

Testimony of

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on

Rural Veterans' Access to Primary Care:

Successes and Challenges

before the

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Committee on Veterans Affairs

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Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today on behalf of the Maine Veterans' Homes ("MVH") on the topic of "Rural Veterans' Access to Primary Care," including the extremely important issue of continued access by veterans to quality long-term nursing care.

I am the Chief Executive Officer of MVH. MVH is a public body corporate created by the State of Maine to provide long-term nursing care to Maine veterans. MVH operates long-term nursing care facilities for veterans at Augusta, Bangor, Caribou, Scarborough, and South Paris, Maine. On September 6, 2005 we will open our sixth long-term care facility at Machias, Maine. In the aggregate, MVH currently operates 610 skilled nursing, long-term nursing, and domiciliary beds for Maine veterans and, with the opening of our new facility at Machias, our system will grow to a total complement of 640 beds. This makes MVH one of the largest chains of long-term nursing facilities in the state of Maine, and we are very proud of the quality long-term care nursing services that we provide to Maine veterans.

Also, as one of the largest and most successful State Veterans Homes systems in the nation, MVH provides a crucial portion of the health care continuum for Maine veterans. Our facilities are each relatively small in size, 30 to 150 beds each, and this allows them to be located, not only at one central location, but throughout the State of Maine, allowing greater ease of access to our facilities by veterans living in the most rural parts of Maine. In the future, we hope to develop additional in-patient and out-patient services at all of our six locations in order to offer rural Maine veterans greater access to all of the services that the Maine Veterans' Homes, the Maine Bureau of Veterans Services, and the United States Department of Veterans Affairs ("VA") provide.

MVH is part of a vital national system of State Veterans Homes. The State Veterans Homes system is the largest provider of long-term care to our nation's veterans. As such, the State Veterans Homes play an irreplaceable role in assuring that eligible veterans receive the benefits, services, and quality long-term health care that they have rightfully earned by their service and sacrifice to our country. We greatly appreciate this Committee's commitment to the long-term care needs of veterans, your understanding of the indispensable function that State Veterans Homes perform, and your strong support for our programs.

We especially appreciate the support of this Committee in restoring funds to the FY06 budget resolution and the House VA appropriations bill to assure that per diem payments by the Department of Veterans Affairs ("VA") to veterans who are residents in our State Homes will continue uninterrupted.

The Maine Veterans' Homes is a leader in this national system of State Veterans Homes and a leader in the National Association of State Veterans Homes ("NASVH"). The membership of NASVH consists of the administrators and staff of State-operated veterans homes throughout the United States. NASVH members currently operate 119 veterans homes in 47 States and the Commonwealth of Puerto Rico. Nursing home care is provided in 114 homes, domiciliary care

in 52 homes, and hospital-type care in 5 homes. These homes presently provide over 27,500 resident beds for veterans of which more than 21,000 are nursing home beds. These beds represent about 50 percent of the long-term care workload for the VA, for veterans receiving long-term care services at both urban and rural locations.

We work closely with the VA, State governments, the National Association of State Directors of Veterans Affairs, veterans service organizations, and other entities dedicated to the long-term care of our veterans. Our goal is to ensure that the level of care and services provided by State Veterans Homes meet or exceed the highest standards available.

Role of the State Veterans Homes

State Veterans Homes first began serving veterans after the Civil War. Faced with a large number of soldiers and sailors in critical need of long-term care, several States established veterans homes to care for those who served in the military.

In 1888, Congress first authorized federal grants-in-aid to states that maintained homes in which American soldiers and sailors received long-term care. At the time, the payments amounted to about 30 cents per resident per day. In the years since, Congress has made several major revisions to the State Veterans Homes program to expand the base of payments to include nursing home, domiciliary, and adult day health care.

For nearly half a century, State Veterans Homes have operated under a program administered by the VA which supports the Homes through construction grants and per diem payments. Both the VA construction grants and the VA per diem payments are essential components of this support. Each State Veterans Home must meet stringent VA-prescribed standards of care, which exceed standards mandated by federal and state governments for other long-term care facilities. The VA conducts annual inspections to assure that these standards are met and to assure the proper disbursement of funds. Together, the VA and the State Homes represent a very effective and financially-efficient federal-state partnership in the service of our veterans.

VA per diem payments to State Homes are authorized by 38 U.S.C. § 1741–1743. Congress intended to assist the States in providing for the higher level of care and treatment required for eligible veterans residing in State Veterans Homes. As you know, the per diem rates are established by the VA annually and may not exceed 50% of the cost of care. They are currently \$59.36 per day for nursing home care, \$35.17 per day for adult day health care, and \$27.44 per day for domiciliary care. Our State Veterans Homes cannot operate without the per diem payments from the VA.

Construction grants are authorized by 38 U.S.C. §§ 8131–8137. The objective of such grants is to assist the States in constructing or acquiring State Veterans Home facilities. Construction grants are also utilized to renovate existing facilities and to assure continuing

compliance with life safety and building codes. Construction grants made by the VA may not exceed 65 percent of the estimated cost of construction or renovation of facilities, including the provision of initial equipment for any project. State funding covers at least 35 percent of the cost. Our program cannot meet our veterans' needs without an adequate level of construction grant funding.

In recent years, State Veterans Homes have experienced a period of controlled growth – the result of increasing numbers of elderly veterans who have reached that point in life when long-term care is needed. In fact, we face the largest aging veterans population in our nation's history. From 2000 to 2010, the number of veterans aged 85 and older is expected to triple from 422,000 to 1.3 million. If the State Veterans Homes program is to fill even a part of this unmet need for long-term care beds in certain States, and to respond to the increase in the number of veterans eligible for such care nationally, it is critical that the State Veterans Home construction grant program be sustained.

The State Veterans Home program now provides about 50% of the VA's total long-term care workload. The VA recently estimated nationally that nursing care beds in the State Homes are 87% occupied. MVH beds are approximately 95% occupied. Many of the State Veterans Homes nationally have occupancy rates near 100%, and some have long waiting lists. The State Veterans Homes provide long-term medical services to frail, elderly veterans at a cost to the VA of only \$59 per day, well below the cost of care in a VA nursing home, which exceeds \$400 per day.

Although there are no national admission requirements for the State Veterans Homes, there are state-by-state medical requirements for admission. Generally, a State will demand a medical certification confirming significant deficits in activities of daily living (an assessment of basic living functions) that require 24-hour nursing care. Moreover, no per diem is paid by the VA unless and until a VA official certifies that nursing home care is required. Veterans qualifying for long-term nursing care at a State Veterans Home are almost always chronically ill and elderly, and many are afflicted with mental health conditions.

State Veterans Homes as a VA Resource

The Veterans' Millennium Health Care Act ("Mill Bill"), Pub. L. No. 106-117, brought significant changes to veterans' long-term health care. Significantly, the VA is directed to provide long-term care for all veterans who have a 70% or greater service-connected disability or who need nursing care for a service-connected disability. The State Veterans Homes should play a major role in meeting these requirements and be treated as a resource integrated more fully with the VA long-term care program.

We have proposed that our beds be counted toward the VA's overall long-term care census. Doing so would allow the VA to meet the Mill Bill's long-term care bed requirements. A nursing home bed in a State Veterans Home is a very cost-effective alternative to a nursing

home bed in a VA-operated facility. Congress's goal should be to provide long-term care to veterans in a manner that expands the VA's capacity to provide services, while paying the lowest available per capita cost for each eligible veteran. Including State Veterans Homes nursing beds in the mandated VA long-term care totals could allow the VA to meet its legislative mandate, shift some of its maintenance care and other specialty services to the State Veterans Homes, and ultimately increase the capacity of the VA to provide greater short-stay, highly-specialized rehabilitative care.

This goal can be accomplished by the State Homes at substantially less cost to taxpayers than other alternatives. The average daily cost of care for a veteran at a long-term care facility run directly by the VA has been calculated nationally to be \$423.40 per day. The cost of care to the VA for the placement of a veteran at a contract nursing home, which is not required to meet more stringent State Veterans Home standards, is approximately \$194.90 per day. The same daily cost to the VA to provide outstanding quality long-term care at a State Veterans Home is far less – only \$59.36 per day for nursing care.

This substantially lower daily cost to the VA of the State Veterans Homes compared to other available long-term care alternatives led the VA Office of Inspector General to conclude in a 1999 report: “the SVH [State Veterans Home] program provides an economical alternative to Contract Nursing Home (CNH) placements, and VAMC [VA Medical Center] Nursing Home Care Unit (NHCUC) care” (emphasis added). In this same report, the VA Office of Inspector General went on to say:

A growing portion of the aging and infirm veteran population requires domiciliary and nursing home care. The SVH [State Veterans Home] option has become increasingly necessary in the era of VAMC [VA Medical Center] downsizing and the increasing need to discharge long-term care patients to community based facilities. VA's contribution to SVH per diem rates, which does not exceed 50 percent of the cost to treat patients, is significantly less than the cost of care in VA and community facilities.

VA Construction Grant Program

Under current law, there are strict limits and standards for funding the construction and renovation of State Veterans Homes. The system is working very well under the provisions of the Mill Bill, which establishes priorities for funding according to life/safety, great need, significant need, and limited need. Pursuant to these standards, in FY05, only 35 priority construction or renovation projects have been authorized and are underway in Wisconsin, Nebraska, Ohio, New Hampshire, New York, Michigan, Massachusetts, Connecticut, Hawaii, Alaska, Delaware, Rhode Island, Oklahoma, Florida, North Carolina, Colorado, Georgia, Missouri, and Minnesota. Other projects in these and other states have been approved initially for FY06 funding by the VA.

Specifically, the VA has identified 10 states as having either a "great" or "significant" need to build new State Veterans Homes beds immediately. These are Florida, Texas, California, Pennsylvania, Ohio, New York, Hawaii, Delaware, Wyoming, and Alaska. Hawaii expects to open its first State Home next year. Florida has five new homes in the planning stages, and Texas has four homes in the planning stages and two homes in the final stages of construction. California has three new homes approved. Delaware and Alaska are planning their first State Homes. The needs of veterans in these states require that these facilities be built.

Moreover, under the requirements of the Mill Bill, the VA prescribes strict limits on the maximum number of State Veterans Home nursing beds that may be funded by construction grants. This is based on projected demand for the year 2009, which determines which states have the greatest need for additional beds. This process assures that additional State Veterans Home beds are built only in those states that have the greatest unmet need for such beds.

VA Budget Proposal for FY06

The President's FY06 budget would devastate the State Veterans Homes program and deny care to the thousands of veterans who currently utilize the program and the tens of thousands of veterans who will need the program in the future. The budget proposal would:

- 1) slash per diem payments by revising the eligibility requirements for the State Veterans Homes so that the vast majority of veterans suddenly would be ruled ineligible for per diem benefits; and
- 2) impose a moratorium on construction grants, terminating plans for many new Homes, life/safety projects, and renovations where a need has been justified in many key States under the standards of the Mill Bill.

The change in the per diem criteria would have the most immediate impact on the State Homes program. Under the President's proposal, per diem payments for nursing care at State Veterans Homes would be limited to veterans in priorities 1-3 and those in priority 4 who are catastrophically disabled (a new and poorly-defined concept of disability).

NASVH concludes, based on a poll of our members, that the Administration's budget proposal would rule ineligible approximately 80% of the current population of the State Veterans Homes. More than 14,000 of the 19,000 veterans in State Veterans Homes would be denied the per diem benefit. This analysis examined the current population of the State Homes. The VA has proposed grandfathering current residents, but that will only delay the full impact of the proposal for months, not years, because we estimate that most current residents of the State Veterans Homes will pass away or be discharged within 12 to 18 months.

The President's proposed budget abrogates the federal government's commitment to the State Veterans Homes program. State taxpayers have paid hundreds of millions of dollars to help construct the State Veterans Homes with the understanding that the Homes would continue to serve the nation's veterans population. However, the President's budget abruptly and

needlessly abandons this arrangement and places the Homes in an untenable financial position. Simply put, it could lead to the closure of many State Homes.

We applaud the House and Senate Veterans' Affairs Committees and Appropriations Committees for rejecting the proposed cuts to the per diem payments, and for restoring full funding for per diem payments under the current eligibility rules for such payments.

More work, however, needs to be done.

The Senate VA Appropriations bill has proposed funding the State Veterans Homes construction and renovation program nationally at \$104.3 million for FY '06. This amount of funding is the same amount as that provided for the State Veterans Home construction and renovation program for FY '05, with no increase. The House, however, prior to the time that additional funds were authorized for the VA in July of this year, voted in H.R. 2528 to provide only \$25 million of funding for this same construction and renovation program for FY '06, and has restricted this funding only to life/safety projects. In short, the \$25 million appropriation authorized by the House to fund all construction projects at all 119 State Veterans Homes nationally is simply inadequate for legitimate needs, and we strongly urge the House to adopt the \$104.3 million FY '06 funding level recommended by the Senate Appropriations Committee when the matter is considered by a Conference Committee during the next few weeks.

Conclusion

Thank you for your commitment to long-term care for veterans and for your support of the State Veterans Homes as a central component of that care. In conclusion, I will reiterate the key issues facing the State Veterans Homes.

First, with respect to the President's proposal for cuts to the per diem, we hope to continue working with the Members of this Committee and the House Appropriations Committee to assure that the VA appropriations bill reflects the consensus that preserves sufficient funds for continued per diem payments under current eligibility requirements. We also seek your assistance in directing the Administration not to impose unilateral changes to VA per diem payments through administrative means.

Second, we believe the Committee and the Congress should reject the moratorium on State Veterans Homes construction grants, many of which fund needed renovations or address demonstrated need in certain States for more nursing care beds, and that this construction and renovation grant program be funded for FY '06 at the \$104.3 million level recommended by the Senate Appropriations Committee.

Third, we believe that the State Veterans Homes can play a more substantial role in meeting the long-term care needs of veterans. NASVH recognizes and supports the national trend towards deinstitutionalization and the provision of long-term care in the most independent

and cost-effective setting. In a letter to VA Secretary Nicholson dated April 5, 2005, NASVH proposed that we explore together creative ways to provide a true continuum of care to our veterans, both rural and urban, in State Veterans Homes and in the community. We would be pleased to work with the Committee and the VA to explore options for developing pilot programs for innovative care and for more closely integrating the State Veterans Homes program into the VA's overall health care system for veterans.