

An Evaluation:

Wisconsin Veterans Homes

Department of Veterans Affairs

February 2011

Report Highlights ■

Operating expenditures have exceeded revenues in four of the past five fiscal years.

In FY 2008-09, the homes met nurse staffing requirements established by state and federal law.

The number of citations the homes have been issued for violating nursing home regulations is similar to the statewide average.

Revisions to existing policies would both clarify and strengthen eligibility requirements for the Aid to Indigent Veterans program.

Compliance with state purchasing and contracting requirements should be improved.

Inadequate oversight has contributed to significant financial and program management issues.

The Wisconsin Department of Veterans Affairs (DVA) operates the Wisconsin Veterans Home at King, located in Waupaca County, and the Wisconsin Veterans Home at Union Grove, located in Racine County, and provides grants, loans, and a variety of other services to eligible Wisconsin veterans and their families.

As of December 2009, the two veterans homes provided long-term care for 887 eligible veterans and their spouses. The skilled nursing facilities at both veterans homes, which offer 24-hour care, are licensed by the Department of Health Services (DHS). Union Grove also operates three assisted living facilities, which provide limited nursing care. DVA currently plans to complete construction of a third, 72-bed nursing home in Chippewa Falls by November 2012.

In response to concerns raised by the Board of Veterans Affairs, which oversees DVA and promulgates administrative rules to guide its operations, the Joint Legislative Audit Committee directed us to:

- review the homes' admissions policies and the services they offer residents;
- analyze the homes' revenues and expenditures;
- assess staffing levels and compliance with state and federal regulations for nursing staff;
- review administration of the Aid to Indigent Veterans program, which assists eligible veterans who could not otherwise afford assisted living care;
- examine purchasing procedures; and
- assess oversight.

Key Facts and Findings

DVA operates nursing homes and assisted living facilities that provide care to eligible veterans and their spouses.

Over a five-year period, DVA transferred \$21.2 million from King to Union Grove to address Union Grove's deficits.

In FY 2008-09, nursing staff represented more than one-half of the 953.8 full-time equivalent positions at the veterans homes.

DVA has not developed adequate policies to govern the Aid to Indigent Veterans program, which subsidizes the cost of assisted living care.

State purchasing requirements were violated for 26 of the 79 purchases we reviewed.

Turnover in key leadership positions has hampered oversight of nursing home operations.

Revenues and Expenditures

The homes are funded primarily with state and federal Medical Assistance payments, resident fees, federal Medicare payments, and payments to veterans provided by the federal Department of Veterans Affairs. Additional revenue from donors supplements some activities and services.

The homes' combined expenditures increased from \$54.6 million in fiscal year (FY) 2004-05 to \$89.7 million in FY 2008-09. Combined expenditures have exceeded revenues in four of the past five fiscal years.

The homes remain solvent largely because of a one-time payment of \$20.1 million in Medical Assistance funds that King received in FY 2005-06 as a reimbursement rate adjustment for care it provided from 2001 through 2005. King maintained yearly surpluses throughout the period we reviewed, but Union Grove had a deficit in each year, which was addressed by the transfer of a total of \$21.2 million from King to Union Grove.

The homes had a \$9.5 million operating account balance at the end of FY 2008-09; however, that balance will be fully depleted by FY 2013-14 if deficit spending continues at current levels.

Transfers from King to Union Grove (in millions)	
Fiscal Year	Revenue Transferred
2004-05	\$ 5.0
2005-06	4.3
2006-07	5.8
2007-08	3.3
2008-09	2.8
Total	\$21.2

Staffing

Nursing positions account for more than one-half of all permanent positions at the veterans homes. In FY 2008-09, the homes met nurse staffing requirements established by state and federal law, but they relied on overtime and limited-term employees to help them do so.

Spending for extra time worked by part-time nursing staff, for overtime worked by full-time nursing staff, and for additional nursing support by contract nursing staff totaled \$3.7 million in FY 2008-09.

King has established two stipend programs for nursing staff in training, but the effectiveness of these programs as aids to retention and recruitment cannot readily be determined because of the small number of participants. Only 57 nursing students participated during the five-year period we reviewed, including 10 who did not complete their training or employment requirements.

Nursing Home Regulations

The veterans homes are subject to routine, unannounced inspections to evaluate resident services, the physical environment, and residents' quality of life. Overall, the number of citations the homes received in response to violations of state or federal rules is similar to the statewide average for comparable facilities.

From 2005 through 2009, the homes made corrections to address 169 citations for violations of federal nursing home rules and 17 citations for violations of state nursing home rules. Union Grove also corrected eight assisted living facility violations, and its efforts to address two other assisted living violations will be verified by state inspectors during a future inspection.

Aid to Indigent Veterans Program

The Aid to Indigent Veterans program provides financial assistance to veterans who cannot afford the full cost of care at Union Grove's assisted living facilities. In FY 2008-09, the program was funded with general purpose revenue (GPR) and segregated funds from the Veterans Trust Fund.

Expenditures were \$303,500 in FY 2008-09, and the program served an average of 23 participants per month.

Although the program was created in June 2005, DVA did not develop formal policies until May 2008, approximately three years after its inception. Additional modifications are needed to clarify asset and divestment policies.

Purchasing and Contracting

The veterans homes purchased \$17.0 million in goods and services during FY 2008-09. More than one-third of this spending was for medical and other supplies.

The veterans homes violated state purchasing requirements for approximately one-third of the transactions we reviewed, or 26 of 79 purchases. Violations included dividing large purchases into separate, smaller purchases that do not require bid solicitation; failing to use required bidding procedures that are intended to encourage competitive prices for higher-cost purchases; making inadequate bid solicitations; and failing to rebid contracts in a timely manner.

Violations of State Purchasing Requirements FY 2008-09 and FY 2009-10		
	Number of Purchases Reviewed	Percentage with Violations
King	31	12.9%
Union Grove	48	45.8
Total	79	32.9

For example, Union Grove used flawed procurement procedures when selecting a vendor for electrical work that should have been awarded through a formal bidding process. In addition, two vendors were excluded from consideration based on service requirements that were not met by the chosen vendor.

Future Considerations

Ambiguity in DVA policies and inadequate oversight have led to significant financial and program management issues at the veterans homes, including violations of state purchasing requirements and expenditures made outside of statutory and budgetary authority.

For example, the Legislature appropriated \$50,000 for nursing education at Fox Valley Technical College, which King instead used to make unrestricted donations for the benefit of the school.

In addition, turnover among key leadership positions has hampered oversight of veterans home operations and raised concerns about stability and continuity in agency leadership.

DVA has also reported since at least 2006 that it plans to develop a comprehensive long-term financial plan for the veterans homes, but it has not done so to date. The homes would benefit from additional central office oversight in coordinating policies and service delivery.

Recommendations

We include recommendations for DVA to:

- ☑ annually analyze overtime costs and the cost of hiring additional nursing staff to meet state and federal nurse staffing requirements, and report to the Joint Legislative Audit Committee by July 1, 2011, on its analysis of FY 2009-10 overtime costs (*p. 42*);
- ☑ with the Board of Veterans Affairs, determine whether to continue operating two nursing education stipend programs and report to the Joint Legislative Audit Committee by July 1, 2011, on the decision (*p. 45*);
- ☑ enhance the usefulness of citation reports it prepares for the Board of Veterans Affairs by developing a standard written format (*p. 53*);
- ☑ report to the Board of Veterans Affairs by July 1, 2011, on the feasibility of Union Grove's assisted living residents receiving financial support through the Family Care program (*p. 57*);
- ☑ ensure that each veterans home improves compliance with purchasing requirements, contract monitoring, and invoice review procedures (*p. 69*); and

- ☑ report to the Joint Legislative Audit Committee by July 1, 2011, on specific steps it has taken to respond to our recommendations to improve financial and program management at the Wisconsin Veterans Homes (*p. 77*).

We also include a recommendation for the Board of Veterans Affairs to:

- ☑ promulgate administrative rules for the Aid to Indigent Veterans program that clearly define asset requirements for resident eligibility, including policies on divestment (*p. 62*).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

For a copy of report 11-3, which includes a response from the Department of Veterans Affairs, call **(608) 266-2818** or visit our Web site:



www.legis.wisconsin.gov/lab

Address questions regarding this report to:

Paul Stuibler
(608) 266-2818

Legislative Audit Bureau

22 East Mifflin Street
Suite 500
Madison, WI 53703
(608) 266-2818

Janice Mueller
State Auditor