Summary
Due to a lower than anticipated census, changes in expenses and problems at the beginning of the fiscal year, the Vermont Veterans’ Home (VVH) will not receive sufficient revenue to cover anticipated expenses. VVH is requesting an additional General Fund appropriation of $2,854,731 to cover the losses from traditional revenue sources, primarily Medicare, Vermont and New York Medicaid as well as from Private Insurance. Using the most recent financial information VVH has worked to develop a budget adjustment request that reflects the needs of the home in the remaining months of the fiscal year. VVH will continue to monitor its financial status throughout the coming months.

Current Operations
Currently, the Vermont Veterans’ Home (VVH) serves 132 residents in the nursing home and 8 in the Domiciliary. Maintaining a census and obtaining new admissions have been difficult due to two Medicare and Medicaid denial of payments for new admissions during FY13. Management has decided not to accept admissions until the ability of the resident to pay is established. There continues to be a high call out rate of clinical workers which impacts the ability of the home to operate successfully.

- Medicare and Medicaid denial of payment for new admissions- In mid FY 12 VVH received a letter from The Centers for Medicare and Medicaid (CMS) stating that if VVH was not in substantial compliance with regulations by September 28, 2012, our provider agreement would be terminated. This letter was sent as a result of deficiencies found during facility surveys in March, April, May, July and September 2012. VVH did achieve substantial compliance and VVH was not terminated from the Medicare and Medicaid programs on September 25, 2012. However, during the time period from June 28, 2012 to the compliance date of September 25, 2012, CMS would not pay for any new Medicare and Medicaid admissions. During this time period VVH did admit new veterans for which the home was not paid. These admissions cost VVH approximately $165,000. Subsequent to this event, VVH was designated as a Special Focus Facility (SFF) by CMS. A SFF designation by CMS means that VVH will be surveyed twice as frequently as other nursing home, about twice a year. When VVH passes these surveys our designation as a SFF will cease and then the normal survey process will resume. On May 26, 2013, VVH again received notice about possible termination from the Medicare and Medicaid program unless VVH achieved substantial compliance. Similar to the June 2012 letter, Medicare and Medicaid patients were admitted even though CMS withheld payment. These admissions cost VVH approximately $250,000. Substantial compliance was awarded on August 4, 2013 and is VVH now receiving payment from Medicare and Medicaid.

- Limited Financial information- During the first CMS denial of payment for new admissions, management took action to limit acceptance of residents until
individuals had a known and established mode to pay VVH for services. VVH created an admissions team to review a veteran’s medical condition, support structure and financial capabilities. A key outcome that was implemented is that staff now assist veteran family members in the completion of the Vermont Long Term Care Medicaid application, which residents and their families often find both daunting and time consuming. With staff on the front end assisting the family with the application, it places families at ease and ensures that the home will receive payment for services.

- **Call out rate** - Beginning in late 2012 VVH began to experience a higher than normal call out rates, mainly from clinical staff. The call out rate increased to over 11% in one month and continued in double digits through March and April of 2013. Currently the call out rate is 7.5%, still high compared to industry standards of 2% to 3%. The high call out rate has made it difficult to provide adequate care for our veterans with full time employees, as a result full time workers are supplemented with temporary nurses from TLC Nursing Associates in Burlington. In FY 13 VVH spent $159,000 on temporary nursing staff. In FY14 VVH has spent $50,000 on temporary nursing staff contracts and is projecting an additional need in FY14 of $179,111.

- **Census** - During the past two years, VVH reached an average daily census low of 116.2 residents in April 2013 and has been working to increase the census ever since. We have hired the marketing/consulting firm of the Skoug Group from Arlington, Vermont to assist us in developing a marketing plan for VVH. Our name/brand is well known locally, and we are working on increasing awareness of the facility throughout the rest of the state. Additionally, VVH has hired an Admissions/Marketing director to facilitate increasing the census (discussed further below).

**Volume**

The Vermont Veterans’ Home (VVH) expects to end FY14 with a nursing home census of 140 plus 7 in the Domiciliary (Dom). This would place the FY14 Average Daily Census (ADC) at 133.6 plus 7 in the Dom. The ADC of 133.6 is about 7 residents below our budgeted ADC of 140. Graph 1 below reflects the census growth for FY14 based upon management’s projections.
Vermont Veterans’ Home
Budget Adjustment Request for FY 2014

Graph 1

Note: July through October are Actuals and November through June are projected based upon current utilization and plan.

Vermont Veterans’ Home
Average Daily Census FY14

Vermont Veterans’ Home recently hired an Admissions/Marketing position to continue to increase the admissions and to make VVH’s services more widely known. As of November 25, 2013 the VVH census was 132 in the nursing home and 8 in the Dom. Management anticipates that in the next few months the new Admissions/Marketing position will begin to travel to other hospitals and veteran service organizations (VSOs) to spread the word and help bring in more residents. As seen in Graph 1, we anticipate that there will be a gradual increase in the ADC for the remainder of the year due to the new Admissions/Marketing position and the increased awareness of VVH as place for veterans, their spouses, and gold star parents seeking nursing home or short term rehab care.

Management feels that a gradually increasing census is attainable based upon current trend data that is available for the Bennington area. We have included anticipated decreases based upon deaths, discharges and transfers to other nursing homes in our net increase figures for FY14.

Net Revenues

As mentioned earlier, the volume decrease in ADC plus the denial of payment by Medicare and Medicaid equates to a total shortfall of $1,873,251. Additionally, during the audit for FY13 it was determined that VVH will owe the State of Vermont’s Medicaid program $480,302 for FY12 and $501,177 for FY13 for over payment. This was due to changes in VVH’s census which resulted in higher cost per resident day and
the change in the Global Commitment take back in the calculation of the settlement. An amount, if any, for FY14 has not been incorporated into this budget adjustment request at this time because VVH does not have the information to be able to develop an estimate based upon volume scenarios. The decrease to the Global Commitment appropriation in FY14 should mitigate the impact of future settlement costs in future years.

Recently, the Veterans Administration posted the new stipend amounts for both the nursing home and the domiciliary. Effective October 1, 2013 the new nursing home stipend is $100.37, which is an increase of $3.30 or 3.4% from the old stipend amount of $97.07. The domiciliary rate will be $43.32, which is an increase of $1.42 or 3.4% from the old rate of $41.90. The increase in the stipend amounts have been incorporated in this budget adjustment request and total an additional $107,000.

Because VVH continues to be below budget in its ADC for the nursing home as noted above, this will have a negative impact upon operations. For the first four months of the fiscal year, VVH’s net revenues are under budget by $542,227. Until the volume increases, management expects to experience negative budget variances in net revenues.

Expenses

In the development of the FY14 Budget Adjustment Request VVH revisited its expenditures and has realigned its expenditures based on the first few months of experience in FY14. Through these exercise it is expected that total expenses will be under budget by $1,039,939. These assumptions will be closely monitored. Major items include the following:

- Increased use of contracted temporary nursing staff to fill the gaps due to higher than average call out rates. VVH is anticipating an additional need of $179,111 to cover these expenses.

- Increased use of Rehab Services for Physical, Speech and Occupational therapies. While the census has been slowly increasing over the past few months, we have experienced an increased use of Rehab services. VVH has estimated an additional need of $342,666.

- Food costs have been increasing despite a declining census. With better quality of food, the implementation of a rotating “standard” menu and newer veterans expecting something different, costs are estimated to increase $65,364 or 13% over the budget.

- Salaries and benefits, the largest portion of our budget, are projected to be under by $1,585,629. These values were reassessed based on an annualization of the costs year to date. The annualized salaries are projected to be under budget by $995,971 due to open positions and the use of outside temporary nursing. Similarly, benefits costs are projected to be under budget by $589,658. $348,191
Vermont Veterans’ Home  
Budget Adjustment Request for FY 2014

is due to the State’s Health Insurance Health Insurance Rate Holiday for the last four pay periods of calendar year 2013. The remaining $241,467 results from the annualization of actual YTD benefit expenditures for Health Insurance, Dental, Retirement and Life Insurance.

- Pharmacy costs are expected to be under budget for the year by $51,311 due to more veterans/members having pharmacy coverage that the pharmacy provider can bill for and thus reducing what VVH has to pay for services.

- Other non-salary expenses are projected to be over budget by $9,860 and include the following items and amounts.

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<th>Description</th>
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<tr>
<td><strong>Total</strong></td>
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