

Vermont Veterans' Home

SFY 17 Budget Narrative

Mission Statement:

The Vermont Veterans' Home provides best of class healthcare services to veterans, their spouses, and gold star parents, while honoring their choices and respecting their right of self-determination.

Facility Overview

The Vermont Veterans Home is the second oldest State Veterans Home in the country, opening on April 1, 1887. What started out as a 200 acre working farm for 25 Civil War Veterans is now an 83 acre residential and healthcare facility caring for 130 Veterans from World War II, Korea, Vietnam, Gulf War, and peacetime, their spouses and widows, and Gold Star Parents. The property includes a 140,000 square foot facility, with a trout pond, deer park, and Veterans' cemetery. The facility provides long term care, short term rehab, Alzheimer's/dementia care, respite care, hospice/palliative care, residential/domiciliary care, and outpatient rehabilitation services.

Our deer herd expanding in size this year with the addition of 6 fawns. The deer enjoy interacting with members of the community, especially if they are provided treats such as apples and bananas. The deer park has been the source of much enjoyment for those residing in or passing through Bennington. There has been a noticeable increase in foot traffic and visitors to the facility grounds since the deer arrived.

The trout pond is spring fed and stocked annually by the Bennington Elks. Two fishing derbies, also sponsored by the Bennington Elks are held for the Veterans and members of the community. Veterans are able to fish as they desire with staff or family members. The pond is catch and release and not open for public fishing with the exception of the fishing derbies.

Departments:

ADMINISTRATION:

This department oversees the daily operation of the facility, ensuring regulatory compliance with Federal and State statutes. This Department includes the Chief Executive Officer, Chief Operating Officer, Director of Nursing and Assistant Director of Nursing. This department also provides clerical support to various other departments within the facility.

NURSING

This department includes the facility's Registered Nurses (RN), Licensed Practical Nurses (LPN), and Licensed Nursing Assistants (LNA). Members of this department provide the 24 hour care and supervision the Veterans and Members require for the skilled nursing facility, and intermittent oversight of the Veterans and Members who reside in the facility's residential care/Domiciliary section.

MEDICAL

The facility contracts with the local Veterans Administration Community Based Outpatient Clinic for Physicians and Physician's Assistants to provide medical care for our Veterans and Members. The facility also has contracts with a pharmacy, a rehabilitation company, and various individual medical providers in order to meet the needs of our Veterans and Members.

DIETARY

This department includes the Dieticians, Cooks and Utility Workers, who prepare over 130,000 meals annually for our Veterans and Members. They also ensure nutritious snacks are provided and that the Veterans and Members receive the physician ordered diet. The dietary staff also provides refreshments for various facility activities.

MAINTAINENCE, LAUNDRY and HOUSEKEEPING

This department is responsible for the daily upkeep of the facility and surrounding grounds, including but not limited to preventative maintenance, mowing of lawns, plowing of driveways, feeding and care of the deer herd. All Veteran and Member laundry and facility linens are washed and dried on site by the laundry staff.

RECREATION SERVICES

Daily activities are planned and run by members of this department. Activity programs are offered 7 days a week as well as both on and off site. Programs include, bingo, current events, holiday parties, and radio controlled car racing. The facility maintains a wheelchair access bus and three wheelchair accessible vans to transport Veterans to and from various community locations such as the Dorset Playhouse, the Bennington Elks and various community medical providers.

SOCIAL SERVICES

This department provides for the emotional and psychosocial wellbeing of our Veterans and Members. They provide individual services and well as support groups. The facility has a caregiver support group for family members of our Veterans and Members with cognitive impairments, a bereavement support group, and a support group for individuals with ALS (Lou Gehrig's Disease). The social services department also arranges for community services for our short term Veterans and Members who are discharged home after their stay with us.

FINANCE

This department ensures the accurate billing of Medicare, Medicaid, third party insurances, and private funds for services rendered. They also complete facility time an attendance and are responsible for maintaining the facility's financial statements and other records. Members of this department will also assist Veterans and Members with Medicaid applications and managing their personal funds as needed.

Services Provided:

LONG TERM CARE

The facility currently has 130 skilled nursing facility beds. We are able to provide traditional nursing care services for individuals who are no longer able to reside independently or with family in the community. Long term care includes 24 hour care and supervision by licensed nursing personal, meals, medications, laundry services, housekeeping services, social work services, recreations services, chaplain services, and medical care.

SHORT TERM REHAB

Veterans or Members recovering from orthopedic or cardiac surgery, stroke or other major illness come to the facility immediately following a hospitalization to receive rehabilitation services which allow them to return home. In addition to the care and services provided to our long term care Veterans and Members those individuals admitted for short term rehab receive services from physical, occupational and speech therapy. Our social work staff assists with arranging any and all necessary community services to help the Veteran or Member transition back to their previous living environment.

ALZHEIMER'S/DEMENTIA CARE

The facility maintains two 30 bed memory care neighborhoods called "Freedom Village". Each of these neighborhoods care for specific individuals; Cardinal Point cares for those with early to mid-stage cognitive impairment and Brandon Boulevard cares for those with mid to end stage cognitive impairment. The Namaste Program, which provides care in a relaxing and comforting environment, was started at this facility with the help of consultant Joyce Simard. This program has been the subject of a book, "The Namaste Care Program for People with Dementia" now in its second edition and has been featured in various national healthcare publications. Ms. Simard travels the world education others on the benefits of the Namaste Program. More information on this program can be found at: <http://www.joycesimard.com/namaste-care-simard.html>

The facility was the only State Veterans' Home and the only skilled nursing facility in Vermont to be a recipient of a "Music and Memory" grant. This program provides iPods to those with cognitive loss. The music is individualized to each Veteran's or Member's personal preference and is used to help provide comfort and reassurance when needed. The use of music by those with cognitive loss has been shown to help reduce the use of antipsychotic medications in long term care facilities. More information on this program can be found at: <http://musicandmemory.org/>

The Board of Trustees for The Vermont Veterans Home funds an arts program with the Vermont Arts Exchange for our Veterans and Members on Freedom Village. This program allows those with cognitive loss to express themselves through various art mediums. A gallery exhibition is held annually both at the facility and a local art gallery.

RESPIRE CARE

Respite Care is just that, a respite for the caregiver of an individual requiring extensive medical care in the community. Community caregivers will have their loved one stay with us while they take a short vacation, have their own medical needs attended to or for just some time away from the demands of being a 24 hour caregiver. Respite care Veterans and Members have stayed for as little as a few days to a few months prior to returning home again.

PALLIATIVE/HOSPICE CARE

Palliative or end-of-life care is provided to the facility's long term care Veterans and Members who are at the end of life and for those individuals admitted to the facility especially for end-of life care. The facility has a dedicated room for end-of-life care called the Reagan Room. This private room and nearby living room provide ample private space for family and friends to visit with the Veteran or Member. Support services from Social Services and the Chaplin are provided in addition to high quality nursing care. Several staff members are trained in massage and Rikki; these services are provided to the Veteran or Member as requested.

In September of 2015 the facility entered into a contract with a Medicare Hospice provider. This will allow the facility to provide hospice (end of life) care that we could not previously provide. This will allow us to offer end of life services and

receive a higher reimbursement for the services provided. Additionally, this contract will deliver additional support services for the Veteran and their family members during the dying process.

RESIDENTIAL/DOMICILIARY CARE

The facility has an 8 bed residential/domiciliary (Dom) care offering. This is similar to assisted living care. Veterans and Members who reside in the “Dom” require little assistance with bathing, dressing, and medication management. Meals, laundry services, social services, recreational programs, chaplain services, and limited nursing care are provided.

OUTPATIENT REHABILITATION SERVICES

Rehabilitation services such as physical therapy, occupational therapy, and speech and language therapy are provided to Veterans and Members residing in the community. These individuals do not need or require 24 hour care and supervision; however, they could benefit from some additional therapy services to improve their independence in the community. These services are arranged directly with our contract rehabilitation company. Therapy services are provided at a frequency determined by the medical professionals, usually a few times a week.

Guest Room and Skype

The facility has a guest room that family member may use free of charge overnight. Reservations are required and it is on a first come first serve basis. The room is equipped with two twin beds, a table and chairs, a television, and a handicapped accessible bathroom. Meals can be purchased through our dietary department.

The facility has two skype carts that allow Veterans and Members to video chat with their loved ones. We are in the process of setting up a skype room.

Revenue Sources

Revenue to operate this facility is derived from seven (7) sources which include: Medicare, Medicaid (both Vermont and New York), Veterans' Administration (VA) Per Diem, VA Stipend, Private Pay, Commercial Insurance, Global Commitment, and General Funds. **It is important to note that over seventy percent (71.7%) or \$16,031,244 of the facility's revenue comes from sources other than General Funds or Global Commitment.**

Medicare

Medicare revenue is obtained for those Veterans and Members who are eligible for care and services paid for through the federal Medicare program. In order for care and services to be paid for at this facility an individual must have had a qualifying hospital stay, a 3-day hospital stay in the 30-days prior to admission to the facility, or have been discharged from another skilled nursing facility for which Medicare paid for care and services within 60-days of their admission to this facility. Once that criterion is met Medicare will pay for a short period of time, not to exceed 100 days. Medicare pays 100% of the cost of care for the first 20 days of admission to the facility. From days 21 to 100 there is a per day Medicaid copay paid with private funds or commercial insurance. Currently this co-pay amount is \$161.00. Individuals must have a Medicare skilled need for care and services to be covered by Medicare. When they no longer meet this need Medicare discontinues payment; there is no guaranteed number of Medicare covered days. A daily rate of reimbursement is determined for each individual based on the care and services provided. Currently the facility's average daily Medicare rate is \$465.00.

Medicaid

Medicaid revenue is received from the states of Vermont and New York for Veterans and Members who have been deemed eligible by their respective state, for Medicaid coverage. Medicaid pays a daily rate to the facility of \$245 per day for Vermont Medicaid and \$240.32 per day for New York Medicaid. This rate includes all the services listed under the long term care heading above. At least annually Veterans and Members receiving Medicaid benefits must provide updated documentation to shown they remain eligible for Medicaid benefits.

Private Pay

When Veterans and Members are not eligible for Medicare, Medicaid, Veterans' Administration Benefits, or other commercial insurance they are responsible for the daily per diem rate which is \$328 for a private room and \$308 for a semi-private room. This daily rate includes room, board, activities, and social work services. All other services including pharmacy and rehabilitation services are an additional charge. The Veterans' Administration Stipend which is explained below, decreases the daily rate for Veterans only, to \$223.57 for a private room and \$203.57 for a semi-private room.

Veterans Administration Per Diem

For Veterans who are determined to be 70% or more service connected disabled by the Veterans' Administration (VA), the VA will pay a daily rate of \$401.36. This rate includes room, board, medical care, pharmacy, laboratory services, rehabilitation services, activities, social work, and transportation. Specialty medical equipment can be provided by the VA as long as the equipment needed is related to their service connected disability.

Veterans Administration Stipend

The VA will pay a daily stipend to all Veterans admitted to the nursing home, with the exception of Veterans who are 70% or more service connected disabled. This stipend is used to reduce the out of pocket expense when a Veteran is private pay and to offset the shortfall between the actual cost of care and Medicaid reimbursement for Vermont and New York Medicaid Veterans. The current daily stipend is \$104.43.

Commercial Insurance

Commercial insurances such as AARP, TriCare, and Blue Cross Blue Shield will pay the co-pay starting at day 21 of a Medicare stay and in some cases pay a per diem rate which varies per policy. In some instances a pre-authorization is needed, and if the facility is not within the provider's network they will not approve admission to the facility for the individual Veterans.

Key Budget Issues

CENSUS

Over the past 10 years the average daily census at the Vermont Veterans' Home has steadily declined from 163 in 2004 to 120 in FY 2015. This decline is related to the increase focus on keeping individuals home as long as possible prior to placing them in a nursing home. From 2005 to 2014 the enrollment in the State's Money Follows the Person program grew 509 while the number of nursing home beds in the in state dropped by 285. Per the Department of Disabilities, Aging and Independent Living website, July 2015 Utilization Statistics for all nursing facilities in the state, the average occupancy was 83.49% statewide and 79.97% for Bennington County. The Vermont Veterans' Home is currently at 95.38% (9.11.2015). http://dail.vermont.gov/dail-publications/publications-monthly-reports/drs_occup_co

For this reason the facility has established our FY 17 budget with a census goal of 125. In the spring of 2015 the Board of Trustees instructed the Chief Executive Officer to reduce the licensed bed capacity of the facility to 130. The reduction in the Medicaid Bed Tax saved the facility \$201,679 per year and an additional \$764,695 was saved by the reduction of 20 FTEs in the FY16 budget by not filling open positions to maintain a staffing level for an average daily census number that is unachievable.

In addition to the cost savings achieved by the reduction in bed tax and personnel costs by not filling open positions, reducing the census to 130 will provide a greater opportunity to receive Medicaid Bed Hold money. Medicaid Bed Hold funds are funds paid by Medicaid to "hold" a skilled nursing home bed for a current nursing home resident who is admitted to an acute care setting. The daily Medicaid rate is paid for 10 days when a skilled nursing facility has no other licensed bed available that is also suitable to the gender of the patient for who the bed is being held. The Veterans Administration and New York Medicaid will pay for hospital bed holds when the facility's census is 124 or greater. Based on our capacity of 171 the facility would need to maintain a census of 163 to receive bed hold funds.

The development of a marketing plan was paid for out of funds belonging to the Board of Trustees. The lack of operational funds has limited our ability to implement all aspects of this plan. The facility's Marketing and Admissions Director is on the road several days a week meeting with representatives from various referral sources. On average we

admit 28 % of those who apply to this facility. This percentage is low due to those individuals who do not have a viable payor source or are unwilling to apply for Medicaid, have medical needs that the facility cannot meet, or have behaviors that pose a risk to other Veterans and staff. The detailed marketing plan can be found at the end of this presentation. The areas highlighted in yellow have been implemented by the facility.

Fixed Costs

\$18,461,002 or 82.5% of the FY 17 budget are fixed costs which include:

Salaries and Benefits	\$16,362,644
Medicaid Bed Tax	\$ 543,588
State Allocations (DII, HR, Insurances)	\$ 543,588
Utilities	\$ 915,300
Bed Tax	\$639,470

Cost of Care

Veterans are requiring higher levels of care when compared to just 5 years ago. Today’s nursing home residents were hospital patients just a few short years ago. Medications are becoming increasingly expensive and often times fall on the facility to pay for. With increased frequency a Veteran’s or Member’s insurance will not cover the cost of medication, and there is not a more cost effective alternative available.

Worker’s Compensation

Our Worker’s compensation costs have increased \$265,824 from \$902,962 in FY 16 to \$1,168,786 in FY 17 or 30%. This is related to an increase in our actual use. A trend has been identified in which employees are being injured by our Veterans and Members with Dementia. First Reports of injuries are reviewed daily, and educational/training needs are

implemented. After the education is completed, random audits are conducted to determine how well the information was retained and additional education provided as needed.

Reclassification of Registered Nurses and Licensed Practical Nurses

Recently the State completed a reclassification of all RNs, LPNs, and LNAs working in State facilities. This resulted in an additional \$231,190 increase in salaries to our FY 16 budget. The Home's RNs and LPNs were previously reclassified in September of 2014 but did not impact the facility's budget until FY 16 at a cost of \$186,631.

Accounts Receivable

The facility has had some success in collecting outstanding debt, but there remain several large accounts that are pending in probate court. These accounts total \$798,567 of the outstanding debt. \$225,000. Despite the judgment the facility has yet to receive any funds from the party involved.

Veterans, Members, and their families continue to voice their opinion that care and services at the facility should be free of charge. A member of the facility's business office meets with the Veteran, Member and/or responsibly party prior to admission to explain their financial responsibility to the facility. When in doubt the admission is denied until a payor source can be secured.

Overtime and Family Medical Leave Act Use

Despite changes in the nursing schedule that afforded every member of the nursing staff (every other weekend off) the call out rate at the facility remains relatively unchanged over the past 3 years, averaging 9%. Overtime use remains high; over the past 6 months over time hours have ranged from 1,535 to 560 with an average of 995 hours a pay period. Agency nursing has not been used since the July 1, 2014. This is saving the facility \$258,470 per year.

Additional Detail

Impact of the Retirement Incentive on Programs:

The retirement incentive program will reduce the Finance Department by 17% at a crucial time of the year for this facility. October 1st starts the new federal fiscal year and the facility is preparing our FY 17 budget. Additionally another member of this department is on long term medical leave requiring the remaining employees to take over this individual's job duties so in essence the department will be reduced by 33%. I will be requesting an extension beyond the October 1st retirement deadline to ensure the facility remains compliant with the federal cost reporting deadlines as well as meeting FY 17 budget submission deadlines.

Policy Issues with Potential Budgetary Issues:

1. **Proposed new Veterans Administration regulations related to domiciliary/residential care.** In summary the VA is proposing changing their regulations for domiciliary care to be more in line with nursing home care. The proposed changes come without any increase in reimbursement and have a significant impact on the domiciliary program at this facility. For example the VA considers surgery a part of primary care; thus this facility would be financially responsible for surgical care of our domiciliary residents. Most surgical costs exceed \$100,000.00, this would further exacerbate the financial challenges of this facility. Please see attached August 13, 2015 letter to the Department of Veterans' Affairs for a detailed outline of the impact of the proposed regulations on this facility.
2. **Centers for Medicare and Medicaid Services have proposed new regulations for long-term care facilities.** Per their memo the implementation of these new regulations will cost this facility \$46,491.00 the first year of implementation and an additional \$40,685 per subsequent year without increased reimbursement.
(<http://www.gpo.gov/fdsys/pkg/FR-2015-07-16/pdf/2015-17207.pdf> pg. 26)
3. As stated previously, the financial impact of the reclassification of all RNs, LPNS, and LNAs for the State will be \$231,190, which is not in our FY16 or FY17 budgets.

4. The facility's Utility Workers were recently reclassified moving up one pay grade, this will result in an increase of approximately \$25,000 in FY 16. This reclassification also is not in our FY17 budget.
5. Additionally State-wide, the RN positions were consolidated and also an RFR was submitted which is estimated to increase salary expense by \$83,489.

Budget Assumptions

The FY2017 budget assumes an average daily census of 125 which is no change from the current FY2016 budget. However, looking at historical trends there has been a slight payor mix change from Vermont and New York Medicaid to VA Service connected and Private Pay. Our budget assumes that the Domiciliary continues to be at 100% occupancy. Below in Table 1 shows recent trends in average daily census.

Table 1

Payor	Act FY12	Act FY13	Act FY14	Act FY15	Bud FY16	Bud FY17
VT Medicaid	61	51	57	51	54	53
NY Medicaid	29	24	19	15	19	16
Private Pay	28	25	22	24	22	26
Medicare	12	8	8	7	8	6
VA	<u>15</u>	<u>18</u>	<u>22</u>	<u>23</u>	<u>22</u>	<u>24</u>
Total	145	126	128	120	125	125
Domiciliary	<u>6</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Grand Total	151	132	136	128	133	133

Since the budget assumes a slight payor mix change, it affects net revenues by a negative \$101,043 as compared to FY16's budget. This decrease will be reflected as an increase in General Funds request. Global Commitment remains level with FY16's budget of \$410,986. Table 2 below shows the net revenue comparison from FY16 to FY17.

Table 2

Payor	FY16	FY17	Increase (Decrease)
VT Medicaid	\$4,828,950	\$4,739,525	\$(89,425)
NY Medicaid	1,666,619	1,403,469	(269,150)
Private Pay	1,651,129	1,931,879	280,750
Medicare	1,115,440	1,018,350	(97,050)
VA	<u>3,159,725</u>	<u>3,515,914</u>	<u>356,189</u>
Total SNF	\$12,421,863	\$12,609,137	\$187,274
Domiciliary	<u>\$45,506</u>	<u>\$40,396</u>	<u>\$(5,110)</u>
Total Net Revenue	\$12,467,369	\$12,649,532	\$182,163
VA Stipend	\$3,124,914	\$2,841,711	\$(283,206)
Grand Total Net	\$15,592,286	\$15,491,243	\$(101,043)

Our daily charge for a semi-private room remains the same at \$308 and the private room daily charge remains level at \$328.

Reimbursement rates the payor sources are as follows in Table 3:

Table 3

Payor	Reimbursement Rate
Vermont Medicaid	\$245.00
New York Medicaid	\$240.32
Private Pay	\$203.57
Medicare	\$465.00
VA	\$401.36
Domiciliary	\$54.93
VA Stipend	\$104.43
Dom VA Stipend	\$45.07

Salary expense is budgeted for a net increase of \$209,013 and there is a slight decrease of \$4,351 in benefits. This information is based upon data supplied from the Vantage budgeting system reports. The Salary budget for FY17 includes the labor cost savings of \$184,023 as cited in Section B1104 of Act 58 of 2015.

Non-Salary expenses will have a slight decrease of \$1,833 due to State Allocations. All other non-salary expenses are budgeted level with FY16 amounts per Finance and Management budget instructions for FY17.

Information Technology Project:

The Vermont Veterans' Home is implemented a new financial/billing software and electronic medical records (EMR) system. This will provide the facility with updated software and technology. Our current vendor HiTech will no longer be operable as of October 1, 2015 due to company closure. The facility had previously investigated various software vendors for the above services and found that Point Click Care best met our service needs. Additionally the facility received discounted pricing for the first 3 years of the contract as part of the transition from HiTech to Point Click Care (PCC).

This integrated software program will allow for the elimination of duplicative work related to lack of integrated billing services from various vendors. Large monthly invoices such as pharmacy and rehabilitation services will no longer need to be manually entered each month as each provider has an interface with PCC. This software streamlines billing to various insurance providers and improves accuracy as this information will no longer need to be manually entered multiple times. Additionally this software will be able to interface with the Vermont Healthcare Information Exchange.

The clinical portion of this software will allow for increase reimbursement for the care and services provided to our Veterans and Members thus improving reimbursement.

The software began initial rollout on July 1, 2015 with an expected completion date of December 1, 2015. The facility has applied for a VA grant which will cover 65% of the cost and the remaining 35%, which is the State's, responsibility was allocated in the 2015 Capital bill.

Self-Assessment of Internal Controls

Per this assessment VVH was deficient in four areas under Metric #3 these areas are listed below along with our corrective action plan:

1. #39 Fixed Assets # 1. Does the department adhere to the asset capitalization thresholds specified in VISION Procedure #1: Asset Management to determine whether an asset needs to be capitalized and record in the VISION Asset Management module?
 - a. The facility was capitalizing at \$1,000.00 but will change to the \$5,000.00 amount as outlined by this policy beginning in FY 2016.
2. #41 Fixed Assets #. Area all capital asset acquisitions, including capital leases and computer equipment >\$1,000 recorded in the VISION Asset Management module within 30 days of acquisition (or for constructed assets within 60 days after the asset is ready for its intended use) in accordance with VISION Procedure #1.
 - a. The facility has not used this module in the past but will do so beginning with 2016 fiscal year.
3. #42 Fixed Assets#8. Does the department ensure that all asset additions, adjustments, deletions, and retirements are process through the VISION Asset Management (AM) module (to maintain integrity between AM and the general ledger)
 - a. The facility has not used this module in the past and will do so beginning with the 2016 fiscal year.
4. # 43 Fixed Assets #10. Are all capital assets tagged (where practicable) with a unique department identification number.
 - a. The facility is currently investigating asset management software and is completing an IT inventory. All IT equipment will be inventoried by December 31, 2015 and all new capital assets will be given a unique department identification number going forward.