National Association of
State Veterans Homes

TESTIMONY OF

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Chairman Buyer, Ranking Democratic Member Evans and other Distinguished Members of the Committee, thank you for the opportunity given to the National Association of State Veterans Homes (NASVH) to submit testimony to the Committee on Veterans' Affairs.

Our Association is an all-volunteer, non-profit organization founded over a half century ago by administrators of State veterans homes to promote the common interests of the homes and the deserving elderly, disabled veterans and their family members that we serve. The membership of NASVH consists of the administrators and senior staffs of 119 State-operated veterans homes in 47 States and the Commonwealth of Puerto Rico. We provide nursing home care in 114 homes, domiciliary care in 52 of those locations, and hospital-type care in five of our homes. Our State homes presently provide over 27,500 resident beds for veterans, of which more than 21,000 are nursing home beds.

The state home program dates back to the post-Civil War era when several states, among them including New Jersey, Kansas, Connecticut, and Ohio, established homes in which to provide domicile, shelter and care to homeless, sick and scarred Union soldiers and sailors. In 1888 Congress first authorized federal grants-in-aid to States that maintained these homes, including a per diem allowance for each veteran of twenty-seven cents ($100 per year per veteran). Over the years since that time, the state home program has been expanded and refined to reflect the improvements in standards of medical practice, including the advent and refinement of nursing home, domiciliary, adult day health, and other specialized geriatric care for veterans. For example, many of our facilities offer special care units for Alzheimer's and dementia patients, a growing need in this population. There are also now two state homes providing adult day health care, and a number of others are developing programs in this new discipline and other emerging approaches to delivering care in less restrictive settings.

Today, the State home program is supported in two ways by the federal government: through *per diem* subsidy payments that help States cover daily costs, and construction grants to keep our homes up-to-date and safe for our patients and staffs. Subject to available appropriations, VA provides construction matching-grant funding for up to 65%

of the cost of constructing or rehabilitating homes, with at least 35% covered by State funding commitments. The per diem program provides reimbursement to State homes, currently $63.40 for a day of nursing home care, which is les than 30% of the average cost to the States to provide this care. Section 1741 of Title 38, United States Code, authorizes VA to provide a per diem rate of up to 50% of the states' average daily cost, but VA has not raised the actual rate paid to our homes near this statutory authorization.

Mr. Chairman, as you well know, the last budget debate for fiscal year 2006 was a crucial one for the State home program. We want to thank the Members of this Committee for your support of the state home program during the budget and appropriations debate. Thanks to your leadership the Administration's proposals to dramatically restrict per diem payments to only a small portion of the veterans currently in our homes, and to impose a moratorium on construction grants, were soundly rejected by Congress. We are grateful that Congress spoke clearly and forcefully on theses matters in the Joint Explanatory Statement accompanying the Military Quality of Life-Veterans Affairs Appropriations Act, 2006:

> *"The conferees do not agree with the proposal contained in the budget to alter the long-term care policies, including a policy of priority care in nursing homes. The conferees have provided with this total appropriation, sufficient resources to maintain a policy of providing long-term care to all veterans, utilizing VA-owned facilities, community nursing homes, State nursing homes, and other non-institutional venues. The conferees expect there to be no change from the policies in existence prior to fiscal year 2005."*

As you know the President's fiscal year 2007 budget was presented to Congress on February 6, 2006. Our Association was relieved that VA has not repeated those ill-advised proposals it made in last year's budget. In fact VA indicates it intends to continue its current policies of paying full per diem allowances and making construction grants in fiscal year 2007 the same as in prior years. Nevertheless, given the history and level of commitment of the States in providing care to veterans for the past 140 years,

one of our legislative goals was stimulated by the issues VA raised last year about the future of these facilities, and the role of institutional care itself.

In order to provide a degree of confidence and stability in our programs, which represent major human and capital investments by State governments, we ask that Congress consider amending chapter 17, title 38, United States Code to provide the States assurance that VA will not surprise the States by withdrawing future Federal support in a way similar to the VA's proposals of last year. The Committee should be aware that no consultation was made, and no information was provided, of VA's intent to abandon the partnership before the budget was unveiled a year ago. We ask that Congress enact a provision that at minimum requires consultation and information before-the-fact with your Committee and your Senate counterpart, our association, that of the state directors of veterans affairs and equivalent offices, as well as the National Governors Association. VA should be required at a minimum to report, and then wait to allow Congress and other interested parties to determine the wisdom of any such future proposals. Our association would be pleased to work with your staffs in crafting appropriate language for these purposes.

As indicated above, current law limits VA per diem payments to 50 percent of the actual cost to the States to provide care under our programs. VA's per diem payment for fiscal year 2006 is $63.40 for skilled nursing care. On average, this payment level represents about 28 percent of the total costs to the States to provide skilled nursing care. While we are appreciative of the existence of the vital per diem program, we believe VA should review its mechanism of determining per diem amounts and adjust them so that the levels of permitted payments can rise to a more equitable level for the States. What Congress intended to set as a cap for equity of burden-sharing with the States, VA has used to hold down the amount actually paid. We believe this unfairly burdens States with an ever-larger share of cost, and should be rectified through strong Committee oversight of VA's methods of adjusting per diem. We would be pleased to work with your staff in further developing methods of improving and correcting VA's formula for adjusting per diem payments.

Mr. Chairman, there is no mechanism in current law to permit VA to place severely service-connected veterans in State homes. As you know, the Veterans Millennium Health and Benefits Act provides certainty of eligibility for nursing home care to veterans who need care for service-connected conditions and for veterans who are 70 percent or more service-connected disabled. The VA either places these veterans in its own nursing home beds or in community nursing home care. The State facilities are not generally used, because VA cannot by law pay our facilities the total cost of such a veteran's care. We provide care in our facilities at an average cost slightly over $200 per day, about one-half of VA's in-house cost and significantly less than VA currently pays to community nursing homes. We meet all of VA's standards in providing that care, including round-the-clock registered nursing, physician attendance and other requirements. We believe that seriously disabled service-connected veterans should have State veterans homes as an option for their institutional long-term care. We ask that the Committee consider legislation to authorize VA to place severely disabled service-connected veterans in State veterans homes when appropriate, and to reimburse our full costs in providing that care.

On a similar basis to the inequity that exists for service-connected veterans' placements in State veterans homes, we also report that, in instances in which 50 percent service-connected disabled veterans are resident in our homes (several hundred service-connected veterans are in fact resident in our homes), VA provides no medication benefit. If a veteran is 50% disabled from a service-connected disability, by law that veteran is eligible for comprehensive VA prescription medication services. However, that benefit does not accrue to that veteran if he or she is a patient in a State veterans home. We believe this is unfair to the veteran, and unfair to the State home that cares for that veteran. We ask the Committee consider legislation enabling these veterans to participate in VA's pharmacy benefits program.

Mr. Chairman, we observe significant gaps in long term care services to veterans in remote and rural regions of the United States, including such areas as Northern Idaho, the Neighbor Islands of Hawaii, Alaska, Wyoming, Montana, Kansas and other rural States. Under current law, as set forth in the Millennium Act, Congress established specific criteria for authorizing construction of new State homes. It is possible under VA criteria

that some of these rural States could justify building a state home based upon their statewide veteran populations. However, it would not be practical to expect elderly, disabled veterans from close-knit families in isolated communities to leave their families and travel great distances to another place for long-term care. While the construction of a given State veterans' home might solve one community's problem for aging veterans, it would not adequately address the lack of long-term care services in others.

We believe it could prove beneficial for this Committee to look at how Alaska, our largest state, has managed some of this challenge.

Over the years, Alaska's state government, Congress and Alaska's veterans' organizations have considered numerous proposals for that State to seek VA matching grants for the construction of state homes for veterans, but no concrete proposal was ever approved by the Governor or the state legislature. This is not to suggest that Alaska has no facilities serving older veterans in need of long-term care.

Beginning in 1913 in the city of Sitka, the State of Alaska began operating what are called "Pioneer Homes." Today, Alaska operates six of these homes providing more than 500 total long term care beds in Sitka, Anchorage, Fairbanks, Juneau, Ketchikan and Palmer. These homes provide nursing and residential care to "Alaska Pioneers" – any Alaska citizen over age 65, in declining health, and in need of significant care for activities of daily living. These homes are supported by State funds, insurance reimbursements and private payments, very similar to the mixed financing arrangements of state veterans' homes. Although these homes are not solely reserved for veterans, about one-quarter of the residents are veterans of military service.

In the past decade, Alaska's "Pioneer Homes" also have become licensed assisted living facilities, offering a comprehensive range of services to meet the needs of the elderly residents. Professional services cover the full range of needed care, including assistance with activities of daily living, skilled nursing, and compassionate end-of-life services. Many Pioneer residents receive a level of service that would otherwise be delivered in a hospital, a traditional nursing home, a hospice, or in a home-based elder program under a

Medicaid waiver arrangement Alaska reached with the Center for Medicare and Medicaid Services (CMS).

In May 2004, Congress passed legislation to define the Alaska "Pioneer Homes" as a single state veterans home for purposes of their establishing eligibility for participation in VA's state home programs. Based upon this legislation, Alaska submitted a request for, and was approved for, the construction of a domiciliary as a new wing to the existing Pioneer Home in Palmer, Alaska. Construction of this new wing began this past summer and is expected to be completed late this year.

Similar to Alaska, Hawaii's dispersed veteran population on the smaller islands generally cannot justify construction of veterans' homes on each island. However, using the Alaska Pioneer Home concept as a foundation, it may be feasible to advance legislation deeming a similar status to the Hawaii Health Systems Corporation (HHSC) – as one "state veterans' home" for purposes of HHSC's participation in the VA state veterans' home programs. The HHSC, a public benefit corporation, is an extensive hospital system of 12 facilities on five islands, and is the largest health provider in the Neighbor Islands. Under this scenario, smaller bed units – perhaps ten to thirty beds each, depending on local circumstances – could be justified under existing VA criteria in a manner similar to the Alaska model. Such projects could be developed as separate facilities within these existing state-owned and operated hospitals to accommodate the needs of elder and disabled Hawaii veterans in rural and remote locations.

Mr. Chairman, like you, NASVH is committed to meeting the long-term care needs of veterans, whether they live in major metropolitan areas or in geographically dispersed, rural and remote places such as Alaska, Hawaii, Idaho and other large but rural States. Although a rural State may not be able to cost-effectively justify the establishment of large, stand-alone state veterans' nursing homes, other creative solutions such as the Pioneer Homes model we have described may be worth pursuing in existing public or private facilities. NASVH stands ready to work with you, this Committee, Congress and VA to meet the diverse needs of veterans for long term care.

Mr. Chairman, Ranking Member Evans, and other Members the Committee, we look forward to working with you and the Senate to strengthen, rather than weaken, this foundation of veterans' long-term care. The care provided by our member homes is an indispensable, cost-effective, and successful element in the Nation's provision of comprehensive health care to veterans. Millions of veterans are going to need long-term care in the years ahead. We want to be sure that the State veterans home program is there to support them.

Mr. Chairman, this concludes our statement for the record. Thank you for permitting the National Association of State Veterans Homes to submit this testimony.