



MARYLAND DEPARTMENT OF VETERANS AFFAIRS
RESPONSE TO DEPARTMENT OF LEGISLATIVE SERVICES
ANALYSIS AND RECOMMENDATIONS

FY 2017 Operating Budget

HOUSE APPROPRIATIONS COMMITTEE
February 15, 2016

SUBCOMMITTEE ON PUBLIC SAFETY AND ADMINISTRATION
Room 145, HOB

SENATE BUDGET AND TAXATION COMMITTEE
February 11, 2016

SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES
3 West, Miller

Introduction

The Maryland Department of Veterans Affairs (MDVA) appreciates this opportunity to update the Committee on the activities of the Department over the past year to ensure that we fulfill our mission to “deliver services and programs to assist veterans, their families and survivors in obtaining Federal, State, and local benefits provided by law in recognition of their service to state and country,” and to respond to the issues raised and recommendations contained in the analysis prepared by the Department of Legislative Services.

This document contains the following information:

- MDVA agency profile.
- The Department’s response to the comments requested by the Department of Legislative Services Policy Analyst. **Both DLS’s questions and the Secretary’s responses are noted in bold type.**

The Maryland Department of Veterans Affairs concurs with the Governor’s allowance for FY 2017.

Agency Profile

Purpose

The mission and purpose of the Maryland Department of Veterans Affairs (MDVA) is to serve the veterans of Maryland, their dependents and survivors, in securing all benefits and services provided by federal and state law. The agency fulfills this mission by providing leadership and direction to the veteran community, while exercising responsible management of available resources.

Key service strategies of the department are to:

- Provide assistance to all eligible veterans, their dependents, and survivors;
- Collaborate with service providers whose efforts are coordinated by the department; and
- Continually review, revise, and build upon proven business practices to ensure the most timely, cost effective delivery of benefits and services.

Core Functions

- Provide representation to clients pursuing claims for federal veterans benefits;
- Prudently manage all budgets, accounts and financial transactions, information technology, and human resources to meet department needs;
- Provide dignified and compassionate committal services at our five Maryland State Veterans Cemeteries; and
- Provide the highest possible assisted living/skilled nursing residential care for Veterans Home residents.

At A Glance

Maryland Veteran Population: 430,446*

- In FY 2015, MDVA Service Program processed 5,287 claims (a 4th consecutive annual increase).
- In FY 2015, Marylanders received in excess of \$26 million in Federal veterans' benefits as a direct result of the efforts of the department's veteran's service offices.
- In FY 2015, MDVA provided 3,392 State Veterans Cemetery interments: 2,164 veterans and 1,228 dependents.
- In FY 2015, average Veterans Home occupancy rate was 90%; average census 410 of 454 available beds.

*Source: U.S. Dept. of Veterans Affairs website, accessed 2/09/2016 (estimate as of 9/30/2015)

The primary functions of the Maryland Department of Veterans Affairs are veterans' benefits services, veterans' cemetery services, assisted living/skilled nursing residential care for veterans, management of military monuments and memorials, and outreach and advocacy.

A successful veterans' Service program requires knowledge of VA and DOL laws and operating policies and procedures. Employees must have the skills to apply the required knowledge within the VA and DOL systems to successfully provide veterans and their families with all of the services needed to obtain their benefits and entitlements.

A successful veterans' Cemeteries program requires knowledge of VA Cemetery Administration policies and procedures, capital construction, land management building and equipment maintenance and procurement. These multiple tasks are ever demanding in maintaining the cemeteries as national shrines.

A successful assisted living/skilled nursing residential care program for veterans requires knowledge of VA and State laws, operating policies and procedures and plant management to ensure safe and proper health care.

A successful military monuments and memorials program requires the skills necessary to maintain such landmarks as reverent symbols of the sacrifices made by veterans.

A successful veterans' outreach and advocacy program requires an understanding of the needs of veterans and communication skills to reach veterans and advocate for them.

Despite budget cuts, lean staffing, winter storms, and many other obstacles, MDVA continues to fulfill our mission. In FY 2015, the Service Program once again recorded an annual increase in number of claims filed on behalf of veterans, marking at least the 4th consecutive year of growth. In FY 2015, the Cemeteries Program exceeded the prior year's totals with 3,392 interments of veterans and dependents despite being staffed at a level far lower than that recommended by the U.S. Department of Veterans Affairs. In FY 2015, Charlotte Hall Veterans Home had the highest average census of any of the past five years. We are proud to bring our best to the service of Maryland's veterans every day.

History

The Maryland Veterans Commission was created by the General Assembly in 1924. Initially it was charged with the responsibility of providing financial relief to indigent veterans and widows. The Commission's objective remained essentially the same until the beginning of World War II. At that time the Veterans Administration began to recognize the need for providing adequate counsel for veterans in claims before the Veterans Administration. To assist in providing this service, the Veterans Administration provided the Maryland Veterans Commission with free office space in their principal offices.

In 1946, the Veterans Administration eliminated all of their offices serving Maryland except for the regional offices located in Washington D.C. (which housed the claims files for Prince George' and Montgomery Counties) and the Baltimore Regional Office which serviced the veterans claims for all other counties in Maryland. To fill the void created by the consolidation, increased service had to be provided by the Commission. Today MDVA maintains 11 services offices throughout the state.

In 1973, the Legislature authorized the beginning of the State Veterans Cemetery Program.

In 1999, the Legislature created the Maryland Department of Veterans Affairs as an executive agency with the mission of assisting veterans, active duty service members, their families and dependents, in securing benefits earned through military service.

In 2006, the Legislature authorized the beginning of the State Veterans Outreach and Advocacy program.

Through all of these increased responsibilities, since 1924, there has been no material reorganization or reclassification of the positions of the Agency. We remained a small agency with a large mandate.

How We Serve Veterans

Service Program

The MDVA Service Program assists veterans and their eligible dependents in acquiring benefits rightfully earned through military service to their country. The Service Program provides general information to veterans seeking assistance, regardless of representation, in all matters pertaining to veterans' disability benefits and rights. MDVA is the designated agency of the State of Maryland to represent the State and its veterans before the U.S. Department of Veterans Affairs (VA). The agency represents veterans in filing VA disability claims and during VA appeals processes, and assists dependents with survivor benefits.

The Maryland Department of Veterans Affairs is tasked with helping veterans obtain the most benefits they are entitled to. The agency employs Veterans Benefits Specialists accredited by the VA to represent veterans with disability claims and appeals. MDVA enjoys established relationships with other accredited individuals outside the agency, who submit claims to the VA through MDVA. The agency's Veterans Benefits Specialists (VBS) also help veterans and their families with questions regarding benefits, survivor and dependent needs, filling out VA paperwork, and medical issues.

The Service Program currently has VBS Officers located in veterans' service centers throughout Maryland to aid and serve veterans and their eligible dependents.

Baltimore City (Federal Building and VA Service Program main office)

Baltimore City Veterans Administration Hospital

Bel Air - Harford County

Camp Springs - Prince George's County

Charlotte Hall – St. Mary's County

Cumberland – Allegany County

Easton – Talbot County

Frederick – Frederick County

Hagerstown – Washington County

Rockville – Montgomery County

Salisbury – Wicomico County

In addition, MDVA has itinerant offices throughout our state to bring services closer to veterans and their dependents.

The Department of Legislative Services, in its analysis of the Governor's allowance, requested that the Secretary "**comment on possible options to decrease the number of claims per specialist at the Veterans Affairs Medical Center.**" The analysis made specific observations about the high number of claims at the Veterans Affairs Medical Center in Baltimore.

In response, the Secretary states the following: **As a tenant at the VA Medical Center in Baltimore, MDVA shares office space with VA Social Workers. MDVA utilizes the office three days per week, and VA uses the space the other two days per week. The office will only accommodate one person; adding a second person at the VA Medical Center at this time is not an option.**

MDVA is seeking to fill a vacant PIN for a Veterans Benefits Specialist, one of two new PINs established a couple years ago to facilitate a high claims workload in the Camp Springs service office. Rather than increasing the number of specialists at Camp Springs from one to three, we believe this PIN can be better utilized in Howard County, where the position could alleviate some of the workload from the VA Medical Center. We would still have two specialists located in Camp Springs, supported by one of the new administrative support positions included in the FY 2017 Governor's Allowance.

Cemeteries Program

The State of Maryland, through the Cemeteries Program of the MDVA, offers Maryland veterans and their eligible dependents a final resting place at one of five state veterans' cemeteries located throughout Maryland. The program is the largest of its kind in the nation. It bases its standard of excellence on striving to ensure that our state cemeteries are maintained as a national shrine to those who have gone before.

A Pre-interment Program is available, through which veterans may indicate their desire to be buried in one of the state's cemeteries and verify their eligibility for such burial on a pre-need basis. MDVA's cemeteries provide interment services Monday through Friday year round and are open to the public 365 days each year.

There are five state veterans cemeteries located across our state:

Cheltenham State Veterans Cemetery is located on U.S. Route 301, approximately 8 miles south of Upper Marlboro, Maryland. The site consists of 112 acres and was formerly used for agricultural purposes. In FY 2015, the Cheltenham Veterans Cemetery conducted nearly 900 interments and is the final resting place for over 24,300 Maryland veterans and their dependents. The cemetery opened for burial in July 1978 and is expected to provide a total of 50,000 burial sites. The Chapel at the cemetery was dedicated to the memory of Senator Edward T. Conroy, who was instrumental in the passage of legislation enabling the development of Maryland's State Veterans Cemeteries.

Crownsville State Veterans Cemetery at Crownsville is located off State Route 178 on Sunrise Beach Road. The 103-acre site, originally used for farming, is surrounded by a peaceful Severn River residential community. Near the center of the state cemetery is a one-acre old family cemetery dating back to 1875, retained by the heirs and assigns of the Carter family in perpetuity. The Crownsville Veterans Cemetery opened in 1980 and has interred more than 21,600 Maryland veterans and their dependents. When fully developed, the site is expected to provide more than 48,000 burial plots.

Eastern Shore Veterans Cemetery at Hurlock, Maryland, is located two miles south of Preston and about five miles northwest of Hurlock on State Route 331. Eastern Shore Veterans Cemetery opened for operation in December 1976 and has used approximately 6,700 of the 14,000 available burial sites. Donated by the citizens of Dorchester County, the site was formerly a 35-acre wheat field. The design of this cemetery is unique. The

layout of the burial sites is based on a system of radials and concentric circles centered on the American flag in the plaza area at the Chapel.

Garrison Forest Veterans Cemetery is the most active of Maryland's five Veterans Cemeteries, conducting nearly 1,200 interments in FY 2015. Currently, this cemetery is the nation's third-busiest State Veterans Cemetery. Since December 1983, when the facility opened, more than 38,100 veterans and their dependents have selected this cemetery as a final resting place of the available 46,000 burial sites at this location. The Garrison Forest Veterans Cemetery is located on Garrison Forest Road, near the former Rosewood State Hospital, in Owings Mills, Maryland. Formerly used for agricultural purposes, the site consists of 110 acres bounded by woodlands.

Rocky Gap Veterans Cemetery is a 27-acre site located within the Rocky Gap State Park, just off State Route 68 in Allegany County. The Rocky Gap Veterans Cemetery is approximately 10 miles east of Cumberland and is arguably the most beautiful of the five State Veterans' Cemeteries. Approaching the cemetery, visitors are treated to views of the park's lake and mountainous backdrop. Over 4,320 veterans and their dependents are interred at the cemetery. Rocky Gap Veterans Cemetery has approximately 6,000 burial sites available.

The Department of Legislative Services, in its analysis of the Governor's Allowance, made the following observation: "The [OLA FY 2015] closeout report also found that MDVA has experienced delays in being reimbursed by the federal government for payments related to burials. The closeout report questions whether MDVA will be reimbursed, because of the length of the delays. MDVA has not been reimbursed for burials in fiscal 2014 (\$830,000) and in fiscal 2015 (\$1.57 million). MDVA reports that it is working with VA to improve the reimbursement process. If federal funds are not available for the two prior year burials, general fund appropriations may be needed to eliminate the deficits. **The Secretary should provide an update on its work with VA to improve the reimbursement process including whether the department will be reimbursed for the prior year deficits.**"

In response, the Secretary states the following: **Following some leadership transition within the U.S. Department of Veterans Affairs in Baltimore, the Maryland Department of Veterans Affairs is gratified to report that as a result of ongoing correspondence with the VA, we obtained a commitment earlier this month that over one year's worth of plot allowance claims (over \$1.7 million) would be internally reviewed by the end of**

February 2016. The claims review is part of the VA process that must take place before the Finance office can issue reimbursement to the State. Another \$0.7 million of older claims are being researched at the VA, and our fiscal unit is working with the VA to verify and substantiate the receivables on our books. We also received a commitment that payments would be processed promptly once approvals were received from the internal review area.

Assisted Living/Skilled Nursing Residential Care

The Charlotte Hall Veterans Home (CHVH) provides Assisted Living and Skilled Nursing residential care for honorably discharged veterans and eligible spouses of veterans.

The Home is situated on 126 beautiful acres in St. Mary's County, and offers a continuum of care from the 168-bed assisted living program to the 286-bed skilled nursing program. Charlotte Hall Veterans Home also offers memory care in secure units. The Home is Medicare/Medicaid certified, and all veterans receive a per diem subsidy from the U.S. Department of Veterans Affairs that reduces their cost of care. The Home is inspected annually, as required by the Office of Health Care Quality, MD Dept. of Health & Mental Hygiene, and by the U.S. Department of Veterans Affairs.

As a benefit of residing in a certified State Veterans Home, veterans who need nursing home or assisted living care are entitled to receive a per diem grant from the US Department of Veterans Affairs towards their cost of care. This benefit is used to lower the veteran's out-of-pocket expenses. Needless to say, this enables veterans and their families to save significantly.

The State of Maryland, through MDVA, contracts with a private healthcare management contractor to operate the Home. MDVA works closely with the management contractor's staff to ensure our veterans receive the best care possible in a clean, caring environment. The staff understands and respects the sacrifices veterans have made and "Serving Those Who Served" is a privilege.

The State is also working with the Department of General Services and the Department of Budget and Management in planning the construction of a second State Veterans Home in Baltimore County, which has one of the greatest veteran populations of any county in Maryland.

At the present date, the State is in the process of procuring management contractor services for Charlotte Hall Veterans Home for the next four to eight years. In preparation for the new contract, with the help of a CPA knowledgeable about the long-term health care field, and in coordination with the Department of Budget and Management, MDVA senior program and finance staff developed a new financial reimbursement model that created a bed lease to be paid by the

contractor to the State. In return for the bed lease payment, the contractor is authorized to receive from the State 100% of the Federal per diem received by the State from the U.S. Department of Veterans Affairs for the care of veterans at Charlotte Hall Veterans Home. The contractor, not the State, must now subsidize the unmet cost of care of residents for whom the per diem is insufficient to do so, and the contractor may also retain per diem in cases when the per diem exceeds the cost of care.

The Department of Legislative Services, in its analysis of the Governor's Allowance, raised the following question:

In order to increase reliability, MDVA plans to change the funding model. Specifically, the federal fund reimbursement will be sent to the contractor in its entirety. The contractor will pay a bed lease of \$18 per bed per diem or \$2,982,780, for a year if all beds are filled. It is unclear precisely how the department decided on the \$18 per bed per diem lease cost. **The Secretary should explain the process for determining the lease cost, and the net financial benefit or loss to the State of the proposed change in funding methodology, providing any documentation or analysis that was prepared. The Secretary should also provide an update on procurement of the CHVH contract.**

In response, the Secretary states the following: **It should be noted that the lease will be paid on each bed in the facility whether the bed is filled or not. The lease cost of \$18 per bed was developed in collaboration with a Certified Public Accountant with extensive experience in the long-term care arena and falls within a range that he deemed as reasonable. The impact of the cost was also evaluated in comparison to some historical contractor financial data in an attempt to confirm that it did not cause undue financial hardship to the contractor. And in the current procurement for the new Charlotte Hall Veterans Home management contract, out of over 100 questions and comments received from potential offerors about the request for proposal (RFP), not one raised an objection to the methodology or amount of the bed lease rate, which was incorporated into the RFP.**

The financial benefit to the State of the change in methodology consists primarily of the predictability and consistency of the resulting revenue stream. The bed lease revenue will meet

current operational needs and may accumulate to support the costs of major facility repairs and improvements. The existing funding model's results can vary up or down based on total census at Charlotte Hall and on the differences in Federal reimbursement rates for the different care levels required for individual veterans. However, the bed lease rate was set with the goal of a consistent, positive financial benefit at a level comparable to that which might reasonably be expected of the existing model.

All proposals have been received, and the technical evaluation of the proposals is currently ongoing. Financial proposals have been received as part of offerors' submissions but are still sealed, pending completion of the technical evaluation process. The current contract option ends on June 30, 2016; and we anticipate the need for a limited extension (up to an additional 6 months) of the current contract into FY 2017 prior to being able to award and implement the new contract.

The Department of Legislative Services, in its analysis of the Governor's Allowance, also raised the following question:

The result of the funding change is that MDVA will receive a reliable source of revenue through bed-lease payments. MDVA expects to receive \$1.5 million in bed-lease payments in fiscal 2017 due to implementation of the funding model starting after the fiscal year. The allowance includes a special fund appropriation of \$654,731 in a newly created special fund for bed leases, substantially less than the amount MDVA expects in fiscal 2017. The proposed new special fund may only be used to support the salaries and benefits of the departmental staff of CHVH, physical improvements at CHVH, and any other operating expenses, as permitted by the State budget. Any interest earnings in the bed-lease fund are credited to the General Fund of the State. After all approved expenses are paid, if the remaining fund balance at the end of the fiscal year is greater than 10% of the total budget for CHVH in that fiscal year, any amount of the remaining balance in excess of 10% of the total budget must revert to the General Fund. The new funding model is contingent on HB 186. **Therefore, DLS recommends that \$654,731 of the special fund appropriation be contingent on the enactment of HB 186. DLS also recommends that the department comment on the possibility of using the special fund revenues in excess of the \$654,731 in the budget to**

supplant general funds included in the fiscal 2017 budget for operating costs at CHVH.

In response, the Secretary states the following: **The Maryland Department of Veterans Affairs concurs with the recommended change in language in the event that HB 186 fails to pass.**

The Maryland Department of Veterans Affairs objects to the recommendation of using excess special fund revenues to supplant general funds included in the FY 2017 budget for operating costs at Charlotte Hall Veterans Home. In fact, HB 186 specifically speaks directly to this recommendation: “MONEY EXPENDED FROM THE FUND FOR THE CHARLOTTE HALL VETERANS HOME IS SUPPLEMENTAL TO, AND IS NOT INTENDED TO TAKE THE PLACE OF, FUNDING THAT OTHERWISE WOULD BE APPROPRIATED FOR THE CHARLOTTE HALL VETERANS HOME.” In any case, as already noted, the bed lease revenue is permitted to exceed regular operational expenses, allowing the program to retain excess funding (within prescribed limits) for capital improvements and other approved uses.

Demographic Trends

There are over 430,000 veterans living in Maryland as of 9/30/2015, according to the website of the U.S. Department of Veterans Affairs. Two segments of the veteran population have grown at high rates:

1. Veterans over age 75 (accounting for the aging Korea and Vietnam Era Veterans, as well as those of the World War II Era); and
2. Returning veterans

Veterans over age 75

Several unique characteristics affect service needs for these veterans:

- Increase in number of veterans needing long-term assisted living care;
- Presence of wartime disabilities, both physical and mental; and
- Increase in veterans considered medically indigent.

Returning Veterans

Veterans returning from the recent conflicts in Iraq and Afghanistan have unique needs and characteristics. Maryland has experienced one of the largest mobilizations of "citizen soldiers", those individuals serving in our State National Guard or Armed Forces Reserve Units, in our nation's history. Along with some of Maryland's returning citizen soldiers, a number of veterans of the active duty component will face challenges, including the following:

- Combat wounds;
- Head injuries / Traumatic Brain Injury;
- Post Traumatic Stress Disorder (PTSD);
- Reintegration and transition;
- Employment or re-employment challenges;
- Risk of becoming homeless;
- Significant family readjustment issues following active duty; or
- Long-term care needs.

As service members transition following overseas deployments, many will need assistance with ongoing medical, mental health or reintegration issues. Some may require assistance with re-employment, education or emergency help to overcome a financial crisis. Along with other State agencies committed to veterans' assistance programs, MDVA is helping veterans to meet these challenges.