

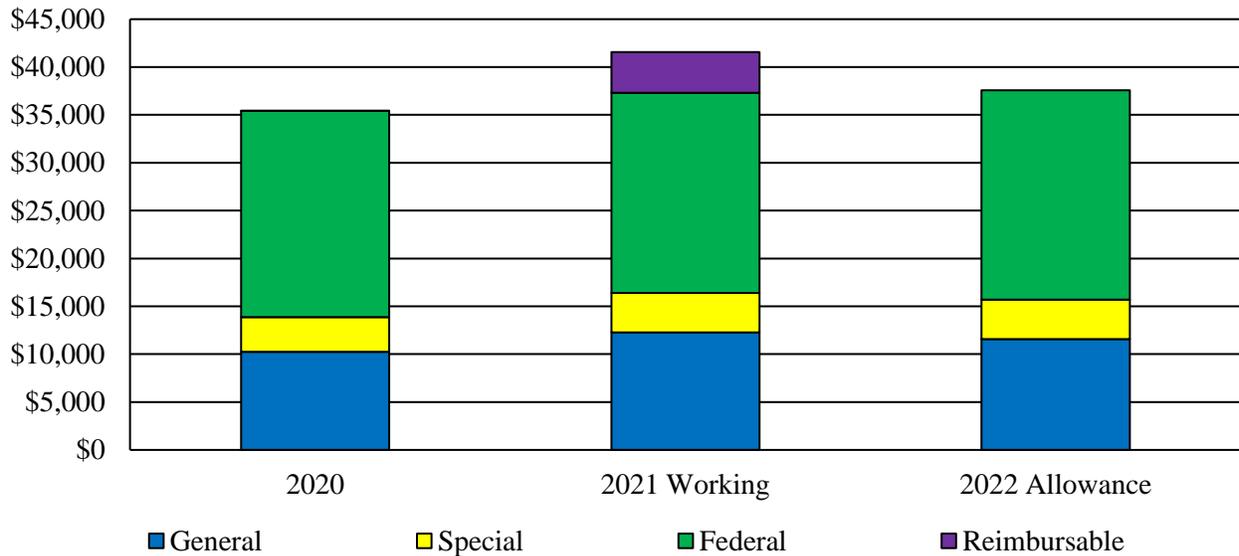
D55P00
Department of Veterans Affairs

Program Description

The Maryland Department of Veterans Affairs (MDVA) delivers services and programs to assist Maryland veterans, their families, and survivors in obtaining State, federal, and local benefits provided by law in recognition for their service. MDVA also assures the quality maintenance of veterans’ cemeteries and memorials to honor Maryland veterans. MDVA also manages Charlotte Hall Veterans Home (CHVH), an assisted living and skilled nursing facility for veterans and their eligible spouses who are unable to care for themselves due to disability, advancing age, or who have requirements for nursing home care. Additionally, MDVA engages in public awareness and outreach to veterans, their families, and other stakeholders throughout the State to further engage and encourage statewide participation in addressing problems faced by Maryland veterans.

Operating Budget Summary

Fiscal 2022 Budget Decreases \$3.98 Million, or 9.6%, to \$37.6 Million
(\$ in Thousands)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions, annual salary reviews, and annualization of general salary increases.

- Most of the decrease from fiscal 2021 to fiscal 2022 can be accounted for by the decrease in reimbursable funds. In fiscal 2021, CHVH received \$4.2 million in the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to offset revenue losses during the COVID-19 pandemic.

Fiscal 2020

MDVA received \$30,797 in reimbursable funds from the CARES Act for additional compensation for essential employees in response to the COVID-19 pandemic. Most of this funding supported cemetery employees (\$24,544).

Fiscal 2021

July 1, 2020 Board of Public Works Reductions

At the July 1, 2020 Board of Public Works meeting, the Governor proposed, and the board approved, \$1,287,373 in reductions to MDVA. The overwhelming majority of this reduction, \$1,272,614 in general funds, was removed from the cemetery program where savings were able to be achieved by delaying grounds maintenance and the filling of cemetery caretaker positions. The remaining savings were achieved through statewide Unemployment Insurance reductions, which totaled \$14,759, \$11,695 in general funds.

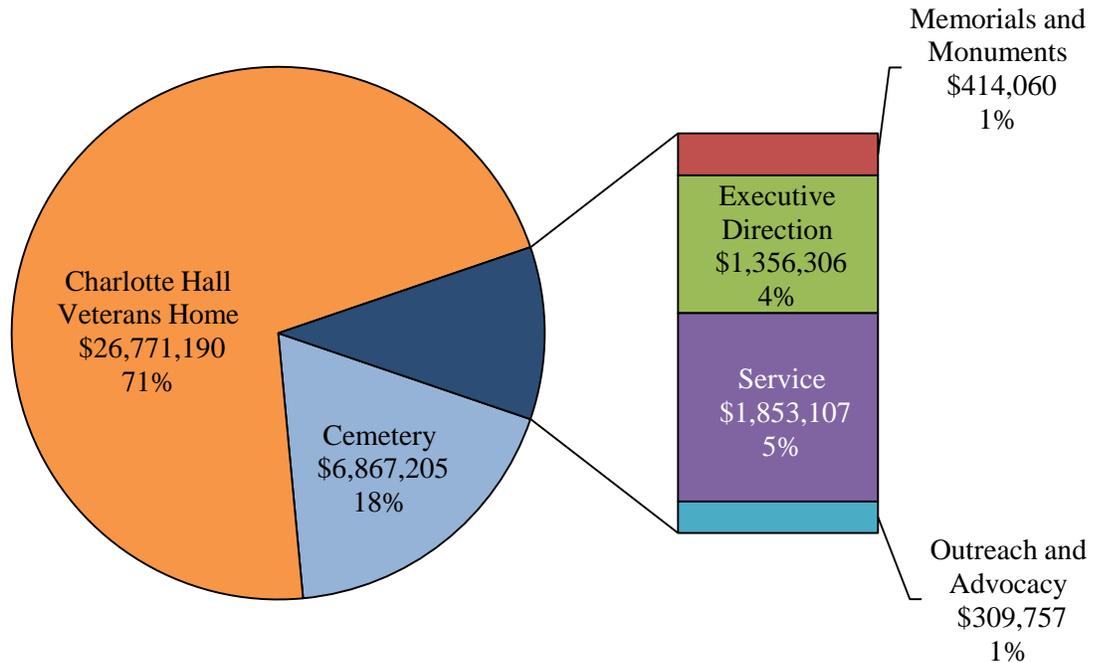
Grant to Contractor at CHVH

The fiscal 2021 budget was augmented by a \$4,245,000 grant to the service contractor at CHVH in response to the COVID-19 pandemic. This grant, the CHVH funding model, and CHVH's response to the pandemic are all discussed at length in the Key Observations.

Fiscal 2022 Overview of Agency Spending

The fiscal 2022 budget for MDVA is \$37.6 million, most of which relates to the management of CHVH and the veterans cemeteries, as shown in **Exhibit 1**. At CHVH, \$24.1 million of the \$26.7 million funds the contract for the care of veterans at that facility. Of the \$24.1 million, \$20 million is derived from federal fund reimbursements. The five State veterans' cemeteries make up the next largest share of the budget, \$6.8 million, nearly 70% of which is personnel expenditures. The cemeteries make up the largest single component of MDVA's employee complement, 76 of 116 regular employees in fiscal 2022, and nearly 60% of the agency's total personnel expenses.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance



Source: Governor’s Fiscal 2022 Budget Books

Note: The fiscal 2022 allowance includes contingent reductions, annual salary reviews, and annualization of general salary increases.

Proposed Budget Change

Most of the change between the fiscal 2021 working appropriation and the fiscal 2022 allowance can be attributed to CHVH, as shown in **Exhibit 2**. The decrease from a one-time fiscal 2021 \$4,245,000 grant to the private contractor operating the home is slightly offset by a budgeted increase in patient care expenses.

Exhibit 2
Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)

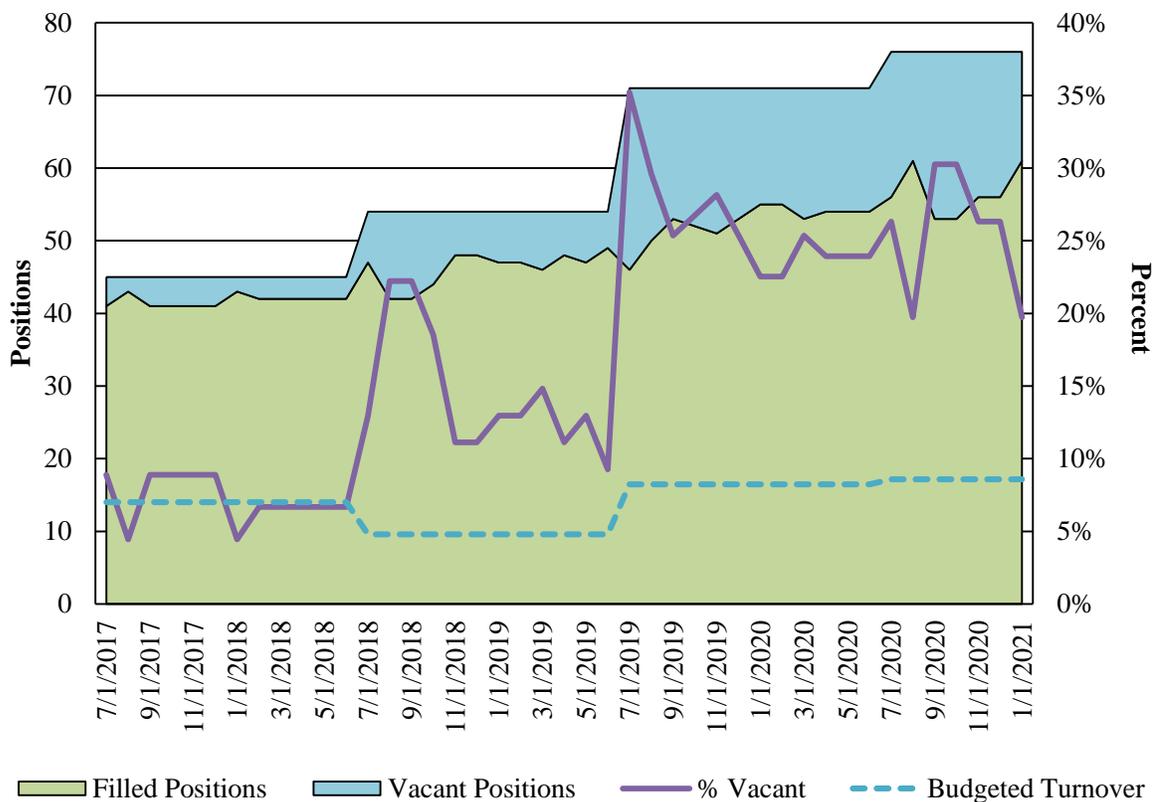
How Much It Grows:	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	Fund	Fund	Fund	Fund	
Fiscal 2020 Actual	\$10,239	\$3,635	\$21,552	\$31	\$35,457
Fiscal 2021 Working Appropriation	12,268	4,118	20,915	4,245	41,547
Fiscal 2022 Allowance	<u>11,577</u>	<u>4,110</u>	<u>21,885</u>	<u>0</u>	<u>37,572</u>
Fiscal 2021-2022 Amount Change	-\$692	-\$9	\$970	-\$4,245	-\$3,976
Fiscal 2021-2022 Percent Change	-5.6%	-0.2%	4.6%	-100.0%	-9.6%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Turnover adjustments					\$137
Employee and retiree health insurance					80
Fiscal 2021 general salary increase annualization					70
Increase in compensation for regular employees					54
Unemployment compensation					15
Annual salary review for fiscal services positions					8
Other fringe benefit adjustments					4
Other Changes					
Increase in contractual workforce compensation, driven by additional 0.75 FTE administrative support					78
Other operating expenses					-8
Decrease in grounds maintenance contracts at veterans cemeteries, driven by \$900,000 fiscal 2021 headstone realignment at Eastern Shore Veterans Cemetery					-1,088
Charlotte Hall Veterans Home					
Increase in estimated amount for care management costs provided to contractor, based on patient census, offset by reduction in other operating expenditures at CHVH					920
One-time fiscal 2021 grant to CHVH contractor for COVID-19 response					-4,245
Total					- \$3,976

CHVH: Charlotte Hall Veterans Home
FTE: full-time equivalent

Note: Numbers may not sum to total due to rounding.

The only other noticeable change in MDVA’s budget is a result of a decrease in grounds maintenance expenditures in fiscal 2022. This is largely due to one-time fiscal 2021 costs of headstone realignment at the Eastern Shore Veterans Cemetery. However, there are also savings as the cemeteries at Crownsville and Garrison Forrest eliminated grounds maintenance contracts for fiscal 2022. MDVA is able to eliminate these contractual expenditures because each prior budget since fiscal 2019 has added veterans’ cemetery caretakers to the department. **Exhibit 3** shows the growth of budgeted personnel within the cemetery program over the last several budget cycles.

Exhibit 3
Cemetery Positions, Vacancies, and Budgeted Turnover
Fiscal 2018-2021



Source: Governor’s Fiscal 2018-2022 Budget Books,

As shown, while MDVA has seen a regular growth in these positions, it has also had difficulty filling them. MDVA has budgeted funding for salary enhancements as well as implemented retention bonuses at 6, 12, and 24 months of service. Certainly, turnover rates allow MDVA to hire with budgeted turnover in fiscal 2022 of 6.86%, down from 8.58% in fiscal 2021, for example. As shown, while MDVA still has 20% of cemetery positions vacant, some of the strategies used to increase hiring and retention appear to have made an impact with current declines in vacancy rates.

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	111.00	116.00	116.00	0.00
Contractual FTEs	<u>6.45</u>	<u>6.50</u>	<u>7.25</u>	<u>0.75</u>
Total Personnel	117.45	122.50	123.25	0.75

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	7.96	6.86%
Positions and Percentage Vacant as of 12/31/20	18.00	15.52%
Vacancies Above Turnover	10.04	8.66%

- MDVA adds a part-time (0.75 full-time equivalent) administrator in the executive function to assist with procurement and timekeeping.

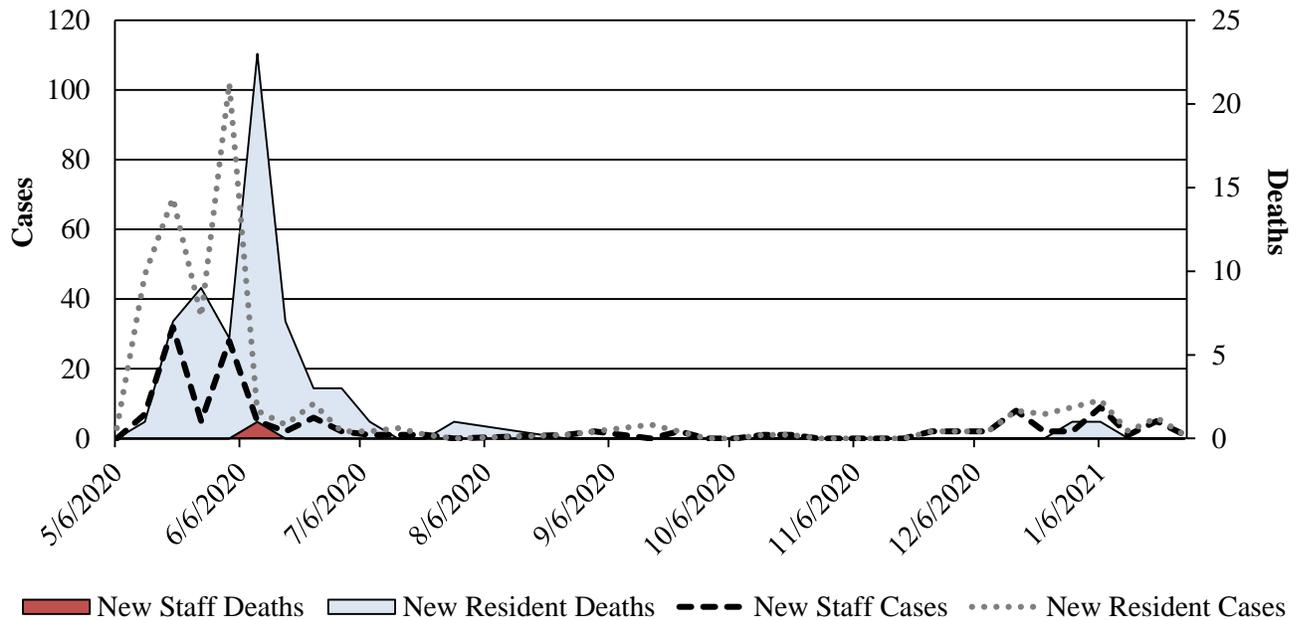
Key Observations

1. CHVH, COVID-19, and Grant to Private Contractor

CHVH, which opened in 1985, is a State-owned, long-term health care facility in St. Mary's County offering assisted living and skilled nursing care for eligible veterans and their spouses who are unable to care for themselves due to disability, advancing age, or who have requirements for nursing home care. Clinical care and health care management at CHVH are provided by a private contractor but are overseen by the director and other MDVA staff. The home provides shelter, sustenance, medical care, and the social services necessary to maintain the residents' quality of life. Unfortunately, like many other nursing homes and other elder care facilities in the State, CHVH was hit particularly hard by the COVID-19 pandemic.

Data from the Maryland Department of Health (MDH) reports that, as of January 27, 2021, 63 residents and 1 staff member died from COVID-19 at the facility. The overwhelming majority of these fatalities occurred from May through early July during the first wave of the pandemic. According to the reporting from MDH, CHVH has the second most resident deaths in the State of any congregate living facilities. It is also worth noting that CHVH has the second largest licensed capacity in the State, according to MDH, between assisted living and nursing home beds, second only to Hebrew Home of Greater Washington, which was also the only facility with more COVID-19 fatalities than CHVH at the time of this analysis. Of the 10 nursing homes and assisted living facilities with the most COVID-19 fatalities in the State as of January 27, 2021, CHVH has the second lowest rate of fatalities, relative to licensed capacity. **Exhibit 4** shows new COVID-19 cases and deaths for both residents and staff during each reporting period available from MDH's reporting on COVID-19 in congregate facilities.

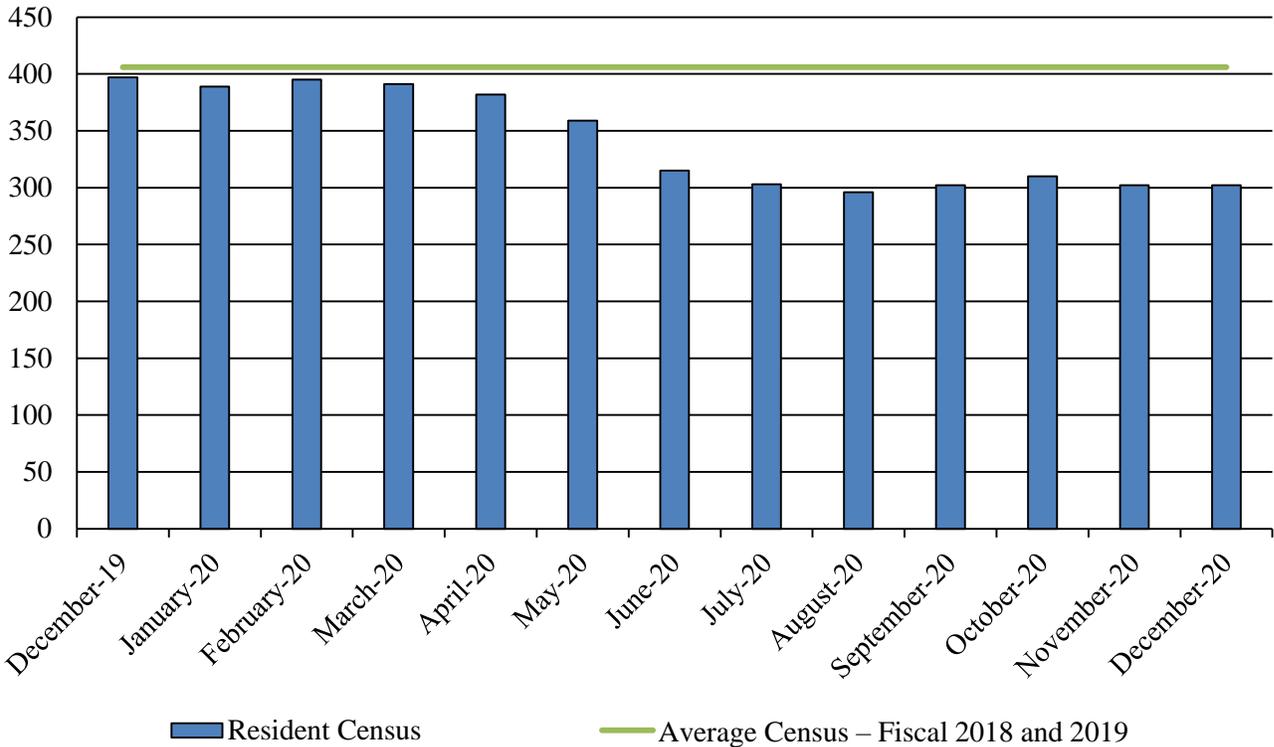
Exhibit 4
COVID-19 Cases and Deaths at Charlotte Hall Veterans Home
May 6, 2020, to January 27, 2021



Source: Maryland Department of Health

As shown, early summer was the height of the crisis for CHVH, with the most resident cases over a single week, 74 reported on June 3, 2020, and the most resident deaths, 22, reported a week later. During this time, MDVA reported delays in testing, difficulty with personal protective equipment procurement, and staffing shortages. Some staffing shortages were addressed by the federal VA Medical Center or the National Guard. With these fatalities, the resident census dipped below traditional occupancy levels due to the inability to admit new residents during the height of the pandemic. **Exhibit 5** shows the monthly resident census and, as a point of comparison, shows the average resident census for fiscal 2018 and 2019.

**Exhibit 5
Charlotte Hall Veterans Home Resident Census
December 2019 to December 2020**



Source: Maryland Department of Veterans Affairs

A fiscal 2021 budget amendment totaling \$4.2 million has been processed by the Department of Budget and Management (DBM) to offset the losses of the contractor, currently HMR of Maryland, (HRM) during the pandemic. The reimbursable funds for the budget amendment are supported by federal CARES Act dollars. The need for this pass-through grant reflects the downturn in revenue due to a decreased resident census exhibited above. Due to the funding model currently in place at CHVH, revenue downturns are felt directly by the contractor. Prior to fiscal 2018, MDVA received a per diem reimbursement in federal funds from the U.S. Veterans Administration for each veteran that is in the care of CHVH. MDVA subsequently paid the contractor that managed the home and retained additional federal funds for later use. MDVA found this funding model to be unpredictable in terms of the amount of the federal fund reimbursement from year to year. In an effort to create a more predictable system of revenues and expenditures, MDVA planned to change the funding model so that the federal fund reimbursement would be sent in its entirety to the management contractor. The contractor would in turn pay MDVA a bed lease of \$18 per bed per day, or \$2,982,780 annually. The bed lease payment from the contractor would enter the bed lease special fund established by Chapter 317 of 2016, which would hopefully maintain a modest reserve for additional needs of CHVH.

As shown previously, CHVH experienced resident fatalities and an inability to admit residents during the height of the pandemic. This reduced the patient census and, while MDVA and the State were shielded from any direct fiscal impacts given the nature of the bed lease contract, HMR was directly impacted. HMR also bore additional costs associated with premium pay for its employees, and other expenses associated with infection control. To offset these revenue losses, HMR was granted \$4,245,000 in CARES funding.

The Department of Legislative Services (DLS) would note that federal records on the Provider Relief Fund established to provide financial support for providers impacted by COVID-19 shows that, to date, HMR received \$2,091,355 from this program. It is DLS' understanding that CHVH is the only HMR facility in Maryland. While DBM did take this additional funding into consideration, at the time the grant was provided, the amount was \$1.3 million, or roughly \$800,000 less than the current records reflect HMR receiving.

Another benefit of the new funding model is the creation of the special fund maintained by MDVA for the purposes of additional needs for CHVH. MDVA reports this fund closing fiscal 2020 with over \$1.5 million. As previously discussed, the purpose of this fund is to create a reserve to meet unanticipated needs and expenses of CHVH, and the COVID-19 pandemic certainly presented an unanticipated and unprecedented need at the facility. **Given that special funds were available for the support of CHVH, that funding could have been used to reduce the extent of CARES funds provided to the contractor. Therefore, DLS recommends a Budget Reconciliation and Financing Act provision redirecting \$1,000,000 from the bed lease payment to the General Fund in fiscal 2022. This would still provide \$1.9 million from the contractor to MDVA in fiscal 2022 for other maintenance and expenditures at CHVH and leave a \$1.5 million balance in the fund.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Budget Reconciliation and Financing Act Recommended Actions

1. Transfer \$1 million from the Charlotte Hall Veterans Home Fund to the General Fund in fiscal 2022.

Updates

- ***Veterans Affairs Capital Projects Deferred:*** The fiscal 2022 *Capital Improvement Program* (CIP) deferred funding for the new State veterans home to fiscal 2023. Previously, this project was programmed for funding in fiscal 2022. MVDA requested this deferral to allow for greater program development. This home is planned for Carroll County, more centrally located than the only home currently in operation in St. Mary’s County. An expansion to the Garrison Forest Veterans Cemetery was also added to the CIP, beginning in fiscal 2024.

**Appendix 1
Audit Findings**

Audit Period for Last Audit:	March 7, 2016 – April 2, 2020
Issue Date:	January 8, 2021
Number of Findings:	2
Number of Repeat Findings:	2
% of Repeat Findings:	100%
Rating: (if applicable)	

Finding 1: The Maryland Department of Veterans Affairs (MDVA) did not adequately control and account for collections and certain accounts receivable based on instances at Charlotte Hall Veterans Home (CHVH) and one veterans’ cemetery where initial logs of collections were not used. Additionally, the Office of Legislative Audits (OLA) found instances of collections not being reconciled with corresponding bank records. OLA recommended that MDVA separate collections and accounts receivable functions, and perform monthly reconciliations of deposits to bank statements. MDVA agreed with these recommendations and has already implemented, or is in the process of implementing, all three.

Finding 2: OLA found that the vendor staffing CHVH has had vacancies at the facility, resulting in required staffing levels specified in the contract to have not been met. OLA found that MDVA did not invoke the provision in the contract that would have allowed them to reduce payments to the contractor. OLA recommended reducing payments in the future when applicable and to recover any amount owed from previous short staffing levels. In MDVA’s response, it noted that the contractor incurred overtime expenses to fill staffing shortages due to vacancies and that the vacancies found by OLA did not represent failure in providing resident care. However, MDVA did agree that the exceptions made to the liquidated damages in the contract needed better documentation.

*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2
Object/Fund Difference Report
Department of Veterans Affairs**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	111.00	116.00	116.00	0.00	0%
02 Contractual	11.95	6.50	7.25	0.75	11.5%
Total Positions	122.95	122.50	123.25	0.75	0.6%
Objects					
01 Salaries and Wages	\$ 6,665,008	\$ 7,689,731	\$ 7,978,105	\$ 288,374	3.8%
02 Technical and Special Fees	212,673	221,811	300,035	78,224	35.3%
03 Communication	58,756	77,049	77,049	0	0%
04 Travel	41,101	38,538	38,226	-312	-0.8%
06 Fuel and Utilities	743,921	804,788	783,873	-20,915	-2.6%
07 Motor Vehicles	310,975	387,576	387,576	0	0%
08 Contractual Services	25,333,448	25,838,134	25,882,293	44,159	0.2%
09 Supplies and Materials	707,301	765,250	765,250	0	0%
10 Equipment – Replacement	532,863	304,875	392,634	87,759	28.8%
11 Equipment – Additional	542,905	506,498	423,535	-82,963	-16.4%
12 Grants, Subsidies, and Contributions	226,828	4,476,622	231,622	-4,245,000	-94.8%
13 Fixed Charges	71,040	75,967	75,967	0	0%
14 Land and Structures	10,650	302,739	100,065	-202,674	-66.9%
Total Objects	\$ 35,457,469	\$ 41,489,578	\$ 37,436,230	-\$ 4,053,348	-9.8%
Funds					
01 General Fund	\$ 10,239,267	\$ 12,222,141	\$ 11,465,475	-\$ 756,666	-6.2%
03 Special Fund	3,635,072	4,112,522	4,097,163	-15,359	-0.4%
05 Federal Fund	21,552,333	20,909,915	21,873,592	963,677	4.6%
09 Reimbursable Fund	30,797	4,245,000	0	-4,245,000	-100.0%
Total Funds	\$ 35,457,469	\$ 41,489,578	\$ 37,436,230	-\$ 4,053,348	-9.8%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, general salary increases, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions.