

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$8,138	\$7,939	\$7,624	-\$315	-4.0%
Contingent & Back of Bill Reductions	0	0	-93	-93	
Adjusted General Fund	\$8,138	\$7,939	\$7,531	-\$408	-5.1%
Special Fund	762	850	872	23	2.7%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Special Fund	\$762	\$850	\$871	\$21	2.5%
Federal Fund	8,878	9,828	9,346	-481	-4.9%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Federal Fund	\$8,878	\$9,828	\$9,345	-\$482	-4.9%
Adjusted Grand Total	\$17,778	\$18,616	\$17,748	-\$869	-4.7%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The proposed fiscal 2011 budget represents a decrease of \$0.9 million, or 4.7%, below the fiscal 2010 working appropriation. The general fund appropriation decreases by \$0.4 million, and the federal fund appropriation decreases by \$0.5 million in the fiscal 2011 allowance.
- The allowance represents virtually zero growth over the fiscal 2009 budget due to repeated cost containment actions taken by the Board of Public Works, totaling \$0.4 million in fiscal 2010, most of which were carried over into the fiscal 2011 allowance. As a result, the agency has had to reduce contracts for upkeep and maintenance of the veterans' cemeteries that it maintains and defer maintenance projects at Charlotte Hall Veterans Home.

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

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- Across-the-board reductions for employee furloughs and other personnel expenses included in the Governor’s fiscal 2011 allowance decrease the budget by \$0.1 million, primarily consisting of general funds.

Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	73.00	73.00	74.00	1.00
Contractual FTEs	<u>4.38</u>	<u>4.38</u>	<u>4.38</u>	<u>0.00</u>
Total Personnel	77.38	77.38	78.38	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.23	3.01%
Positions and Percentage Vacant as of 12/31/09	1.00	1.37%

- The Maryland Department of Veterans Affairs (MDVA) received one additional position in the fiscal 2011 allowance in the Executive Direction Program. The position was transferred from the Office of the Lieutenant Governor and will act as Chief of Staff to the Secretary of MDVA.
- As of December 31, 2009, there was only 1.0 vacant position within the agency, representing 1.37% of the workforce. The turnover rate for this agency is set at 3.01%, or 2.23 positions. Since the actual vacancy is lower than its turnover, the agency must use funds from other parts of its budget to fulfill personnel costs.

Analysis in Brief

Major Trends

Maryland’s Veteran Population Has Increased by Over 23,000 Since Fiscal 2006: The total veteran population in Maryland peaked in fiscal 2008 at just over 480,000 veterans before declining slightly in fiscal 2009 to about 476,000. The cumulative increase seen over the past couple of years has been a result of veterans returning from combat in Iraq and Afghanistan, as well as the Base Realignment and Closure Commission recommendations. Outreach efforts to veterans have increased to meet the increase in population.

Charlotte Hall Is Closer to Full Occupancy Since the Number of Assisted Living Beds Decreased: In fiscal 2009, Charlotte Hall decreased the number of assisted living beds from 226 to 184 due to low demand for assisted living services and a need to increase professional office space at the home. As a result, the occupancy rate jumped from 62.8 to 78.8% in the assisted living unit. The agency expects the total capacity of the home, including assisted living and skilled nursing, to reach 90.0% by fiscal 2011.

Issues

Implementation of Computerized Patient Record System: The Computerized Patient Record System (CPRS) is a computer system for storing and using electronic health records for veterans. Maryland became the first state to begin implementation of this system in 2009 at Charlotte Hall Veterans Home. Using an electronic system for records enables doctors to more easily transfer files for patients and allows diagnoses to occur remotely without the patient having to leave the veterans home. The infrastructure start-up costs and annual lease of the software of CPRS are all covered by federal funds. Although there have been a few technical glitches while adopting the system to a State-run home, the department expects the system to be operational later this year. The agency also expects operating costs to be lowered as a result of efficiencies produced by the system.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete one new position within the Executive Direction Program.	\$ 145,423	1.0
Total Reductions	\$ 145,423	1.0

Updates

Outreach and Service Efforts for Maryland Veterans: The 2009 *Joint Chairmen’s Report* requested MDVA to report on the progress made in reaching the veteran community as a result of newly added positions and service offices. MDVA reports that while the total veteran population in Maryland decreased slightly between fiscal 2008 and 2009, the number of client contacts and claims benefits filed increased, largely due to the new service offices and staff members.

Veterans Behavioral Health Initiative: The fiscal 2009 operating budget added a new program operated by the Department of Health and Mental Hygiene (DHMH) and the Maryland Department of Veterans Affairs to link veterans returning from combat abroad to mental health services offered by the State and by the federal government. The program has been the subject of budget cuts in fiscal 2010 due to underutilization. MDVA supports DHMH in its efforts to locate and assist Maryland veterans that need mental health services.

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Department of Veterans Affairs

Operating Budget Analysis

Program Description

The Maryland Department of Veterans Affairs (MDVA) provides a variety of administrative, outreach, 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 (Charlotte Hall) in St. Mary's County. The department's goals are to:

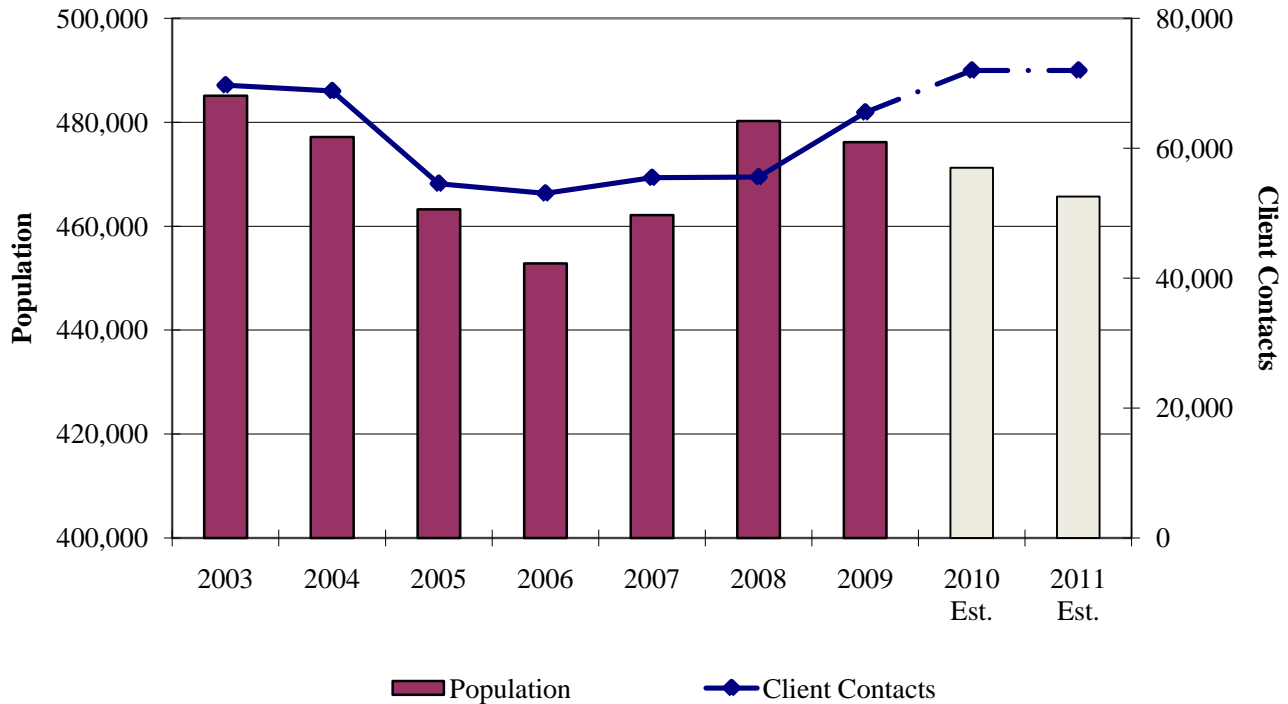
- aid veterans in the preparation of claims for benefits to which they are entitled such as service-connected disability compensation, educational assistance, home loans, death benefits, and medical care;
- operate and maintain the five veterans' cemeteries to provide interment for eligible Maryland veterans and their dependents;
- provide upkeep and maintenance for Maryland's war memorials;
- provide and operate the State veterans' home at Charlotte Hall for Maryland veterans who are unable to take care of themselves due to disability, advancing age, or who are in need of nursing home care; and
- coordinate outreach and advocacy efforts to inform veterans, their dependents, and survivors of their benefits and entitlements granted by law.

Performance Analysis: Managing for Results

MDVA'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 number of veterans in Maryland seems to be somewhat cyclical, as shown in **Exhibit 1**, in that there was a steady decline from fiscal 2003 through 2006. After that time, the population increased through fiscal 2008 due to the return of veterans serving in Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) and the Base Realignment and Closure (BRAC) plans. In fiscal 2009, the population dipped slightly from 480,218 to 476,202. MDVA projects that this downward trend will continue in the coming years.

Even while the total veteran population declined between fiscal 2008 and 2009, the number of client contacts rose due to new outreach programs which began in fiscal 2008 and the hiring of additional service officers.

**Exhibit 1
Maryland Veteran Population and
Maryland Department of Veterans Affairs Client Contacts
Fiscal 2003-2011**



Source: Maryland Department of Veterans Affairs

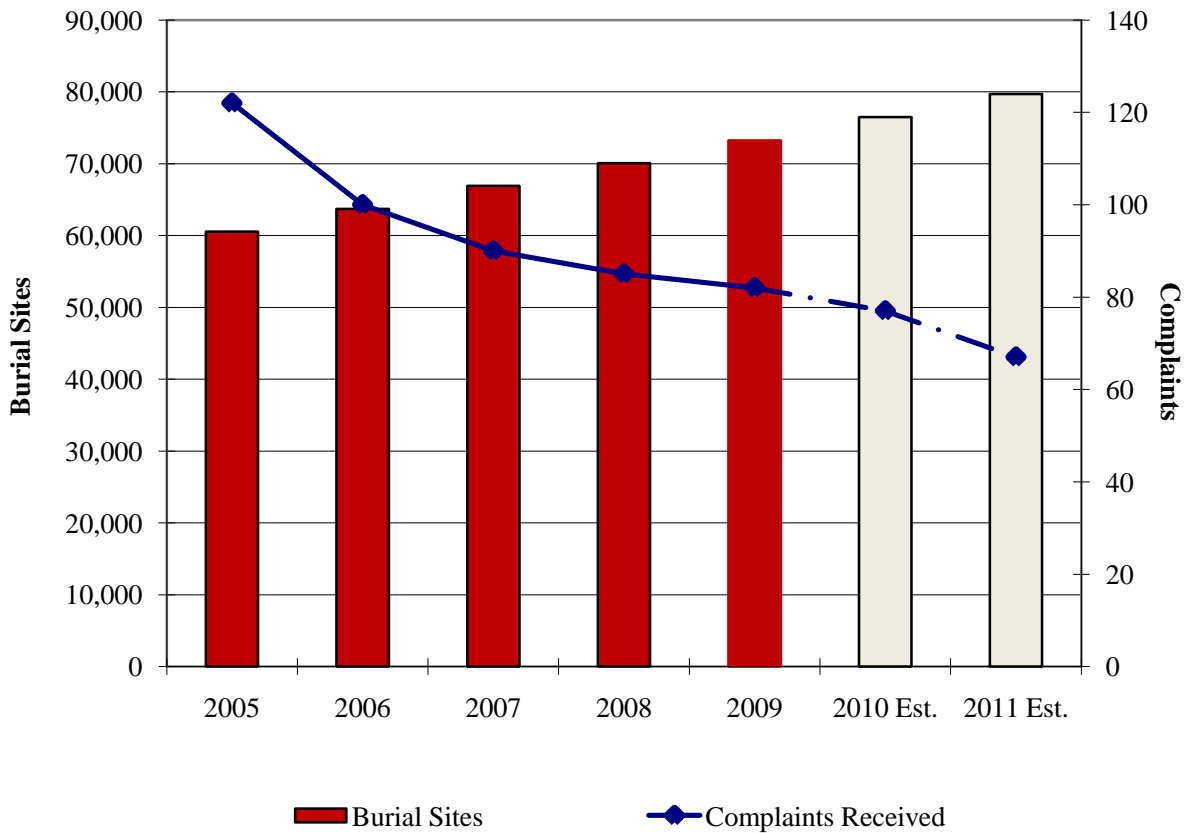
The increase in the number of veterans returning from combat in Iraq and Afghanistan and those relocating due to the BRAC Commission recommendations spotlights the need for effective outreach and an efficient service delivery system for that particular population of veterans. While the number of returning OEF/OIF veterans is small in comparison to the total veteran population in Maryland, a significant portion of these returning veterans are facing challenges in successfully re-integrating into the community.

Cemetery Program

MDVA continues to service Maryland veterans and their spouses at five cemeteries throughout the State: Cheltenham Veterans Cemetery, Crownsville Veterans Cemetery, Eastern Shore Veterans Cemetery, Garrison Forest Veterans Cemetery, and Rocky Gap Veterans Cemetery. These facilities provide interment services to eligible veterans and their dependents. Garrison Forest Veterans Cemetery is the third busiest veterans' cemetery in the nation, according to the National Cemetery Administration.

The performance data relating to MDVA’s Cemetery Program is included in **Exhibit 2**. The total number of burial sites in all five veterans’ cemeteries continues to increase, with the total reaching 73,237 in fiscal 2009. MDVA expects this trend to continue and has been working on capital projects at the cemeteries to accommodate the growing number.

Exhibit 2
Burial Sites and Complaints at Maryland’s Veterans’ Cemeteries
Fiscal 2005-2011



Source: Maryland Department of Veterans Affairs

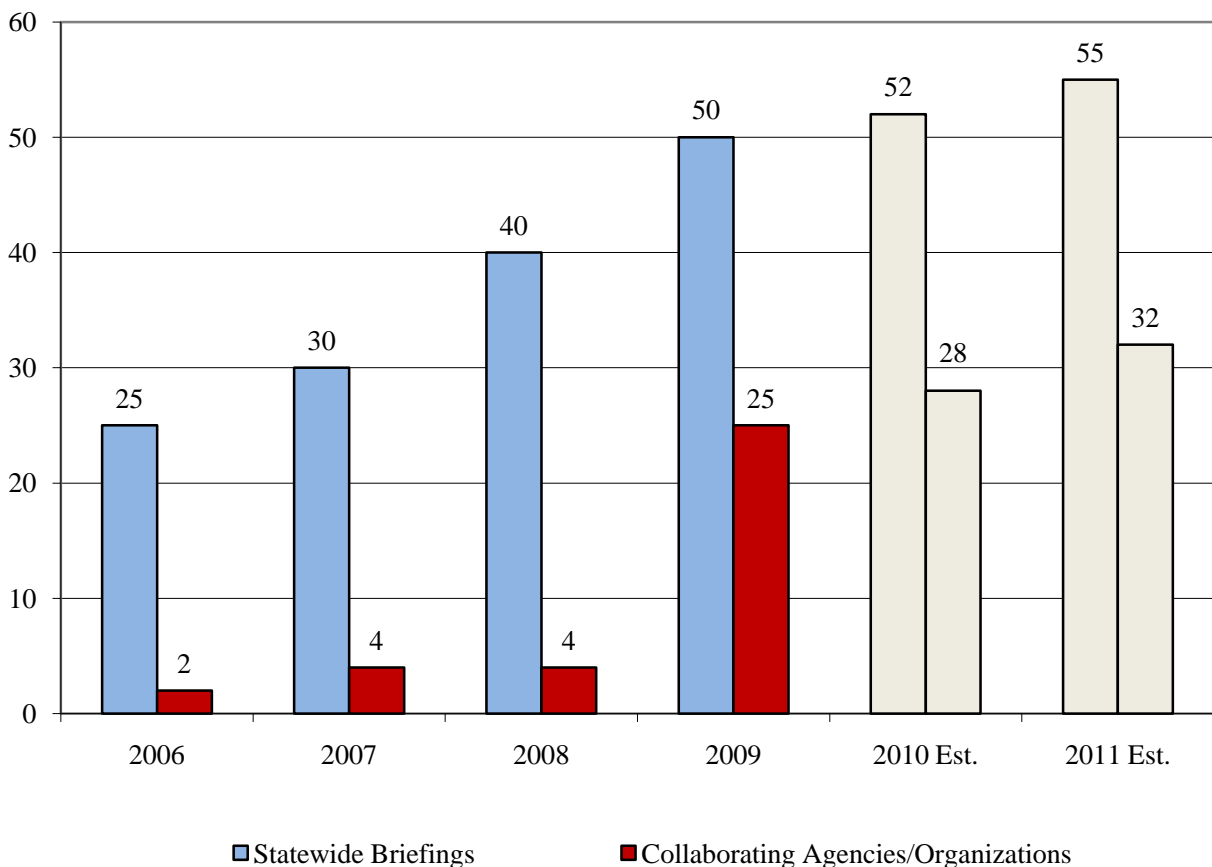
The maintenance of the burial sites and the services offered to families during the interment process are also of high priority to MDVA. Each cemetery must be maintained as a national shrine according to the National Cemetery Administration standards. Thus, one of the MDVA Cemetery Program goals is to maintain burial areas, surrounding lawn areas, buildings, and roads that fulfill the expectations of family members and members of the veterans’ community. As Exhibit 2 shows, the number of complaints has decreased, even as the total number of sites has increased. MDVA expects this trend to continue, although repeated cuts by the Board of Public Works (BPW) has reduced the amount of funds available for contracts needed to maintain the cemeteries.

Outreach

The Outreach and Advocacy (OAA) Program was officially created in fiscal 2009 and actively seeks out veterans, their dependents, and survivors to inform them of benefits granted to them by law. MDVA also uses the findings of the OAA Program to inform the State and federal governments so that veterans' needs may be properly addressed.

The OAA Program provides direct marketing to veterans by distributing newsletters and pamphlets, processing requests submitted through the MDVA web site, conducting statewide information briefings, and working with other agencies throughout the State. **Exhibit 3** shows the number of statewide briefings held by the agency and the number of outside organizations that MDVA partners with to reach veterans.

Exhibit 3
Outreach and Advocacy
Fiscal 2006-2011



Source: Maryland Department of Veterans Affairs

The greater the number of organizations that the agency develops relationships with, the easier it is to distribute material and conduct briefings, as the organization usually provides the venue from which MDVA can present. In fiscal 2009, MDVA conducted 50 statewide briefings and collaborated with 25 organizations. There was a significant jump in collaborating organizations between fiscal 2008 and 2009 as the OAA Program was established. Some of the organizations that MDVA works with includes the American Legion; Disabled American Veterans; Veterans of Foreign Wars; Maryland Military Department (Reintegration Program); Maryland Department of Business and Economic Development; Maryland Department of Aging; Maryland Employer Support of the Guard and Reserve; Maryland Veterans Commission; Charlotte Hall Veterans Home Commission; Maryland Department of Health and Mental Hygiene (DHMH); U.S. Department of Veterans Affairs (USDVA) Vocational Rehabilitation Services; and Department of Labor, Licensing, and Regulation.

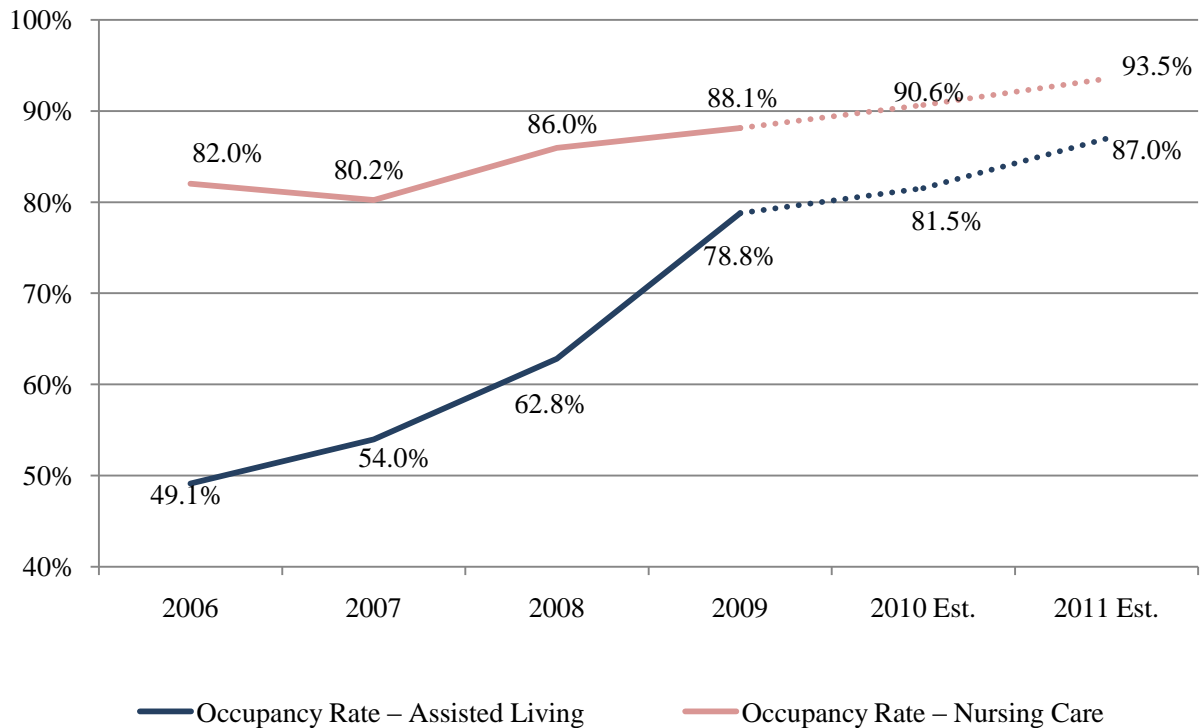
Charlotte Hall Veterans Home

Charlotte Hall, which opened in 1985, is a State long-term healthcare facility located on 126 acres in St. Mary's County. Clinical care and health care management at Charlotte Hall are provided by a private contractor but are overseen by the executive director and other MDVA staff. Charlotte Hall currently has 462 beds designated for assisted living and skilled nursing long-term care for 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. While Charlotte Hall is open to both men and women, the majority of residents are male.

Exhibit 4 shows the occupancy rate for Charlotte Hall for its assisted living unit and its nursing care unit. As the chart shows, Charlotte Hall is quickly reaching capacity in the nursing care unit and has significantly increased the total occupancy rate within the assisted living unit. In fiscal 2009, Charlotte Hall lowered its total bed capacity in the assisted living unit from 226 to 184 beds. This caused the occupancy rate to increase from 62.8 to 78.8% from fiscal 2008 to 2009.

The decision to reduce the bed capacity in the assisted living unit came in part due to recognition by the home that there was not enough demand to warrant 226 assisted living beds. As a result, Charlotte Hall has been able to make additional space available for professional suites, needed to accommodate office space for staff and contractual medical employees. The State-funded subsidy for assisted living beds at Charlotte Hall was also reduced in fiscal 2009 lowering the amount of general funds that the unit can access.

**Exhibit 4
Occupancy Rate at Charlotte Hall – Nursing Home Unit and Assisted Living Unit
Fiscal 2006-2011**



Source: Maryland Department of Veterans Affairs

Fiscal 2010 Actions

Impact of Cost Containment

Cost containment actions approved by BPW in July, August, and November 2009 have resulted in a \$0.4 million reduction to the general fund appropriation and a reduction of \$789 to the special fund appropriation for fiscal 2010. The actions have had two main effects on the budget of MDVA. First, employee furloughs were implemented statewide resulting in a decrease of \$80,000 in general funds and \$789 in special funds for personnel expenses.

Second, the cost containment actions have required MDVA to cut general funds for operational expenses throughout the agency, resulting in a \$0.3 million decrease of general funds. MDVA has been able to bear these cuts by supplanting general funds with federal funds received through per diem payments made to Charlotte Hall and lowering contract costs at the veterans' cemeteries.

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- At Charlotte Hall, cost containment reductions have had the effect of deferring maintenance and repair of State facilities including the buildings, roads, and equipment. MDVA has been able to build some of these expenses back into the fiscal 2011 budget by utilizing federal funds accrued through per diem payments from the USDVA for the cost of veteran care.
- At the veterans' cemeteries, the major effect of cost containment has been to the upkeep of the cemeteries. Specifically, MDVA had to cancel contracts for the installation of grave markers and a grid system for the cemeteries in fiscal 2010. Federal funds will be utilized in fiscal 2011 to cover some operational expenses of the cemeteries such as fuel, utilities, and maintenance. Also, MDVA has partnered with the Department of Public Safety and Correctional Services to employ inmates in a pre-release work program to perform upkeep and maintenance at the cemeteries. Special funds are used for this program.

Proposed Budget

As shown in **Exhibit 5**, the Governor's proposed allowance decreases by \$0.9 million, or 4.7%, below the fiscal 2010 working appropriation. General fund support decreases by \$0.4 million, or 5.1%; federal fund support decreases by \$0.5 million, or 4.9%; and special fund support increases by approximately \$21,000, or 2.5%.

In many instances, cost containment actions taken by the Board of Public Works which lowered the fiscal 2010 budget were incorporated in the fiscal 2011 budget. For instance, general fund support to Charlotte Hall was cut through BPW actions in the fiscal 2010 budget, and the reduced funding level is carried over into the fiscal 2011 budget. In the assisted living unit, the total approved capacity continues to be lower than the fiscal 2008 level thereby reducing the federal fund per diem funding stream for the cost of care as well as accessing a lower amount of general fund subsidy for the unit. The federal per diem payment only covers part of the cost of care. The remaining expenses are absorbed by the State and by residents. In the fiscal 2011 budget, the budget for Charlotte Hall's cost of care is reduced by \$1.4 million to recognize the ongoing nature of the cost containment actions.

The other programmatic area that was the subject of large cost containment reductions was in the Cemetery Program, specifically for contracts to provide maintenance at the veterans' cemeteries. The reductions continue in fiscal 2011, as MDVA has had to lower its expenses for contracts and upkeep to the cemeteries. While some of the work at the cemeteries is being deferred, other maintenance and upkeep is provided by the inmate pre-release program at a lower cost.

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

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
2010 Working Appropriation	\$7,939	\$850	\$9,828	\$18,616
2011 Allowance	<u>7,624</u>	<u>872</u>	<u>9,346</u>	<u>17,843</u>
Amount Change	-\$315	\$23	-\$481	-\$773
Percent Change	-4.0%	2.7%	-4.9%	-4.2%
 Contingent Reductions	 -\$93	 -\$1	 -\$1	 -\$95
Adjusted Change	-\$408	\$21	-\$482	-\$869
Adjusted Percent Change	-5.1%	2.5%	-4.9%	-4.7%

Where It Goes:

Personnel	\$313
Salary expenses, partially offset by across-the-board reductions.....	\$173
New position within the Executive Direction Program	145
Employee and retiree health insurance	74
Other fringe benefits	9
Decreased turnover rate.....	8
Across-the-board reductions to personnel.....	-95
Charlotte Hall	-\$1,154
Equipment, building, and road maintenance	231
Loan repayment on energy performance contract.....	57
Reduction in cost of care due to reduced bed capacity in assisted living unit and reduced State subsidy rate for assisted living	-1,442
Other Changes	-\$28
Funding for the Maryland Veterans Trust Fund, per Chapter 742 of 2009.....	100
Laundry and housekeeping services at the veterans' cemeteries	39
Increased operating budget for the War Memorial Building, as set by Baltimore City	19

Where It Goes:

Other changes.....	4
Decrease in contracts for grounds maintenance and upkeep at veterans' cemeteries	-171
Elimination of travel budget for in-state and out-of-state conferences	-19
Total	-\$869

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

Personnel Expenses

Personnel expenses at MDVA increase by \$0.3 million in the fiscal 2011 allowance and represent the only cumulative increase in MDVA's budget, as shown in Exhibit 5. The main driving force for the increase is the addition of a new position that will be formally incorporated into MDVA's Executive Direction Program in fiscal 2011, resulting in an increase in personnel expenses of approximately \$145,000 general funds. The cost of the new position includes base salary and fringe benefits.

The Department of Legislative Services recommends deleting this position from the fiscal 2011 allowance as there is already sufficient staff in place to support the Secretary and the operations of the agency. In addition to the Secretary and the Deputy Secretary, the Executive Direction Program, the administrative arm of the agency, has one finance and personnel manager, two fiscal services personnel, and an executive administration staff member. This level of staffing has been sufficient in previous years to carry out the administrative duties of the agency and should be sufficient to cover the agency's needs in fiscal 2011.

The increase to salaries shown in Exhibit 5 is partially offset by across-the-board reductions to personnel expenses, which will be allocated by the Administration. The across-the-board reductions include a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

Other increases in the personnel budget include an increase in employee and retiree health benefits (\$73,804); a decrease in turnover rate from 3.22 to 3.01% (\$8,428); and other fringe benefits (\$9,000).

Operating Expenses

Operating expenses at MDVA decrease by \$1.2 million across all subprograms within the agency in the fiscal 2011 allowance, as shown in Exhibit 5. The driving force for the decrease in the allowance occurs within the budget of Charlotte Hall. As mentioned in the Managing for Results section of this analysis, the number of assisted living beds at the facility has recently been lowered from 226 to 184 due to underutilization. This has lowered the costs of the assisted living unit but has also decreased the federal fund per diem funding stream. Additionally, the general fund subsidy for assisted living beds has also decreased. These factors taken together result in a \$1.4 million reduction to operating expenses at the home.

While the majority of the budget decreases in fiscal 2011, there are a few areas at Charlotte Hall that receive an increase in funding in the fiscal 2011 allowance. First, maintenance and repair projects for equipment, buildings, and roads at the home that were deferred in fiscal 2010 due to cost containment receive funding in fiscal 2011 (\$231,000). For the most part, the projects are funded from federal funds. Also, MDVA entered into a loan agreement with the Maryland Energy Administration to finance a portion of an energy performance contract (EPC). The EPC will install capital equipment authorized in the fiscal 2010 capital budget and implement maintenance services at the home in order to reduce energy consumption (\$38,000).

The largest increase to the budget outside of Charlotte Hall is a special fund appropriation in the Executive Direction Program for the Maryland Veterans Trust Fund, per Chapter 742 of 2009. The fiscal 2011 allowance includes \$100,000 for the fund which will consist of gifts and grants received by MDVA. Money in the fund may be used to make grants and loans to veterans and their families, support public and private programs that serve veterans in the State, or support Charlotte Hall. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

Laundry and housekeeping services at the veterans' cemeteries account for a \$38,964 increase in fiscal 2011. Also, the budget for the War Memorial Building, within the Memorials and Monuments Program, increases by \$19,000 in the fiscal 2011 allowance. The budget for the War Memorial Building is set by Baltimore City, and the expenses are shared between the State and the city.

Decreases to MDVA's allowance include a decrease of \$170,877 for contracts to provide grounds maintenance and upkeep at the veterans' cemeteries. Expenses for maintenance, previously supported by general funds, were cut in fiscal 2010 as a cost containment measure. MDVA is able to lower the cost of the upkeep at the cemeteries by participating in the inmate pre-release work program mentioned earlier in this report. This action allows some of the upkeep and maintenance to be performed at a lower cost. MDVA also reduced its budget by \$19,357 to eliminate travel expenses for in-state and out-of-state conferences for all subprograms.

Issues

1. Implementation of Computerized Patient Record System

The Computerized Patient Record System (CPRS) is a system for storing and using electronic health records for veterans currently used by USDVA. The system has garnered much attention and praise for its use of an electronic system to track health records, developed with extensive involvement of front-line health care providers. In fact, Harvard University recognized USDVA's computerized patient records as one of the top 50 government innovations of 2006. Subsequently, it won the prestigious "Innovations in American Government Award," presented by Harvard University's Ash Institute for Democratic Governance and Innovation at the Kennedy School of Government and administered in partnership with the Council for Excellence in Government which honors excellence and creativity in the public sector. CPRS allows USDVA to provide better, safer, more consistent care. It permits health care professionals at each of the 1,400 locations where USDVA provides care to see the complete health records of any patient residing at Charlotte Hall.

MDVA has entered into an agreement with USDVA to share in the award winning electronic health record system and will be the first state to tap into the national system, implemented at Charlotte Hall. The use of CPRS will allow Charlotte Hall to efficiently track veterans' health records when they travel to outside medical providers for treatments and to allow diagnoses to occur remotely if the patient is unable to leave the facility. It will also allow the nursing staff at the home to work more efficiently by accessing physician orders instantly on laptops and cut down on chart errors. For residents who travel outside of the home, their medical records and history will be available at any USDVA hospital should they need to be accessed. MDVA will leverage federal funds to cover the upfront and annual costs of the system.

Upfront Infrastructure Costs

Successfully installing CPRS requires both initial set up costs for the computer infrastructure as well as ongoing annual costs to maintain the system. The upfront costs for installing CPRS include cabling, equipment, server, data management, and contract management, as shown in **Exhibit 6**. The total cost to install CPRS is estimated to be \$0.8 million. MDVA plans to use federal funds that were accrued for this purpose.

**Exhibit 6
Infrastructure Costs for Computerized Patient Record System**

<u>Project Component</u>	<u>Estimated Cost</u>
Network Cabling	\$25,500
Network Equipment	307,880
End-user Equipment	457,229
VistA Server	22,000
Pharmacy Data Management	3,825
Project Management	30,000
Total	\$846,434

Source: Maryland Department of Veterans Affairs

Annual Cost

The agreement with USDVA sets out specific costs that MDVA can expect to incur from year to year, shown in **Exhibit 7**. The one-time fees include administrative fees and staff training. A computer analyst is needed to maintain the system. The agreement specifies one full-time GS-12 level employee with annual overtime and leave projection. A 3% inflation factor is included in the out-years for salary and annual utility costs. The annual cost to lease the software itself is \$70,000 per year.

**Exhibit 7
Computerized Patient Record System Annual Costs
Fiscal 2010-2012**

<u>Costs</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual Server Fee	\$70,000	\$70,000	\$70,000
Annual Utility Cost	855	881	907
Annual Data Line Cost	6,000	6,000	6,000
Computer Analyst	101,484	104,528	107,664
One Time Administrative Fees	8,256	-	-
One Time Staff Training	2,122	-	-
Total	\$188,717	\$181,409	\$184,571

Source: Maryland Department of Veterans Affairs

Potential Cost Savings

The installation of electronic health records is widely anticipated to lower health care costs by creating efficiencies in the delivery system, reducing medical errors, and allowing diagnoses to occur remotely. MDVA expects the implementation and use of CPRS will also result in lower health care costs at the home and for Maryland's veterans.

Implementation Status

A memorandum of understanding (MOU) was signed by the State and the Washington, DC Veterans Affairs Medical Center (WVAMC) in early 2009 for CPRS to be installed at Charlotte Hall. Charlotte Hall then contracted with a certified network engineer (CNE) in May 2009 to design, install, and manage the CPRS computer network. The CNE has worked with WVAMC to install a point-to-point high-speed data line between Charlotte Hall and WVAMC. Once set up and installed, the server for CPRS will be physically located and managed at WVAMC. The data line was installed in July 2009. The network infrastructure and user equipment has also been established at Charlotte Hall including:

- outfitting a server room, 10 telecommunications closets, and all new fiber optic cabling for the building;
- certifying 170 workstations and printers and 45 wireless access points;
- conducting a radio frequency study of the building to support the Bar Code Medication Administration System (BCMS) and the medicine and treatment carts.
- purchasing 96 laptops and merging existing business applications to the new computers;
- purchasing 15 ruggedized laptops to be used with the BCMS medication and treatment carts;
- purchasing 4 servers that provide network security, file and print sharing, email, antivirus licensing and control, data backup, and network monitoring; and
- establishing network perimeter control, monitoring, and remote access for CPRS programmers and approved internal users.

The system is not quite operational yet, as the physical server equipment leased by Charlotte Hall from USDVA did not begin configuration until May 2009; as of January 2010, the programming is 90% complete. Technical issues exist where Charlotte Hall regularly contracts with non-USDVA entities, specifically for lab and pharmacy services. In these instances, an electronic communication interface had to be developed specifically for Charlotte Hall to be able to use non-USDVA entities for these services. Once the server is fully configured and tested, it must be moved back to WVAMC before Charlotte Hall can use CPRS.

Maryland is the first state to utilize MDVA's electronic health record system and as such has had to confront obstacles specific to state-specific implementation. Other states have expressed interest in the system as well and have contacted Charlotte Hall to receive guidance on how the MOU for the system was developed. MDVA is proud that it will be the first to participate in CPRS as it will provide enhanced benefits to the residents of Charlotte Hall and allow the home to provide more efficient medical care. **The agency should comment on the implementation status, including the configuration of the server and provide an estimated date as to when the system will become operational. The agency should also comment on the ways in which it envisions the system will enhance care at the home including staff efficiencies that may lead to reductions in operating expenses.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete one new position within the Executive Direction Program, the administrative arm of the agency. This position serves as Chief of Staff to the Secretary of the agency. The office is already sufficiently staffed to carry out the duties of the agency.	\$ 145,423	GF	1.0
Total General Fund Reductions	\$ 145,423		1.0

Updates

1. Outreach and Service Efforts for Maryland Veterans

The 2009 *Joint Chairmen's Report* requested MDVA report on the progress made in reaching the Maryland veteran community as a result of newly added positions and service offices. The fiscal 2009 budget included the addition of 4.0 new positions in the Service Program to meet the demand of veterans returning from combat abroad as well as the veterans moving to Maryland in response to the Base Realignment and Closure Commission recommendations. As a result, MDVA planned to open three new veterans' service offices.

In its response, dated September 2009, MDVA reported that while the total veteran population in Maryland decreased slightly between fiscal 2008 and 2009, the number of client contacts and claims benefits filed increased, largely due to the new service offices and staff members.

Service

As a result of approved positions in the fiscal 2009 budget, MDVA hired one secretary at the Prince George's County office and three veterans' benefits specialists that were placed at the Charlotte Hall, Hagerstown, and Baltimore City offices, respectively. The addition of these staff members allowed the department to open three new service offices at Bel-Air in Harford County (opened October 1, 2008), Charlotte Hall in St. Mary's County (opened January 14, 2009), and Hagerstown in Allegany County (opened January 30, 2009).

The addition of these four staff members allows existing MDVA staff members to devote more time to staff itinerant offices, to train new employees, and to staff veterans musters around the State. The department's Veterans Muster Initiative works with local veterans service organizations to provide a free informational seminar to Maryland veterans and their families about benefits and services offered by the federal or State government. The musters are done at no cost to MDVA as the veterans' service organizations donate the use of their facilities to hold the event. The goal is to conduct one muster in each county and Baltimore City within a two-year time period.

Staff members from the Service Program continue to work with USDVA hospitals and Community Based Outpatient Clinics sponsored by USDVA to reach an expanded veteran population and provide itinerant services to veterans at those locations. The Service Program also works with senior centers, assisted living facilities, and veterans' service organizations to bring awareness to Maryland veterans.

Outreach

The goal of MDVA's Outreach and Advocacy (OAA) Program is to find innovative ways to seek out and inform Maryland's veterans about benefits available to them through the federal or State government. Currently, the program has several ongoing projects underway:

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- Veterans Musters – OAA works with the Service Program to staff these informational seminars. To date, the department has conducted 14 musters since April 2008 and has been able to connect with approximately 2,500 veterans and their families.
- Semi-annual Newsletter – OAA publishes the *Maryland Veteran*, of which the distribution has grown from 32,000 in fiscal 2008 to more than 58,000 in fiscal 2009. The newsletter is sent to individuals and organizations via regular mail and email subscription list, is made available at local community centers and veterans service organizations, and is also available on MDVA’s web site.
- State Benefits and Information Guide – OAA has updated its benefits and information guide that is included in the “Welcome Home” letter sent by the Secretary to Maryland veterans returning from combat abroad. The guide is also distributed through the same channels as the newsletter.
- Maryland National Guard Reintegration Academy Program – OAA sets up an informational booth at classes attended by veterans returning from Operation Enduring Freedom and Operation Iraqi Freedom which are sponsored by the Maryland National Guard. These classes provide training opportunities for returning veterans and also provide an avenue to connect veterans with service providers.
- MDVA Web Site – OAA is responsible for maintaining the department’s web site. It was recently redesigned and relaunched in early 2009 resulting in over 400,000 additional hits and inquiries.
- Veterans Behavioral Health Initiative – OAA provides support to the Department of Health and Mental Hygiene to run the Veterans Behavioral Health Initiative. OAA provides guidance as needed to the Regional Resource Coordinators in the field that are responsible for connecting veterans with the services they need. More information on this initiative is provided in the following update.

Outcomes

Based on the activities of the Service Program and the OAA Program, MDVA reports that its contacts with Maryland veterans have increased between fiscal 2008 and 2009. **Exhibit 8** shows the increase in client contacts, power-of-attorney filings, and the number of USDVA claims filed even as the total veteran population in Maryland decreased.

Exhibit 8
Outreach and Advocacy Outcomes
Fiscal 2008-2009

<u>Measure</u>	<u>2008</u>	<u>2009</u>	<u>Change</u>
Veteran Population	480,218	476,202	-4,016
Client Contacts	55,571	65,547	9,976
Power-of-attorney Filings	418	813	395
U.S. Department of Veteran Affairs Claims Filed	2,695	3,627	932

Source: Maryland Department of Veterans Affairs

2. Veterans Behavioral Health Initiative

With the continued operation of military commitments in Iraq and Afghanistan, Maryland is experiencing an influx of veterans returning from combat that need assistance to access mental health care services afforded to them by the U.S. Department of Veterans Affairs. If assistance from the USDVA is not available, Maryland has set a priority to serve veterans through the State mental health system.

To address this need, Chapter 555 of 2008 created a Veterans Behavioral Health Initiative in the State to fund gap behavioral health services for underserved Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans administered by the Mental Hygiene Administration (MHA) in conjunction with the MDVA Outreach and Advocacy Program. The legislation requires MHA to establish behavioral health service coordination for certain veterans for a three-year period. The intent of the program is two-fold: to link veterans to mental health services provided by USDVA and to provide gap services if there is a delay in services available for USDVA. The State will provide crisis intervention; individual, group, and family therapy; substance abuse early intervention and detoxification services; and medications until the veteran can access USDVA care. The legislation also established a Veterans Behavioral Health Advisory Board, chaired by the Lieutenant Governor, to examine and make recommendations on service gaps and opportunities for collaboration and coordination of services.

The legislation targets OEF/OIF veterans returning from combat in Iraq and Afghanistan. According to the USDVA, one-third of all combat veterans are diagnosed as having a mental disorder. Data indicates that 10 to 15% of combat veterans have post-traumatic stress disorder and another 10% have signs of the disorder, depression, or anxiety and may benefit from care.

Co-occurring substance abuse problems are also common among this population as are high suicide rates and homelessness.

Service Coordination

Service coordination for the eligible veterans will be handled by regional resource coordinators in four regions of the State: Hagerstown, La Plata, Easton, and Baltimore City. The coordinators are responsible for linking an eligible veteran to services in the appropriate geographic region. MDVA's OAA Program provides guidance as needed to the regional coordinators, who are primarily responsible for connecting veterans with services they need. MDVA is also assisting in efforts to identify transportation services to help veterans get to their behavioral health appointments. Lastly, OAA recently obtained a list of names and addresses of Maryland veterans from USDVA that consists of veterans that were discharged after January 2004. Letters will be sent to these individuals to welcome them home and gather contact information. MDVA hopes that this will enable the State to reach more Maryland veterans, especially in rural areas of the State, to ensure that they are receiving the behavioral health services that they need.

Program Update

MHA has received federal funding for the program and began to offer services in early 2009, although the program has been the subject of repeated cuts in fiscal 2010 due to underutilization of the program. **The agency should comment on the progress of this initiative, including the number of veterans that the program has reached and the success rate of matching individuals with USDVA funded treatment.**

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 2009					
Legislative Appropriation	\$9,100	\$604	\$8,848	\$0	\$18,552
Deficiency Appropriation	0	159	30	0	189
Budget Amendments	147	0	0	0	147
Cost Containment	-660	0	-1	0	-661
Reversions and Cancellations	-448	0	0	0	-448
Actual Expenditures	\$8,138	\$762	\$8,878	\$0	\$17,778
Fiscal 2010					
Legislative Appropriation	\$8,315	\$851	\$9,828	\$0	\$18,993
Cost Containment	-376	-1	0	0	-376
Budget Amendments	0	0	0	0	0
Working Appropriation	\$7,939	\$850	\$9,828	\$0	\$18,616

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

Fiscal 2009

In fiscal 2009, the budget for MDVA closed out at \$17.8 million, a decrease of \$0.8 million below the original legislative appropriation. Cost containment and reverted general funds accounts for the majority of the decrease in the budget in fiscal 2009. In fact, the general fund appropriations for the agency decreased by nearly \$1.0 million, while the special fund and federal fund appropriation increased by only a combined \$0.2 million.

Budget amendments increased the general fund appropriation for MDVA by approximately \$147,000 for a cost-of-living adjustment (\$59,802), an annual salary review adjustment for veterans' service officers and cemetery workers (\$81,493), and communications expenses in the Executive Direction Program (\$5,239).

Three separate cost containment actions by the Board of Public Works account for nearly \$0.7 million of the decrease in fiscal 2009, primarily resulting in a reduction to general funds. First, cost containment actions approved by BPW in June 2008 reduced the general fund appropriation by \$141,295 and the federal fund appropriation by \$718 for fiscal 2009 for personnel expenses.

Second, actions taken by BPW in October 2008 reduced the budget by an additional \$0.5 million in general funds. These actions had more significant effects on the agency's services. The following reductions were made:

- \$392,347 reduction within the Cemetery Program resulting in the cancellation of a contract for grave marker installation and realignment as well as a contract for a grave marker grid system;
- \$45,000 reduction based on savings realized by the Service Program's document management system;
- \$6,652 reduction for building maintenance at Charlotte Hall, the balance of which would cover existing maintenance;
- \$3,510 reduction for out-of-state travel; and
- \$97,809 reduction due to statewide health insurance and Other Post Employment Benefits (OPEB) changes. Fringe benefit appropriations were reduced as OPEB prefunding of \$76,777 was ceased, and statewide employee health insurance balances of \$21,032 were used in lieu of budgeted funds.

The third and final BPW action in fiscal 2009 reduced the general fund appropriation by \$89,684 and the special fund \$489, due to employee furloughs for all subprograms of MDVA (\$38,572) and a cut to contractual services in the Service Program and at Charlotte Hall Veterans Home (\$51,601). However, federal funds were available to offset the cut to contractual services and MDVA did not suffer any operational deficiencies due to the BPW action.

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Next, nearly \$448,000 in the general fund appropriation was reverted to the general fund due to delayed implementation of the document management system in the Service Program (\$41,611), the availability of federal funds to supplant general funds at Charlotte Hall (\$286,560), accounting costs in the Executive Department (\$103,794), and reduced expenses within the Outreach and Advocacy Department (\$15,875).

Fiscal 2010

The fiscal 2010 working appropriation is \$0.4 million lower than the original legislative appropriation due to cost containment actions approved by BPW in July, August, and November 2009. The first BPW action in July cut approximately \$0.3 million in general funds from Charlotte Hall due to the availability of federal funds. The agency plans to utilize federal per diem payments made by the federal government to Charlotte Hall to supplant general funds.

The second BPW action in August 2009 reduced the general fund appropriation by \$80,000 and the special fund appropriation by \$789, due to employee furloughs for all subprograms of MDVA. Lastly, BPW actions in November 2009 decreased the general fund appropriation by \$4,000 for travel expenses.

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	73.00	73.00	74.00	1.00	1.4%
02 Contractual	4.38	4.38	4.38	0	0%
Total Positions	77.38	77.38	78.38	1.00	1.3%
Objects					
01 Salaries and Wages	\$ 3,598,051	\$ 3,800,804	\$ 4,213,888	\$ 413,084	10.9%
02 Technical and Spec. Fees	115,608	123,597	95,908	-27,689	-22.4%
03 Communication	54,824	80,380	74,980	-5,400	-6.7%
04 Travel	37,997	51,857	25,500	-26,357	-50.8%
06 Fuel and Utilities	536,426	507,372	564,430	57,058	11.2%
07 Motor Vehicles	279,587	104,892	114,783	9,891	9.4%
08 Contractual Services	12,488,054	13,413,031	12,075,233	-1,337,798	-10.0%
09 Supplies and Materials	220,974	130,193	124,893	-5,300	-4.1%
10 Equipment – Replacement	175,657	58,673	63,873	5,200	8.9%
11 Equipment – Additional	78,984	91,303	75,803	-15,500	-17.0%
12 Grants, Subsidies, and Contributions	167,414	198,000	317,000	119,000	60.1%
13 Fixed Charges	24,678	56,282	58,811	2,529	4.5%
14 Land and Structures	0	0	38,000	38,000	N/A
Total Objects	\$ 17,778,254	\$ 18,616,384	\$ 17,843,102	-\$ 773,282	-4.2%
Funds					
01 General Fund	\$ 8,138,325	\$ 7,938,859	\$ 7,624,144	-\$ 314,715	-4.0%
03 Special Fund	762,311	849,817	872,477	22,660	2.7%
05 Federal Fund	8,877,618	9,827,708	9,346,481	-481,227	-4.9%
Total Funds	\$ 17,778,254	\$ 18,616,384	\$ 17,843,102	-\$ 773,282	-4.2%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Service Program	\$ 1,044,980	\$ 1,085,296	\$ 1,132,804	\$ 47,508	4.4%
02 Cemetery Program	3,138,216	3,212,893	3,159,282	-53,611	-1.7%
03 Memorials and Monuments Program	404,560	394,430	420,980	26,550	6.7%
05 Veterans Home Program	12,505,391	13,170,372	12,003,114	-1,167,258	-8.9%
08 Executive Direction	496,027	546,784	936,403	389,619	71.3%
11 Outreach and Advocacy	189,080	206,609	190,519	-16,090	-7.8%
Total Expenditures	\$ 17,778,254	\$ 18,616,384	\$ 17,843,102	-\$ 773,282	-4.2%
General Fund	\$ 8,138,325	\$ 7,938,859	\$ 7,624,144	-\$ 314,715	-4.0%
Special Fund	762,311	849,817	872,477	22,660	2.7%
Federal Fund	8,877,618	9,827,708	9,346,481	-481,227	-4.9%
Total Appropriations	\$ 17,778,254	\$ 18,616,384	\$ 17,843,102	-\$ 773,282	-4.2%

Note: The fiscal 2010 appropriation does not include deficiencies.