

Legislative Budget and Finance Committee

**Pennsylvania's Current and Future Need for
Long-term Care Services for Veterans**

**Report Presentation by Philip Durgin,
Executive Director, at May 18, 2016, Meeting**

Good morning. Senate Resolution 171 of 2015 called on the Legislative Budget and Finance Committee to conduct a study of the feasibility and cost effectiveness of utilizing privately owned veterans care facilities to augment the Commonwealth's six State Veterans' Homes. The resolution also directed the study to include information related to the current and future need for long-term care services for Pennsylvania veterans.

The Pennsylvania Department of Military and Veterans Affairs, or DMVA, reported that, as of the end of last March, 99 veterans were on the waiting list for a nursing home bed at a State Veterans' Home, with 163 vacant nursing home beds available. The reason Veterans' Homes have both waiting lists and vacant beds is primarily due to issues of location. Most veterans who are on the waiting list live in the Southeastern, Southwestern, and Northwestern corners of the state, whereas most vacant beds are at the Veterans' Home in Huntington County. So while a bed is always available somewhere in the state, often the veteran prefers to wait until a bed is available at a facility closer to his or her home. The DMVA has also been undergoing construction projects that have temporarily increased the number of vacant beds.

With regard to the need for additional State Veterans' Home beds, we found that the demographics going forward show a marked decrease in the number of Pennsylvania veterans aged 65 and older, who are obviously the most likely to be needing nursing home or personal care home services in the future. We broke the statistics down by various age groups, but overall, the number of veterans aged 65 and older will decrease by about 36 percent over the next 20 years, from about 470,000 in 2015 to about 301,000 in 2035. While it's true that the number of veterans aged 85 and older will increase slightly over this period as the Vietnam-era veterans age, the overall trend is a very significant decrease.

As a result of this decline, we estimate the number of Pennsylvania veterans needing nursing home care will also decline, from about 15,000 in 2015 to about 11,000 in 2035. While this is still far more than the 1,246 nursing home beds currently available at the Veterans' Homes, it is difficult to predict how many of these veterans will choose to move into a State Veterans' Home versus moving to a private nursing facility or receiving other types of services that will allow them to remain at home.

A 2009 report conducted by the First Chesapeake Group under a contract with the DMVA also noted the upcoming drop in the number of elderly Pennsylvania veterans and concluded that by the year 2029, Pennsylvania will have a surplus of 737 nursing home beds at its Veterans' Homes. It also noted that Pennsylvania's

Veterans' Homes are not well distributed geographically, so despite the projected surplus of beds, the Chesapeake Group recommended three new State Veterans' Homes be built in the Northcentral, Southcentral, and Lehigh Valley/Reading areas—to address this geographic disparity.

Pennsylvania's Veterans' Homes have an average per diem cost of \$350 (\$127,750 annualized), of which \$104 (30 percent) is paid for by the U.S. Department of Veterans Affairs. On average, about \$175 (50 percent) of the \$350 is paid for with Commonwealth General Funds appropriated to the DMVA. The remaining \$70 (20 percent) is paid for by other funds, such as Medicaid and the federal VA Aid and Attendance payments made to residents.

Overall, expenditures for the six State Veterans' Homes totaled \$184.2 million in FY 2014-15, of which \$82.4 million (45 percent) was a General Fund appropriation to the DMVA. Over the next two years, though, the General Fund appropriation is expected to increase by 27 percent, to \$104.7 million.

The resolution directed us to identify additional opportunities to improve the care for veterans, including the possibility of using private facilities to supplement, and presumably offset some of the rising costs, of the services being provided at the State Homes. Toward that end, the report makes five recommendations.

First, we recommend the Department of Military and Veterans Affairs take the lead in contacting the USVA (VISN 4 in Pittsburgh) regarding the possibility of establishing a pilot program that would allow veterans to receive the services they need to remain at home and live independently rather than move to a State Veterans' Home. Such programs have been established, with varying degrees of success, in several other states.

The second recommendation is that the DMVA consider privatizing more of the functions performed at the State Veterans' Homes. While the DMVA has privatized some functions, such as transportation, barber/beautician, and some medical services, other states have gone further in privatizing services such as financial billing and food service, or, in some cases, contracting out the operation of the entire facility. It was beyond the scope of this study to recommend specifically the types of services that could be privatized, but we do recommend the DMVA contact at least several of the states that have privatized some or all of their operations and make a more formal assessment of the costs that might be saved by privatizing those services that appear most promising.

Our third recommendation is that the DMVA consider creating a pilot program to assess the feasibility of providing services in private nursing homes in those areas of the state where no State Veterans' Home currently exists. While the Veterans Administration contracts with private nursing homes to provide services

when no nearby federal VA facility is available, they place significant constraints on states that wish to pursue this same option for veterans being served in state programs. Nevertheless, there does appear to be an opportunity for states to lease some or all of an existing private nursing facility and still receive the federal VA per diem reimbursement that is normally only available to veterans living in a State Veterans' Home. We recommend the DMVA pursue a modest pilot program to test the feasibility of this approach.

Our fourth recommendation is that, if a decision is made to construct a new State Veterans' Home in Southcentral Pennsylvania, the DMVA consider contracting out management of that home to a private entity. A new State Veterans' Home, to be located in either Dauphin or Lebanon County, has already been included in the Capital Budget, although no funds have yet been authorized for construction. Managing a large facility, especially one that provides medical services, is difficult under the constraints of union and Civil Service requirements. Contracting out the management of a new home to a private entity would help alleviate some of these constraints and would also avoid some of the difficulties involved in transitioning the state employees currently working at an existing facility.

Finally, we recommend that the DMVA initiate a joint effort to identify veterans who are currently in a nursing home, or who may soon need nursing home services, to ensure they are receiving all the federal veteran benefits to which they

are entitled. Many veterans are unaware of all the benefits they can receive through the USVA or are discouraged by the complicated paperwork requirements involved to receive these benefits. While most of the benefit of this effort would probably accrue to individual veterans, the Commonwealth could also stand to benefit financially as the result of additional federal dollars coming into the state or by veterans being able to receive services at home that will allow them to postpone entering a nursing home. The DMVA has indicated its support for such a program, provided that sufficient additional funding is allocated to the effort.

Before closing, we'd like to thank Brigadier General Carrelli, Acting Adjutant General, and Brigadier General (Retired) Jerry Beck and the staff of the Department of Military and Veterans Affairs for the excellent assistance and cooperation they provided during this study.