing homes;
- ads in magazines, newspapers, and special event programs; and
- billboards.

In 2005 the program director attended the following events:

- Charlotte Hall open house;
- Veterans Day;
- Memorial Day;
- Holiday events and functions;
- Monthly Resident Council meetings;
- Joint Committee of Maryland Committee meetings;
- Service Organization Liaison Committee meetings;
- Military Order of the Purple Heart convention;
- Disabled American Veterans convention;
- Veterans of Foreign Wars convention;
- American Legion convention;
- Maryland Association of Counties conference;
- National Association of State Veterans Homes conference; and
- VA Management Assistance Council meetings.