

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$8,785	\$8,398	\$9,244	\$846	10.1%
Special Fund	568	627	604	-23	-3.7%
Federal Fund	<u>8,563</u>	<u>7,379</u>	<u>8,851</u>	<u>1,472</u>	<u>19.9%</u>
Total Funds	\$17,915	\$16,405	\$18,699	\$2,294	14.0%

- The proposed fiscal 2009 budget represents a \$2.3 million, or 14%, increase over the fiscal 2008 working appropriation. Costs associated with employee and retiree health insurance and Other Post Employment Benefits (OPEB) liability funding included in the allowance account for \$0.3 million of the total increase.
- Excluding the costs associated with health insurance and OPEB liability funding, the Governor's budget increases by \$2.0 million, or 12.4%, over the fiscal 2008 working appropriation.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	66.00	66.00	72.00	6.00
Contractual FTEs	<u>4.32</u>	<u>4.32</u>	<u>4.38</u>	<u>0.06</u>
Total Personnel	70.32	70.32	76.38	6.06

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	2.17	3.02%
Positions Vacant as of 12/31/07	0.00	0.00%

- The proposed allowance for the Department of Veterans Affairs (DVA) includes six full-time equivalent (FTE) new positions to the Service Program.

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

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Analysis in Brief

Major Trends

Charlotte Hall Veterans Home: The Charlotte Hall Veterans Home (Charlotte Hall) population exhibits a lower incidence of decline in daily living skills, antipsychotic drug use, symptoms of depression, use of physical restraints, decline in mobility, and cognitive impairment as compared to populations in other State long-term care facilities.

Issues

Efforts to Enhance Outreach and Serve Maryland Veteran Population: DVA operates two important programs aimed at identifying Maryland veterans and connecting them with resources and benefits granted by law – the Service Program and the Outreach and Advocacy Program. In addition, the 2007 session convened a task force to study State assistance to veterans.

Implementation of Computerized Patient Record System: The Computerized Patient Record System is a system for storing and using electronic health records for veterans. The U.S. Department of Veterans Affairs (USDVA) currently uses this system and is trying to encourage the implementation by states. In Maryland, the Charlotte Hall program would be the appropriate agency to implement this program. Using an electronic system for records would enable doctors to more easily transfer files for patients and allow diagnoses to occur remotely without the patient/resident having to leave Charlotte Hall. There is a significant upfront cost to purchase the computer equipment needed to implement this system (\$600,000) as well as an ongoing cost to lease the software from the USDVA (\$100,000 per year).

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce two new positions and associated funding.	\$ 52,514	2.0
2. Adopt narrative requiring a written report of the performance measures included in the Request for Proposal for the management contract of Charlotte Hall.		
Total Reductions	\$ 52,514	2.0

Updates

Review of Health and Other Services Available to Returning Maryland Combat Veterans: A status report from DVA and the Department of Health and Mental Hygiene on the availability of services for combat veterans returning to Maryland show both an immediate need for mental health services as well as a concern that a gap exists between the time that veterans are released from service and when they return home to Maryland to seek help that they need to settle back into civilian life.

Report on Performance Standards and Incentives for Management of Charlotte Hall: As requested by the 2007 *Joint Chairmen's Report*, DVA submitted a report on performance standards and incentives associated with the contract to manage Charlotte Hall. DVA referred to language in the Request for Proposal (RFP) that list specific requirements associated with performance and compliance with regulations. In addition, the RFP for the new contract to manage Charlotte Hall will include clear and concise performance standards.

D55P00 – Department of Veterans Affairs

D55P00
Department of Veterans Affairs

Operating Budget Analysis

Program Description

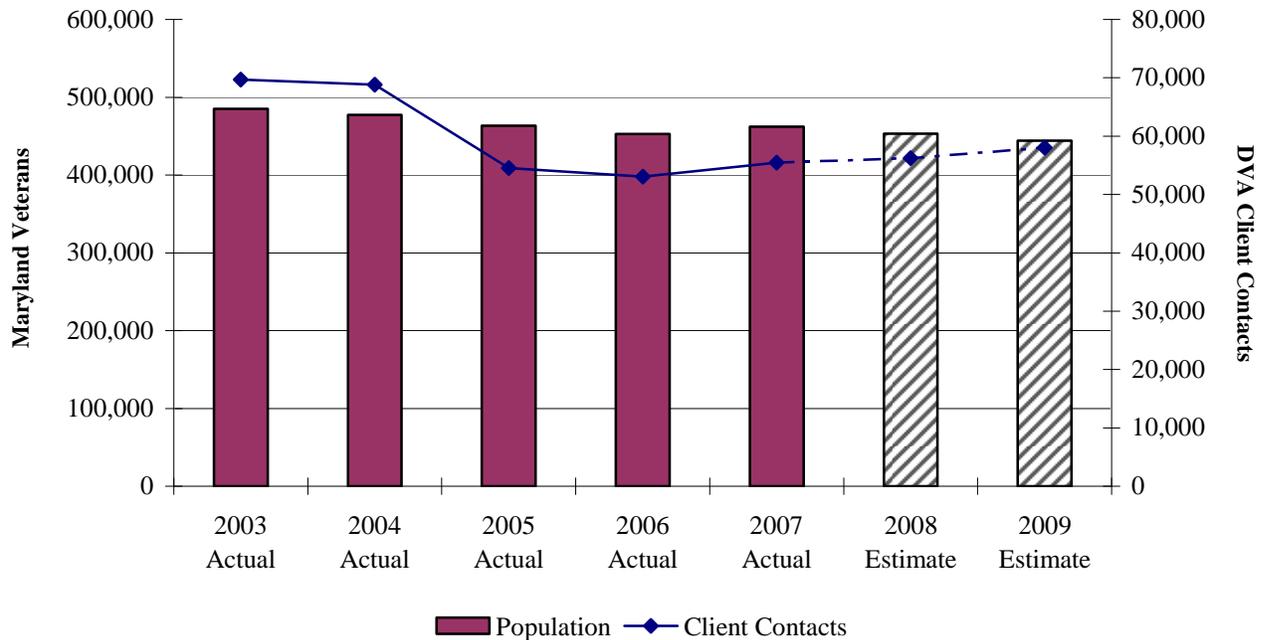
The Department of Veterans Affairs (DVA) provides a variety of administrative, outreach, and support services to the State's veterans, their families, dependents, and survivors. The department also manages five veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages Charlotte Hall Veterans Home (Charlotte Hall) in St. Mary's County. The department's goals are to:

- aid veterans in the preparation of claims for benefits to which they are entitled such as service-connected disability compensation, educational assistance, home loans, death benefits, and medical care;
- operate and maintain the five veterans' cemeteries to provide interment for eligible Maryland veterans and their dependents;
- provide upkeep and maintenance for Maryland's war memorials;
- provide and operate the State veterans' home at Charlotte Hall for Maryland veterans who are unable to take care of themselves due to disability, advancing age, or who are in need of nursing home care; and
- coordinate outreach and advocacy efforts to inform veterans, their dependents, and survivors of their benefits and entitlements granted by law.

Performance Analysis: Managing for Results

DVA's Service Program provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits and entitlements granted by law. These benefits include disability compensation, pension, death benefits, educational assistance, home loans, and medical care. While the population of Maryland veterans has decreased from 485,116 in fiscal 2003 to 462,106 in fiscal 2007, DVA has enacted new outreach programs that have caused the number of contacts to rise since 2005, as shown in **Exhibit 1**. DVA has estimated that though the veteran population is projected to decrease further in fiscal 2008 and 2009, the number of client contacts will increase with the resolution of veterans service officer staffing issues. The addition of the new program within DVA, Outreach and Advocacy, has the potential to increase awareness among veterans of the benefits and services available to them.

**Exhibit 1
Maryland Veteran Population DVA Client Contacts
Fiscal 2003-2009**



Source: Department of Veterans Affairs

Other new initiatives aimed at outreach and advocacy that DVA conducts include the distribution of newsletters, benefits pamphlets, and requests processed via a web site. **Exhibit 2** illustrates the volume of new materials being distributed to veterans, their families, and other stakeholders. One of the most striking additions in outreach is visible through the spike in the number of requests processed by the web site server. Between fiscal 2006 and 2007, the number of requests increased by 235% from 525,831 requests in fiscal 2006 to 1,237,093 in fiscal 2007. The agency expects that number to jump to 1,500,000 requests processed in fiscal 2008 and to 2,200,000 in fiscal 2009. These are important tools to engage the veteran population.

Exhibit 2
Outreach and Advocacy
Fiscal 2006-2009

<u>Activity</u>	<u>2006 Actual</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Client Contacts	53,052	55,458	56,200	58,000
Newsletters Distributed	25,000	40,000	45,000	60,000
Pamphlets Distributed	0	10,000	45,000	60,000
Requests Processed Via Web Site	525,831	1,237,093	1,500,000	2,200,000

Source: Department of Veterans Affairs

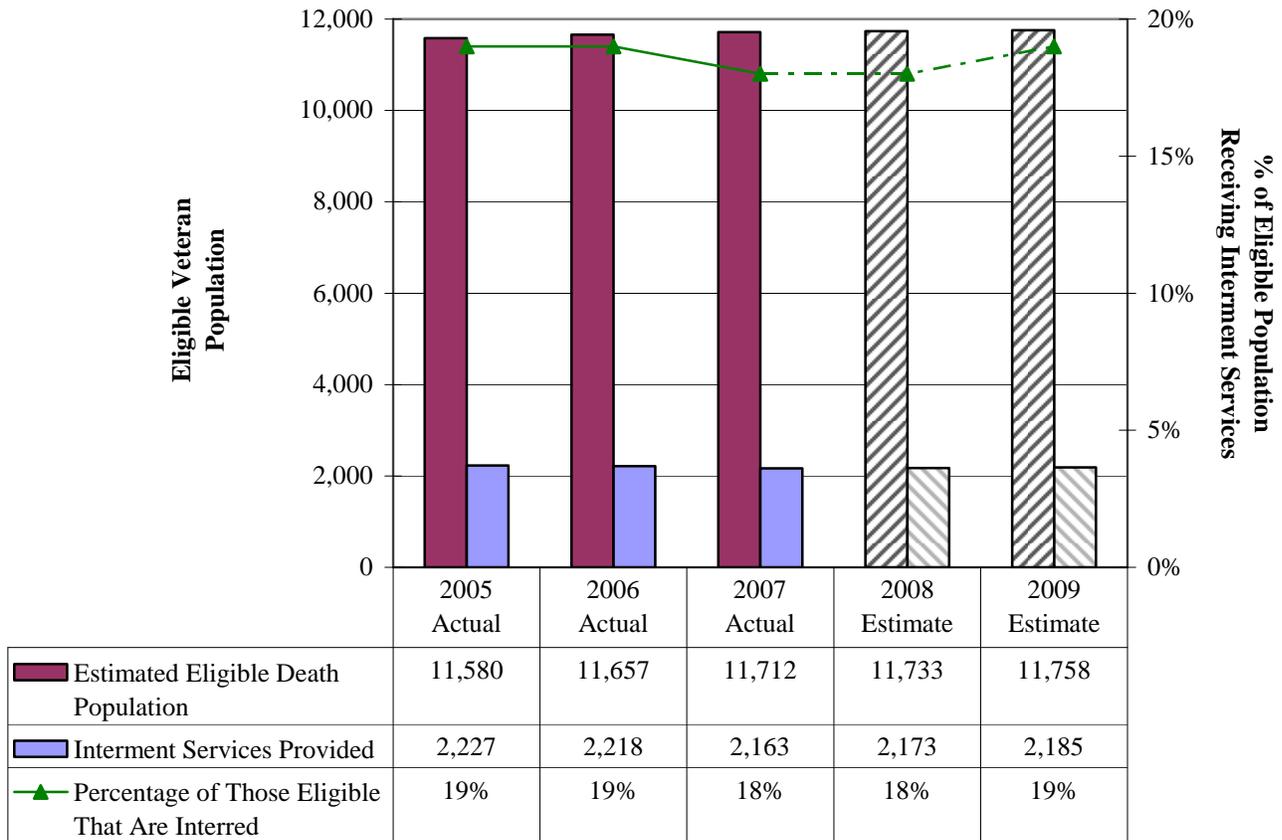
Cemetery Program

DVA continues to service Maryland veterans and their spouses at five cemeteries throughout the State. The performance data relating to the DVA's Cemetery Program is included in **Exhibit 3**. DVA has been fairly consistent in delivering services to eligible veterans in Maryland, interring almost 20% of the eligible population. One of the goals of DVA is to increase by 1% each year the percent of those eligible who are interred at one of Maryland's veterans' cemeteries. However, that percent has actually declined over the last three years falling from 21% in fiscal 2003 to 18% in fiscal 2007. DVA expects to reach 19% of the eligible population by fiscal 2009, which may be possible given the additional resources devoted to the new Outreach and Advocacy program.

Charlotte Hall Veterans Home

Charlotte Hall Veterans Home, opened in 1985, is a State long-term healthcare facility located on 126 acres in St. Mary's County. Clinical care and healthcare management at Charlotte Hall are provided by a private contractor but are overseen by the executive director and other State staff. Charlotte Hall currently has 504 beds designated for assisted living and skilled nursing long-term care for Maryland veterans and eligible spouses who are unable to take care of themselves due to age or disability. The home provides support and services required for shelter, sustenance, medical care, and the social services necessary to maintain a resident's quality of life. While Charlotte Hall is open to both men and women, the majority of residents are male. **Exhibit 4** compares characteristics of the Charlotte Hall resident population to the resident population at all of Maryland's long-term care facilities. The Charlotte Hall population exhibits a lower incidence of decline in daily living skills, symptoms of depression, cognitive impairment, behavior symptoms affecting others, and

**Exhibit 3
Percent of Eligible Veterans Receiving Interment Services
Fiscal 2005-2009**

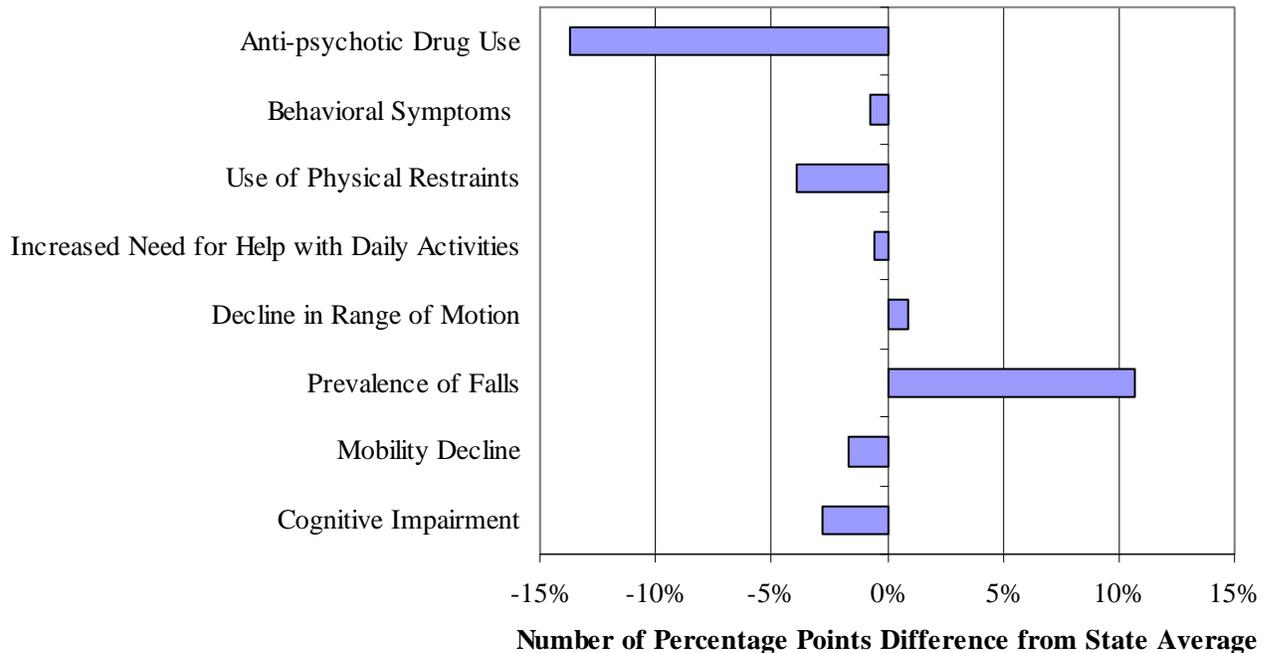


Source: Department of Veterans Affairs

antipsychotic drug use. Its residents also require physical restraints less often than residents in other State facilities, reflecting both the population and the facility’s commitment to maintaining resident dignity and quality of life. Charlotte Hall has a policy of not using restraints except in the most extreme cases; in fact, during fiscal 2007, virtually no residents were physically restrained.

Due to the make up of the population of Charlotte Hall, different problems are present at Charlotte Hall than at other long-term care facilities, such as the prevalence of falls and a decline in range of motion, as shown in Exhibit 4. For falls, the Charlotte Hall rating was 22.3% compared to the State average of 11.6%. This rating requires the reporting of all falls, no matter how insignificant. When residents are more active, they have a greater chance for falls, especially if the patient demonstrates

Exhibit 4
Charlotte Hall Veterans Home Compared to State Average
Fiscal 2007

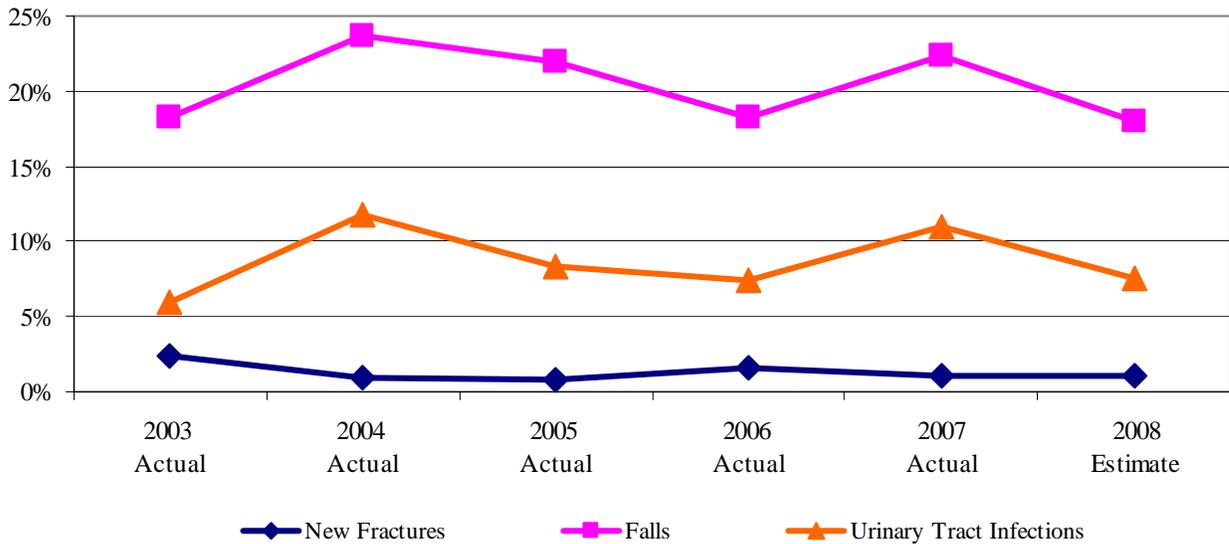


Source: Department of Veterans Affairs

dementia. Charlotte Hall is also committed to maintaining resident dignity and quality of life, and accordingly, has adopted a policy of not using restraints except in the most extreme cases. The home’s rating of 0.0% in restraint use indicates this, compared to the rest of the State (3.9%). While a lack of restraints may result in a greater potential for falls, Charlotte Hall also has a “Safe Fall” program that utilizes equipment such as low beds, protective equipment, and increased supervised recreational and therapeutic activities to reduce the probability of injury when a resident does fall.

Additionally, while Charlotte Hall’s fall rate is higher than the State average, Charlotte Hall’s “Incidence of New Fractures” rating is lower than the State average. This indicates that while Charlotte Hall may have more falls, they are less serious than falls in other facilities in the State. Other quality of care measures including the prevalence of falls and new fractures are illustrated in **Exhibit 5**.

**Exhibit 5
Quality of Care at Charlotte Hall
Fiscal 2003-2008**



Source: Department of Veterans Affairs

Fiscal 2008 Actions

Impact of Cost Containment

Cost containment actions approved by the Board of Public Works (BPW) reduced the general fund appropriation for the Veterans Home program by \$500,000. This action is identified as a fund swap in fiscal 2008 from general funds to federal funds based on the new per diem payments made by the U.S. Department of Veterans Affairs (USDVA). There is no change in service at Charlotte Hall based on this reduction.

Governor’s Proposed Budget

As shown in **Exhibit 6**, the Governor’s proposed allowance increases by \$2.3 million, or 14.0%, over the fiscal 2008 working appropriation. General fund support increases by \$0.8 million, or 10.1%; special fund support decreases by \$23,421, or -3.7%; and federal fund support increases by \$1.5 million, or 19.9%.

Exhibit 6
Governor’s Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2008 Working Appropriation	\$8,398	\$627	\$7,379	\$16,405
2009 Governor’s Allowance	<u>9,244</u>	<u>604</u>	<u>8,851</u>	<u>18,699</u>
Amount Change	\$846	-\$23	\$1,472	\$2,294
Percent Change	10.1%	-3.7%	19.9%	14.0%

Where It Goes:

Personnel Expenses	\$474	
New positions (six full-time equivalent)		\$196
Health insurance – reduce long-term Other Post Employment Benefits liability		190
Employee and retiree health insurance – pay-as-you-go costs		80
Increments and other compensation		46
Turnover adjustments		11
Other fringe benefit adjustments.....		9
Workers’ compensation premium assessment		-58
Charlotte Hall Veterans Home	\$1,592	
Purchase of Care Services – contractor extension		3,221
Veterans’ Home Maryland Environmental Service charge increase		106
Lower building and roof repair costs and land and structure.....		-35
Decreased food costs at Veterans Home.....		-50
Creation of on-site beauty salon for residents.....		-52
One-time medical and audio-visual equipment purchases from fiscal 2008		-61
On-site ambulance service		-250
Contractual services for one-time costs		-510
One-time expenditure for contractual physicians		-777
Other Changes	\$228	
Increased ground maintenance for cemeteries		209
Data processing and office equipment costs for Veterans Service Program		96
Rent paid to the Department of General Services for the Executive Direction program		22
Contractual services at cemeteries and memorials		-97
Other		-2
Total		\$2,294

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

Personnel

Personnel costs for DVA increases by \$0.5 million, as shown in Exhibit 6. Costs associated with employee and retiree health insurance and Other Post Employment Benefits (OPEB) liability funding included in the allowance account for \$0.3 million of the total increase. Excluding these costs, funding for personnel expenditures increases only \$0.2 million over the fiscal 2008 working appropriation.

Currently, the Service Program has 12 authorized positions of which there are five veterans service officers, one veterans service program area supervisor, one claims chief, one appeals chief, two office secretaries, as well as the administrative aide and the program manager. The fiscal 2009 allowance includes six new positions including three veterans service officers, one veterans service program area supervisor, and two office secretaries. The positions are added to address the need at DVA to assist veterans in applying for and obtaining federal, State, and local benefits and entitlements granted by law. The six new positions account for \$0.2 million of the increase.

The agency has identified a need for a full-time office in Hagerstown in Washington County and in Bel Air in Hartford County as well as additional clerical support in the Prince George's County office, which has been operating without clerical support since 2005. The Hagerstown office will utilize the area supervisor and the new office secretary. Although there is a need for additional program officers to assist veterans in obtaining services and entitlements, the addition of six new positions represents a 50% increase in the Service Program's collective workforce. **DLS recommends reducing the funding for two of the six new positions in fiscal 2009.**

Six classifications are included in the Annual Salary Review for fiscal 2009. Those positions are (Cemetery Program) building service workers, grounds maintenance supervisor, motor equipment operator, (Veterans Service Program) veterans service program appeals supervisor, veterans service program area supervisor, and veterans service officers I, II, and III. If the budget for the Department of Budget and Management is approved, DVA will receive a budget amendment in fiscal 2009 allocating extra money for those positions.

Operating Expenses

Charlotte Hall Veterans Home

Operating expenses for DVA's seven program areas increases by \$1.8 million in fiscal 2009. The driving factor in the budgetary changes is primarily operating expenses for Charlotte Hall, which increases by \$1.5 million. As shown in **Exhibit 7**, the increase in funding is due to increased federal fund support. In fact, the general fund support remains at virtually the same level as the fiscal 2008 working appropriation.

Exhibit 7
Fund Split at Charlotte Hall Veterans Home
Fiscal 2008-2009

<u>Fund</u>	<u>2008 Working Appropriation</u>	<u>2009 Allowance</u>	<u>Change</u>	<u>2008-2009 % Change</u>
General Fund	\$4,362,784	\$4,426,807	\$64,023	1.5%
Special Fund	231,221	118,800	-112,421	-48.6%
Federal Fund	6,657,439	8,246,894	1,589,455	23.9%
Total	\$11,251,444	\$12,792,501	\$1,541,057	13.7%

Source: Department of Legislative Services

The change in the budget for Charlotte Hall is precipitated by the change in federal per diem payments that went into effect for the last part of fiscal 2008. At the request of the U.S. Department of Veterans Affairs, "... (USVA) per diem payments to State Homes shall not be... used to offset or reduce any other payment made to assist veterans" (Public Law 108-422, 118 Stat. 2379). All residents at Charlotte Hall receive a per diem subsidy from the USDVA that is applied toward the cost of their care. Charlotte Hall is now permitted to retain the per diem payment that had previously been paid to the Medicaid program. Due to the change, the per diem payment cannot be counted as resident income for the Medicaid program and is instead to be used solely for direct and indirect client care. The practical result of this action was that additional federal funds became available to pay for costs previously paid for by general funds such as the provision of shelter, sustenance, and incidental medical care.

In fiscal 2008, when the change went into effect, DVA was authorized to use some of the excess federal funds for one-time purchases for Charlotte Hall including new equipment, roof and building repairs, and the construction of a helipad on the campus. In addition, Charlotte Hall also initiated new services for the residents paid for by federal funds including a beauty salon that provides one free haircut and shampoo for men and free shampoo and set for women per month; vision care; dental care; and establishment of ambulance services on premises. These costs are reflected in the fiscal 2009 Governor's proposed budget as large decreases in the operating budget for Charlotte Hall. Some of the excess federal funds have not been used at this point in fiscal 2008.

Besides those one-time expenditures which are absent in the fiscal 2009 allowance, the major factor driving costs at Charlotte Hall is the Purchase of Care or payment on the contract to manage Charlotte Hall. In the fiscal 2009 allowance, costs increase by \$3.2 million for the purchase of care for the residents of Charlotte Hall. Again, general fund support remains at the working 2008 appropriation level. The increase of \$3.2 million is attributed to federal fund support.

In addition, \$0.1 million was added to the budget for the Maryland Environmental Services charge (MES). The MES charge as noted in the Veterans Home program is for the cost of operating the water filtration plant on the grounds that support the home.

Other Changes

Besides the major changes at Charlotte Hall, the other programs within DVA increase only slightly in fiscal 2009. Collectively, the remaining changes account for only \$0.3 million of the total increase. Increased ground maintenance for the State's five veterans cemeteries, needed to maintain the cemetery facilities under the standard of a national shrine, account for \$0.2 million of the increase.

Data processing and additional office equipment costs for the DVA Service Program account for \$0.1 million of the increase and will be utilized in association with the six new positions awarded to the program in fiscal 2009.

Veterans Mental Health Initiative Administered by the Mental Health Administration

Additionally, \$3.5 million has been included in the budget of the Mental Health Administration (MHA) to carry out a new veterans' mental health initiative. The intent of the program is two-fold: to link veterans to mental health services provided by USDVA; and to provide stopgap services if there is delay in service provision from USDVA. MHA envisages providing a wide array of services: crisis intervention; individual, group, and family therapy; substance abuse early intervention and detoxification services; and medications until a veteran can access USDVA care. This initiative is discussed fully in the MHA budget analysis.

Issues

1. Efforts to Enhance Outreach and Serve Maryland Veteran Population

DVA carries out outreach efforts and service efforts in two main program areas: the Service program and the Outreach and Advocacy program. Both areas are critical to reaching the Maryland veteran population and linking them to services that they are granted by law.

The Veterans Advocacy and Education Act of 2006, Chapter 290 of 2006, established and enhanced a number of benefits for veterans, one of which was the implementation of an outreach and advocacy program within DVA. Although outreach to veterans has been well underway, DVA formally created a budget program code in fiscal 2009 for the Office of Outreach and Advocacy. The office is tasked with actively seeking out veterans, their dependents, and survivors to inform them of benefits and entitlements granted by law. Another important task for the office is to identify the needs of the veteran community and relay that information to the executive and legislative branches of government.

While the Outreach and Advocacy program serves to identify the Maryland veteran population, the Service Program is the arm that advocates on their behalf to help them obtain State and federal benefits granted by law. These benefits include disability compensation, pension, death benefits, educational assistance, home loans, as well as medical and mental health care. Currently, the Service Program employs five veterans service officers and one veterans service program area supervisor which assist veterans all over the State of Maryland. The fiscal 2009 allowance calls for the addition of three veterans service officers and the addition of one veterans service program area supervisor.

Another tool to identify Maryland veterans and their needs is the Task Force to Study State Assistance to Veterans, convened by the 2007 session. The mission of the task force is to identify the barriers to reaching veterans in Maryland and strategies for overcoming those barriers. The first meeting took place in December 2007 and identified a number of barriers including the difficulty of finding homeless veterans and those that have not opted to send their discharge papers to their home state.

The agency should comment on the barriers identified by the task force and ways that it may increase its outreach and advocacy to Maryland Veterans, including, but not limited to partnering with other State agencies to identify eligible veterans. The agency should also comment on the plan to utilize the proposed new positions including which area of Maryland they will serve and how many additional contacts will be possible with the extra resources.

2. Implementation of Computerized Patient Record System

The Computerized Patient Record System (CPRS) is a system for storing and using electronic health records for veterans currently used by USDVA. The system has garnered much attention and

praise for its use of an electronic system to track health records, developed with extensive involvement of front-line health care providers. In fact, Harvard University recognized USDVA's computerized patient records as one of the top 50 government innovations of 2006. Subsequently, it won the prestigious "Innovations in American Government Award," presented by Harvard University's Ash Institute for Democratic Governance and Innovation at the Kennedy School of Government and administered in partnership with the Council for Excellence in Government and honors excellence and creativity in the public sector. The CPRS allows USDVA to provide better, safer, more consistent care. It permits health care professionals at each of the 1,400 locations where USDVA provides care to see the complete health records of any patient.

In Maryland, Charlotte Hall would be the appropriate agency to implement this program. Using an electronic system for records would enable doctors to more easily transfer files for patients and allow diagnoses to occur remotely without the patient having to leave the facility.

During the 2005 session, the General Assembly convened the Task Force to Study Electronic Health Systems. The latest report from the task force found that the potential to save money, time, and improve the quality of care is very appealing. Advocates of health information technology systems argue that it could cut costs by preventing duplicate medical tests or procedures. However, the main stumbling block to electronic health records systems is the amount of money required to implement and maintain the systems.

The system offered by USDVA is no different in the benefits and drawbacks. The CPRS offers a way to streamline record keeping between USDVA and Maryland's DVA as well as improve patient care and safety. Preventing the implementation of this system is the significant upfront cost to purchase the computer equipment for the CPRS, which is estimated to cost as much as \$600,000. There is also an ongoing cost to lease the software from USDVA each year of \$100,000 per year. **DVA is asked to comment on the feasibility of implementing this system including the costs and benefits.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce one new veterans service officer I and one new office secretary II and associated funding.	\$ 52,514	GF	2.0
2. Adopt the following narrative:			

Performance Measures for the Management Contract of Charlotte Hall: The present contract for the management of Charlotte Hall Veterans Home (Charlotte Hall) expires in June 2009. The department is currently revising the Request for Proposal (RFP) for the new contract and has indicated that the RFP will contain more stringent performance standards. The committees request that the Department of Veterans Affairs report back on the specific performance measures, including any fiscal incentives, which will be included in the RFP for the new contract for managing Charlotte Hall. The report shall be submitted to the committees at least 30 days prior to issuing the RFP.

Information Request	Author	Due Date
Performance Contracting Report	Department of Veterans Affairs	30 days prior to issuance of Request for Proposal
Total General Fund Reductions		\$ 52,514
		2.0

Updates

1. Review of Health and Other Services Available to Returning Maryland Combat Veterans

To ensure that Maryland veterans returning from combat receive the highest possible care, the budget committees requested, via the *2007 Joint Chairmen's Report* (JCR), that the Department of Health and Mental Hygiene (DHMH) and DVA conduct a review of the services available to determine whether or not service gaps exist. If service gaps were found to exist, DHMH and DVA were directed to identify strategies to address those gaps. The report compiled by the two agencies shows both an immediate need for mental health services as well as a concern that a gap exists between the time that veterans are released from service and when they return home to Maryland to seek help that they need to settle back into civilian life.

Mental Health Services

MHA estimates that the percentage of veterans returning from Iraq and Afghanistan with mental health problems to be close to 20%. MHA cites further statistics that veterans make up 20% of male adult suicides and 25% of the homeless population. MHA provides vital treatment to veterans and other Marylanders through a variety of services including a 24-hour crisis help line, outpatient therapy, residential rehabilitation, supported living, and other community-based outpatient mental health services, although they point out that it is first and foremost the responsibility of USDVA to treat the veteran population. Veterans need information on existing USDVA services and how to access those services. In the meantime, MHA is available to fill in with crisis services, individual, group, or family therapy, and medications until the veteran is able to access USDVA services

Connecting Veterans with the Proper Treatment Presents a Problem

One of the main obstacles facing both DHMH and DVA in arranging the proper treatment for returning veterans is finding and informing those veterans, especially those who are not members of any veteran service organization. DVA has created a new program, the Office of Outreach and Advocacy, which is intended to actively seek veterans, their dependents, and survivors to inform them of the State and federal benefits entitled to them by law. Each month the director of this program speaks to two of the Transition Assistance Program classes offered to military personnel who are retiring or ending their service at the National Naval Medical Center and at the Naval Academy. In addition, in October 2007, DVA began sending a "Welcome Home" letter to every service member for which they had records. However, DVA only has records from those service members who opt to have the Department of Defense send a copy of their papers to the state that they claim as their home.

Finding and informing returning Maryland combat veterans may be the cause of the biggest gap in service/treatment. Until the veteran is identified, they may be unaware of the services available to them to transition home.

2. Report on Performance Standards and Incentives for Management of Charlotte Hall

As requested by the 2007 JCR, DVA submitted a report on performance standards and incentives associated with the contract to manage Charlotte Hall. DVA referred to language in the Request for Proposal (RFP) that list specific requirements associated with performance and compliance with regulations. Those two sections are as follows:

- 2.1.7 “...the Home is required to comply with VA operating standards for both Assisted Living/Domiciliary Care and Comprehensive/Nursing Home Care. The Home must also meet all State standards, and for the Comprehensive Care part of the facility, all Medicaid and Medicare standards.”
- 2.2.1.c “...policies and procedures for the management and operation of the Assisted Living and Comprehensive Care programs must comply with all federal, State, and local regulations and must comply with the Charlotte Hall Eligibility Requirement for Admission of Assisted Living and Comprehensive residents and the Resident’s Bill of Rights Regulations.”

The proposal submitted by the contractor contained language that addressed each of these requirements. In addition, the contractor added language that stated, “If Contractor fails to perform in a satisfactory and timely manner, the Contract Monitor may refuse or limit approval of any invoice for payment, and may cause payments to the Contractor to be reduced or withheld until such time as the Contractor meets performance.”

The present contract for Charlotte Hall expires in June 2009. DVA is working to include clear and concise performance standards in the upcoming RFP. **DLS recommends the agency submit a written report detailing the performance and quality measures that will be included in the RFP for the new contract to manage Charlotte Hall as well as the possibility of including fiscal incentives in the contract associated with attaining those standards. The language should include clear standards and performance measures that the contractor must meet.**

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Veterans Affairs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$9,866	\$228	\$7,883	\$0	\$17,976
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-798	340	680	0	222
Reversions and Cancellations	-283	0	0	0	-283
Actual Expenditures	\$8,785	\$568	\$8,563	\$0	\$17,915
Fiscal 2008					
Legislative Appropriation	\$8,842	\$627	\$7,379	\$0	\$16,849
Cost Containment	-500	0	0	0	-500
Budget Amendments	56	0	0	0	56
Working Appropriation	\$8,398	\$627	\$7,379	\$0	\$16,405

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

Fiscal 2007

In fiscal 2007, the budget for DVA closed out at \$17.9 million, virtually the same level of funding as the original legislative appropriation. Through budget amendments, a little over \$1.0 million in general funds was deleted, and the funding was replaced through special and federal funds.

General funds decreased by a total of \$797,409 in fiscal 2007. Some important changes incorporated in that total include:

- Increase of \$60,061 to reflect 2007 cost-of-living adjustments (COLA) increases for salaries, wages, and fringe benefits.
- Decrease of \$857,470 as a result of cost containment actions taken by BPW. Specifically, \$57,470 represented extra health insurance savings and \$800,000 was a targeted reversion of general funds due to changes in the federal per diem payments.
- General funds were transferred from Charlotte Hall to the other DVA programs as a result of the change in per diem payments by USDVA. There was no net effect of this action.

An additional \$283,000 in general funds was reverted back to the State due to excess funds in the DVA's Service and Memorial programs.

Donations for Charlotte Hall and an increase in burial interment fees at the State's Veterans Cemeteries accounted for an increase in special fund appropriation of \$340,000.

There was an increase in federal fund appropriation of \$680,000 for the Veterans Home program due to the change in per diem payments by USDVA, which was not anticipated in the original fiscal 2007 appropriation.

Fiscal 2008

Cost containment actions approved by BPW reduced the general fund appropriation for the Veterans Home program by \$500,000. This action is identified as a fund swap in fiscal 2008 from general funds to federal funds based on the new per diem payments made by USDVA. There is no change in service at Charlotte Hall based on this reduction.

Fiscal 2008 COLA increased general fund appropriation \$55,672 for salaries, wages, and fringe benefits across all of the programs within DVA.

Audit Findings

Audit Period for Last Audit:	March 11, 2004 – May 20, 2007
Issue Date:	November 2007
Number of Findings:	5
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

- Finding 1:** Year-end expenditure entries totaling approximately \$1.8 million could not be substantiated, of which \$963,000 should have been reverted to the general fund.
- Finding 2:** Cash receipts were not always deposited timely and, at one location, the deposit of receipts was not independently verified.
- Finding 3:** Certain receipts received by Charlotte Hall were improperly recorded as special fund revenue.
- Finding 4:** Proper internal controls were not established over the processing of purchasing and disbursement transactions.
- Finding 5:** Adequate accountability and control was not established over DVA's property.

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

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	66.00	66.00	72.00	6.00	9.1%
02 Contractual	4.32	4.32	4.38	0.06	1.4%
Total Positions	70.32	70.32	76.38	6.06	8.6%
Objects					
01 Salaries and Wages	\$ 3,296,602	\$ 3,420,048	\$ 3,894,460	\$ 474,412	13.9%
02 Technical and Spec. Fees	117,705	123,249	133,178	9,929	8.1%
03 Communication	73,579	78,978	81,408	2,430	3.1%
04 Travel	45,581	54,370	59,715	5,345	9.8%
06 Fuel and Utilities	253,266	427,606	558,935	131,329	30.7%
07 Motor Vehicles	543,004	103,203	76,039	-27,164	-26.3%
08 Contractual Services	13,043,671	11,464,938	13,243,812	1,778,874	15.5%
09 Supplies and Materials	166,390	114,443	107,777	-6,666	-5.8%
10 Equipment – Replacement	120,212	176,800	113,660	-63,140	-35.7%
11 Equipment – Additional	21,783	135,000	137,230	2,230	1.7%
12 Grants, Subsidies, and Contributions	174,794	198,088	198,088	0	0%
13 Fixed Charges	32,509	34,811	56,165	21,354	61.3%
14 Land and Structures	26,053	73,000	38,254	-34,746	-47.6%
Total Objects	\$ 17,915,149	\$ 16,404,534	\$ 18,698,721	\$ 2,294,187	14.0%
Funds					
01 General Fund	\$ 8,784,852	\$ 8,398,138	\$ 9,243,966	\$ 845,828	10.1%
03 Special Fund	567,665	627,221	603,800	-23,421	-3.7%
05 Federal Fund	8,562,632	7,379,175	8,850,955	1,471,780	19.9%
Total Funds	\$ 17,915,149	\$ 16,404,534	\$ 18,698,721	\$ 2,294,187	14.0%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 Service Program	\$ 864,215	\$ 883,741	\$ 1,204,955	\$ 321,214	36.3%
02 Cemetery Program	3,491,168	3,115,565	3,467,663	352,098	11.3%
03 Memorials and Monuments Program	391,336	402,450	412,966	10,516	2.6%
05 Veterans Home Program	12,531,724	11,251,444	12,792,501	1,541,057	13.7%
08 Executive Direction	458,817	545,170	610,202	65,032	11.9%
11 Outreach and Advocacy	177,889	206,164	210,434	4,270	2.1%
Total Expenditures	\$ 17,915,149	\$ 16,404,534	\$ 18,698,721	\$ 2,294,187	14.0%
General Fund	\$ 8,784,852	\$ 8,398,138	\$ 9,243,966	\$ 845,828	10.1%
Special Fund	567,665	627,221	603,800	-23,421	-3.7%
Federal Fund	8,562,632	7,379,175	8,850,955	1,471,780	19.9%
Total Appropriations	\$ 17,915,149	\$ 16,404,534	\$ 18,698,721	\$ 2,294,187	14.0%

Note: The fiscal 2008 appropriation does not include deficiencies.