



THE ADJUTANT GENERAL OF PENNSYLVANIA  
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS  
ANNVILLE, PENNSYLVANIA 17003-5002

July 27, 2009

The Honorable Elisabeth Baker  
Chair, Senate Veterans' Affairs and Emergency Preparedness Committee  
Senate Box 203020  
172 Main Capitol Bldg.  
Harrisburg, PA 17120

Re: State Veterans' Homes

Dear Senator Baker:

I am writing to provide you and the Senate Veterans' Affairs and Emergency Preparedness Committee the facts about the steps my Department is taking at our six state veterans' homes to address potential impacts of the current budget impasse. I also want to take this opportunity to restate the fiscal requirements of our state homes and to again solicit your support for adequate funding for these facilities. I am concerned that there have been some misunderstandings in these areas, and I hope the information I am providing will help clear them up.

First let me make it clear that the Rendell Administration, the Department of Military and Veterans Affairs and our state veterans' homes program have not and will not allow the residents of our state veterans' homes to become pawns in the state budget battles. Our commitment to the veterans and spouses who reside in our state veterans' homes is to provide an undiminished level of care even in the face of the fiscal uncertainties that exist today. The operational management actions that our state veterans' homes are taking are entirely consistent with this commitment, which I know you share. I am pleased to report to you that all six of our homes have passed their most recent series of inspections, and all continue to provide excellent services to our veterans and their spouses.

**Budget Impasse Actions.** Over the last few days there have been a number of questions and comments about our decision to defer offering admission to the state veterans' homes during the budget impasse. This interim precautionary measure to manage census at our state veterans' homes was taken at the suggestion of the Bureau of State Veterans' Homes. The entire purpose of this reasonable and prudent step was to ensure that our homes can maintain undiminished service to our residents in the face of uncertainties about the duration of the budget impasse and

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impacts on staffing and purchasing of supplies and services needed for our homes to operate effectively.

On July 7, the Department approved the recommendation of our veterans' homes to defer new admissions to the state veterans' homes during the budget impasse. At the same time, we determined that the admissions of those veterans who had previously been offered admission would move forward. This compassionate approach was based on considerations of fairness to address hardships that could be encountered by those whose admission processing was nearly complete as of July 7.

Why did those with the most direct knowledge and experience in day-to-day management of our veterans' homes recommend that we defer admissions during the budget impasse? They concluded, and I agreed, that, since it was impossible to gauge impasse impacts on staffing and operations, the more prudent course of action would be to defer adding new residents.

As you know, Act 102 of 2008 prohibits mandatory overtime by direct care staff at our homes in most circumstances. This new law took effect on July 1. This huge change in the law has impacts on our staffing requirements. This comes at a time when our managers feared that, as a result of the budget impasse, some staff might start seeking other employment, and that it would be difficult to secure replacements. This is a genuine risk given the demand for health care professionals and staff in the private sector. Couple this with uncertainty over the response of suppliers to deferral of payments during the impasse, and it certainly made good sense to defer new admissions until the uncertainties resulting from the budget impasse can be resolved.

I am pleased to report to you that, so far, only two direct care state veterans' homes employees have advised the employer of their intention to take other employment. Our suppliers have continued to cooperate fully in ensuring that our homes have the food, medicines, sundries and services required. At the same time, there is no assurance that this positive situation will continue indefinitely. Prudent operational census management at a health care facility calls for not adding additional residents during a period of uncertainty.

As of Friday, July 24, our veterans' homes statewide have 14 fewer residents than they did on July 7. On July 7, the homes were operating at 95% capacity, which represents normal operations. As of July 24, the homes were operating at 94% of capacity. The overall impact of deferring new admissions has thus far been limited to these numbers. We all hope that the budget impasse will quickly be resolved so that even these impacts can promptly be mitigated.

On average over a period of years, our homes average about 15 new admissions per week statewide, and some have extrapolated these averages to conclude that 45 or 50 veterans have so far been denied admission to the homes. For a number of reasons, the impact of deferring new

admissions has not reached the levels one would expect based on average admissions in the past. It is important to remember that our homes operate at near capacity at all times, and some of the homes have waiting lists for admission, particularly for nursing care. The availability of beds for new admissions depends on various factors, including level of care, gender, location, and, most important, the number of residents who depart from the homes. I have attached some statistical information that explains the occupancy on a home-per-home basis.

The Department continues to accept new applications for admissions to our state veterans' homes, and their staffs continue to process these applications and gather supporting information as appropriate. We have deferred issuance of offers of admission to the homes and, except for those whose placements were confirmed before July 7, we have not placed new applicants in the homes while the budget impasse continues. Just as the Department followed a policy of compassion and fairness in dealing with applicants whose admissions were nearly complete on July 7, we are prepared to address cases of exceptional hardship and make exceptions to our admission deferral policy consistent with our regulations and admissions policies.

***Budgetary Requirements.*** There have also been some questions about the budgetary requirements for our state veterans' homes to continue to operate effectively and provide the outstanding care that our veterans and their spouses expect and deserve. The veterans' homes fiscal requirements are somewhat complicated. There exists an additional level of complexity this year because it is the first full year of implementation of the new Enhanced Veterans' Reimbursement Program (EVR) and because of the requirements of the new law (Act 102 of 2008) prohibiting mandatory overtime by health care staff in most circumstances.

The Department of Military and Veterans Affairs believes that our state veterans' homes need to be able to spend \$166.3 million in Fiscal Year 09-10 to meet our requirements. This is the total budget for the homes contained in Governor Rendell's budget, and the bottom line number (\$166.3 million) remains adequate.

The state veterans' homes budget consists of state funds, various forms of federal funding, including the new EVR program, and various augmentations, including maintenance fees collected from residents of the homes (nearly \$20 million) and recoveries from the estates of deceased veterans (about \$2.8 million).

When Senate Bill 850 passed the Senate in May, it raised serious concerns that the level of funding for our state veterans' homes would result in disastrous consequences. Not only was the state funding level (\$69.8 million) substantially below that in the Governor's Budget, but the overall funding levels contained assumptions about how much our homes would receive from the EVR program that were no longer realistic.

I understand that the state appropriation for veterans' homes in the Senate Bill 850 budget was based, in part, on eliminating funding for employment vacancies at the homes. The assumption on which these cuts were based is not viable in light of the requirements to essentially eliminate mandatory overtime under Act 102. We believe the homes need all the vacancies for which funding was cut to operate effectively in this fiscal year. Cutting this funding left the homes well short of what was needed. All-in-all, this budget was at least \$7.7 million short of the homes' fiscal needs, and we tried to accurately portray the dire consequences of such a draconian cut in our budget.

Since the Governor's original budget proposal, we have been able to adjust estimates of the funding to be received under the EVR program, which provides medical assistance payments to eligible residents of the homes. EVR program guidance continues to evolve and we are receiving more information about the impacts of personal needs allowance calculations on eligibility and other collections. It is now apparent that it would not be prudent to place excessive reliance on receipt of these funds in the homes' overall budget. We now believe that the state funding for our veterans homes needs to be just over \$82 million so that we can maintain an overall level budget level of \$166.3 million. I have attached some charts and graphs that provide additional information about these fiscal issues.

Over the last few days, I've heard that some legislative staffers have made suggestions that we should just shift funds from other DMVA programs to the veterans' homes if we need \$166 million to operate the homes. We all know that shifting money between line items in the budget is not generally permitted. What's more, the Department's state budget for general government operations and other veterans' programs and National Guard support is so lean now that it could not support transfer of funds to the veterans' homes. I even heard that one suggestion that we just sell a tank to get extra money to address our priority needs for the veterans' homes. As you know, the equipment possessed by the Pennsylvania National Guard is owned by the U.S. Government, so the suggestion (perhaps, facetious) that we should sell military equipment to fund our veterans' home is not only silly but illegal.

Senator Baker, support for our state veterans' homes program has always been nonpartisan and widespread. I share your concerns that we must maintain these programs with appropriate levels of funding. I appreciate the long-standing commitment of Governor Rendell and all caucuses of the General Assembly to support this program. To simplify some somewhat complex numbers, I can tell you that we need a state appropriation of \$82 million for our veterans' homes as part of overall spending of \$166 million planned for FY 09-10. I am confident that given your outspoken and consistent support for our veterans and our veterans' homes that this level of funding will be maintained as part of the on-going budget negotiations.

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Thank you for the opportunity to provide this information. Please contact the Department's legislative liaison, MAJ Lauren Muglia, 717-861-8719, if you have any questions or need more information.

Sincerely,



Jessica L. Wright  
Major General, PAARNG  
The Adjutant General

C: The Honorable Dominic Pileggi  
The Honorable Larry Farnese

Enclosures