
Rate Setting at the Wisconsin Veterans Homes

Legislative Audit Bureau
September 2010

Areas of Review

- ◆ Occupancy Trends
- ◆ Revenues and Expenditures
- ◆ Trends in Private Pay Rates
- ◆ Private Pay Rate Calculation Methods

Occupancy Trends

	King		Union Grove			
	<i>Nursing</i>		<i>Nursing</i>		<i>Assisted Living</i>	
	Residents	Occupancy Rate	Residents	Occupancy Rate	Residents	Occupancy Rate
June 2005	719	99.7%	N/A		86	67.2%
June 2006	688	95.4	N/A		110	85.9
June 2007	695	96.4	48	60.0%	108	84.4
June 2008	688	95.4	108	90.0	92	88.5
June 2009	684	94.9	120	100.0	104	84.6
December 2009	680	94.3	116	96.7	91	74.0

Veterans Home Funding Sources

- ◆ State and federal Medical Assistance payments
- ◆ Payments by residents at private pay rates
- ◆ Federal per diem payments for all residents who are veterans
- ◆ Federal Medicare payments at Union Grove only
- ◆ Federal funding for veterans with service-connected disabilities

Primary Funding Sources for Nursing Home Care

	King		Union Grove	
	Residents	Percentage	Residents	Percentage
Medical Assistance	587	86.3%	71	61.2%
Payments by Residents at Private Pay Rates	66	9.7	29	25.0
Federal Service-Connected Disability Program	27	4.0	7	6.0
Medicare	0 ¹	0.0	9	7.8
Total	680	100.0%	116	100.0%

¹ King is not currently certified to receive Medicare payments. Preliminary analysis by DVA showed that Medicare administration costs would exceed projected reimbursements; staff expect to complete a more detailed cost-benefit analysis in late 2010.

Operating Expenditures

- ◆ Salaries and fringe benefits accounted for \$65.7 million, or 73 percent of FY 2008-09 expenditures
- ◆ Expenditures increased from \$54.6 million in FY 2004-05 to \$89.7 million in FY 2008-09
- ◆ Expenditures have exceeded revenues in four of the past five fiscal years
- ◆ A one-time \$20.1 million Medical Assistance reimbursement rate adjustment made in FY 2005-06 has helped the homes remain solvent

Selected Rate Increases

	Private Pay Rate — January 2008	Private Pay Rate — January 2010	Percentage Increase	Increase in Annual Charges
King—Skilled Nursing				
Veteran	\$176.58/day	\$207.47/day	17.5%	\$11,300
Spouse	\$248.00/day	\$285.00/day	14.9%	\$13,500
Union Grove—Skilled Nursing				
Veteran	\$176.58/day	\$257.47/day	45.8%	\$29,500
Spouse	\$248.00/day	\$335.00/day	35.1%	\$31,800
Union Grove—Assisted Living				
Veteran—Level A	\$72.00/day	\$114.16/day	58.6%	\$15,400
Veteran—Level A with Memory Care	\$101.00/day	\$128.16/day	26.9%	\$9,900
Surviving Spouse	\$72.00/day to \$86.00/day	\$150.00/day	74.4% to 108.3%	\$23,400 to \$28,500
Spouse Living with Veteran	\$39.00/day	\$150.00/day	284.6%	\$40,500

Private Pay Rate Calculation Requirements

- ◆ Section VA 6.01(16), Wis. Adm. Code:
 - Requires the homes to calculate rates each January based on the estimated costs of care during the following year
 - Provides for rate changes each July to reflect updated cost estimates
 - Specifies that “charges shall be made for actual care and maintenance” provided to a resident

Nursing Home Rate Calculations

- ◆ King has consistently based private pay rates on the average cost per resident
- ◆ Union Grove has used three methods:
 - Until March 2007, a single rate was calculated to cover the difference between projected revenues and projected expenditures
 - From March 2007 through December 2008, rates were set identical to King's rates
 - Since January 2009, rates have been set based on King's methodology but using Union Grove's own projected expenditures

Assisted Living Rate Calculations

- ◆ Rates for veterans have been set using a variety of methods:
 - Rates paid in 2005 were set lower than projected expenditures and were not set in January, as required, but in October 2004
 - Rates paid in January 2006, again took effect the preceding October and were not based on projected expenditures
 - 2007 rates took effect in January of that year but they were again not based on projected expenditures
 - In January 2008, rates increased by \$2.00 per day but they were not based on projected expenditures
- ◆ Rates for spouses have been set well below projected expenditures
- ◆ Current rates are consistent with agency officials' current interpretation of s. VA 6.01(16), Wis. Adm. Code

Improving Transparency and Accuracy in Rate Setting

- ◆ We include recommendations for the Board of Veterans Affairs to:
 - Amend administrative rules to clearly define terms and specify a formula for calculating private pay rates
 - Specify whether separate rates should be calculated for each home
 - Formally review and approve all rate-setting proposals
 - Require the agency to report to the Joint Legislative Audit Committee by January 24, 2011

Future Considerations

- ◆ Rate increases alone will not achieve solvency
- ◆ King is projected to operate at a deficit in FY 2010-11
- ◆ The operating account's surplus could be fully depleted by FY 2013-14
- ◆ DVA has not completed a comprehensive plan to guide long-term financial management of the homes
- ◆ A plan to open a third home in Chippewa Falls warrants close attention
- ◆ We recommend DVA report to the Joint Legislative Audit Committee by January 24, 2011, on its plan to achieve financial solvency for the veterans homes