

Scott Walker, Governor
Kenneth B. Black, Secretary



**STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS**

30 West Mifflin Street
P.O. Box 7843
Madison, WI 53707-7843

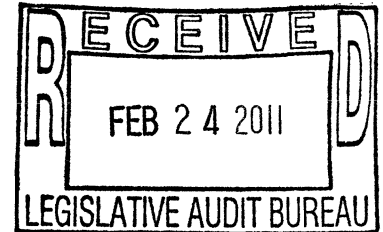
Phone: (608) 266-1311
Toll-Free: 1-800-947-8387
Fax: (608) 267-0403

Email: Headquarters@dva.state.wi.us
Website: www.WisVets.com

February 22, 2011

The Honorable Robert Cowles
Senate Co-Chairperson
Joint Committee on Audit
Room 118 South, State Capitol
Madison, WI 53707

The Honorable Samantha Kerkman
Assembly Co-Chairperson
Joint Committee on Audit
Room 315 North, State Capitol
Madison, WI 53707



Dear Senator Cowles and Representative Kerkman:

In its Letter Report titled, Rate Setting at the Wisconsin Veterans Home, issued in August 2010, the Legislative Audit Bureau recommended the Board of Veterans Affairs:

- amend Ch. VA 6, Wis. Adm. Code, to include a formula for calculating private pay rates for nursing home and assisted living care at the Wisconsin Veterans Homes, with clear definitions of rate-setting terms such as “costs of care”;
- specify whether separate rates should be calculated for each home or a single rate should be established for both;
- formally review and approve all rate-setting proposals developed by DVA staff; and
- require the agency to report to the Joint Legislative Audit Committee by January 24, 2011, on its progress in implementing these rule changes.

The Department of Veterans Affairs (Department) and the Chair of the Board of Veterans Affairs (Board) jointly requested an extension of the date by which the Department was required to report on its progress in implementing the recommended rule changes to February 22, 2011, a request you considerably granted in correspondence dated February 1, 2011. We are submitting our report, herein.

The Department presented an evaluation of the issues identified by the Letter Report in a memorandum to the Board dated February 1, 2011, a copy of which has been provided as Attachment 1. In that evaluation, the Department identified alternatives for each of the recommendations together with pros and cons of the same and the Department’s recommended alternative as supported by its rationale. The Board discussed and ultimately adopted the Department’s recommendations relating to the modification of Ch. VA 6 and the rate setting process at its February 11, 2011, meeting under agenda item 9 (see Attachment 2). The recommendations adopted by the Board included a specific formula for calculating private pay rates for nursing home and assisted living care at the Wisconsin Veterans Homes, as well as definitions of “costs of care” and associated terms affecting the formula used for calculating such rates.

The Board, in a special meeting held on February 22, 2011 (see Attachment 3), directed the department to develop a Statement of Scope incorporating the necessary changes to effectuate the rate setting recommendations the Board had adopted at its February 11, 2011, meeting (see Attachment 4). The Department will provide a Statement of Scope for the approval of the Board at its next meeting, currently scheduled for April 15, 2011. If the Statement of Scope is adopted at that meeting, the Department will follow the promulgation process for administrative rules and provide the Board with potential rules during its June meeting. A public hearing would

Co-chairpersons Cowles and Kerkman
Page 2
February 22, 2011

be scheduled as quickly as the process would allow. The Board would need to approve final rules subject to approval by the Legislature. Final approval by the Legislature and appropriate publication of the rules could potentially be completed by the end of 2011.

The Board may also determine that emergency rules should be promulgated. Emergency rules would be developed in accordance with the direction provided by the Board and promulgated if statutory and administrative requirements can be met. Emergency rules would be effective upon appropriate publication. The Department anticipates the rules developed in accordance with the Board's guidance will fully address the issues raised in the Letter Report on Rate Setting at the Wisconsin Veterans Home issued by the Legislative Audit Bureau.

Please let me know if you have any questions regarding our progress in implementing these rule changes.

Sincerely,
DEPARTMENT OF VETERANS AFFAIRS


KENNETH B. BLACK
Secretary

Attachments

cc: Janice Mueller, State Auditor
Paul Stuiber, Deputy State Auditor
Board of Veterans Affairs

ATTACHMENT 1

Scott Walker, Governor
Kenneth B. Black, Secretary



30 West Mifflin Street
P.O. Box 7843
Madison, WI 53707-7843

Phone: (608) 266-1311
Toll-Free: 1-800-947-8387
Fax: (608) 267-0403

Email: Headquarters@dva.state.wi.us
Website: www.WisVets.com

STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS

DATE: February 1, 2011

FROM: Kenneth B. Black, Secretary
Wisconsin Department of Veterans Affairs

TO: Board of Veterans Affairs

RE: Second Revision to Proposed Timeline and Process Alternative for Reviewing, Updating and Modifying Chapter VA 6

In its Letter Report titled, Rate Setting at the Wisconsin Veterans Home, issued in August 2010, the Legislative Audit Bureau recommended the Board of Veterans Affairs:

- amend ch. VA 6, Wis. Adm. Code, to include a formula for calculating private pay rates for nursing home and assisted living care at the Wisconsin Veterans Homes, with clear definitions of rate-setting terms such as “costs of care”;
- specify whether separate rates should be calculated for each home or a single rate should be established for both;
- formally review and approve all rate-setting proposals developed by DVA staff; and
- require the agency to report to the Joint Legislative Audit Committee by January 24, 2011, on its progress in implementing these rule changes.

The Audit Bureau also recommended the Department of Veterans Affairs report to the Joint Legislative Audit Committee by January 24, 2011, on the current financial status of the Wisconsin Veterans Homes and its plans to achieve future financial solvency for them. The Department made the latter report on January 24, 2011. Consequently, this memorandum addresses only the proposed revisions to Chapter VA 6 for which the Board requested additional information at its Special Board meeting on January 20, 2011, and for which an extension to report to the Joint Legislative Audit Committee until February 22, 2011, was requested.

Amend ch. VA 6, Wis. Adm. Code, to include a formula for calculating private pay rates for nursing home and assisted living care at the Wisconsin Veterans Homes, with clear definitions of rate-setting terms such as “costs of care”.

In order to amend chapter VA 6 to include definitions of rate-setting terms such as “cost of care”, the Board must:

- Determine whether services which exceed state and federal requirements enumerated in Chapter VA 6, internal policies or admissions agreements will be continued.

- Determine whether the Chapter VA 6 will be uniformly applied to all care facilities regardless of facility type (i.e., skilled nursing or assisted living).
 - Option 1:** Require mandated services per government regulations plus services identified in chapter VA 6 at no additional cost for all facilities, regardless of type, as is currently done.
 - Option 2:** Require mandated services according to governing regulations based on type of facility, thereby differentiating the types of services for skilled nursing and assisted living.
 - Option 3:** Require mandated services per government regulations and allow additional services to be purchase pursuant to Chapter VA 6.
- Determine how services mandated per government regulations plus services identified in chapter VA 6, including those which exceed state and federal requirements, internal policies or admissions agreements be funded.
 - Option 1:** Require all members pay a pro rata cost for all services, as is currently done.
 - Option 2:** Require members to pay for services above and beyond mandated services.
 - Option 3:** Seek a revenue source to pay for costs of services not mandated by regulations.
- Determine whether “costs of care”, regardless of how defined, will be projected costs or historical costs, and the period for the same.
- Determine whether “costs of care”, regardless of how defined, will be costs for: each Veterans Home location and type; each type of Veterans Home, regardless of location; and all Veterans Homes, regardless of both type and location. (See discussion on the second recommendation from the Letter Report, which follows.)

Recommendation - Subject to the Board’s policy decisions regarding the continuation of services which exceed state and federal requirements enumerated in Chapter VA 6, internal policies or admissions agreements, and the manner in which it desires the same to be funded, the Department recommends that “Costs of Care” be defined to include the discrete costs associated with direct primary care provided to members at each facility, plus the costs of administration, maintenance, utilities and other municipal service payments, principal and interest debt service payments, and county veterans service officer grants, but excluding the cost of uncollectible debt and assistance provided to indigent veterans.

Rationale:

This definition of “costs of care” allows each institution to accurately reflect the cost to the aggregate membership of either type of facility and generate an accurate cost, based on the costs associated with that operation, which can be used in association with the formula to provide an accurate rate for that type of care.

Although determining the “fair share” in a facility like Union Grove of the relative costs for shared duties, like administration, maintenance and utilities may increase the work necessary to accurately assess costs, the Department believes this is the most equitable manner by which to define costs for use in the rate setting model.

It should be noted that under this definition of “costs of care”, facilities which have varying levels of care may inadvertently create a subsidy of various costs because all services are not equally used by members at various levels of care (e.g., members at an intensive skilled nursing level of care may not use the Marden Center with the same frequency as those at an intermediate level of care and non-memory care assisted living members at Union Grove may use the activities programs in Mauer Hall with greater frequency than those with memory care needs).

In order to amend chapter VA 6 to include a formula for calculating private pay rates, the Board must consider how the formula will function. For the sake of brevity, the alternatives with respect to this potential amendment to Chapter VA 6 are outlined in the section of this report which describes the recommendation to formally review and approve all rate-setting proposals developed by DVA staff.

Additionally, The Board should also:

- Determine whether the statutes regarding resident status at time of entry into care and ability to pay for care should remain unmodified.
- Determine whether the frequency of rate adjustments should be every six months as is currently done and as the Department recommends continuing, or less frequently, such as annually or biennially.

Specify whether separate rates should be calculated for each home or a single rate should be established for both.

A determination of whether separate or single rates should be calculated for the homes must take into account numerous variables such as infrastructure, level of care, geographic locale, expense differences, accounting, rate setting flexibility, and efficiency of operations. In addition, while the alternatives developed did not consider whether other State Veterans Homes have one rate for all facilities within the state or whether each facility may have its own rate, because from state to state, Veterans Homes may provide different services above and beyond those required for receipt of per diem and the funding for their operations may vary in ways that negate the meaningfulness of that comparison, we have nonetheless provided a summary of what our Midwestern neighbors are doing in this regard in Appendix 1. Table 1 below provides summary data regarding State Veterans Homes as of December 2010.

Table 1
State Veterans Homes

| State Veterans Homes | Nationwide | Midwest | Wisconsin |
|--------------------------|------------|---------|----------------|
| Nursing Homes | 132 | 16 | 2 |
| Domiciliary Homes | 54 | 12 | 2 ¹ |
| Adult Day Health Centers | 1 | 0 | 0 |

Source: Veterans Health Administration, December 2010

¹ In Wisconsin, the Cottages at the Veterans Home at King are recognized by the USDVA as domiciliary beds; the Veterans Home is no longer admitting new members to Cottages.

The alternatives forwarded for Board consideration are noted below.

Alternative 1 – Combine the healthcare rates for all three Veterans Homes

Advantages

- Allows for greater flexibility in rate-setting to show an overall cost of operating
- Would provide an equitable “one” rate-setting for marketing purposes
- The Veteran could see “one-rate” across all the Homes
- Simplified calculation.

Disadvantages

- Eliminates healthy competition between homes in regards to efficiency, and WDVA would not be able to compare the routine, ancillary, capital-related, direct and indirect costs
- Does not take into account geographical variation including disparities for services provided
- Does not take into account case mix adjustment using each admission based on case-mix adjustments using a resident classification system (RUGs) based on data from resident assessments (MDS 3.0) and relative weights developed from staff time data.
- Would not allow a comparative assessment of each unique operational line item
- Does little, if any, to subsidize failing enterprise

Alternative 2 – Separate the rates for the skilled nursing business for all three Homes and the rates for the assisted-living business at Union Grove

Advantages

- Average cost of care can be identified by averaging rates for all the Homes
- Truer rate for assisted living
- Single cost out of SNF for accounting purposes

Disadvantages

- Eliminates healthy competition between homes in regards to efficiency, and WDVA would not be able to compare the routine, ancillary, capital-related, direct and indirect costs
- Factor-in each cost at each Home would not be dependent on geographic locale, acuity level, disparity of workforce (i.e. contractual staff/services), ancillary differences, and direct versus indirect costs

- Would not capture a true comparison of rates as services vary at each Home's geographic location
- AL rates would rise

Alternative 3 – Use each Home independently for rate calculations

Advantages

- Provides a “best services” approach - a community standard level of care approach while allowing healthy competition among the Homes
- Truest form of a cost-model in the nursing home industry using the Home's historical cost experience with case-mix adjustment and classification system for each admission to the Home based on case-mix adjustments using a resident classification system (RUGs) and data from comprehensive resident assessments using the MDS 3.0 and relative weights developed from staff time data to assist in making certain SNF level of care determinations
- This is the method used as intended by the Legislature
- Takes into account geographic variation
- Incentive to hold management accountable by comparing each Home independently for routine, ancillary, capital-related, direct and indirect costs
- MDS 3.0 has been designed to improve the reliability, accuracy, and usefulness of the MDS, to include the resident in the assessment process and standard protocols used in other settings. Enhanced accuracy supports the primary legislative intent that MDS be a tool to improve clinical assessment and supports the credibility of programs that rely on MDS

Disadvantages

- More accounting work
- Reduces flexibility for ameliorating rates

Recommendation – The Department recommends Alternative 3-that each Home be used independently for rate calculations.

Rationale:

The Department's recommendation of Alternative 3 is based primarily on the “best services” approach - a community standard level of care approach that provides the truest form of a cost-model in the nursing home industry using the Home's experience with its case-mix adjustment. In addition the Department believes this method best reflects Legislative intent as it recognizes the manner in which funds are appropriated.

Formally review and approve all rate-setting proposals developed by DVA staff

The Legislative Audit Bureau recommended the Board of Veterans Affairs (Board) formally review and approve all rate-setting proposals developed by DVA staff. Neither statutes nor administrative code currently require the Board to approve the rates set by DVA and no formal policies address rate setting at the Wisconsin Veterans Homes. Such proposals are a function of the rate setting formula and definitions of rate-setting terms such as “costs of care”, which the Audit Bureau has

recommended be codified, and are necessarily dependent on the Board's decision regarding the calculation of separate rates for each home or a single rate for all homes.

The first two Alternatives assume the provisions of VA 6.01(16), Wis. Adm. Code governing private pay rate setting at the veterans homes remain unchanged with respect to the requirement: (1) to calculate private pay rates "based upon the estimated costs of care to be incurred by the home" during the following year; and (2) that charges be made for "actual care and maintenance" provided to a resident. Three Alternatives are summarized below followed by WDVA's recommendation.

Alternative 1 – Calculate private pay rates based on the average cost per resident, estimated by summing the weighted average cost of direct care per member using Department of Health Services data on cost differences for differing levels of nursing care plus the average non-direct care cost estimated by dividing projected non-direct care operating expenditures for the coming year by the projected number of members. Under this Alternative, costs of care and the formula for private pay rate setting would be defined by rule and associated occupancy and projected patient days by level of care rates setting variables would be specified by policy. Rates would be considered approved when calculated.

Advantages

- Continues the use of the current rate setting formula, which the Legislative Audit Bureau noted complies with the requirements in s. VA 6.01(16), Wis. Adm. Code.
- Increases transparency and consistency of rate setting by defining the formula, costs of care, and variables to be used in the rate setting calculation.
- Facilitates accurate analysis of the impact of proposed changes in operations on private pay rates.
- Provides oversight of the rate setting process.

Disadvantages

- Limits flexibility in calculating rates.

Alternative 2 – Calculate private pay rates based on the average cost per resident estimated by summing the weighted average cost of direct care per member using Department of Health Services data on cost differences for differing levels of nursing care plus the average non-direct care cost estimated by dividing projected non-direct care operating expenditures for the coming year by the projected number of members. Under this option, costs of care and the formula for private pay rate setting would be defined by rule. However, the associated occupancy and projected patient days by level of care rate-setting variables would not be defined by rule or policy. The Department would calculate private pay rates and provide them to the Board at least 60 days prior to any proposed rate change date. The Board would have 30 days to approve the rates or to direct the Department to recalculate the rates using alternative occupancy and/or projected patient days by level of care rate setting variables.

Advantages

- Provides the Board the ability to nominally increase or decrease rates

Disadvantages

- Provides the Board the ability to nominally increase or decrease rates by directing the use of different variables

- Requires the Board to approve variables and/or rates up to twice per year
- Reduces transparency and consistency of rate setting by failing to define the variables of the rate setting calculation
- Limits the Department's ability to accurately estimate the impact of proposed changes in operations on private pay rates
- Could result in rates that do not cover costs or rates that exceed costs

Alternative 3 assumes the provisions of VA 6.01(16), Wis. Adm. Code governing private pay rate setting at the veterans homes remain unchanged with respect to the requirement: (1) to calculate private pay rates "based upon the estimated costs of care to be incurred by the home" during the following year; and (2) that charges be made for "actual care and maintenance" provided to a resident. However, under this option, a provision would be added to VA 6.01 (16) to permit the Board to authorize charges less than the actual costs of care and maintenance.

Alternative 3 – Calculate private pay rates based on the average cost per resident, estimated by summing the weighted average cost of direct care per member using Department of Health Services data on cost differences for differing levels of nursing care plus the average non-direct care cost estimated by dividing projected non-direct care operating expenditures for the coming year by the projected number of members. Under this option, costs of care and the formula for private pay rate setting would be defined by rule and associated occupancy and projected patient days by level of care rates setting variables would be specified by policy. The Department would calculate private pay rates and provide them to the Board at least 60 days prior to any proposed rate change date. The Board would have 30 days to approve the rates or to authorize rates less than the actual costs of care and maintenance.

Advantages

- Provides the Board the greatest flexibility in determining rates, which could be used to avoid rate increases due to increased costs

Disadvantages

- Permits rate setting to become arbitrary
- Requires the Board to approve or determine rates up to twice per year
- Reduces transparency and consistency of rate setting by permitting defined costs or variables to be ignored
- Limits the Department's ability to accurately estimate the impact of proposed changes in operations on private pay rates
- Could result in rates that do not cover costs thus contributing to significant program revenue loss and financial instability

Recommendation – The Department recommends Alternative 1-that private pay rates be calculated based on the average cost per resident, with costs of care and the formula for private pay rate setting defined by rule and associated occupancy and projected patient days by level of care rates setting variables specified by policy. Rates would be considered approved when calculated..

Rationale:

The Department's recommendation of Alternative 1 weighed heavily on the Legislative Audit Bureau's acceptance of this rate setting methodology as complying with the currently existing

requirements in s. VA 6.01(16), Wis. Adm. Code., and its transparency. Further, the alternative facilitates accurate analysis of the impact of proposed changes in operations on private pay rates and provides oversight of the rate setting process by the Board as recommended in the Letter Report.

Require the agency to report to the Joint Legislative Audit Committee by January 24, 2011, on its progress in implementing these rule changes.

An extension for the Department to report to the Joint Legislative Audit Committee its progress in implementing changes to Chapter VA 6 was requested by the Department and Board Chair on January 24, 2011, and in a letter dated February 1, 2011, the Co-Chairpersons of the Joint Audit Committee approved such request. The new date by which the Board must require the agency to report is February 22, 2011.

Assuming the adoption by the Board of an initial set of rule changes as recommended above, the Department will prepare a timeline for the public input process for the Board's review and will report the same to the Joint Audit Committee as directed.

We continue to look forward to working with the Board to adopt changes to Chapter VA 6 to address the concerns of the Legislative Audit Bureau regarding the rate setting process.

Please let me know if you have any questions or need additional information at this time.

Attachment 1

| | Skilled Nursing Facilities | | | | | | | Domiciliary Facilities | | | | |
|--------------|----------------------------|--------------------|---------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | Medicaid Certified | Medicare Certified | Number of Locations | Veterans | | Non-Veterans | | Number of Locations | Veterans | | Non-Veterans | |
| | | | | Same Rate for All Locations | Rate Set to Cover Full Cost of Care | Same Rate for All Locations | Rate Set to Cover Full Cost of Care | | Same Rate for All Locations | Rate Set to Cover Full Cost of Care | Same Rate for All Locations | Rate Set to Cover Full Cost of Care |
| Illinois | | | 4 | Yes | No | Yes | No | 3 | Yes | No | Yes | No |
| Indiana | ✓ | ✓ | 1 | N/A | Yes ² | N/A | Yes ² | 1 | N/A | Yes ² | N/A | Yes ² |
| Iowa | ✓ | | 1 | N/A | Yes | N/A | Yes | 1 | N/A | Yes | N/A | Yes |
| Michigan | | | 2 | No | Yes | No | Yes | 2 | No | Yes | No | Yes |
| Minnesota | | | 4 | No | Yes | No | Yes | 2 | No | Yes | No | Yes |
| North Dakota | ✓ | ✓ | 1 | N/A | Yes | N/A | Yes | 1 | N/A | No | N/A | No |
| Ohio | | | 2 | Yes | Yes | N/A ³ | N/A ³ | 1 | N/A | Yes | N/A ³ | N/A ³ |
| South Dakota | | ✓ ¹ | 1 | N/A | Yes | N/A | Yes | 1 | N/A | Yes | N/A | Yes |

Source: Verbal inquiry to Veterans Homes staff in state listed.

N/A Not Applicable

¹ In process of becoming Medicaid certified.

² Same rate charged for skilled nursing care and domiciliary care.

³ Does not admit non-veterans.

ATTACHMENT 2



Scott Walker, Governor

30 West Mifflin Street
P.O. Box 7843
Madison, WI 53707-7843

Phone: (608) 266-1315
Toll-Free: 1-800-947-8387
Fax: (608) 264-7616

Email: Headquarters@dva.state.wi.us
Website: www.WisVets.com/Board

**STATE OF WISCONSIN
BOARD OF VETERANS AFFAIRS**

2010-2011 BOARD OFFICERS

Chair Daniel J. Naylor
Waupaca

Vice Chair Peter J. Moran
Superior

Secretary David F. Boetcher
Waunakee

AGENDA AND NOTICE OF MEETING

BOARD OF VETERANS AFFAIRS

**Friday, February 11, 2011
9:00 A.M.**

**Wisconsin Department of Veterans Affairs
30 W. Mifflin Street, 8th Floor, Madison, Wisconsin**

BOARD MEMBERS

2004-2015 Marvin J. Freedman
Middleton

2005-2011 Rodney C. Moen
Whitehall

2011-2013

2011-2013

NOTE: The meeting will be accessible via internet at the following locations: Veterans Home at King and Veterans Home at Union Grove; please contact the Department of Veterans Affairs for details.

NOTICE IS HEREBY GIVEN that the Board of Veterans Affairs will meet in open session at 9:00 a.m. at the above-identified location. Prior to calling the meeting to order, the Pledge of Allegiance will be recited.

The Board of Veterans Affairs welcomes comments from the public about any matters under agenda item, Public Comment. Individuals wishing to speak under Public Comment must complete a registration slip and shall be limited to no more than five (5) minutes.

1. Roll Call and Introductions
2. Certification of Notice of Meeting
3. Approval of Minutes
 - a. Board Closed Meeting of November 15, 2010
 - b. Board Special Meeting of December 9, 2010
 - c. Board Closed Meeting of December 9, 2010
 - d. Board Meeting of December 10, 2010
 - e. Board Special Meeting of January 20, 2011
4. Election of Board Officers
5. Board's Veteran Lifetime Achievement Award
6. Board Members' Matters
 - a. Individual Board Member Activity Reports

7. Board Action from Committee and Council Meetings
 - a. CVSO Advisory Council Meeting of February 10, 2011
 - b. Legislative & Program Review Committee Meeting of February 10, 2011
 - c. Finance Committee Meeting of February 10, 2011
 - d. Long Term Care Committee Meeting of February 10, 2011
 - e. Council on Veterans Programs Meeting of February 10, 2011
8. U.S. Department of Veterans Affairs Reports
 - a. VISN 12
 - b. VISN 23
 - c. Milwaukee VA Regional Office
9. Board Discussion and Action on the Legislative Audit Bureau Letter Report Recommendations Regarding Rate Setting at the Wisconsin Veterans Homes
10. Briefing, Board Discussion, Public Comment and Action Regarding WDVA Reorganization and Implementation Timeline
11. Board Discussion and Action on Proposed Amendments to Sections 3.03, 4.08, 4.12, 5.02, 6.02 and 8.00 of the Board's Rules of Procedure
12. Briefing, Board Discussion and Action on the Status of Location and Operation of the DAV Wheelchair Operation
13. Status Report, Board Discussion and Action on a Cost-Benefit Analysis Regarding the King Medicare Title 18 Issue
14. Briefing, Board Discussion and Action on 2011-13 WDVA Budget
15. Briefing, Board Discussion and Action on Veterans Homes Accounts Receivables, Including Amounts Charged off as Uncollectible Debt in Accordance with the Department's Write-Off Policy
16. WDVA Briefing on a Demand Analysis, Right-Sizing Plan, and a Business Plan for the King and Union Grove Veterans Homes
17. Briefing, Board Discussion and Action on Status of Proposed WI Veterans Home at Chippewa Falls
18. Briefing, Board Discussion and Action on any WDVA Related s.13.10, s.16.505, s.16.515 and/or Building Commission Proceedings Since the December 2010 Board Meeting
19. Briefing, Status Update and Board Discussion Regarding all Current WDVA Process Action Teams (PATs) and all PATs that Completed their Work Since the December Board Meeting
20. Board Discussion and Action on DAV Resolution and Council on Veterans Program Motion on Veterans Employment
21. Board Discussion and Action on the CVSO Association of Wisconsin Position Paper on the Continuation of Two Current Department of Commerce Programs that Benefit Veterans
22. Board Discussion and Action on WDVA Legislative Priorities

23. Board Discussion and Action on the Analysis by the Office of Legal Counsel of the Council on Veterans Programs Draft Bylaws and Rules of Procedure
24. Discussion and Action on the Deaccession of 169 Objects from the Wisconsin Veterans Museum
25. Secretary's Matters
26. Public Comment (speakers will be limited to 5 minutes each)
27. Other Matters Not Subject to Adoption
28. Next Meeting Date
April 15, 2011 in Madison
29. Adjournment

ATTACHMENT 3



30 West Mifflin Street
P.O. Box 7843
Madison, WI 53707-7843

Phone: (608) 266-1315
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Scott Walker, Governor

**STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS
Board of Veterans Affairs**

2010-2011 BOARD OFFICERS

| | |
|------------|---------------------------------|
| Chair | Daniel J. Naylor Waupaca |
| Vice Chair | Peter J. Moran Superior |
| Secretary | Marvin J. Freedman Middleton |

AGENDA AND NOTICE OF SPECIAL MEETING

BOARD OF VETERANS AFFAIRS

Tuesday, February 22, 2011
2:00 p.m.

Wisconsin Department of Veterans Affairs
8th Floor Board Room
30 W. Mifflin Street, Madison, Wisconsin

BOARD MEMBERS

| | |
|-----------|-------------------------------|
| 2005-2011 | Rodney C. Moen Whitehall |
| 2009-2011 | David F. Boetcher Waunakee |
| 2011-2013 | |
| 2011-2013 | |

NOTICE IS HEREBY GIVEN that the Board of Veterans Affairs will conduct a Special Board Meeting by teleconference on Tuesday, February 22, 2011 at 2:00 p.m. The public is invited to attend at the Department of Veterans Affairs Offices, 30 W. Mifflin Street, 8th Floor Board Room, Madison, Wisconsin. The meeting will also be accessible via teleconference to the public at the following locations: Veterans Home at King, Stordock Hall Conference Room 148 and Veterans Home at Union Grove, Maurer Hall Conference Room.

Agenda

1. Roll Call
2. Certification of Notice of Meeting
3. Discussion and Board Action Directing the Department to Prepare a Statement of Scope for the Promulgation of Rules Establishing the Calculation of "Costs of Care" and Any Definitions Associated with that Term for Rate Setting at the Wisconsin Veterans Homes as Currently Codified in Ch. VA 6, Wis. Admin. Code
4. Department Briefing, Board Discussion and Action on the Department's Response to the Legislative Audit Bureau Recommendations to the Joint Committee on Audit in LAB's Letter Audit of August 17, 2010 on Rate Setting at the Wisconsin Veterans Homes
5. Public Input
6. Adjournment

ATTACHMENT 4

3. Discussion and Board Action Directing the Department to Prepare a Statement of Scope for the Promulgation of Rules Establishing the Calculation of "Costs of Care" and Any Definitions Associated with that Term for Rate Setting at the Wisconsin Veterans Homes as Currently Codified in Ch. VA 6, Wis. Admin. Code

MOTION

The Board of Veterans Affairs directs the Department to prepare a Statement of Scope for the promulgation of Rules establishing the calculation of "costs of care" and any definitions associated with that term for rate setting at the Wisconsin Veterans Homes in Ch. VA 6, Wis. Admin. Code in conformity with the "costs of care" related motions adopted by the Board at its February 11, 2011 regular Board meeting and further directs the Department to include within said Statement of Scope a requirement that the Board annually review and approve the "occupancy assumptions" to be utilized by the Department in determining the "costs of care".

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P.O. Box 7843
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Scott Walker, Governor

Kenneth B. Black, Secretary

**STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS**

February 22, 2011

The Honorable Robert Cowles
Senate Co-Chairperson
Joint Committee on Audit
Room 118 South, State Capitol
Madison, WI 53707

The Honorable Samantha Kerkman
Assembly Co-Chairperson
Joint Committee on Audit
Room 315 North, State Capitol
Madison, WI 53707

Dear Senator Cowles and Representative Kerkman:

Pursuant to your request in a letter dated February 1, 2011, the Department of Veterans Affairs is providing additional information in support of its January 24, 2011, report to the Joint Committee on Audit on the current financial status of the Wisconsin Veterans Homes and its plans to achieve future financial solvency for them. That report was a requirement of the Legislative Audit Bureau Letter Report titled, Rate Setting at the Wisconsin Veterans Home, issued August 2010.

The current financial status of the Veterans Homes remains challenging and continues to merit considerable attention on the part of the Department of Veterans Affairs (DVA or Department) executive management. As noted by the Legislative Audit Bureau in its Letter Report, combined expenditures exceeded revenues in four of the past five years. While that trend continued during the most recent fiscal year ended, the amount by which expenditures exceeded revenues in FY09-10 decreased from \$(9,631,800) in FY 2008-09 to \$(2,376,900) in FY 2009-10 (see Attachment 1). When the \$7,000,000 statutorily authorized transfer of excess revenues from the Homes institutional operations appropriation to the Veterans Trust Fund in FY 2008-09 and the \$1,234,400 of Department of Administration directed lapses to the general fund in FY 2009-10 are excluded from the analysis, the amount by which expenditures exceeded revenues decreased from \$(2,631,800) in from FY 2008-09 to \$(1,142,500) in FY 2009-10; an improvement of \$1.5 million.

Table 1
Surpluses/Deficits at King and Union Grove
(in millions)¹

| Home | FY 2004-05 | FY 2005-06 | FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 |
|--------------------|------------|------------|------------|------------|------------|--------------------|
| King | \$2.4 | \$24.2 | \$4.4 | \$3.4 | \$1.8 | \$0.1 ² |
| Union Grove | | | | | | |
| Skilled Nursing | \$(0.1) | \$(0.5) | \$(4.8) | \$(2.3) | \$(2.2) | \$0.7 |
| Assisted Living | (2.5) | (2.3) | (1.7) | (1.9) | (2.2) | (1.9) |
| Total | \$(2.6) | \$(2.8) | \$(6.5) | \$(4.2) | \$(4.4) | \$(1.2) |

¹ Excludes statutorily required lapses to the General Fund of \$810,000 in FY 2004-05, \$81,000 in FY 2005-06 and \$1,234,400 in FY 2009-10, as well as statutorily authorized transfers from King to the Veterans Trust Fund of \$1.1 million in FY 2006-07 and \$7.0 million in FY 2008-09.

² Includes more than \$700,000 of purchases made in FY 2008-09 for which the payment was delayed until FY 2009-10.

As Table 1 shows, King continued to maintain a surplus of revenues over expenditures in FY 2009-10, albeit at the narrowest of margins, due to the payment of more than \$700,000 of purchases made in FY 2008-09 in FY 2009-10. Had the Department's July 2009 request pursuant to s.16.515, Wis. Stats. been approved, permitting the payment of those expenditures in FY 2008-09 when incurred, the surplus in that year would have been reduced to \$1.1 million and the surplus in FY 2009-10 increased to \$0.8 million.

Union Grove had a \$0.7 million surplus in its skilled nursing operations in FY 2009-10, representing the first time either skilled nursing or assisted living operations at Union Grove have generated revenues in excess of expenditures on a statutory basis. As Table 1 shows, however, Union Grove's assisted living facilities continued to operate at a deficit only marginally lower than the prior fiscal year deficit, resulting in a net \$(1.2) million deficit at Union Grove and \$(1.1) million deficit for the Veterans Homes, collectively.

At the close of FY 2009-10, the Department transferred revenue from Union Grove's skilled nursing appropriation and from King's institutional operations appropriation in the amounts of \$1,251,100 and \$629,700, respectively, to cover unsupported negative appropriation balances in the Union Grove assisted living appropriation. Including the FY 2009-10 transfer, the cumulative revenue transferred from King to Union Grove increased to \$22,966,500, as shown in Table 2.

Table 2
Transfers from King to Union Grove

| Year | Revenue Transferred |
|--------------|---------------------|
| FY 2004-05 | \$ 5,016,200 |
| FY 2005-06 | 4,292,500 |
| FY 2006-07 | 5,777,900 |
| FY 2007-08 | 3,329,000 |
| FY 2008-09 | 2,819,000 |
| FY 2009-10 | <u>629,700</u> |
| Total | \$22,966,500 |

The Legislative Audit Bureau noted that Union Grove's deficits were partly caused by rates that had been set below projected expenditures and that rate increases alone will not achieve solvency in the short term and may, in fact, present additional challenges. They further noted that, as anticipated by the Department based on analyses of the financial wherewithal of assisted living members to afford increased rates, the occupancy rate in the assisted living has declined following rate increases in calendar year 2010. The occupancy rate, which did not exceed 88.5% during the period reviewed by the Legislative Audit Bureau and had declined to 74.0% in December 2009, was 66.7% at the end of FY 2009-10, as shown in Table 3.

Table 3
Capacity and Occupancy at Veterans Homes

| Home | Available Beds | June 2009 | | December 2009 | | June 2010 | |
|-------------------------|----------------|-----------|----------------|---------------|----------------|-----------|----------------|
| | | Residents | Occupancy Rate | Residents | Occupancy Rate | Residents | Occupancy Rate |
| King¹ | | | | | | | |
| Skilled Nursing | 721 | 684 | 94.9% | 680 | 94.3% | 679 | 94.2% |
| Union Grove | | | | | | | |
| Skilled Nursing | 120 | 120 | 100.0% | 116 | 96.7% | 119 | 99.2% |
| Assisted Living | 123 | 104 | 84.6% | 91 | 74.0% | 82 | 66.7% |

³ Does not include residents of cottages that are not licensed by DHS and are being phased out by King.

During FY 2010-11, census has continued to decline in the assisted living facilities at Union Grove. The number of members in assisted living as of January 2011 was just 73 or 59.3%.

**Occupancy Trends
 Union Grove Assisted Living
 June 2010 – January 2011**

| Home | Gates Hall | | Fairchild Hall ¹ | | Shemanske Hall | | Total | |
|----------------|------------|----------------|-----------------------------|----------------|----------------|----------------|-----------|----------------|
| | Residents | Occupancy Rate | Residents | Occupancy Rate | Residents | Occupancy Rate | Residents | Occupancy Rate |
| June 2010 | 15 | 35.7% | 32 | 80.0% | 35 | 85.4% | 82 | 66.7% |
| July 2010 | 15 | 35.7% | 31 | 77.5% | 32 | 78.0% | 78 | 63.4% |
| August 2010 | 14 | 33.3% | 34 | 85.0% | 33 | 80.5% | 81 | 65.9% |
| September 2010 | 14 | 33.3% | 36 | 90.0% | 32 | 78.0% | 82 | 66.7% |
| October 2010 | 15 | 35.7% | 32 | 80.0% | 33 | 80.5% | 80 | 65.0% |
| November 2010 | 14 | 33.3% | 33 | 82.5% | 29 | 70.7% | 76 | 61.8% |
| December 2010 | 13 | 31.0% | 33 | 82.5% | 28 | 68.3% | 74 | 60.2% |
| January 2011 | 13 | 31.0% | 32 | 80.0% | 28 | 68.3% | 73 | 59.3% |

¹ Fairchild Hall offers memory care services to domiciliary members.

The Department is aware of the challenges in achieving solvency of the Veterans Homes collectively and Union Grove assisted living, specifically. Our efforts to achieve financial solvency for the Wisconsin Veterans Homes were undertaken in advance of the issuance of the Letter Report on Rate Setting at the Wisconsin Veterans Home by the Legislative Audit Bureau.

The Audit Bureau notes the Department has reported to the Board of Veterans Affairs since 2006 that it intends to develop a comprehensive plan to guide the long-term financial management of the Veterans Homes, but that no such plan has been completed. While that is true, the Department remains committed to the Board of Veterans Affairs and the veterans' community to develop long-term comprehensive financial plans for the Veterans Homes. The first step in completing those plans was the operational assessment of the Veterans Homes and the next will be implementation of recommendations resulting from the same, most of which are encompassed in the Reorganization Plan. In between, the Department has prepared a Five-Year Business Plan for Skilled Nursing Care for the Chippewa Falls Veterans Home. In developing the business plan, the Department took into consideration lessons learned from the start-up of the skilled nursing facility at Union Grove.

Further, the comprehensive financial plan will incorporate the demand analysis for skilled nursing that the Department briefed to the Board of Veterans Affairs at its December 2010 meeting. Elements of that demand analysis form the basis for recommendations contained within the Department's Reorganization Plan, which is discussed below.

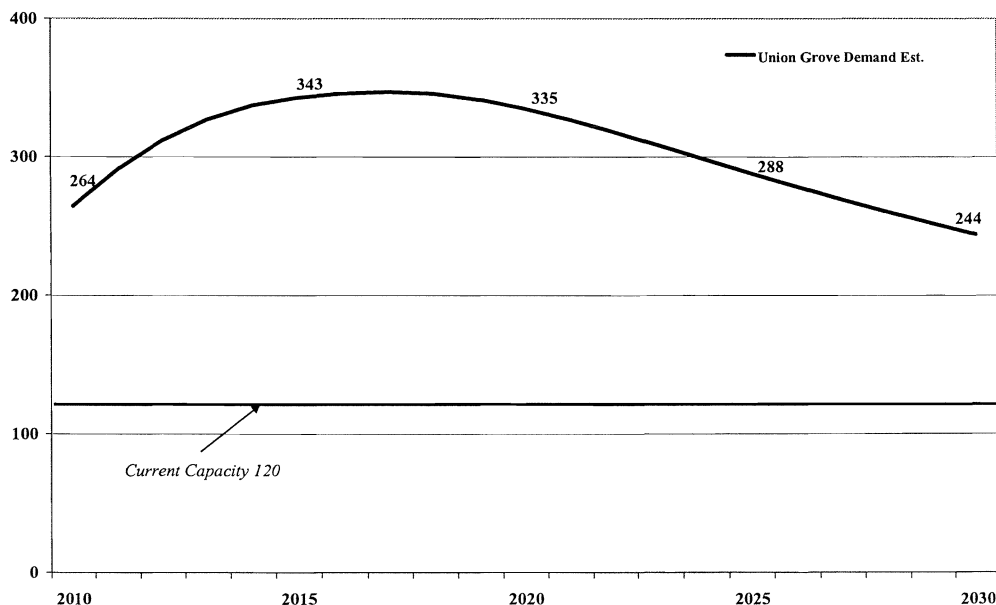
As we previously reported to you, the Department's Reorganization Plan is critical to the Department's plan to achieve future financial solvency for the Wisconsin Veterans Homes. The Reorganization Plan (Plan) maps out specific steps to: operate more efficiently; address key issues; and utilize the Department's workforce more productively. The Plan supports the Department's Strategic Plan, which was prepared under my direction in July 2010, and its goals and objectives in the areas of services, personnel and resource management.

At the time of our January 24, 2011, report we were unable to provide a detailed copy of our Plan because the Board of Veterans Affairs tabled consideration of the Plan at its January 20, 2011, Special Board Meeting and, therefore, had not reviewed the same. The Board subsequently met in closed session on February 10, 2011, to review the plan in detail with Department leadership, and on February 11, 2011, directed the Department to prepare the plan for public review no later than February 28, 2011, with the intention of holding a public hearing on the Plan in mid-March 2011, after which the Board will take final action. Attachment 2 is a document summarizing the Reorganization Plan Highlights and Attachment 3 is the complete Reorganization Plan.

Highlights of the Reorganization Plan that address will assist the Department in its plan to achieve financial solvency for the Veterans Homes, include:

- Strengthens Financial Oversight of Wisconsin Veterans Homes - Restructures positions in the accounting, budgeting and financial areas from both King and Union Grove to create a centralized financial model that services all Veterans Homes. Minimizes duplication of services, strengthens Central Office oversight and enhances standardization of business practices.
- Creates Centralized Management Team for Veterans Homes - Repurposes existing positions at Union Grove (Deputy Commandant, Adjutant, Marketing Coordinator) to create a centralized management team that provides services and oversight in key areas to all Wisconsin Veterans Homes, present and future. Position functions include: Quality Management & Performance Improvement, Policy & Program Compliance, Marketing & Public Relations and Financial Analysis.
- Repurposes Gates Hall at the Union Grove Veterans Home - Gates Hall at the Veterans Home at Union Grove is restructured from a Residential Care Apartment Complex (Assisted Living) to a licensed, Skilled Nursing Facility (SNF) and operations throughout the Union Grove Veterans Home are streamlined from top management on down. This represents a shift toward providing services for which there is strong demand (see Chart 1) and instituting a business model that will successfully balance revenues and expenditures.

Chart 1
Wisconsin Veterans Home – Union Grove
Skilled Nursing Demand



February 22, 2011

- Generates estimated cost savings of \$1.4 million in salaries and benefits, of which \$1.2 million is attributable to the Veterans Homes; and
- Is consistent with findings of the Operational Assessment Report prepared for the Wisconsin Department of Veterans Affairs by Pathway Health Services, Inc. and Legislative Audit Bureau evaluation recommendations.

Subject to the necessary approvals, certain elements of the Plan will be implemented within three to four months, while others will take up to a year to fully implement. The Department will prepare comprehensive business plans for each of its existing Veterans Homes that will demonstrate the positive impact the planned reorganization will have on the future financial solvency of the Homes. The business plan for Union Grove will be completed first, to validate the new business model resulting from the significant changes in operations. The business plans will be similar to that which was prepared for the Chippewa Falls Veterans Home and will incorporate the demand analysis for skilled nursing that the Department briefed to the Board of Veterans Affairs at its December 10, 2010, and February 11, 2011, meetings.

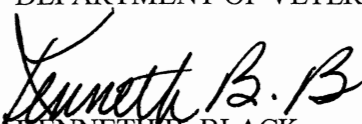
Following the completion of the Union Grove business plan, a business plan will be developed for King. It, too, will be similar to that which was prepared for the Chippewa Falls Veterans Home and will incorporate demand analysis for skilled nursing that the Department briefed to the Board of Veterans Affairs at its December 10, 2010, and February 11, 2011. In addition, it will incorporate a revised business model reflecting the planned Medicare certification of the King Veterans Home, as directed by Board action at its February 11, 2011, meeting. The action was taken based on the report, "Medicare Certification for the King Veterans Home: A Cost-Benefit Analysis," which was prepared by the Office of Policy, Planning and Budget (Attachment 4).

Finally, the Department is evaluating revenue enhancement opportunities for the Veterans Homes, including the feasibility of implementing the Family Care program in the Assisted Living facilities at the Veterans Home at Union Grove. That feasibility study will be undertaken in the immediate future, following the completion of the evaluation of the program in progress by the Legislative Audit Bureau and the release of the Governor's 2011-13 Executive Budget.

Again, we appreciate the recommendations of the Legislative Audit Bureau and the opportunity it has provided to share our efforts to achieve future financial solvency of the Veterans Homes with you. We hope that with the additional information provided herein, you are assured that we are taking the continued financial challenge of the Veterans Homes seriously and are successfully on our way to addressing the same.

Please let me know if you have any questions regarding our plan for future financial solvency of the Wisconsin Veterans Homes.

Sincerely,
DEPARTMENT OF VETERANS AFFAIRS


KENNETH B. BLACK
Secretary

Attachments

cc: Janice Mueller, State Auditor
Board of Veterans Affairs

ATTACHMENT 1

Combined Operating Revenues and Expenditures Statutory Basis

| | FY 2004-05 | FY 2005-06 | FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 |
|--|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Medical Assistance | \$23,142,900 | \$46,359,300 | \$28,544,000 | \$33,483,300 | \$34,729,100 | \$35,441,700 |
| Payments by Residents | 18,941,000 | 20,229,500 | 21,420,500 | 23,318,800 | 24,412,800 | 24,441,700 |
| Federal per Diem Payments for Veterans | 12,087,200 | 14,240,100 | 15,711,800 | 17,624,600 | 18,604,200 | 15,720,100 |
| Medicare | 0 | 127,300 | 1,716,600 | 2,207,900 | 2,893,600 | 2,260,800 |
| Federal Service-Connected Disability Program | 0 | 0 | 0 | 0 | 354,300 | 7,869,900 |
| Aid to Indigent Veterans | 1,300 | 89,100 | 174,900 | 191,900 | 303,600 | 370,400 |
| Other | 125,500 | 157,400 | 159,100 | 184,300 | 188,100 | 182,900 |
| Revenue Transfers | -744,400 | -936,400 | -1,164,500 | -1,388,100 | -1,407,800 | -1,447,800 |
| Total | \$53,553,500 | \$80,266,300 | \$66,562,400 | \$75,622,700 | \$80,077,900 | \$84,839,800 |
| Expenditures | | | | | | |
| Salaries | \$29,170,000 | \$31,859,300 | \$37,495,000 | \$40,885,300 | \$42,973,500 | \$43,528,900 |
| Fringe Benefits | 13,715,300 | 14,655,700 | 17,006,200 | 19,957,900 | 22,686,900 | 25,259,000 |
| Supplies and Services ² | 6,068,900 | 6,753,900 | 7,722,200 | 8,168,500 | 9,394,400 | 9,739,400 |
| Transfers ¹ | 973,800 | 153,000 | 1,462,300 | 422,100 | 7,050,800 | 2,229,700 |
| Utilities | 1,954,200 | 2,530,800 | 2,386,800 | 2,782,600 | 2,809,100 | 2,425,400 |
| Administration | 1,906,500 | 1,460,700 | 1,677,900 | 1,858,900 | 1,761,700 | 1,207,400 |
| Other | <u>849,700</u> | <u>1,520,900</u> | <u>2,041,600</u> | <u>2,400,400</u> | <u>3,033,300</u> | <u>2,826,900</u> |
| Total | \$54,638,400 | \$58,934,300 | \$69,792,000 | \$76,475,700 | \$89,709,700 | \$87,216,700 |
| Surplus (Deficit) | -\$1,084,900 | -\$21,332,000 | -\$3,229,600 | -\$853,000 | -\$9,631,800 | -\$2,376,900 |

1 Includes statutorily required lapses to the State's General Fund of \$810,000 in FY 2004-05, \$81,000 in FY 2005-06 and \$1,234,400 in FY 2009-10, statutorily authorized transfers to the Veterans Trust Fund of \$1.1 million in FY 2006-07 and \$7.0 million in FY 2008-09, and transfers between DVA accounts.

2 Includes more than \$700,000 of purchases made in FY 2008-09 for which the payment was delayed until FY 2009-10.

Transforming WDVA: A Vision for the Future

Wisconsin Department of Veterans Affairs

Reorganization Plan Highlights

To view the complete plan: www.WisVets.com/Docs/ReorgPlan



Executive Summary

Centralizes oversight in key areas, such as Financial Services.

Eliminates duplication of staff and services, particularly at the Wisconsin Veterans Homes.

Uses existing personnel resources to accomplish goals (recommendations are for transfers and reallocation of existing positions).

Reduces the number of manager and supervisor positions and consolidates the organizational structure:

- Eliminates two manager positions from Division of Veterans Benefits.
- Consolidates three Bureaus into two and two Divisions into one.
- Restructures Union Grove Veterans Home, finding multiple efficiencies.

Estimated cost savings of \$1.4 million in salaries and benefits. Additional cost savings are anticipated.

Consistent with findings of Pathways report and Legislative Audit Bureau evaluation recommendations.

Requests no new permanent positions.

Reduces number of manager and supervisor positions.

Saves \$1.4 million annually in salaries and benefits.

Consistent with Legislative Audit Bureau evaluation recommendations.

ATTACHMENT 2

Strengthens Financial Oversight of Wisconsin Veterans Homes

Restructures positions in the accounting, budgeting and financial areas from both King and Union Grove to create a centralized financial model that services all Veterans Homes. Minimizes duplication of services, strengthens Central Office oversight and enhances standardization of business practices.

“Inadequate oversight has contributed to significant financial and program management issues. The homes would benefit from additional central office oversight in coordinating policies and service delivery.”

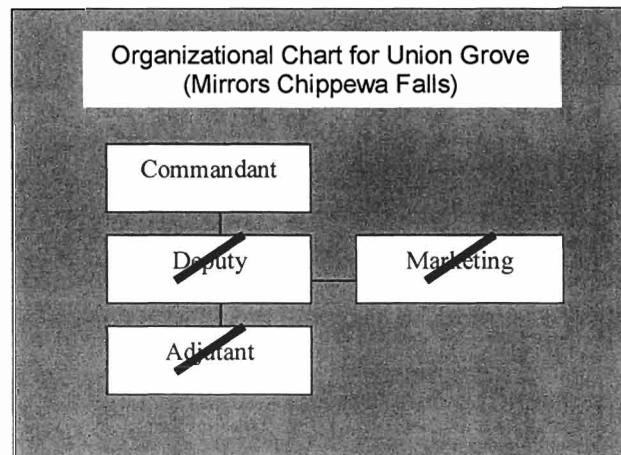
Wisconsin Legislative Audit Bureau

Creates Centralized Management Team for Veterans Homes

Repurposes existing positions at Union Grove (Deputy Commandant, Adjutant, Marketing Coordinator – see chart below) to create a centralized management team that provides services and oversight in key areas to all Wisconsin Veterans Homes, present and future. Position functions include: Quality Management & Performance Improvement, Policy & Program Compliance, Marketing & Public Relations and Financial Analysis.

Benefits from these recommendations:

- Follows industry standards as a proven model of care.
- Conforms to recommendations in Pathways and Legislative Audit Bureau reports, strengthening accountability and efficiency of operations.
- Eliminates potential for duplication of services.
- Creates a consistent organizational structure at each Veterans Home.
- Cost-savings generated by greater operating efficiency are anticipated.



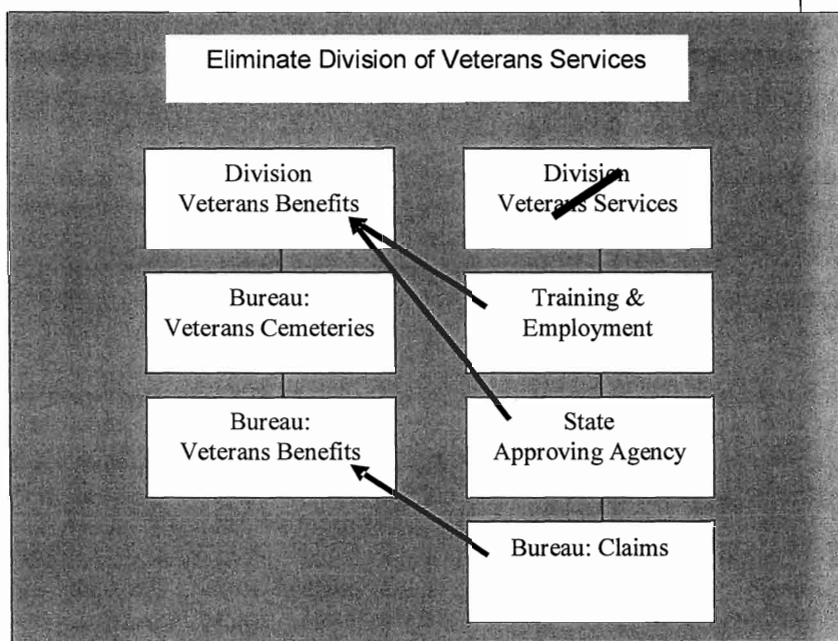
ATTACHMENT 2

Streamlines Veterans Benefits and Services Divisions

Consolidates the Division of Veterans Services and Division of Veterans Benefits into one division: the Division of Veterans Benefits. Transfers Division of Veterans Services programs, services and staff to the Division of Veterans Benefits and eliminates the Office of the Administrator.

Benefits:

- Enhances oversight and improves delivery of programs and services.
- Allocates personnel resources more efficiently.
- Flattens the management structure and reduces number of manager positions by two.
- Reduces the number of Bureaus from three to two.
- Saves approximately \$160,000 annually in salaries and benefits alone.



Positions Outreach Unit to Collaborate More Effectively on Critical Veterans Issues

Consolidating outreach personnel resources into a unit and adopting a regional approach will help:

- Better reach all areas of the state.
- Develop stronger, more stable work relationships at the local level.
- Reduce duplication of efforts by coordinating activities, collaborating more on events and sharing information with local CVSOs and VSOs.
- Improve outreach as new veterans issues arise.

ATTACHMENT 2

Repurposes Gates Hall at the Union Grove Veterans Home

Gates Hall at the Veterans Home at Union Grove is restructured from a Residential Care Apartment Complex (Assisted Living) to a licensed, Skilled Nursing Facility (SNF) and operations throughout the Union Grove Veterans Home are streamlined from top management on down. This represents a shift toward providing services for which there is strong demand and instituting a business model that will successfully balance revenues and expenditures.

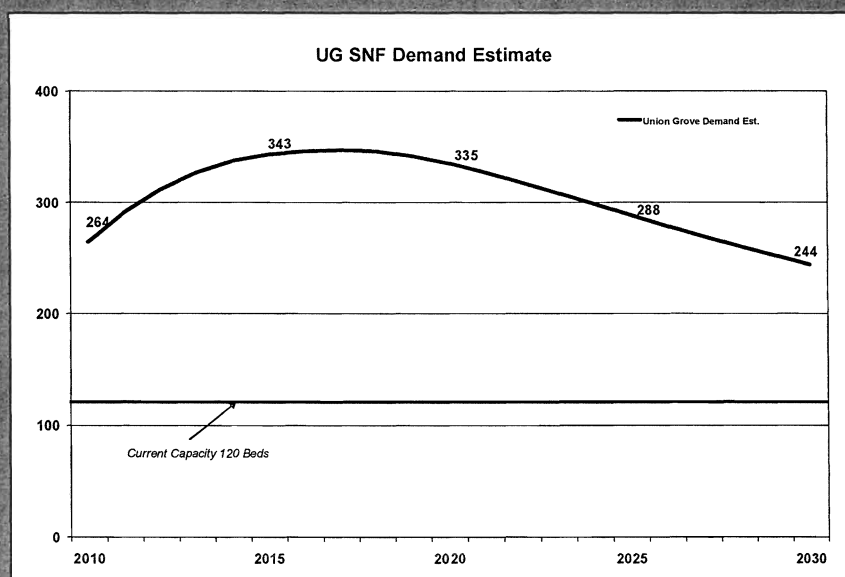
“The year-end occupancy rate for assisted living facilities at Union Grove did not exceed 88.5 percent during the period we reviewed, and it declined to 74.0 percent in December 2009.”

Wisconsin Legislative Audit Bureau

Benefits:

- Flattens the Union Grove Home's organizational structure.
- Enhances consistency between the Veterans Homes.
- Moves toward a business model that is financially viable.
- Savings resulting from the restructure are estimated at \$1.2 million annually for salaries and benefits.

Demand for Skilled Nursing exceeds capacity at Union Grove



**Transforming WDVA:
A Vision for the Future**



Wisconsin Department of Veterans Affairs

Reorganization Plan

Reported to Wisconsin Board of Veterans Affairs
January 2011

Introduction

The State of Wisconsin has a long history of providing generous benefits, programs and services to state residents who entered “active duty” from Wisconsin and continue to reside in the state.

To continue with this tradition, the Wisconsin Department of Veterans Affairs (WDVA) developed its 2010 - 2015 Strategic Plan with a strong emphasis on delivering quality programs and services that meet the needs of the veterans community in a fiscally responsible way.

This plan for reorganization is intended to position WDVA to operate more efficiently; to increase our outreach capability; to better address key issues facing the veterans we serve; and to most productively utilize the skills and expertise of our workforce.

Most importantly, this reorganization plan is designed to help WDVA in its mission to *better serve our veterans*.

Overview

The overall goals of the reorganization are as follows:

- To cut waste and find new, more efficient ways of doing business.
- To reallocate existing resources, focusing staff on the areas and assignments that most need manpower.
- To maximize the skills and expertise of our workforce.
- To identify any gaps in professional skills and expertise and fill them.
- To strengthen outreach at all levels of the organization.
- To make structural changes that will help address past problems within the organization.

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Executive Summary

The reorganization plan:

- Centralizes oversight in key areas like Financial Services.
- Eliminates duplication of staff and services, particularly at the Veterans Homes.
- Uses existing personnel resources to accomplish goals (recommendations are for transfers, reallocation of existing positions, and filling existing vacancies).

The plan increases efficiency throughout the Department, reducing the number of manager and supervisor positions and consolidating the organizational structure.

- Eliminates two manager positions from the Division of Veterans Benefits.
- Consolidates three Bureaus into two and two Divisions into one.
- Flattens Union Grove Home's management structure (eliminating Deputy Commandant, Adjutant, Finance Director and Marketing Specialist functions).
- Restructures operations at Union Grove Home, finding multiple efficiencies.

The plan also centralizes services within the Division of Veterans Homes and streamlines the Union Grove Home's operations to reflect the leaner, more efficient management structure planned at the Chippewa Falls Home.

There are no new permanent position requests as a result of these recommendations.

Cost savings from salaries alone are estimated at \$1.4 million (salaries plus standard fringe rate). Additional cost savings as a result of greater operating efficiency are anticipated.

In addition, the reorganization recommendations support:

- Pathways report recommendations, and
- Legislative Audit Bureau report recommendations.

Factors that Affect Reorganization

External factors that impact reorganization planning

It must be recognized that some external factors affecting the ability to enact this reorganization plan are beyond the control of the Department. Elements of this reorganization plan, for example, is subject to approval by the Wisconsin Board of Veterans Affairs, Governor Walker, and the State Legislature.

The actions of other agencies also have the potential to significantly impact WDVA. For example, the Wisconsin Department of Administration's plan to consolidate HR services would dramatically impact the costs and structure of this important function, assuming WDVA does not receive an exemption. The Department must also heed statutes and rules that govern organizational structure.

Internal factors that impact reorganization planning

WDVA is a large and complex state agency, which effectively slows the process of change. Department employees are civil servants and many are represented by WDVA's 12 separate bargaining units. The reorganization process necessarily balances the need to progress with organizational improvements with the need to meet legal obligations (and moral imperatives) regarding the notification of Department employees of impending change.

As briefed in the Strategic Plan, the Department intends to maximize the skills and expertise of our current workforce and utilize existing positions (some of them vacancies) to make changes whenever possible.

From a practical standpoint, the Department must also take into account the need to carefully manage expenses associated with certain aspects of the reorganization, such as standardizing software as different areas are consolidated.

Recommendations contained in this draft intentionally incorporate flexibility

This reorganization plan captures a moment in time. WDVA's operating environment is constantly changing due to the external and internal factors outlined above. In accordance with principles laid out in the Department's Strategic Plan, this reorganization plan is intentionally designed for flexibility. The Department's vision for the future includes the ability to respond nimbly to changing needs within the veterans community. The reorganization plan, then, captures a more streamlined, efficient way to meet the needs identified today, while still maintaining a measure of flexibility to change and adapt to tomorrow's opportunities and challenges.

Office of Policy, Planning and Budget Proposed Reorganization

The following summary describes reorganization recommendations that impact the Office of Policy, Planning and Budget.

Recommendations

- **Transfer 1.0 FTE Policy Initiatives Advisor to the Office of Policy, Planning and Budget to perform a grant writing function.**

Rationale

Transfer an existing 1.0 FTE Policy Initiatives Advisor position from the Office of the Secretary to the Office of Policy, Planning and Budget to perform professional extramural support applications and award duties necessary to apply for and administer funding from all levels of the Federal government, governmental agencies at the State and local level, for-profit and not-for-profit organizations and individual donors. This resource would complement the existing construction grant writing that is performed by the Office of Policy, Planning and Budget and would create a centralized grant writing function within the Department.

- **Reallocate an existing 1.0 FTE Programming and Policy Analyst-Advanced to the Office of Policy, Planning and Budget.**

Rationale

Reallocate an existing 1.0 FTE Programming and Policy Analyst-Advanced Position that resided in the Office of the Secretary under the direction of the Executive Assistant to the Office of Policy, Planning and Budget primarily to support: the modification of existing programs and services to meet changing needs; and the development and implementation of new programs and services. The position will provide grant seeking and writing assistance until the Policy Initiatives Advisor transfer is complete.

- **Transfer the Compliance Audit Function to the Office of Policy, Planning and Budget.**

Rationale

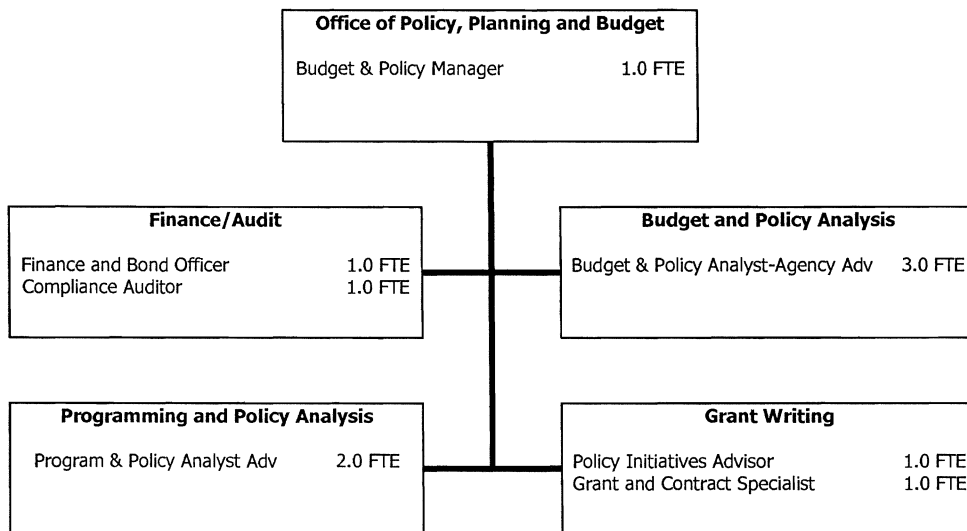
The 1.0 FTE Auditor-Advanced position authorized by 2009 Wisconsin Act 28 for the purpose of compliance auditing has been transferred to the Office of Policy, Planning and Budget. The transfer will allow the internal audit activity to fulfill its responsibilities while reporting to a member of management who understands the function but has no responsibility for operating the system of internal control. Further, the consolidating of positions with auditing expertise within the Office of Policy, Planning and Budget will provide flexibility in effective utilization of those resources.

- **Relocate responsibility for the Quarterly Budget Review Process to the Office of Policy, Planning and Budget.**

Rationale

In addition to the above personnel-related reorganizations, the responsibility for administration of the quarterly budget review process will be transferred from the Bureau of Fiscal Services to the Office of Policy, Planning and Budget during the first quarter of calendar year 2011. This transfer places the authority to administer the process with the organization that has responsibility for budget oversight.

OPPB Organization chart: Figure 1



Office of Public Affairs Proposed Reorganization

The following summary describes reorganization recommendations that impact the Office of Public Affairs.

Recommendations

- **Repurpose 1.0 FTE vacancy to additional Communication Specialist position.**

Rationale

The addition of a Communication Specialist will assist the Office of Public Affairs in modernizing the Department's communications and ultimately making them more efficient and effective.

Repurposing an unfilled vacancy allows WDVA to fill a key organizational need while maximizing existing Department resources.

This position is needed to effectively manage work flow and meet deadlines while simultaneously upgrading communications materials, channels and strategies, ultimately providing a significantly higher level of service to the veterans community, particularly the younger demographic.

The population of newly-returning veterans in Wisconsin is increasing and expected to continue to increase. Returning veterans need information about the benefits and services, both state and federal, available to them. The population of newly returning veterans also underscores the breadth of the veteran demographic in Wisconsin. The Department is responsible for outreach to veterans from 18 to 100+ years of age. Communication efforts are necessarily broad and diverse, reflecting the demographics that make up the veterans population in Wisconsin.

Sufficient staff resources are needed to successfully implement the full scope of communication strategies needed to efficiently and effectively serve the veterans community as a whole. For example, electronic and social media play an increasingly important role in the Department's communication efforts. Utilizing electronic and social media to supplement more traditional communications vehicles has the potential to provide the Department with significant cost savings.

- **Clarify lines of reporting for Office of Public Affairs.**

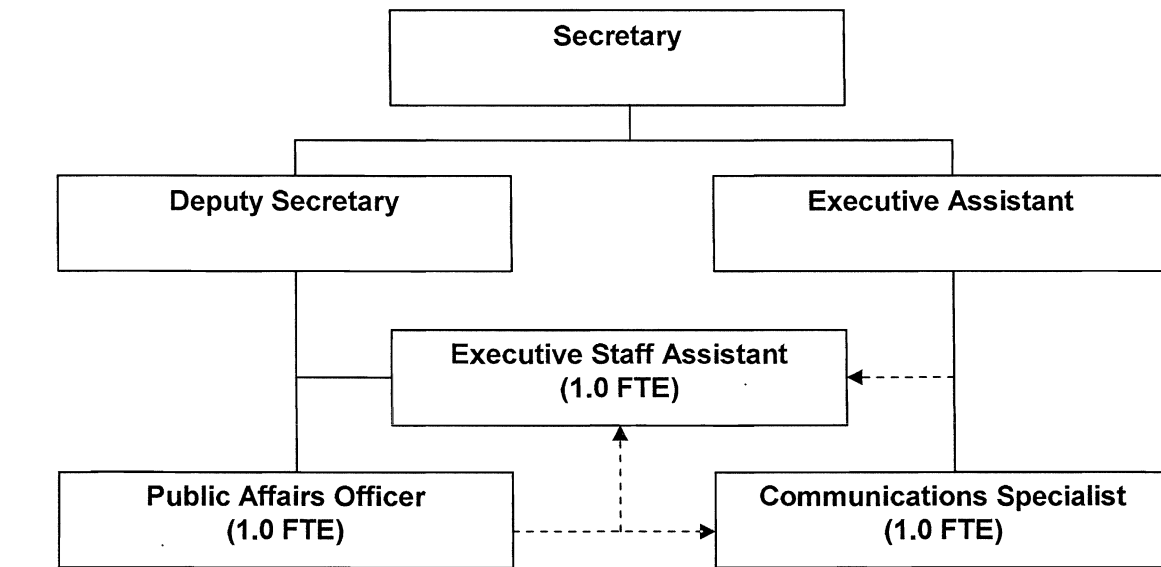
Rationale

Lines of reporting within the Office of Public Affairs have been in transition. Currently, the Public Affairs Officer reports directly to the Deputy Secretary while the Communications Specialist reports directly to the Executive Assistant. Ultimately, all communications staff should report to the Public Affairs Officer.

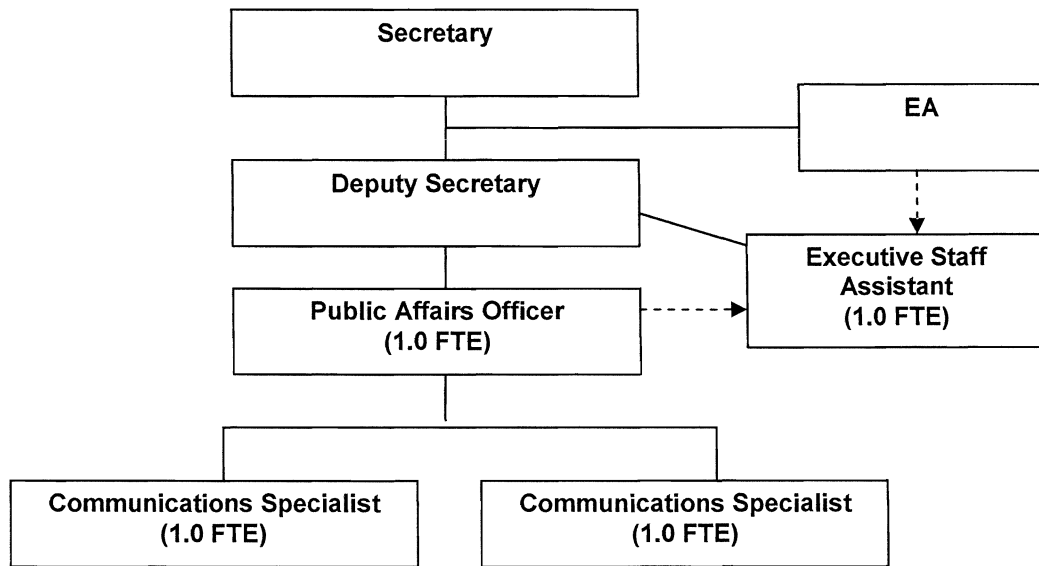
Benefits anticipated from this reorganization action:

- Enhances the Public Affairs Officer’s ability to manage workflow and assign priorities, enabling the Office of Public Affairs to function with greater efficiency.
- Clarifies and simplifies reporting/approval chains for interactions with Office of Public Affairs.
- Employees more fairly evaluated by the supervisor with day-to-day managerial oversight and a stronger grasp of performance.

OPA Organization chart: Figure 1



OPA Organization chart: Figure 2



Wisconsin Veterans Museum Proposed Reorganization

The following summary describes reorganization recommendations that impact the Wisconsin Veterans Museum.

Recommendations

- **Shift Archives Unit reporting line to Assistant Director.**
- **Consolidate all Object Collections Curators with single reporting line to Director.**
- **Shift Curator of Programs & Exhibits (Curator of History) reporting line to Assistant Director.**

Rationale

Consolidating reporting lines more evenly distributes immediate supervisory responsibilities between the assistant director and director, allowing the director to focus more energy on strategic advancement initiatives. It also consolidates unit reporting lines so that object curators report to one supervisor and archives types report to another, rather than randomly dividing them.

- **Consolidate Collections Manager and Curator of Programs & Exhibits positions.**

Rationale

The vacancy created by the departure of the Curator of History (formerly known as Curator of Collections), offers the Museum the opportunity to review current staffing levels and needs. Historically, the Curator of Collections played the primary role in collections management and subject-matter expertise for the Museum. The addition of a Collections Manager in 2001, however, resulted in a significant reduction of collections-based activity for the Curator of Collections. Much of what was formerly the responsibility of the Curator of Collections became the commission of the Collections Manager. Similarly, the addition of the Curator of Programs & Exhibits in 2004 resulted in a further reduction of responsibilities for the Curator of Collections, particularly with respect to exhibit development.

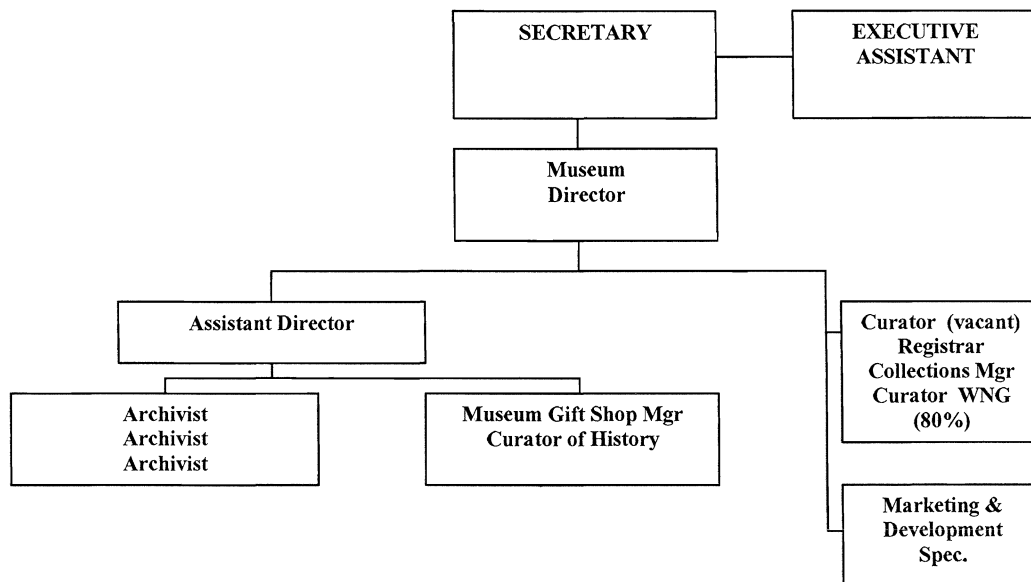
The incremental reduction of collections-based responsibilities for the Curator of History and the increased collections and subject-matter activity performed by the Collections Manager and Curator of Programs & Exhibits, presents an opportunity to consolidate positions, reduce budgetary expenditures and strengthen our outreach and educational capabilities. Moving forward, the Curator of Programs and Exhibits and the Collections Manager will assume the remaining responsibilities once held by the Curator of History.

Consequently, this consolidation effort makes available a FTE curatorial position that may be devoted to education/outreach – a critical need that is currently being met through LTE staffing. This position establishes primary responsibility for the educational initiatives of the Museum, including curricula development, program development and execution, docent management, and other related educational activities.

Benefits anticipated from this reorganization action:

- Addresses a critical staffing need (education) without a budgetary increase.
- Results in an annual salary savings of \$9,098.
- Provides staffing efficiency by consolidating responsibilities.
- Reduces LTE dependency.

Museum Organization chart: Figure 1



Division of Administration Proposed Reorganization

The following summary describes reorganization recommendations that impact the Division of Administration.

- **Reallocate 1.0 FTE Executive Staff Assistant from the Division of Veterans Benefits to the Division of Administration to perform Human Resource functions.**

Rationale

Reallocate an existing 1.0 FTE Executive Staff Assistant position that resides in the Division of Veterans Benefits which had a surplus of administrative support to the Division of Administration, Bureau of Administrative Services to support the human resources and payroll functions which have been understaffed. This position will provide assistance with payroll and benefit reporting, including Unemployment Insurance, insurance and taxes. It will provide much needed hours to support FMLA, labor relations, safety and recruitments to ensure compliance and diminishment of risk areas. All these areas are critical and existing staff has difficulty handling current obligations. Bringing additional manpower to bear on this vital function will be especially beneficial once the Chippewa Falls Veterans Home comes online.

- **Convert a 1.0 FTE vacant Financial Specialist position to a Contract Specialist position to oversee procurement.**

Rationale

This position will oversee procurement throughout the agency and minimize risks involved with non-compliance, substantially strengthening oversight for the organization as a whole. This position will be responsible for contract administration, including coordination of purchasing and management of various bids and contracts in broad array of assigned commodity areas.

- **Transfer the Compliance Audit Function to the Office of Policy, Planning and Budget.**

Rationale

The 1.0 FTE Auditor-Advanced position authorized by 2009 Wisconsin Act 28 for the purpose of compliance auditing has been transferred to the Office of Policy, Planning and Budget. The transfer will allow the internal audit activity to fulfill its responsibilities while reporting to a member of management who understands the function but has no responsibility for operating the system of internal control. Further, the consolidating of positions with auditing expertise within the Office of Policy, Planning and Budget will provide flexibility in effective utilization of those resources.

- **Create a consolidated Homes finance section under the Bureau of Financial Services.**

- The majority of the employees would be physically located at the Veterans Home at King.
- For the new re-structure at both the Veterans Home at King location and at the WDVA Central Office location, a percentage of time would be determined for efficiency and effectiveness of operations for the Financial Management Supervisor.

Rationale

Re-structure the positions in the accounting, budgeting and financial areas from both King and Union Grove, to King and the Central Office locations. In the restructuring process, the Veterans' Home would have one individual under the Division Administrator, Administration at Central Office for the Bureau of Fiscal Services. There would be a centralized position from the Homes for the Veterans Home Accounting and a centralized position from Central Office for Programs/Accounting General.

Key developments would include the introduction of the finance and accounting framework built on output groups rather than separate programs; thus, promoting greater service and fiscal viability and flexibility. Under the Division Administrator, Administration at Central Office a coordinated approach would occur to include centralized finance functions in two key functional areas, including: (1) Home's – Member Billing and Finance and General Accounting and Fiscal Services and (2) Central Office – Accounts Payable, Loans, Grants and General Accounting & Fiscal Services.

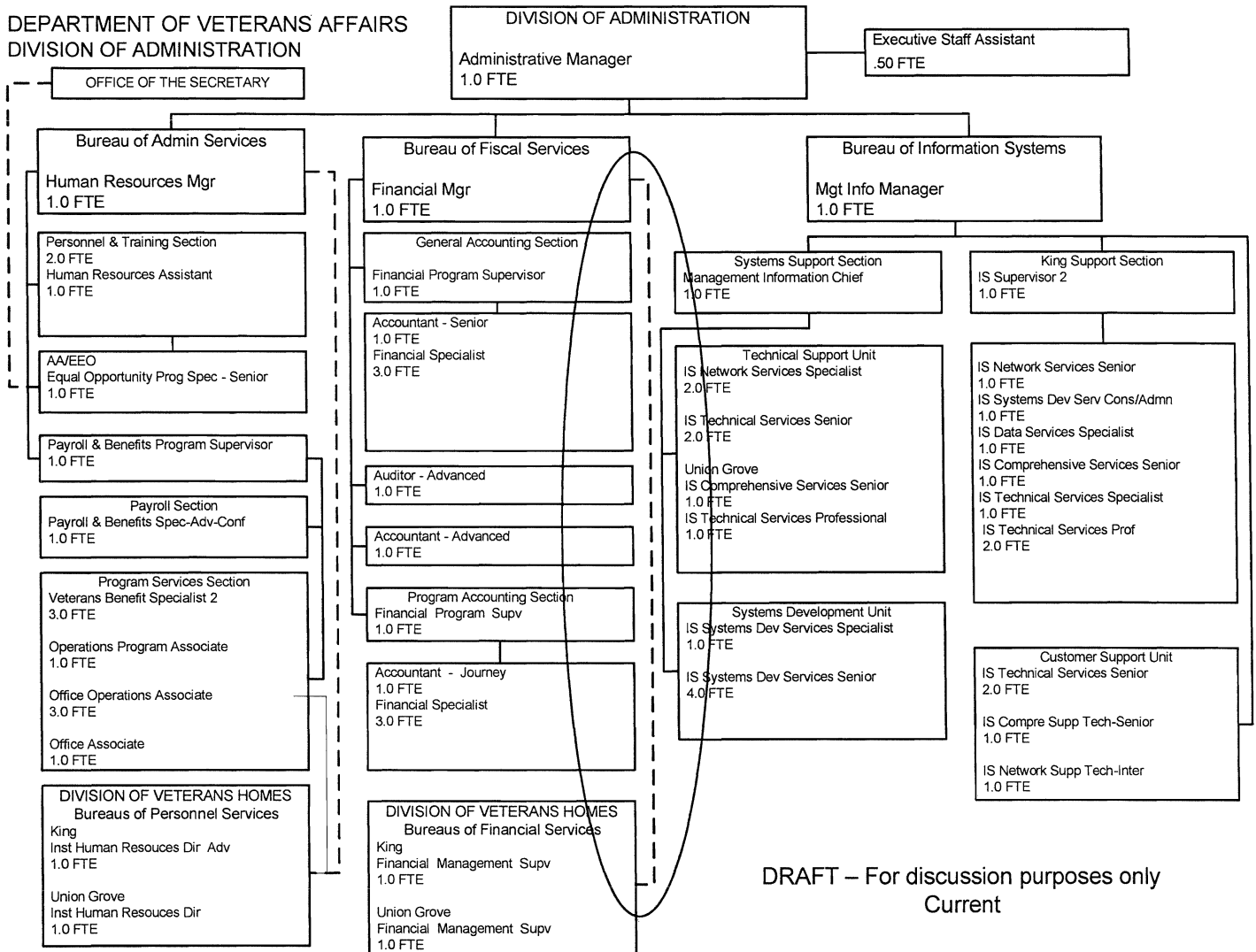
Benefits anticipated from this reorganization action:

These changes provide the best opportunity to follow a standard of care that has been demonstrated to be successful by industry standards in achieving or leading to improved health and well-being outcomes for members and efficiencies in service delivery and in ultimately removing the distinction between "separate" or "disparate" nursing homes for the Wisconsin Department of Veterans Affairs with a combined "centralized" or "coordinated" focus; thus, allowing for greater flexibility and choice for people seeking aged care accommodations.

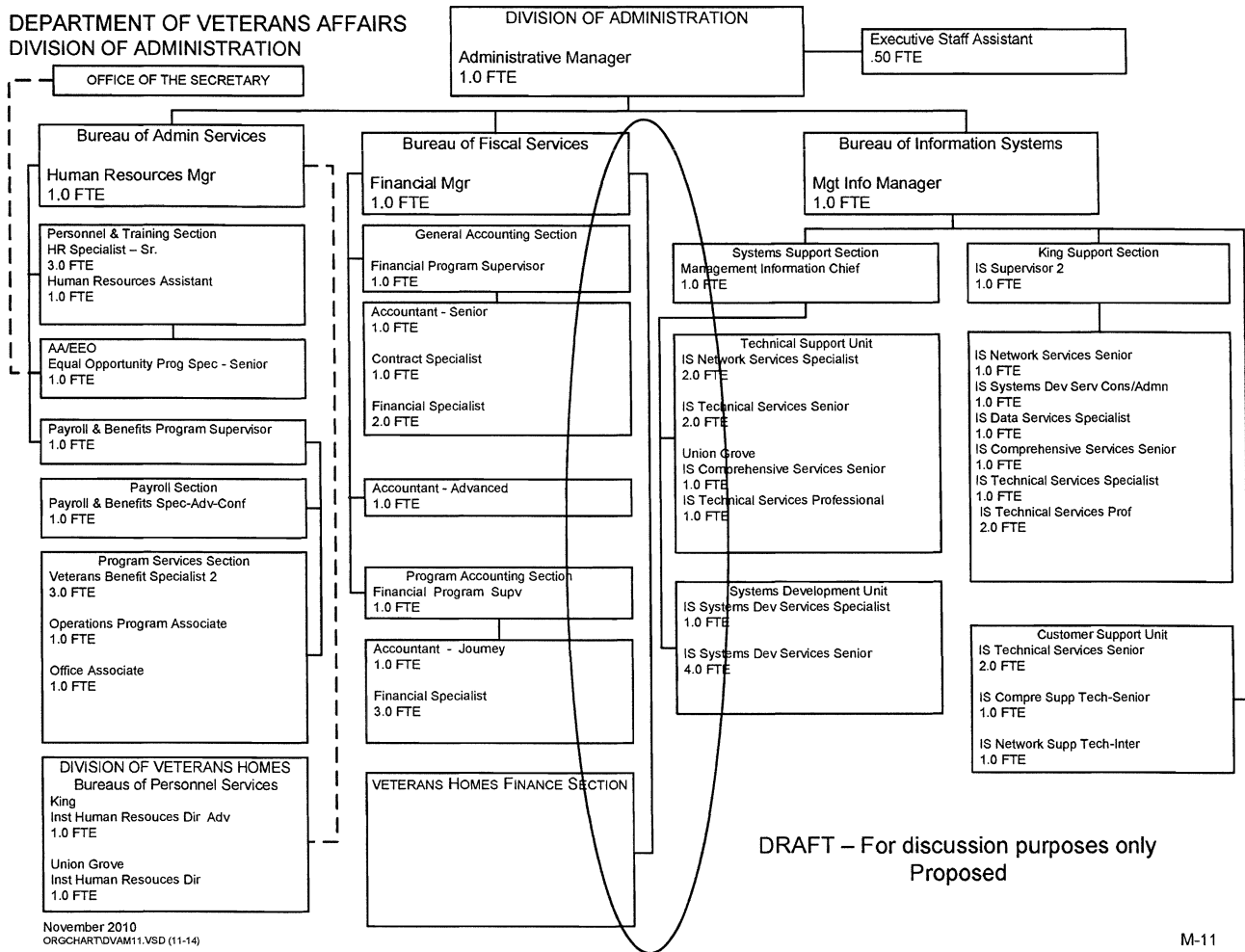
Additional benefits:

- Builds a stronger organizational structure that conforms to Pathways report recommendations, strengthening accountability and efficiency of operations.
- Creates a consistent organizational structure at each individual home, eliminating potential for duplication of services and enhancing consistency in the business model used from location to location.
- While projections are premature at this stage in planning, cost-savings associated with this new structure are anticipated, particularly with respect to more efficient operations.

DOA Organization chart: Figure 1

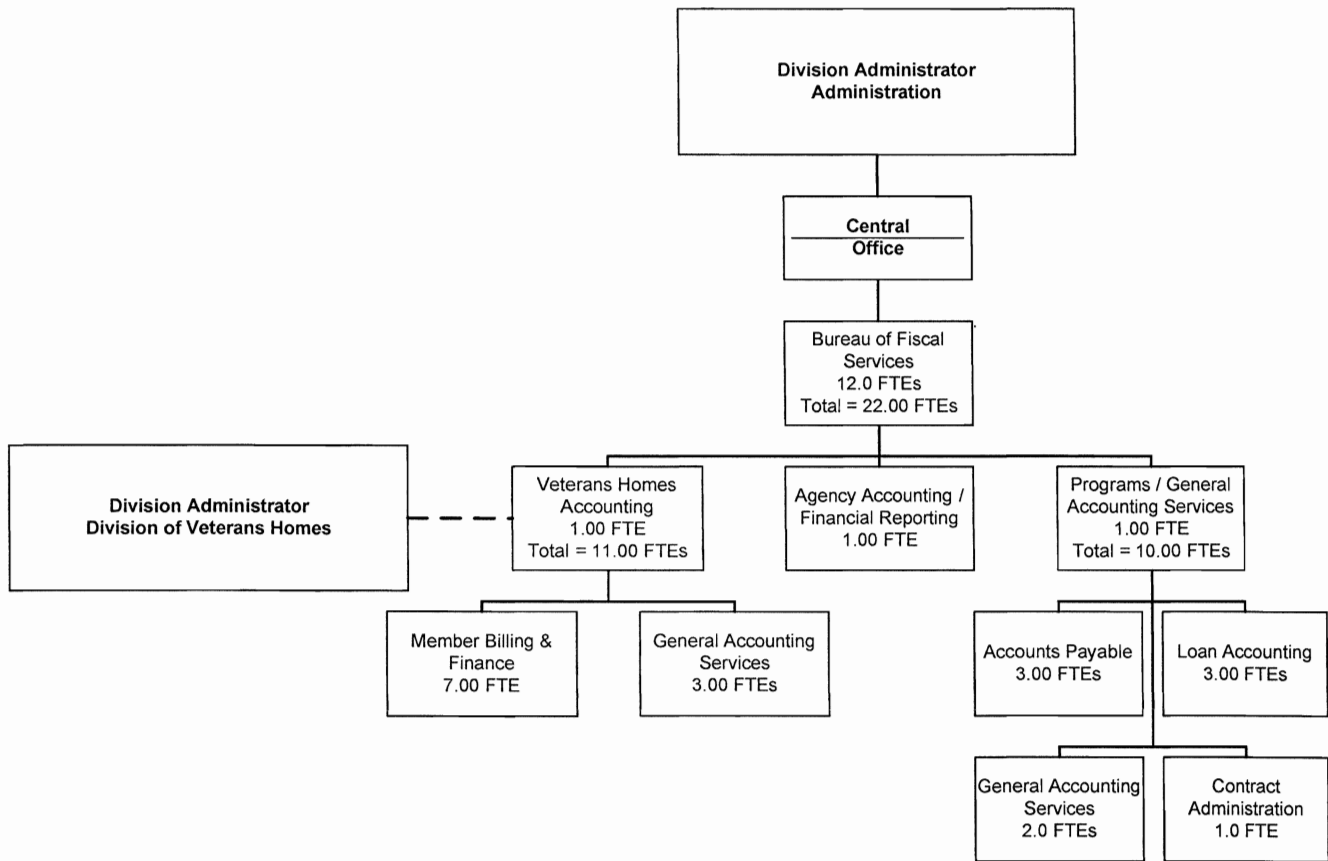


DOA Organization chart: Figure 2



DOA Organization chart: Figure 3

PROPOSED ORGANIZATIONAL STRUCTURE
Division of Administration – Bureau of Fiscal Services



Division of Veterans Services and Division of Veterans Benefits Proposed Reorganization

The following summary describes reorganization recommendations that impact the Division of Veterans Benefits and Division of Veterans Services.

Recommendation and Rationale

- **The veterans benefit programs and services are currently administered through the Division of Veterans Benefits and Division of Veterans Services. WDVA proposes consolidating the two divisions into one.**

Benefits anticipated from this reorganization action:

- Enhanced division oversight of benefit programs and services and improved delivery of programs and services.
- More efficient allocation of personnel resources to meet program area needs.
- Reduces the number of manager positions by two.
- Flattens the management structure.
- Reduces the number of bureaus from three to two.
- The reorganization can be easily implemented with minimal disruption to ongoing functions, once approved.
- Projected annual cost savings of \$100,000 for salaries only or \$160,000 for salaries including benefits based on agency fringe benefit rates.

Overview: Division of Veterans Services

The Division of Veterans Services (DOVS) consists of the Office of the Administrator, Bureau of Claims, State Approving Agency and Veterans Training and Employment Section for a total of 22 FTEs (see DOVS Organization chart: Figure 1). The following is a breakdown of the division:

Office of the Administrator consists of two FTEs: an Administrator (vacant) and one Executive Staff Assistant. This office is responsible for the day-to-day operations and management of the division.

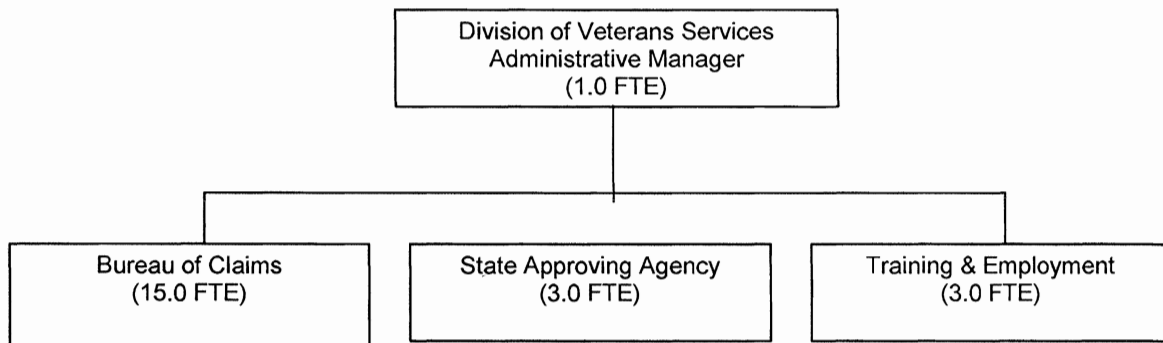
The Bureau of Claims consists of 15 FTEs: one Bureau Director (vacant), one Program Assistant Supervisor, eight Claims Officers and five Office Operations Associates. The Bureau is responsible for assisting state veterans and their dependents with federal claims for VA compensation, pension, education, medical care, and death benefits and is located at the US Department of Veterans Affairs (VA) Regional Office in Milwaukee.

The State Approving Agency (SAA) consists of three FTEs: two Educational Consultants and one Operations Program Associate and is responsible for assisting Wisconsin colleges and universities by approving schools and programs for veterans' use of federal G.I. Bill benefits. **All three positions are federally funded.**

The Veterans Training & Employment section consists of three FTEs: one Veterans Program Supervisor (vacant), one Veterans Benefit Specialist, and one Veterans Program Specialist and is responsible for the following programs:

- *Troops to Teachers (TTT)*, a federally funded program that provides information, advice and funding to assist eligible veterans, retirees, members of the Reserve and National Guard, and active duty personnel who are about to leave military service and pursue teaching as a second career. **Position is federally funded.**
- *Veterans Education Reimbursement Grants (VetEd)*, which provides tuition and fee reimbursement to eligible veterans enrolled at most Wisconsin academic institutions.

DOVS Organization chart: Figure 1



| | |
|-----------------------------|------|
| Office of the Administrator | 1.0 |
| Bureau of Claims | 15.0 |
| State Approving Agency | 3.0 |
| Training & Employment | 3.0 |
| | 22.0 |

Recommendations for Division of Veterans Services

- **Transfer all Division of Veterans Services programs, services and staff to the Division of Veterans Benefits.**
- **Eliminate the Office of the Administrator.**

Note: The Administrative Manager position number is currently in use by an employee deployed on active duty and will not be eliminated.

- **Convert the Bureau of Claims to a Section level unit and transfer to the Division of Veterans Benefits, Bureau of Veterans Programs and Services.**

Rationale

Conversion allows for recruitment of a lower level manager position (Veterans Program Supervisor) to replace the Bureau Director (Veterans Affairs Manager) position (currently vacant); resulting in a projected annual salary savings of \$76,757.

- **Replace Program Assistant Supervisor with an Operations Program Associate level position for the Claims Office Record's Unit.**

Rationale

This change reduces the number of management level positions from two to one which is more appropriate given the size of the unit. This change however, does not necessarily result in an immediate projected annual salary savings as the incumbent supervisor would have rights to the Operations Program Associate position.

- **Transfer the State Approving Agency to the Division of Veterans Benefits, Grants, Loans & Educational Services Section.**
- **Transfer Veterans Training & Employment to the Division of Veterans Benefits, Bureau of Veterans Programs and Services.**

Rationale

The Division of Veterans Services has been managed by the Administrator of the Division of Veterans Benefits since February 2010. Three of the four management positions are currently vacant. The program management and supervision of all staff has transferred to the Division of Veterans Benefits. Maintaining a separate division does not make good business sense.

Overview: Division of Veterans Benefits

The Division of Veterans Benefits (DOVB) consists of the Office of the Administrator, Bureau of State Veterans Benefits and Bureau of State Veterans Cemeteries for a total of 44 FTEs (see DOVB Organization chart: Figure 2). The following is a breakdown of the division:

Office of the Administrator consists of an Administrator and one Executive Staff Assistant. This office is responsible for the day-to-day operations and management of the division.

The Bureau of State Veterans Benefits consists of 10 FTEs: one Veterans Affairs Manager, six Real Estate Specialists, two Office Operations Associates, and one Veterans Benefit Specialist and is responsible for the following grants and loan programs:

- *Veterans Retraining Grant*, which provides up to \$3,000 to recently unemployed or underemployed veterans who demonstrated financial need while enrolled in a training program expected to lead to employment.
- *Assistance to Needy Veterans Grant (ANVG)*, which provides assistance for veterans who need vision, dental or hearing care; three areas not normally covered by the Federal VA for all veterans. This program also provides temporary emergency financial aid to veterans and their dependents in the event of an illness, disability or death.
- *County Veterans Service Officer (CVSO) Grants*, which supplement the operations of County Veterans Service Offices. The grants for counties with a full-time CVSO are based on total county population.
- *Tribal Veterans Service Office (TVSO) Grants*, which supplement the operations of Tribal Veterans Service Offices of eligible federally-recognized American Indian tribes.
- *Veterans' Service Organizations (VSO) Grants*, which provide financial assistance to VSOs representing veterans who are filing claims for benefits from the US Department of Veterans Affairs.
- *Transportation Grants* assist veterans who need transportation to federal VA-approved medical appointments by providing grants to transportation providers. Grants are given to the Wisconsin Department of Disabled American Veterans (DAV) and to CVSOs with veterans not served by the DAV.
- *Primary Mortgage Home Loan Program (PML)*, which offers 30-year, fixed rate mortgages for the purchase or construction of a veteran's principal residence.

- *Personal Loan Program (PLP)*, which offers mortgage- or guarantor-secured home equity loans of up to \$25,000 and can be used for any purpose.
- *Home Improvement Loan Program (HILP)*, which provides low-interest rate loans for repairs, alterations, construction and renovation of a veteran's principle residence.

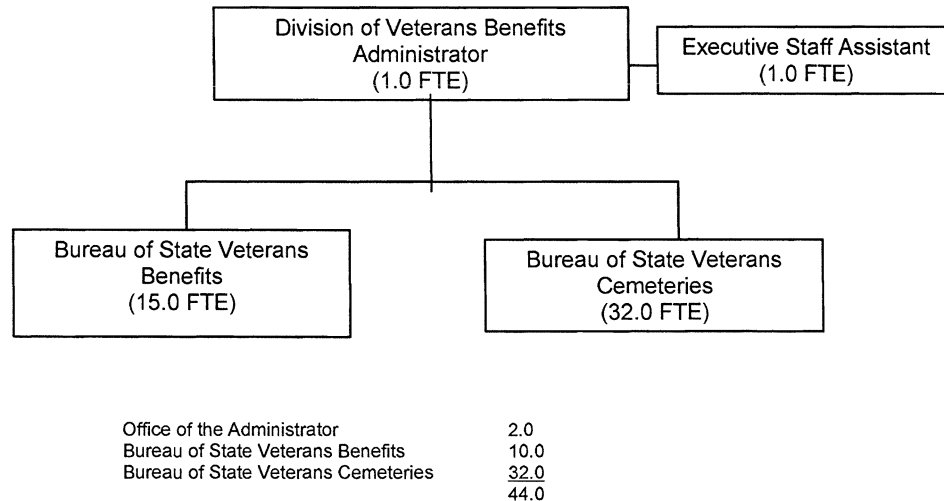
Real Estate Specialist staff are also responsible for:

- Collection duties to protect the liquidity of the Veterans Trust Fund and HILP.
- Property Management duties to mitigate losses to the Mortgage Loan Repayment Fund.
- Loan Underwriting duties for the PLP, HILP and PMLP loan programs. The PMLP is currently experiencing a funding outage.

The Bureau of State Veterans Cemeteries consists of 32 FTEs: one Veterans Affairs Manager, one Veterans Program Supervisor, two Supervisors - Cemetery Operations, two Building and Grounds Supervisors, eight Cemetery Care Takers, two Operation Program Associates, one Office Operation Associate, and four Veterans Benefit Specialists and 11 Military Funeral Honors Staff, and is responsible for the following programs:

- *State Veterans Cemeteries (Spooner & Union Grove)* provide interments for veterans and eligible family members at the Southern and Northern Wisconsin Veterans Memorial Cemeteries.
- *Veterans Assistance Program (VAP)* helps homeless veterans and those at-risk of becoming homeless receive the services they need to obtain steady employment and affordable housing. Currently locations include Fort McCoy, Union Grove, Chippewa Falls and King.
- *Military Funeral Honors Program (MFHP)* coordinates and provides military funeral honors for the interment of eligible Wisconsin veterans. This program also provides a stipend to eligible VSOs performing Military Funeral Honors.

DOVB Organization chart: Figure 2



Recommendations for Division of Veterans Benefits

- **Change the name of the Bureau of Veterans Benefits to the Bureau of Veterans Program and Services.**
- **Change the name of the Grants and Loan Section to Grants, Loans and Educational Services Section.**
- **Convert two Real Estate Specialist positions to the Veterans Program Specialist position and move to the Veterans Assistance Section, Veterans Outreach and Advocacy Unit.**

Rationale

This proposal reduces the number of Real Estate Specialists in the loan unit from six to four and allows the division to provide additional resources for our outreach efforts. This proposal also results in a projected future annual salary savings of \$23,440.

The responsibility to maintain the liquidity of the Veterans Trust Fund and mitigate losses to the Mortgage Loan Repayment Fund remains crucial. The Collections and Property Management staff dedicated to those functions must be maintained at levels adequate to discharge their responsibilities if the department is to continue meeting its goals in those areas. Their responsibilities include maintaining low delinquency rates, manageable charge-off levels and acquiring, marketing and disposing of the Real Estate Owned in a timely manner. The Collections and Property Management duties can be rather labor intensive at times but they are necessary to the continued health of the loan portfolios.

In the first seven months of calendar year 2010, two of the six Real Estate Specialist FTE positions were temporarily reassigned to the Eligibility Unit, leaving the Loans\Collections\Property Management area with four FTEs. During that time those remaining four positions were working at full capacity though they were able to adequately perform their assignments. Therefore, that level of four FTE positions dedicated to the area would appear to be the necessary minimum staffing level.

A reduction below four positions would likely leave it understaffed. Inadequate staffing would result in a gradual rise in delinquency rates. Elevated delinquency rates inevitably translate into losses to the portfolio. Four Real Estate Specialist positions is therefore the recommended minimum staffing for this area.

- **Transfer the Veterans Assistance Section (to include VAP) from the division's Bureau of State Veterans Cemeteries to the Bureau of Veterans Programs and Services.**

Rationale

This transfer will allow for increased focus on our outreach efforts to homeless veterans.

The Division of Veterans Benefits intends to consolidate all of its outreach personnel resources into the Outreach and Advocacy Unit, Bureau of Veterans Programs and Services. A regional approach to outreach will be adopted with four regions represented by assigned Outreach Coordinators. As currently envisioned, the four outreach regions would mirror the four existing CVSO Association regions. The purpose of these Outreach Coordinators will not be to displace the CVSO's or duplicate the activities they engage in but rather to coordinate activities, collaborate on events and share information.

- **Transfer King Cemetery program operations from the Division of Homes to the Division of Veterans Benefits, Bureau of Veterans Cemeteries.**

Rationale

The current Director at the Northern Cemetery will manage both the Northern (Spooner) and Central (King) Cemeteries. Local staffing of the King Cemetery is currently under review.

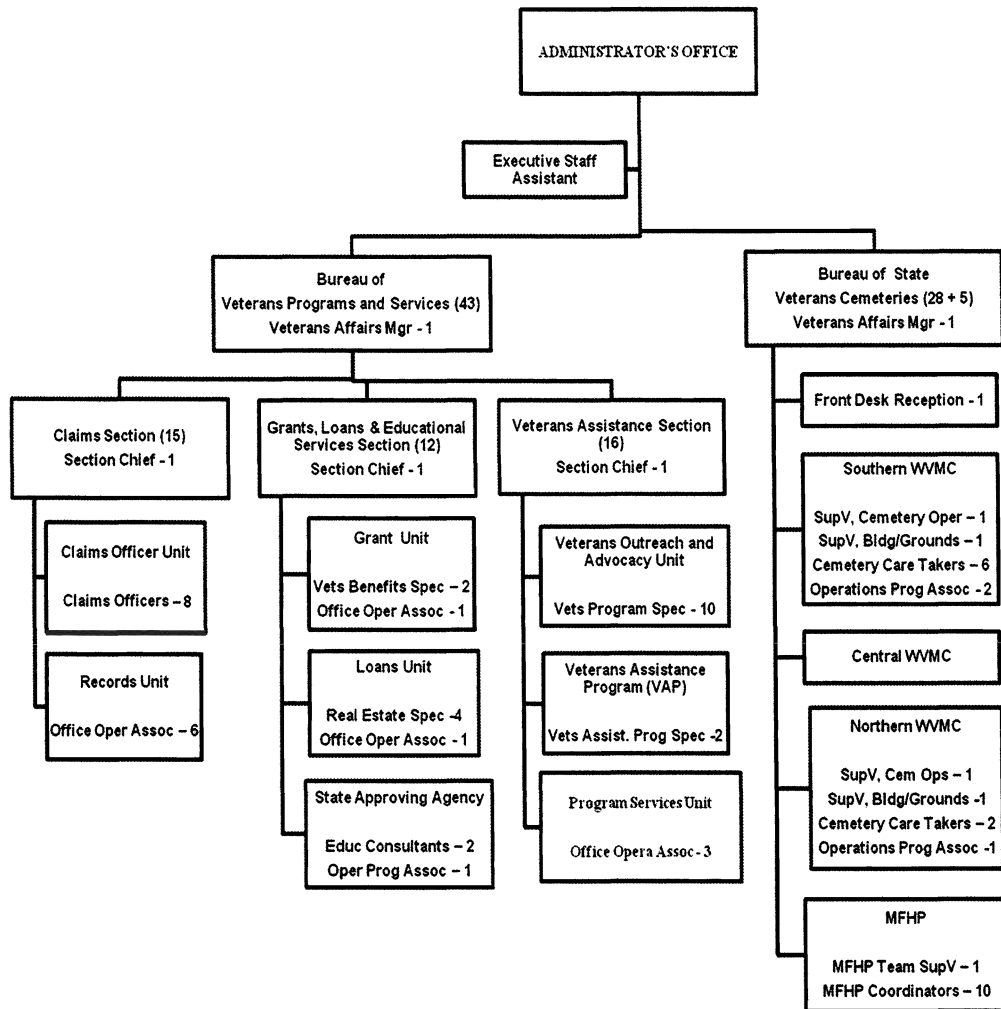
This transfer opportunity consolidates all cemetery operations and management into one division/bureau. More importantly, this change will allow our cemetery operations to meet USDVA National Cemetery Association required shrine standards.

- **Transfer three Office Operations Associate FTE positions from the Division of Administration, Program Services unit to the Division of Veterans Benefits, Bureau of Veterans Programs and Services (proposed name).**

Rationale

The work functions performed by these three positions are in support of benefits provided to veterans. The functions include the creation of the base file folder as the initial step in the distribution of benefits to veterans, recording and entering of DD214 data in our departmental database, communications with veterans and CVSOs regarding the status of benefits.

DOVB Organization chart: Figure 3



Division of Veterans Homes Proposed Reorganization

The Wisconsin Department of Veterans Affairs (Department), Division of Veterans Homes (Homes) has a substantial commitment to our Veterans long-term health care needs in Wisconsin and with responsibility for managing the Veterans Homes at King, Union Grove, and Chippewa Falls.

Recommendation

- **Construct a new management team from within the organization of WDVA, creating four new WDVA Central Management staff positions within the Division of Veterans Homes.**

Quality Management & Performance Improvement – Centralized point of coordination for quality assurance (QA) and management, performance improvement (PI) and risk management, infection control, licensing, clinical protocols, and health education for continuous quality improvement (CQI) and quality management (QM) and performance improvement of our Veterans Homes.

Policy & Program Compliance – Centralized point of coordination for standardization, compliance, and monitoring of all policies and procedures, and conducting performance and compliance audits of program areas including contracts and agreements, performs specific tasks related to reviews of management practices and policies, recommends changes to enhance operating efficiencies for policy and program compliance of our Veterans Homes.

Marketing & Public Relations – Centralized point of coordination for developing and implementing a comprehensive marketing and communications plan and program, multi-channel sales support and marketing research, metrics and analysis and effective marketing and public relation campaigns for marketing and public relations of our Veterans Homes.

Financial Analysis – Centralized point of coordination for technical assistance in the design of reporting systems for analyzing financial and operational trends and statistical forecasting in revenues and expenses, preparing spreadsheets, graphs, and charts to help illustrate financial information, presenting financial information to managers, performing revenue and expense forecasts in order to make financial decisions and recommendations, create and review financial records, and prepare budgets. Performs specialized financial or cost analyses (e.g., cash-flow analysis, "what-if" analysis), prepares related reports (e.g., pro-forma financial statements) for financial analyses of our Veterans Homes.

Rationale

The Homes are recommending adoption of a centralized, system-focused based approach to ensure the future of its aging population.

The continuing implementation of structural re-organization includes a centralized focus for allocating resources and setting service outputs, monitoring the performance of program and services for output/outcomes focus, and better integration of services for our members. In addition, the Homes will be working on a community standard of care classification system to assess the care needs of individuals in a more coordinated fashion.

Benefits anticipated from this reorganization action:

These changes provide the best opportunity to follow a standard of care that has been demonstrated to be successful by industry standards in achieving or leading to improved health and well-being outcomes for members and efficiencies in service delivery and in ultimately removing the distinction between “separate” or “disparate” nursing homes for the Wisconsin Department of Veterans Affairs with a combined “centralized” or “coordinated” focus; thus, allowing for greater flexibility and choice for people seeking aged care accommodations.

Additional benefits:

- Builds a stronger organizational structure that conforms to Pathways report recommendations, strengthening accountability and efficiency of operations.
- Creates a consistent organizational structure at each individual home, eliminating potential for duplication of services and enhancing consistency in the business model used from location to location.
- While projections are premature at this stage in planning, cost-savings associated with this new structure are anticipated, particularly with respect to more efficient operations.

Recommendations for Veterans Home at Union Grove

- **The Division of Veterans Homes would not fill three existing vacancies at the Veterans Home at Union Grove: Deputy Commandant, Adjutant and Marketing Specialist.**
- **The Division of Veterans Homes, Bureau of Financial Services would be consolidated under the Bureau of Fiscal Services at the WDVA Central Office.**
- **Restructure Gates Hall at the Veterans Home at Union Grove to a licensed, Skilled Nursing Facility (SNF).**

Rationale

This restructuring process would involve a number of key players including a number of viable options to be considered.

Restructure would include the conversion of the assisted living beds at Gates Hall, which is currently licensed as a Residential Care Apartment Complex (RCAC) to a Skilled Nursing Facility (SNF) for an improved business model.

The following, not in any particular order, are necessary for this restructure to occur:

- Architect and Engineer (A&E) feasibility recommendations. Note: Initial recommendations from the A&E indicate a favorable recommendation for this change to occur.
- Business Plan development.
- Complete federally-funded room renovations currently underway at Fairchild Hall.
- Re-Licensing from a RCAC to a SNF.
- Approval and union agreements.
- Member, union and staff communications.

The impact and restructure of Gates Hall would affect other positions campus-wide at the Veterans Home at Union Grove and as described below. When a formal business plan is developed the operational details become clear. The realization of implementing financial effectiveness and efficiency of operations with a business model of skilled nursing care and in serving our veterans in specific health care areas (e.g., dementia and Alzheimer care) would be central to the mission of the Veterans Homes.

It should be noted at this point, it is impossible to project with any certainty how lay-offs would play out until a building is selected and firm commitment to all or some of the below (with time lines) are established.

A staffing model for converting Gates to SNF should not follow Boland as well as there are efficiencies that could be gained here, too.

There are more efficiencies to be found, and as the Department develops a business plan for Union Grove, additional opportunities for cost savings will be investigated.

Due to this overall re-structuring of the Veterans Home at Union Grove, there is a potential or estimated net cost savings / avoidance of:

\$749,000 for salaries only or \$1,213,400 for salaries including benefits based on agency fringe benefit rates.

The following potential Estimated Net Cost Savings / Avoidance includes salaries only:

Nursing Supervision. Currently, we have 14 nursing supervisors on staff with responsibility for key functions (MDS, scheduling, etc.) handled separately. 14 Union Grove nursing supervisors is not supportable or recommended when King has 4x staff and also utilizes 14 nursing supervisors. Weekend coverage should be done on a rotating basis (campus-wide responsibilities). Recommend that the no. of nursing supervisors at UG be reduced to 7. Composition should be: (a) 1.00 FTE DON; (b) 1.00 FTE ADON at SNF; (c) 2.00 FTE PM supervisors; (d) 2.00 FTE NOC supervisors; and (e) 1.00 FTE Nursing Administrator who has responsibility for protocols, Assisted Living facilities, MDS functions, scheduling, medical records, nursing instruction and medical transport. This position should also hold a Wisconsin Nursing Home Administrator (NHA) license and function as 2nd administrator in the Commandant's absence. Potential / Estimated Net Cost Savings / Avoidance of \$263,300.

MDS – Classification issue as this position does not supervise RNs. Should be another class (MDS Coordinator or NC3) and leave supervision of unit clerks to nursing supervisors. Potential / Estimated Net Cost Savings / Avoidance of \$4,900.

Activities. Eliminate Therapist Supervisor. Therapists plan activities; therapy assistants implement. They can report to DON or ADON. Potential / Estimated Net Cost Savings / Avoidance of \$67,500.

Maintenance. Eliminate Custodial Services Program Supervisor. Cannot justify two supervisors in this area. Lead workers perform critical duties and work division. Keep Lead Custodian and Facilities Maintenance Specialist to bridge this gap. Potential / Estimated Net Cost Savings / Avoidance of \$49,000.

Eliminate one scheduler position (AL). During interim period, building supervisors can schedule (Option: Eliminate building supervisors and keep scheduler half-time). See Human Resources, below. Potential / Estimated Net Cost Savings / Avoidance of \$31,200.

Nursing Services. Eliminate nursing supervisor (inappropriate classification and salary); replace with nursing instructor. NA3 and Motor Vehicle Operators (MVOs) can report to the Nursing Administrator. NA3 can be assigned additional duties. Potential / Estimated Net Cost Savings / Avoidance of \$19,600.

Administration. Elimination of Deputy Commandant and Assistant Administrator (Adjutant) positions. Commandant will be working administrator and NHA license holder. Back-up will be a Nursing Administrator. The position of the Assistant Administrator (Adjutant) will be “re-purposed” for the Central Office position of Director, Policy & Program Compliance. Potential / Estimated Net Cost Savings / Avoidance of \$91,000.

Food Service. Elimination of Dietetic Technician and Clinical Dietitian positions. Clinical dietitian responsibilities can be contracted out more cost-effectively. Over time, 9 positions devoted to AL will be eliminated; that should also impact the number of campus-wide positions needed as these fill-in for absences and there will be fewer fill-ins required. Potential / Estimated Net Cost Savings / Avoidance of \$110,900.

Social Services. Restructuring an Assisted Living building would mean one less .50 FTE Social Worker position. This .50 FTE position could be absorbed by the Institution Social Services Director at Boland Hall. Potential / Estimated Net Cost Savings / Avoidance of \$25,000.

Human Resources. Re-allocate scheduler position for adding one Program Assistant-confidential. There is significant paper and employee benefit assistance work that needs to be done locally and cannot be absorbed by current staff. See scheduler position, above. Potential / Estimated Net Cost Savings / Avoidance of +\$31,200.

Financial Services. Eliminate two positions from the Homes finance area and re-allocate one position for the Central Office position of Financial Analyst. Potential / Estimated Net Cost Savings / Avoidance of \$113,600.

Admissions. Change position classification because this position does not supervise. That would alter salary downward. Potential / Estimated Net Cost Savings / Avoidance of \$4,200.

Benefits anticipated from this reorganization action:

- This recommendation effectively flattens the Union Grove Home's organizational structure.
- Consistency between the Homes is enhanced.
- Significant cost savings can be realized.
- Recommendations clearly move toward a business model that is more viable.

Recommendations for Veterans Home at King

- **The Division of Veterans Homes, Bureau of Financial Services would be consolidated under the Bureau of Fiscal Services at the WDVA Central Office.**
 - The majority of the employees would be physically located at the Veterans Home at King.
 - For the new re-structure at both the Veterans Home at King location and at the WDVA Central Office location, a percentage of time would be determined for efficiency and effectiveness of operations for the Financial Management Supervisor.

Rationale

Re-structure the positions in the accounting, budgeting and financial areas from both King and Union Grove, to King and the Central Office locations. In the restructuring process, the Veterans' Home would have one individual under the Division Administrator, Administration at Central Office for the Bureau of Fiscal Services. There would be a centralized position from the Homes for the Veterans Home Accounting and a centralized position from Central Office for Programs/Accounting General.

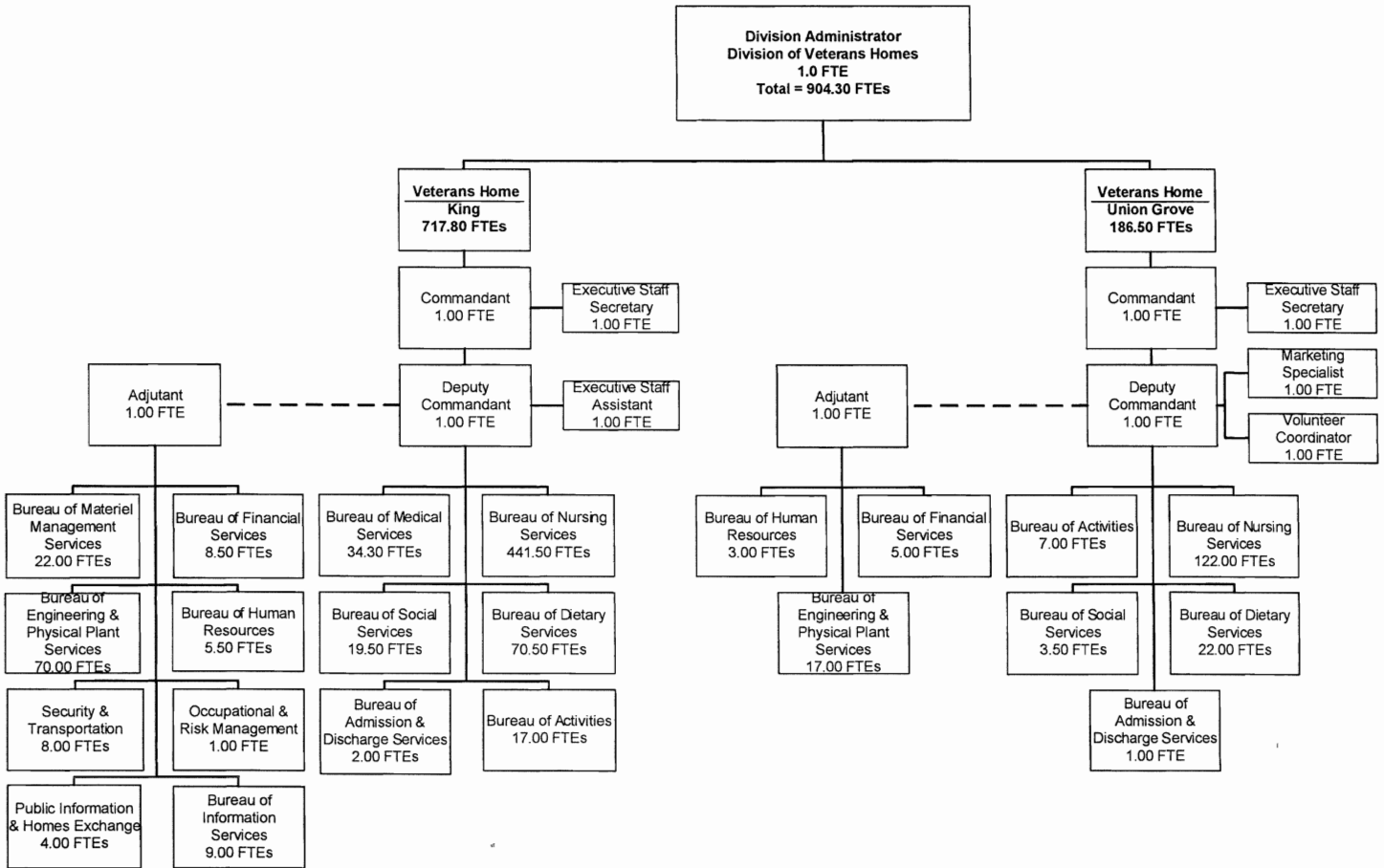
Key developments would include the introduction of the finance and accounting framework built on output groups rather than separate programs; thus, promoting greater service and fiscal viability and flexibility. Under the Division Administrator, Administration at Central Office a coordinated approach would occur to include centralized finance functions in two key functional areas, including: (1) Veterans Home Accounting – Member Billing and Finance and General Accounting Services and (2) Central Office – Agency Accounting / Financial Reporting & Programs / General Accounting Services. The Accounts Payable area would also include disbursements such as grants.

Benefits anticipated from this reorganization action:

- Combining responsibilities in the accounting, budgeting, and financial areas allows for increased fiscal accountability across the spectrum of health care delivery.
- In addition to strengthening accountability and conforming to Pathway recommendations, it is anticipated that the consolidation will result in fewer positions needed, although exact cost-savings are not yet projected.

DVH Organization chart: Figure 1

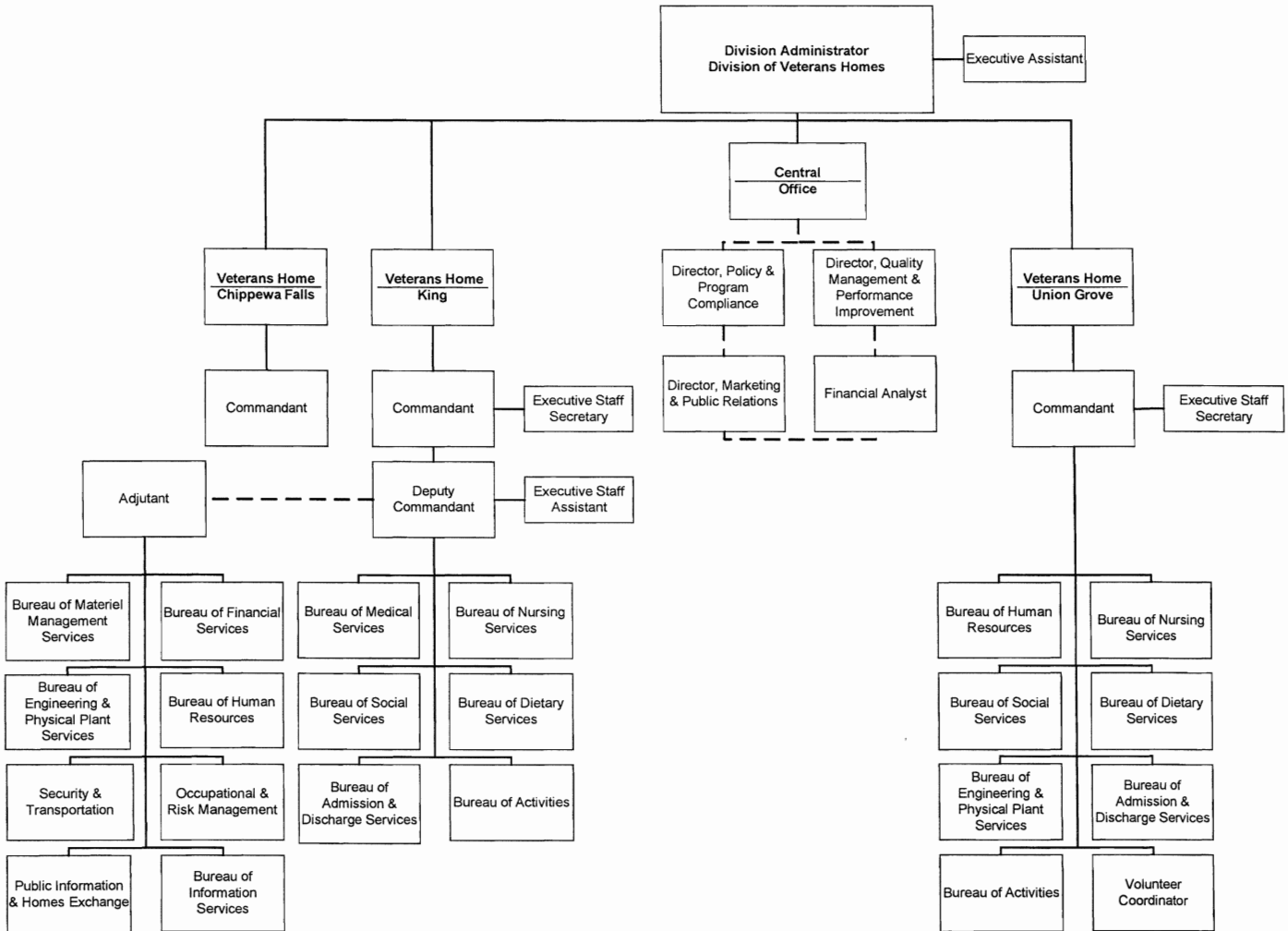
CURRENT ORGANIZATIONAL STRUCTURE



Note: The total number of 904.30 FTEs listed above also includes Limited Term Employees (LTEs). Many of the .50 positions are actually scheduled at a higher percentage due to not obtaining a higher position authority. The source of the data in obtaining the number of FTEs is directly taken from Agency Scheduling as of January 27, 2011 and does not reflect vacant positions.

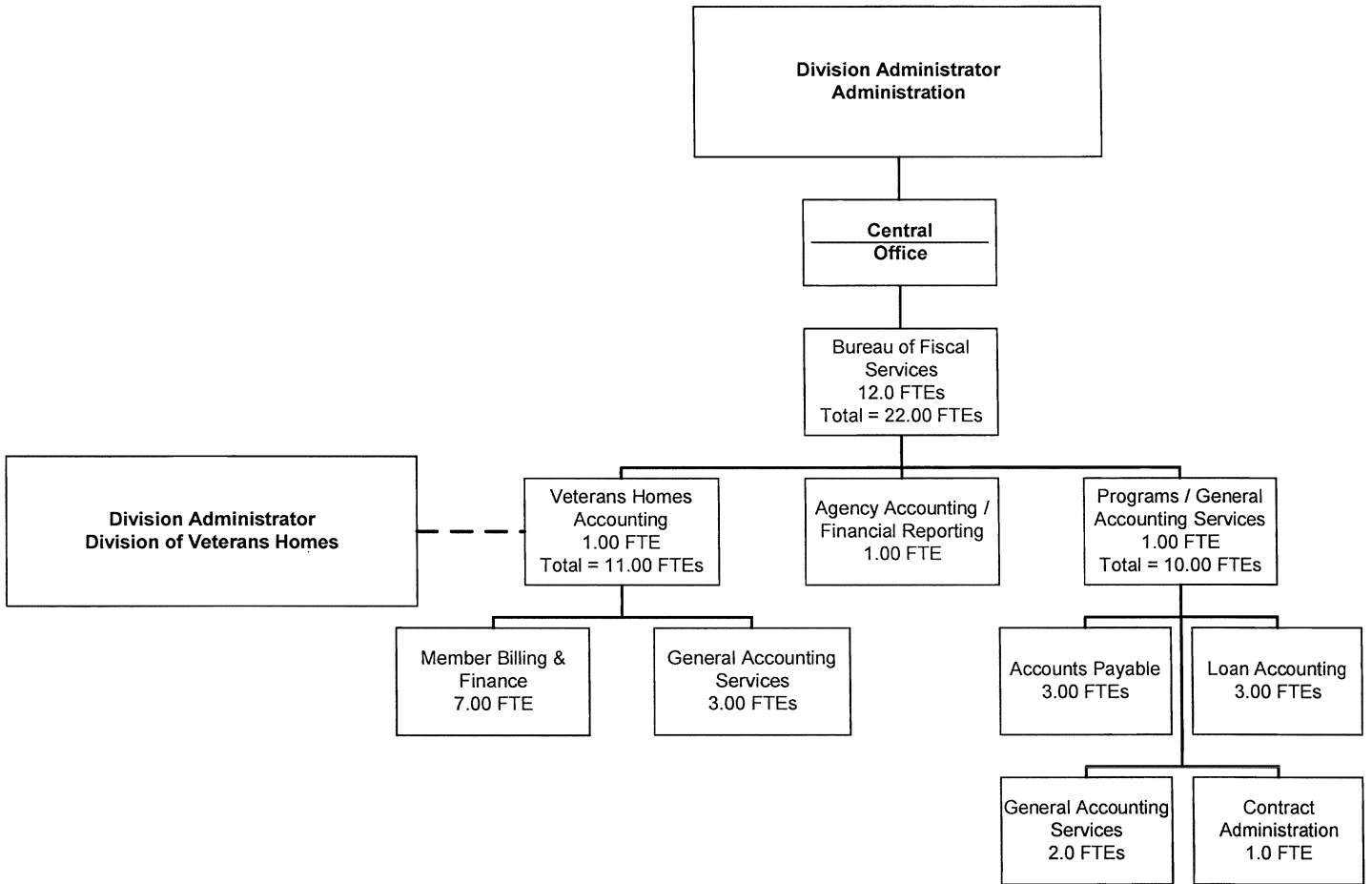
DVH Organization chart: Figure 2

PROPOSED ORGANIZATIONAL STRUCTURE
Division of Veterans Homes



DVH Organization chart: Figure 3

PROPOSED ORGANIZATIONAL STRUCTURE
Division of Administration – Bureau of Fiscal Services




Summary

The Wisconsin Board of Veterans Affairs is respectfully asked to consider and approve the following reorganization recommendations:

- **Division of Veterans Services/Benefits:** Consolidate the Division of Veterans Services and Division of Veterans Benefits into one division: the Division of Veterans Benefits.
- **Division of Veterans Services/Benefits:** Transfer all Division of Veterans Services programs, services and staff to the Division of Veterans Benefits.
- **Division of Veterans Services/Benefits:** Eliminate the Office of the Administrator.
- **Division of Veterans Services/Benefits:** Convert the Bureau to a Section level unit and transfer to the Division of Veterans Benefits, Bureau of Veterans Programs and Services.
- **Division of Veterans Services/Benefits:** Transfer the State Approving Agency to the Division of Veterans Benefits, Grants, Loans & Educational Services Section.
- **Division of Veterans Services/Benefits:** Transfer Veterans Training & Employment to the Division of Veterans Benefits, Bureau of Veterans Programs and Services.
- **Division of Veterans Services/Benefits:** Change the name of the Grants and Loan Section to Grants, Loans and Educational Services Section.
- **Division of Veterans Services/Benefits:** Convert two Real Estate Specialist positions to the Veterans Program Specialist position and move to the Veterans Assistance Section, Veterans Outreach and Advocacy Unit.
- **Division of Veterans Services/Benefits:** Transfer King Cemetery program operations from the Division of Homes to the Division of Veterans Benefits, Bureau of Veterans Cemeteries.
- **Wisconsin Veterans Homes:** Construct a new management team from within the organization of WDVA, creating four new WDVA Central Management staff positions within the Division of Veterans Homes.
- **Wisconsin Veterans Homes:** The Division of Veterans Homes, Bureau of Financial Services would be consolidated under the Bureau of Fiscal Services at the WDVA Central Office.
- **Wisconsin Veterans Homes:** Re-Structure Gates Hall at the Veterans Home at Union Grove to a licensed, Skilled Nursing Facility (SNF).

Timeline

The following timeline is intended to provide an overview of the types of reorganization actions recommended in this plan and when each type of action can take place. Many factors will affect the implementation of reorganization actions, some of which are outside the direct control of the Department.



Immediate (0-3 month time frame)

These items are able to be implemented immediately.

- Assign geographical duties and new responsibilities to Outreach Staff within the Division of Veterans Benefits.
- Where program funding is not directly impacted, reallocate and repurpose existing personnel, focusing on immediate opportunities via position vacancies or inter-Departmental shifts.

Intermediate (3-9 month time frame)

These items require, at a minimum, approval by the Board of Veterans Affairs before implementation can begin. In some cases, additional factors will add to the implementation time frame. For example, certain changes to organizational structure will require Wisconsin Department of Administration approval.

- Consolidate Homes functions and financial operations.
- Reallocation of personnel continues.

Longer-term (12 month time frame)

Major structural changes, such as repurposing Gates Hall at the Union Grove Veterans Home, will require a series of actions and approvals from outside agencies as well as substantial shifts in resources and infrastructure.

- Consolidation/elimination of Divisions or Bureaus and other major organizational changes.
- Restructure Gates Hall to a licensed Skilled Nursing Facility.
- Ongoing reevaluation of changing infrastructure needs resulting from reorganization.



Wisconsin Department of Veterans Affairs

**Medicare Certification for the
King Veterans Home:
A Cost-Benefit Analysis**

Reported to the Board of Veterans Affairs
February 2011

Prepared by
The Office of Policy, Planning and Budget

Introduction

In the Operational Assessment Report prepared for the Wisconsin Department of Veterans Affairs by Pathway Health Services, Inc. and released in April 2009, it was recommended that the Wisconsin Veterans Home at King (King or the Home) consider Medicare certification to capture additional revenues that may be available for services that it already provides. On February 19, 2010, King provided an analysis to Board that concluded the Home should not pursue Medicare certification at that time. The Board of Veterans Affairs requested the Office of Policy, Planning, and Budget perform a more detailed analysis of the feasibility of implementing Medicare at King. This report summarizes that analysis.

Background

Medicare, A Health Insurance Program

Medicare is health insurance for people age 65 or older, under age 65 with certain disabilities, and any age with permanent kidney failure (called “End-Stage Renal Disease”).

Medicare has two parts:

| | |
|--|--|
| <p>Medicare Part A (Hospital Insurance) helps pay for inpatient care provided in a hospital, skilled nursing facility, or hospice, and for home health care if certain conditions are met. Most people don't have to pay a monthly premium for Medicare Part A because they or a spouse paid Medicare taxes while working in the United States. If an individual doesn't automatically get premium-free Part A, he or she may still be able to enroll, and pay a premium.</p> | <p>Medicare Part B (Medical Insurance) helps pay for medically-necessary doctors' services and other outpatient care. It also pays for some preventive services (like flu shots) to help keep covered individuals healthy and some services that keep certain illnesses from getting worse. Most people pay the standard monthly Medicare Part B premium.</p> |
|--|--|

There are two main ways in which eligible individuals get Medicare coverage: Original Medicare or Medicare Advantage Plans.

Original Medicare is managed by the Federal government and provides both Medicare Part A and Part B coverage. (Either one or both parts may be chosen.) A deductible is required and coinsurance is usually charged each time a service is received. Medicare prescription drug coverage (Part D) can be added by joining a Medicare Prescription Drug Plan and Medigap insurance (Medicare Supplement Insurance) policy can be purchased to help pay some of the health care costs' “gaps” (like copayments, coinsurances, and deductibles).

Medicare Advantage Plans (like an HMO or PPO) are health plans run by Medicare-approved private insurance companies. Medicare Advantage Plans (also called "Part C") include Part A, Part B, and usually other coverage like Medicare prescription drug coverage (Part D), sometimes for an extra cost to the participant. Medicare pays a fixed amount for a person's care every

month to the companies offering Medicare Advantage Plans. These companies must follow rules set by Medicare. However, each Medicare Advantage Plan can charge different out-of-pocket costs and have different rules for how beneficiaries get services (like whether you need a referral to see a specialist or if you have to go to only doctors, facilities, or suppliers that belong to the plan for non-emergency or non-urgent care).

Medicare Part A (or as part of an advantage plan) pays for medically-necessary care in a skilled nursing facility (SNF) for people with Medicare who require skilled nursing or rehabilitation services. To be covered for skilled care, a person must receive the services from a Medicare-certified SNF after a qualifying hospital stay, which is at least three days spent in a hospital immediately prior to going to a SNF. Based on a review of hospitalization data for the King, its members have consistently averaged approximately 40 qualifying hospital stays per quarter or 160 annually. For the purposes of our analysis, we've used the lowest quarterly qualifying stays to conservatively estimate 130 qualifying stays annually.

Skilled care is given for a short period of time, not to exceed 100 days, when skilled nursing or rehabilitation staff is needed to manage, observe, and evaluate a person's care. Based on data obtained from the Center for Medicaid and Medicare Services (CMS), the industry average length of stay in a skilled nursing facility for Medicare Part A was 35 days in 2008. The actual experience at the Wisconsin Veterans Home at Union Grove (Union Grove) was higher than the industry average at 44.4 days per stay. The longer than average stay at Union Grove is attributed to the fact that members are able to receive Medicare Part A services in their home; while, in most cases, an individual is away from home or his or her previous living environment during a Medicare stay. For this analysis we expect King to have a similar experience and used 45 days as the average expected stay.

Medicare Certification Process

State Survey Agencies perform initial surveys (inspections) and periodic resurveys (including complaint surveys) of all providers and certain kinds of suppliers. These surveys are conducted to ascertain whether a provider/supplier meets applicable requirements for participation in the Medicare and/or Medicaid programs, and to evaluate performance and effectiveness in rendering a safe and acceptable quality of care.

Most states have adopted the same requirements for Medicaid as for Medicare and the majority of skilled nursing facilities in Wisconsin participate in both Medicare and Medicaid (see Table 1). The standards for Medicaid and Medicare are generally less stringent than the federal standards for Veterans Homes under 38CFR Part 51 required for receipt of Federal Per Diem.

Table 1
 Medicare and Medicaid Certification Status
 Wisconsin Skilled Nursing Facilities

| Certification | Number | % Total |
|---------------------|--------|---------|
| Medicare & Medicaid | 365 | 93% |
| Medicare Only | 12 | 3% |
| Medicaid Only | 15 | 4% |

Certification is when the State Survey Agency (SA), (in the State of Wisconsin this is the Department of Health Services) officially recommends its findings regarding whether health care entities meet the Social Security Act's provider or supplier definitions, and whether the entities comply with standards required by Federal regulations. The functions that the State Survey Agencies perform are referred to collectively as the certification process.

State Survey Agencies do not have Medicare determination-making functions or authorities; those authorities are delegated to CMS' Regional Offices. State Survey Agency certifications are the crucial evidence relied upon by the Regional Offices in approving health care entities to participate in Medicare. Re-certifications are performed periodically by the State Survey Agencies. After the State Survey Agency completes an inspection for the Medicare/Medicaid program, it submits evidence and a certification recommendation for a final CMS Regional Office determination.

The conversion of a Medicaid-only Nursing Facility (NF) to dual-certification (SNF/NF) does not require an initial certification survey and may be done at the State's discretion. King would need to complete a Medicare Enrollment Application and supporting documentation. Based on discussions with the State of Wisconsin Department of Health Services, the application process is estimated at about four months from date of application, unless a survey is required in the review. It is not likely an additional survey would be required because the Home is surveyed by both the State of Wisconsin for Medicaid and the U.S. Department of Veterans Affairs for Federal VA Per Diem.

The usual process for becoming a certified Medicare provider is as follows:

1. The applicant completes and submits the Medicare enrollment application (Form CMS-855A) to its designated Medicare fee-for-service contractor.
2. The fee-for-service contractor reviews the application and makes a recommendation for approval or denial to the applicable CMS Regional Office.
3. Once the fee-for-service contractor makes a recommendation to approve enrollment, the SA or, if applicable, a CMS recognized accrediting organization conducts a survey. Based on the survey results, the SA makes a recommendation for approval or denial (a certification of compliance or noncompliance) to the CMS Regional Office.
4. The CMS Regional Office makes the final decision regarding program eligibility. The CMS Regional Office also works with the Office of Civil Rights to obtain the necessary Civil Rights clearances. If approved, the provider must typically sign a provider agreement.

Source: Centers for Medicare & Medicaid Services, Medicare Enrollment for Institutional Providers

Anticipated Impact on Operations

A decision to apply for Medicare certification must consider whether additional one-time or ongoing resource allocations are required and whether sufficient additional revenues may be generated to support those resources.

Resource Considerations

Minimum Data Set Completion

The Minimum Data Set (MDS) is a core set of screening, clinical and functional status elements, including common definitions and coding categories, which forms the foundation of the comprehensive assessment for all residents of long-term care facilities certified to participate in Medicare or Medicaid. The items in the MDS standardize communication about resident problems and conditions within facilities, between facilities, and between facilities and outside agencies.

The standard of practice for collection of data for the MDS is to conduct a thorough assessment of the member gaining information from the following, at a minimum: medical records; member interview; clinical assessments; staff interviews; family interviews; medication and treatment administration records; hospital records, if applicable; physician documentation and contact; and observation in the current living environment of various shifts. It is a further standard of practice that the MDS Coordinator verifies the accuracy of the data collected and the compliance with key reference dates.

Medicaid and Medicare provisions require skilled nursing facilities to conduct comprehensive, accurate, standardized, and reproducible assessments of each resident's functional capacity using a resident assessment instrument that has been specified by the State. Facilities are required to examine their residents no less frequently than once every three months. During a Medicare Part A stay, a MDS must be completed more frequently: at or near admission (or readmission) following a qualifying hospital stay; and on days 5, 14, 30, 60, and 90.

CMS estimates the time to complete an MDS using version MDS 2.0 to be 90 minutes. CMS has not provided an estimate of the time to complete an MDS using version MDS 3.0, which was implemented October 1, 2010. For the purposes of our analysis the time estimate is expected to be comparable. Therefore, it is estimated that 780 hours of additional staff time would be needed in order to complete the MDS at the frequency required by Medicare Part A as shown in Table 2.

Table 2
Estimated Additional MDS Requirements Under Medicare Part A

| | |
|---|-----|
| Estimated Minutes Per MDS completion | 90 |
| Average Expected Eligible Qualifying Hospital Stays | 130 |
| Estimated Additional MDS Required Per Average 45-day Stay | 4 |
| Estimated Additional Hours for Medicare Part A | 780 |

In addition to the completion of the MDS, itself, the greatest increase in workload is expected to be in documentation for MDS and coordinating with patient care staff to be proactive in ensuring all documentation is accurate and complete. A MDS Coordinator provides the necessary coordination for the complex MDS process, insuring full, interdisciplinary participation in the MDS and care planning process while improving accuracy of the MDS. Consequently, it is expected that a 1.0 full-time equivalent (FTE) MDS Coordinator would be needed to meet the additional requirements for Medicare.

| | <u>Annual Cost</u> | <u>Per Patient Day</u> |
|---|--------------------|------------------------|
| Estimated Cost of MDS Coordinator (1.0 FTE) | \$ 116,600 | \$19.94 |

Patient Care Staffing

Minimum staffing requirements for Medicaid and Medicare are generally the same. Care levels and costs under Medicare would remain similar to those under Medicaid, with an exception for therapy, which is addressed below. The Home currently meets minimum staffing requirements for Medicaid; consequently, it is expected that staffing for Medicare is adequate and no additional costs are estimated for the purposes of our analysis. In addition, it should be noted that based on experience, members who have had a qualifying hospital stay currently return to the Home for care, which is provided, although not under Medicare. Finally, per CMS’s Nursing Home Compare, the separately licensed King SNFs have received a 4 of 5 star ranking in Nursing Home Staffing. (See Appendix 2).

Therapy Services

King currently has a contract for therapy services. According to the terms of the contract, the contractor provides therapy to King members on-site and directly bills their services to Medicare B, Medicaid and private insurance companies. The contractor bills King for therapy costs that cannot be billed to a third party (approximately \$98,000 annually). In return for being able to keep all revenue generated as a result of the therapy services it provides, the contractor pays rent (approximately \$39,600 annually) to King for its use of space. The terms of the contract require that it be canceled with a 30-day written notification and re-bid if King becomes Medicare certified.

Union Grove contracts for its therapy services; however, because it is Medicare certified, terms of the agreement require the contractor to bill Union Grove for therapy provided to Medicare A, Medicare B, and private pay members and to bill Medicaid for those that are eligible. Medicare A therapy services are billed by the contractor to Union Grove at \$0.97/minute and outpatient therapy (Medicare B and private pay) at 75% of the Medicare B rate. Union Grove, in turn, bills Medicare B for outpatient therapy at the full rate. The difference between what the Home is billed and what it bills to Medicare (25% of the Medicare B rate) is available to cover facility and administrative costs.

King, if certified, would necessarily be required to enter into a new therapy services contact. King could piggy-back the Union Grove contract or re-bid its therapy services, which would take at least six to eight weeks in addition to the 30-day written cancellation notice required by the current contract. Assuming the terms of a new agreement are similar to those at Union Grove, King would no longer generate rental revenue from the therapy contractor. Receipt of the difference between what the Home is billed and what it bills to Medicare (25% of the Medicare

B rate) for outpatient therapy would approximate the lost facility rental revenue with Medicare B usage at Union Grove levels. Since we expect the usage to exceed Union Grove levels, we would expect to recover the additional therapy, facility fees, and administrative costs associated with changing the contract.

Expected additional annual and per patient day costs of therapy services were estimated based therapy services at \$0.97 per minute on the average therapy minutes per day experienced at Union Grove, which very consistently has been 30. Because King already pays for therapy the contractor is unable to bill a third party at an estimated cost of \$98,000 per yea, no additional costs are estimated for therapy services not billable to Medicare Parts A or B and Medicaid.

| | <u>Annual Cost</u> | <u>Per Patient Day</u> |
|--|--------------------|------------------------|
| Estimated Medicare Part A Therapy Costs Per Patient Day (Average of 30 Therapy Minutes per Day) | \$ 170,200 | \$29.10 |

Billing and Collection

Participating in Medicare will also require an additional billing to Medicare and others for co-payment. The Medicare A billing requires coordination with the MDS coordinator and patient care staff to ensure the most accurate level of billing for each member. To be conservative, we estimate a 0.5 FTE additional workload to bill and to ensure prompt collection of Medicare revenue.

| | <u>Annual Cost</u> | <u>Per Patient Day</u> |
|---|--------------------|------------------------|
| Estimated Cost of Medicare Biller (0.5 FTE) | \$ 41,500 | \$7.09 |

Administrative costs

Similar to Medicaid, Medicare requires an annual cost report that is required to be prepared and submitted annually. For the purpose of our analysis, we assume King will contract for this service as Union Grove does. King estimates an out of pocket cost for Medicare report preparation to be \$3,000 annually based Union Grove experience. King also estimates a one-time software modification cost for the electronic charting software of \$5,000. For purposes of looking at annual potential for Medicare A, the software modification costs were not included.

| | <u>Annual Cost</u> | <u>Per Patient Day</u> |
|---|--------------------|------------------------|
| Estimated Annual Cost of Medicare Cost Report Preparation | \$ 3,000 | \$0.51 |

Implementation

Medicare coding and billing is a complex process and having clear policies, procedures, and well-trained staff is imperative to success. Not unlike other significant changes, successful implementation of Medicare would best be accomplished by designating a dedicated coordinator or consultant to drive implementation. The dedicated position would coordinate application and certification; implement new policies and changes in existing policies and procedures for patient care and documentation; negotiate therapy contract changes; coordinate needed software changes; coordinate consolidated financial billing procedures; and ensure consistency between the Homes.

For the purposes of our analysis, it is expected that Medicare implementation would be coordinated by existing staff; therefore, no additional out-of-pocket costs are estimated.

Total Expected Additional Costs

The estimated costs of the resources needed to implement Medicare at King, annually and per patient day (PPD); is summarized below.

| | <u>Annual Cost</u> | <u>Per Patient Day</u> | | |
|---|--------------------|------------------------|-----------------|--------------|
| | | <u>Fixed</u> | <u>Variable</u> | <u>Total</u> |
| Cost of MDS Coordinator (1.0 FTE) | \$116,600 | \$19.94 | \$ 0.00 | \$19.94 |
| Medicare Part A Therapy Costs Per Patient Day | 170,200 | 0.00 | 29.10 | 29.10 |
| Cost of Medicare Biller (0.5 FTE) | 41,500 | 7.09 | 0.00 | 7.09 |
| Annual Cost of Medicare Cost Report Preparation | <u>3,000</u> | <u>0.51</u> | <u>0.00</u> | <u>0.51</u> |
| Total Additional Costs | \$331,300 | \$27.54 | \$29.10 | \$56.64 |

Revenue Considerations

Medicare A rates are based on a case mix index of therapy and nursing and generally are higher than Medicaid as it includes therapy costs and is generally for more intensive care. In December 2010, Medicare reimbursement rates for the Veterans Home at Union Grove ranged from a low of \$228 per day to a high of \$726 per day, with a blended rate of \$429 per day. For the purposes of our analysis, we assumed the case mix experienced at King would mirror the case mix at Union Grove. Therefore, Union Grove’s case mix was evaluated using King’s geographic location since Medicare rates are adjusted for urban versus rural settings. The resulting blended rate was \$394 per day., which we used in our estimate.

It should be noted that Medicare A changed its rate structure to the RUG IV (Resource Utilization Guide Version 4) model effective October 1, 2010, or prior to December 2010, which is the period modeled to estimate the King blended rate of \$394.00 per day. While it is unknown how the implementation may affect rates in the future, of the 64 categories in RUG IV, only ten would fall below the projected break even rate. Further, all ten of the categories are on the lower end of the nursing and therapy index and it would be expected that those returning from the hospital would generally have greater nursing and therapy needs than the ten. This is consistent with Union Grove’s experience; they rarely have members in the lowest rate RUG IV categories. Also, those in the lower rates may not have therapy needs, which would reduce variable expenditures expected per patient day.

Medicare A pays the full case mix adjusted rate for days 1-20 and for days 21-100 the full rate with a \$141.50 co-pay paid by private co-insurance, Medicaid, or private pay depending on the individual. After day 100, the member is no longer eligible for Medicare until another qualifying hospital stay and would return to skilled nursing facility rates.

The Home can continue to bill for eligible VA per diem during the time a member is on Medicare A and in the case of 70% Service Connected veterans, King would have the option to bill Medicare A for the first 20 days of an eligible Medicare A stay and then return the veteran to the 70% Service Connected VA billing before a co-pay is required. The Home would not be

eligible to bill the VA for the 70% Service Connected reimbursement while billing Medicare A; however in most cases Medicare A would provide a higher reimbursement than that provided by the 70% Service Connected program.

To be certain that Medicare certification would have no unintended consequences on the Medicaid rate the Home is paid, we discussed the same with staff at the Wisconsin Department of Health Services (DHS). DHS staff indicated that based on our estimates and current cost report, accepting Medicare A would have no effect upon the Medicaid rate at King.

Below is a comparison of current rates to the estimated Medicare Part A rate less expected additional costs per patient day (see Table 3). Only one rate, the Full Pay - Intensive Skilled Non-Veteran rate, would yield a loss per patient day under Medicare Part A.

Table 3
Comparison of Current Daily Rate to Estimated Medicare Rate
and Additional Per Patient Day Costs

| Revenue Per Patient Day (PPD) | Current Daily Rates | Estimated Medicare A Rate | Expected Additional Costs PPD | Additional Revenue (Loss) PPD |
|--|---------------------|---------------------------|-------------------------------|-------------------------------|
| Medicaid | \$201.28 | \$394.00 | \$56.64 | \$136.08 |
| 70% Service Connected Disability | 277.43 | 394.00 | 56.64 | 59.93 |
| Full Pay - Intensive Skilled Veteran | 246.41 | 394.00 | 56.64 | 90.95 |
| Full Pay - Skilled Veteran | 195.41 | 394.00 | 56.64 | 141.95 |
| Full Pay - ICF 1 Veteran | 144.41 | 394.00 | 56.64 | 192.95 |
| Full Pay - ICF 2 Veteran | 110.41 | 394.00 | 56.64 | 226.95 |
| Full Pay - Intensive Skilled Non-Veteran | 341.00 | 394.00 | 56.64 | (3.64) |
| Full Pay - Skilled Veteran Non-Veteran | 290.00 | 394.00 | 56.64 | 47.36 |
| Full Pay - ICF 1 Non-Veteran | 239.00 | 394.00 | 56.64 | 98.36 |
| Full Pay - ICF 2 Non-Veteran | 205.00 | 394.00 | 56.64 | 132.36 |

The October 31, 2010, census distribution (see Table 4) is included to provide context for the number of members who were in the Full Pay - Intensive Skilled Non-Veteran category, which would yield a loss per patient day under Medicare Part A.

Table 4
Census by Payer Source as of October 31, 2010

| Payer Source | Number | % |
|---|--------|---------|
| Medicaid Census (Veteran and Non-Veteran) | 570 | 85.20% |
| Full Pay - Veteran Census | 64 | 9.57% |
| Full Pay - Non Veteran Census | 3 | 0.45% |
| Partial Pay - Veteran Census | 2 | 0.30% |
| Partial Pay - Non-Veteran Census | 1 | 0.15% |
| Veteran Service Connected Disability Census | 29 | 4.33% |
| Total | 669 | 100.00% |

Conclusion

A decision to apply for Medicare certification must consider whether there is a benefit to members and if sufficient additional revenues may be generated to support those additional, ongoing resource allocations required to maintain the program.

We identified several areas that are expected to require additional resources, including completion of the MDS, billing, and cost report preparation. The contract for therapy services would need to be re-bid. In addition, we noted that implementation of Medicare would have the greatest likelihood of success if a dedicated coordinator or consultant was designated to drive implementation.

Based on our analysis, which relies significantly on Medicare experience at Union Grove, it appears there is potential for a material increase in revenue if King were to become Medicare certified (see summary in Table 5 or full detail Appendix 1). The most conservative of our projections indicates that King would at least break even; however, there are a number of variables, one or more of which could materially change our projections, including:

- Number of members with qualifying hospital stays is less than expected;
- Average duration of members on Medicare A is less than expected;
- Errors, undocumented, and under-coded services result in lower rates;
- Therapy usage exceeds expected averages per patient or cost per minute;
- Medicare A reimbursement rates established by the federal government are below expected rates
- Errors in billing, inefficient practices including non follow up of uncollected revenue could increase potential bad debt

In general, excepting the Medicare A reimbursement rate, these risks are controllable with proper oversight.

Table 5
Wisconsin Veterans Home at King
Estimated In/(De)crease in Revenues with Medicare Certification

| | Expected | Conservatively Estimated |
|--|--------------------------|-----------------------------|
| Additional Revenue From Medicare | \$ 1,127,400 | \$ 426,500 |
| Less: Additional Costs of Medicare Part A | <u>331,300</u> | <u>328,100</u> |
| Net Additional Revenue | \$ 796,100 | \$ 98,400 |
| Less: Estimated Denial/Bad Debt Expense (Est @ 5%) | <u>115,200</u> | <u>59,000</u> |
| Estimated In/(De)crease in Revenues | <u>\$ 680,900</u> | <u>\$ 39,400</u> |

Appendix 1

Annual Revenue and Cost Projection

| Assumptions: | Expected Based on UG Therapy and Rate Experience | Conservative Based on 80% Of Rate And Usage With an Increase of Average Therapy Minutes |
|--|--|---|
| Average Expected Eligible Hospital Stays | 130 | 104 |
| Average Expected Eligible Days Per Qualifying Stay | 45 | 36 |
| Estimated Rate | 394.00 | 315.20 |
| Therapy Costs per Minute | 0.97 | 0.97 |
| Average Therapy Minutes per Day per Patient | 30.00 | 46.00 |

| Additional Revenue (Assume for comparison all Medicaid, all veterans) | | |
|---|---------------------|---------------------|
| Projected Medicare A Annual Billing | | |
| Medicare - Base | 1,845,025.00 | 944,652.80 |
| Co-Insurance, Private Pay, or Medicaid | 459,875.00 | 235,456.00 |
| VA Per Diem | 553,351.50 | 354,144.96 |
| Total | 2,858,251.50 | 1,534,253.76 |

| Project Medicaid Current Billing Replaced By Medicare A | | |
|---|---------------------|---------------------|
| Medicaid | 1,177,488.00 | 753,592.32 |
| VA Per Diem | 553,351.50 | 354,144.96 |
| Total | 1,730,839.50 | 1,107,737.28 |

| | | |
|----------------------------------|--------------|------------|
| Additional Revenue From Medicare | 1,127,412.00 | 426,516.48 |
|----------------------------------|--------------|------------|

| Additional Costs of Medicare A | | |
|----------------------------------|-------------------|-------------------|
| Med A Therapy Costs | 170,235.00 | 167,057.28 |
| MDS Coordinator (1.0 FTE) | 116,624.70 | 116,624.70 |
| Medicare Billing (.5 FTE) | 41,455.61 | 41,455.61 |
| Medicare Cost Report Preparation | 3,000.00 | 3,000.00 |
| Total | 331,315.31 | 328,137.59 |

| | | |
|---|--------------|-------------|
| Additional Revenue Less Additional Costs | 796,096.69 | 98,378.89 |
| Estimated Denial/Bad Debt Expense (Est. @ 5%) | (115,245.00) | (59,005.44) |

| | | |
|---|-------------------|------------------|
| Total Estimated Increase in Revenues | 680,851.69 | 39,373.45 |
|---|-------------------|------------------|

| | | |
|---|--------------|--------------|
| Fixed Costs Per Patient Day | 27.54 | 43.02 |
| Variable Costs Per Patient Day | 29.10 | 44.62 |
| Total Additional Costs Per Patient Day | 56.64 | 87.64 |

Appendix 2

Wisconsin Veterans Homes Ratings Nursing Home Staffing

Source: *Medicare.gov Nursing Home Compare*

| Nursing Home Name | Nursing Home Staffing | Program Participation |
|--|---------------------------|-----------------------|
| <u>WI VETERANS HM AINSWORTH 800</u> | ★★★★ 4 out of 5 stars | Medicaid |
| <u>WI VETERANS HM MACARTHUR 422</u> | ★★★★ 4 out of 5 stars | Medicaid |
| <u>WI VETERANS HM OLSON 600</u> | ★★★★ 4 out of 5 stars | Medicaid |
| <u>WI VETERANS HM STORDOCK 700</u> | ★★★★ 4 out of 5 stars | Medicaid |
| <u>WI VETERANS HOME-BOLAND HALL</u> | ★★★★★ 5 out of 5 stars | Medicare and Medicaid |

Nursing Home Staffing - This information is self-reported by the nursing home and gathered during the most recent health inspection. This star rating is for overall staffing hours, which include Registered Nurses (RNs), Licensed Practical Nurses (LPNs), Licensed Vocational Nurses (LVNs), and Certified Nursing Assistants (CNAs). Other types of nursing home staff such as clerical, administrative, or housekeeping staff are not included in these staffing calculations.

To calculate the rating, the number of staff hours per resident per day was used and then the information was case-mix adjusted. Case-mix adjustments take into account the different levels of resident needs (or mix of cases) in different nursing homes.

When looking at the five-star ratings, more stars are better. Five (5) stars are the most a nursing home can get. One (1) star is the fewest.