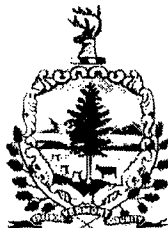


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REP. DAVID SHARPE ✓



STATE OF VERMONT
GENERAL ASSEMBLY
JOINT FISCAL COMMITTEE

Agenda

Thursday, August 8, 2013

Room 10, State House

- 2:15 p.m. A. Call to order
- 2:20 p.m. B. Fiscal Office Updates [Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office]
1. Monthly Revenue Update *[doc]*
 2. Memorandum of Understanding (MOU) between the Tax Dept. and JFO [Sec. 6 of Act 73 of 2013]
 3. Update on Statutory Purposes for Tax Expenditures [Sec. 5 of Act 73 of 2013]
 4. Other Updates:
 - a. Revenue Position [Sec. E.127(b) of Act 50 of 2013]
 - b. Fiscal Focus
 - c. DFR Receipts & Balance of Rainy Day Fund [Sec. 55(a)(2) of Act 1 of 2013] *[doc]*
 5. Draft Policy on JFC Review of Web Portal Charges [22 V.S.A. § 953(c)(2)]
Nathan Lavery, Fiscal Analyst and Chief Klein
- 2:45 p.m. C. JFO #2634 – Public Service Department position request. *[see grants page]* **[APPROVED]**
Christopher Recchia, Commissioner, Public Service Department
- 3:05 p.m. D. Vermont Veteran's Home Report [Sec. 53.1 of Act 1 of 2013] *[2 docs]*
Jeb Spaulding, Secretary, Agency of Administration
Mike Pulling, President, Health Care Management Association

Comments:

Secretary Spaulding
Joe Krawzyck, Chair, Vermont Veteran's Home Board of Directors
Melissa Jackson, M.S., LNHA, Administrator, Vermont Veteran's Home

- 4:10 p.m. Confirmed Next Meeting Dates [September 11 and November 21] and Adjourn

Reports/Updates:

General Assistance Emergency House Rule Update and Investments in Prevention – Memo – DCF *[doc]*



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Thursday, August 8, 2013

Minutes

Members present: Representatives Ancel, Branagan, Heath, Johnson, and Sharpe, and Senators Ashe, Campbell, Kitchel, Sears, and Snelling.

Other Attendees: Senators Lyons and Hartwell, and Representatives Botzow, Campion, and Miller; Administration, Joint Fiscal Office, and Legislative Council staff; and various media, lobbyists, advocacy groups, and members of the public.

The Chair, Representative Heath, called the meeting to order at 2:15 p.m.

A. Fiscal Office Updates – 1. Monthly Revenue Update:

Stephen A. Klein, Chief Fiscal Officer, Joint Fiscal Office (JFO), provided a handout with preliminary revenue estimates. He explained that the data were not conclusive but had some interesting information. Noteworthy were \$ 8.9 million in estate tax revenue, meaning the State made 47% of its target for the year; corporate tax was still lower than expected; rooms and meals tax was slightly stronger than sales tax; and transportation revenue was slightly over target for the first time in a few months.

2. Memorandum of Understanding (MOU) between the Tax Department and the Joint Fiscal Office

Mr. Klein explained that an MOU was signed recently to share state tax data. Sharing of federal tax data was prohibited by State statute and strict federal government regulations. Mr. Klein opined that the federal data are important for a meaningful analysis in a taxable increment-based system. The JFO would continue to work with the Department of Taxes on options to access data. Mr. Klein offered that the State of Ohio shared data using a type of Clearinghouse Company which encrypted personal information before distributing it. The Office was considering this as a possible means to address Vermont's tax data sharing issue. He ended by stating that even though the data collection process was limited at this time, it was a first step.

3. Update on Statutory Purposes for Tax Expenditures

Mr. Klein stated that the tax expenditures subject had been postponed until the next Joint Fiscal Committee (JFC) meeting on September 11, 2013.

4. Other Updates – a. Revenue Position

Mr. Klein informed the committee that there were many applicants for the new JFO tax revenue position and that some had been interviewed, but the process to select a candidate was ongoing.

b. Fiscal Focus Newsletter

Mr. Klein announced that the July Fiscal Focus newsletter was available online at the JFO website.

c. Department of Financial Regulation (DFR) Receipts and Balance of Rainy Day Fund

Mr. Klein referenced a memo from DFR that explained an adjustment made to its July 2013 receipts report of \$238,392.00. He added that the adjustment would be accounted for in the FY2014 Budget Adjustment process (BAA), and it increased the Rainy Day fund to just over \$12 million.

5. Draft Policy on JFC Review of Web Portal Charges

Nathan Lavery, Fiscal Analyst, Joint Fiscal Office, explained that the intent of the draft policy was for Web Portal charges to receive a higher scrutiny than other requests within the grant process. Currently, these types of requests could be approved through the JFC 30-day review policy. The draft policy would mandate that the Office hold all requests until the next scheduled JFC meeting for a full review and vote. Mr. Lavery suggested that the Committee keep its current informal policy (a standing request of the same intent as the draft policy but still offering the flexibility for the Committee to approve grant changes quickly if it so desired). Representative Ancel agreed to maintain this approach. The Committee agreed to retain its current informal policy on Web Portal charges (a standing request to hold for the next JFC meeting).

There was a committee discussion and agreement that the JFO would initiate an iAnnotate group for the JFC as soon as possible to share information electronically through iPads.

B. JFO #2634 Public Service Department Position Request

Chris Recchia, Commissioner, Public Service Department (PSD), referred to the grant packet sent to the Committee earlier and explained that the Department was requesting a new limited service position. Representative Heath questioned why the position was not requested during the FY 2014 budget process. The Commissioner explained that the position had new federal funding and was not tied to the Department's FY 2014 original funding request. The Department had interpreted the original grant to allow for an extension of a different work position but that was incorrect. The new position and funding would continue through August 2014, working through the State's energy grant program and the U.S. Department of Energy. The position would be dedicated to assisting the PSD on the Total Energy Standard report due to the legislature in 2014. The Department anticipates rehiring the same person from the previous funding and position because of familiarity with the project. Representative Heath asked how long the grant would continue. Commissioner Recchia stated the grant would continue as long as the U.S. Department of Energy funded this type of work, but the position was limited to one year of the funding. Senator Campbell moved to approve the request for the limited service position of grant JFO 2634, and Senator Snelling seconded the motion. The Committee approved the grant and position.

The Committee had a discussion on next Committee meeting dates and confirmed September 11, 2013 and November 21, 2013. A Legislative Briefing for the full legislature would occur on November 20, 2013.

C. Vermont Veteran's Home (VVH) Update:

Jeb Spaulding, Secretary, Agency of Administration, introduced Mike Pulling, President, Health Care Management Associates, Inc. (HCMA), a consultant hired by the Administration to conduct an independent review of the Vermont Veterans' Home mandated by Sec. 53.1 of Act 1 of the 2013 session. He distributed the "Independent Review Management and Operations of the Vermont Veterans' Home" report and summarized Mr. Pulling's qualifications in performing the review work, and experience with the VVH as a former interim administrator and planning coordinator.

Mr. Pulling gave an overview of his company's credentials and then referred to a summary on page 32 of the report. He explained that the HCMA conducted many interviews on the concerns within staff and management of the facility in order to get a sense of the issues causing the failure of two federal inspections to date. Three other state approaches with a similar facility or facilities and high ratings were reviewed: the Maine Veterans' Homes, Charlotte Hall in Maryland, and Long Island State Veterans' Home.

Mr. Pulling commented that the new Deputy Administrator, Al Faxon, is well respected and skilled, suggesting that Mr. Faxon be utilized in a greater capacity. Mr. Pulling clarified for Representative Johnson that VVH had a call-out rate of 12% when other nursing homes within Vermont had a rate of 2-3%. Mr. Pulling specifically highlighted a Maine nursing home hybrid model of three possible successful models for the VVH to mirror. Senator Sears asked if staff at the Maine facilities were state employees. Mr. Pulling replied that the model was a private entity with no state employees but there was statutory language that allowed the employees to be in the state pension system. In addition, it could issue its own revenue bonds.

Mr. Pulling explained that he was asked to also address the possibility of whether the VVH was capable of closing. He stated there were other Vermont facilities, including Mount Anthony's and the Bennington Rehab that had open beds now capable of taking VVH residents. He concluded that it would not be easy to accomplish a closure of the VVH but still possible if it became necessary.

Mr. Pulling returned to the report and explained the recommendations. Senator Campbell inquired whether the renaming of the Deputy Administrator to Chief Executive Officer (CEO) fit within the traditional military naming convention of the Administrator being referred to as the Commandant. Mr. Pulling explained that the title Commandant was no longer used as a title, and that a fresh new title should help dispel past issues with former Commandants as well as allow women to be appointed to the position in the future. Secretary Spaulding informed the Committee that the current statute stated that the Administrator was also the Commandant, and, therefore, the Administration was recommending that the statute be revised to incorporate a new title. Representative Branagan showed concerns for creating a position around an individual in case that person leaves. Mr. Pulling replied that the recommendation for the new title was based on the premise that there would be future candidates that fit better into the position. Senator Campbell inquired why the current Deputy Administrator was not the Administrator as well. Mr. Pulling explained that the Administrator had to be licensed by the State and the current Deputy Administrator was not licensed. He added that because it was so expensive to be licensed in the

State of Vermont, there were few licensed Administrators from Vermont. Reciprocity is available as a means to hire licensed administrators outside the State, such as the current licensed administrator who is from Connecticut. Representative Heath inquired what the Administrator's job description would be with the proposed new model. Mr. Pulling replied that the Administrator would focus on the job duties of regulatory requirements, enforcement, and compliance with federal regulations that had proven a big challenge for the VVH. Representative Heath asked what the relationship would be between the Administrator and VVH board. Mr. Pulling explained that was still to be determined but the idea behind making the CEO a board member was for the Administrator to report to the board through the CEO (Deputy Administrator). Representative Heath inquired how the chain of command would work or who would report to whom. Mr. Pulling stated the CEO would be the highest position but the concept was for a more flat and collaborative relationship between the CEO and Administrator that would work as a team to accomplish the goals of the VVH.

Representative Ancel asked who the exempt employees were at the VVH. Joe Krawzyck, Chair, Vermont Veterans' Home Board of Directors, explained the Deputy Administrator and the Administrator were the only exempt employees, but the plan is to have others changed to exempt status. Senator Sears asked for clarification from Mr. Pulling on the definition of maturity used earlier in the testimony when referring to the relationship between the VSEA/VVH staff and the VVH management. Mr. Pulling explained that there should be a more focused means to address organizational needs and issues through better communication.

Mr. Pulling completed his report summary by stating there were many positive elements at the VVH but change was critical for the facility to succeed. Senator Ashe inquired, of the amount of residents that needed a higher level of care and the overall staffing levels of VVH, how that compares to other institutions and whether there could be another way of administering the facility and still keeping its core component in place. Mr. Pulling replied that the VVH had the highest staffing of any other State nursing home facility or Veterans' Home. He added that the caveat to that statement was that VVH had a very difficult population that included a high concentration of males (3/4 of the population), there are 136 residents with 6 requiring licensed residential care, with the remaining 130 requiring skilled nursing. Within the four operational skilled nursing communities, two require memory care that has more challenging staffing needs. While the acuity is low compared to other facilities, there is a higher amount of men which are typically heavier. A recommendation within the report suggests an outside entity review the VVH medical coding to determine whether staff is accurately documenting medical conditions to receive full reimbursement from Medicare, Medicaid, and federal Veteran's Benefits. He also suggested that Vermont mirror Maine's model of providing residential care for veterans with mild to moderate memory care, rather than the more regulated skilled nursing home care.

Senator Sears commented that hearing the negative comments on the VVH were difficult to digest for all the different interest groups but that the report was crucial in raising issues and moving the VVH forward. He then inquired as to what was the proposed amount the VVH would need to offset its budget deficit for the BAA process beyond the \$2 million already realized by the Administration. Mr. Pulling stated that if the VVH were able to move beyond the low census rate and federal compliance issues, then the State may see a net gain of \$700,000 to \$800,000 from the \$2 million FY2014 proposed Budget Adjustment Act (BAA) amount. Senator Kitchel inquired what the

estimated turnaround time would be for the proposed VVH plan to achieve the additional revenues from the increase in the census, the infusion of part-time employees, and scheduling adjustments. Mr. Pulling explained it should take no more than a year to cover its deficits.

Representative Heath asked where the State stands with the Centers for Medicare and Medicaid Services (CMS). Mr. Pulling stated that the VVH was still under the enforcement cycle, and the decertification date was August 26, 2013. Secretary Spaulding clarified that between now and August 26 there would be another inspection from CMS. Representative Heath asked if the Administration had a contingency plan. Mr. Pulling explained the VVH would have 90 days' notice if it did not pass inspection, and 30 days to have a contingency plan in place. He added that CMS would maintain its funding to VVH during those 30 days, then cease its funding.

Secretary Spaulding asked to comment on the report, stating that despite the trials and tribulations of the VVH, there had been tremendous improvement. He added that there was a new board chair, Joe Krawczyk, who is involved in the VVH on a regular basis. He praised the nursing consultants for disposing of the mandatory overtime for staff, and encouraged both the staff and management to focus on the future of the VVH. Secretary Spaulding stated the Administration would like to see some of Mr. Pullings' recommendations enacted with some variations, such as changing the title of Deputy Administrator to Chief Operating Officer (COO), and keeping the current mix of board members. He added that the Administration supports VVH in receiving specialized assistance from the Administration but does not support any changes to management at this time. The Administration preferred to put on hold working with the Maine model or changing the current VVH model, and instead he advocated working with VSEA and management to voluntarily setup a new bargaining unit for medical staff that included the VVH and the new State Hospital State employees.

Senator Kitchel commented that the last report of CMS showed a possible funding deficit of \$12 million for VVH if it failed its next inspection, and she inquired if that deficit was still a possible reality. Secretary Spaulding confirmed it was possible and then explained that the Administration planned to address the situation if it occurred, but reality was that the State was not capable of absorbing \$12 million for the VVH on an annual basis.

Representative Johnson queried if the modified plan from the Administration to change the Deputy Administrator to a COO instead of a CEO allowed for the same integration of the board and the people knowledgeable of the daily technicalities and routine of the VVH. Secretary Spaulding replied that with the new board chair [Mr. Krawczyk] at the VVH on a routine basis, it was not necessary for the COO to have a board seat at this time. Senator Sears asked where the Administration stood on VVH hiring part-time staff to avoid overtime of full-time staff. He also referred to a memo, written by Rebecca Wasserman and dated April 23, 2013, that stated Vermont had limited authority to make changes to the VVH, and he asked if the recommendations of the Administration were within the scope of that authority. Secretary Spaulding replied that the Administration strongly supports the recommendation of hiring part-time staff, which the VVH could accomplish.

Representative Sharpe stated he fully supported the Financial Officer change to an exempt position rather than classified, and ensuring the VVH fully apply for all the federal funds available to it. Representative Heath asked for suggestions on how to work with residents of the VVH who refuse to pay for services through their own assets or applying for federal assistance. Mr. Krawzyck stated that 10 residents were currently refusing to pay and owed over \$600,000.00 total. He added that the board had hired its own legal counsel and was pursuing legal action.

Representative Ancel asked that the Committee receive a list of recommendations from the Administration along with the entity responsible to ensure completion and time frames. Senator Sears asked that at the November JFC meeting the Administration give a progress report with the timeline and responsibilities of the planned pieces, along with what recommendations had been adopted or rejected and where the staffing issues were in the process. Secretary Spaulding stated the Administration would be happy to create that list, and he commented that the responsibilities of the CFO were planned to go before the board for review. He added that a meeting with the VSEA to determine collective bargaining agreements would happen in the near future. Representative Heath requested that Mr. Krawzyck be added to the JFC agenda in November to report back on the progress of the VVH. The Chair thanked Mr. Pulling for his report and Secretary Spaulding for the Administration's response.

The Committee adjourned at approximately 4:00 p.m.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Theresa Utton-Jerman", is written over the printed name.

Theresa Utton-Jerman
Legislative Joint Fiscal Office

Klein 8/8/13

FY13 General Fund			FY13 Transportation Fund			Fund Tracking (\$ in		
Tracking (\$ in millions, major sources)			Tracking (\$ in millions, major sources)			millions, major sources)		
July 2013 Targets								
<u>Personal Income Tax</u>			Jul-13	<u>Gasoline Tax</u>	Jul-13	<u>Sales & Use Tax</u>	Jul-13	
Monthly Target	50.9		Monthly Target	6.6	Monthly Target	11.6		
Monthly Actual	50.3		Monthly Actual	5.0	Monthly Actual	11.4		
Difference	-0.6		Difference	-1.6	Difference	-0.3		
Cumulative Target	50.9		Cumulative Target	6.6	Cumulative Target	11.6		
Cumulative Actual	50.3		Cumulative Actual	6.4	Cumulative Actual	11.4		
Difference	-0.6		Difference	-0.2	Difference	-0.3		
<u>Sales & Use Tax</u>			Jul-13	<u>Diesel Tax</u>	Jul-13	<u>Purchase & Use Tax</u>	Jul-13	
Monthly Target	21.6		Monthly Target	0.2	Monthly Target	2.0		
Monthly Actual	21.1		Monthly Actual	1.0	Monthly Actual	1.8		
Difference	-0.5		Difference	0.7	Difference	-0.1		
Cumulative Target	21.6		Cumulative Target	0.2	Cumulative Target	2.0		
Cumulative Actual	21.1		Cumulative Actual	1.0	Cumulative Actual	1.8		
Difference	-0.5		Difference	0.7	Difference	-0.1		
<u>Corporate Tax</u>			Jul-13	<u>Purchase & Use + Rental Tax</u>	Jul-13	<u>Investment Income</u>	Jul-13	
Monthly Target	1.9		Monthly Target	4.0	Monthly Target	0.0		
Monthly Actual	0.2		Monthly Actual	3.7	Monthly Actual	0.0		
Difference	-1.7		Difference	-0.3	Difference	0.0		
Cumulative Target	1.9		Cumulative Target	4.0	Cumulative Target	0.0		
Cumulative Actual	0.2		Cumulative Actual	3.7	Cumulative Actual	0.0		
Difference	-1.7		Difference	-0.3	Difference	0.0		
<u>Meals & Rooms Tax</u>			Jul-13	<u>DMV Fees</u>	Jul-13	<u>Lottery</u>	Jul-13	
Monthly Target	11.3		Monthly Target	5.8	Monthly Target	1.0		
Monthly Actual	12.0		Monthly Actual	6.0	Monthly Actual	1.0		
Difference	0.7		Difference	0.2	Difference	0.0		
Cumulative Target	11.3		Cumulative Target	5.8	Cumulative Target	1.0		
Cumulative Actual	12.0		Cumulative Actual	6.0	Cumulative Actual	1.0		
Difference	0.7		Difference	0.2	Difference	0.0		
<u>Property Transfer Tax</u>			Jul-13	<u>All Other Revenue</u>	Jul-13	<u>Total Revenue</u>	Jul-13	
Monthly Target	1.1		Monthly Target	1.4	Monthly Target	14.6		
Monthly Actual	1.0		Monthly Actual	1.3	Monthly Actual	14.2		
Difference	0.0		Difference	0.0	Difference	-0.4		
Cumulative Target	1.1		Cumulative Target	1.4	Cumulative Target	14.6		
Cumulative Actual	1.0		Cumulative Actual	1.3	Cumulative Actual	14.2		
Difference	0.0		Difference	0.0	Difference	-0.4		
<u>All Other Revenue</u>			Jul-13	<u>Total Revenue</u>	Jul-13			
Monthly Target	17.0		Monthly Target	17.9				
Monthly Actual	18.8		Monthly Actual	18.3				
Difference	1.7		Difference	0.4				
Cumulative Target	17.0		Cumulative Target	17.9				
Cumulative Actual	18.8		Cumulative Actual	18.3				
Difference	1.7		Difference	0.4				
<u>Total Revenue</u>			Jul-13					
Monthly Target	103.8							
Monthly Actual	103.5							
Difference	-0.3							
Cumulative Target	103.8		TIB Target	1.8				
Cumulative Actual	103.5		TIB Actual	1.8				
Difference	-0.3		Difference	0.0				
<u>Estate Tax</u>								
Cumulative Collections	8.9							
Annual Target \$19.1, 125%= \$23.9								
Estate Tax Monthly Targets	8.8							

Vermont Legislative Joint Fiscal Office

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DRAFT

Just Draft
NOT ONLINE

TO: Members of the Joint Fiscal Committee

FROM: Sara Teachout - July 2, 2013

RE: Statutory Purposes for Tax Expenditures

The following two sections of law were included in the 2013 Technical Tax Bill requiring a statutory purpose to be recommended by the JFC for every tax exemption, exclusion, deduction or credit. The list of tax expenditures has been divided into thirds by tax type, income tax expenditures (individual and corporate), sales tax expenditures (sales and use, meals and rooms and purchase and use) and all other tax (bank franchise, insurance premiums, property tax) and draft statutory purposes for JFC review will be presented at each of the next three meetings in July, September with final approval and recommendation action scheduled for November.

Attached are draft statutory purposes, highlighted in yellow, for the individual and corporate income tax expenditures in Vermont statute. These will be an agenda item for discussion only at the meeting on July 23rd.

Sec. 4. 32 V.S.A. § 312(d) is added to read:

(d) Every tax expenditure in the tax expenditure report required by this section shall be accompanied in statute by a statutory purpose explaining the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. The statutory purpose shall appear as a separate subsection or subdivision in statute and shall bear the title "Statutory Purpose." Notwithstanding any other provision of law, a tax expenditure listed in the tax expenditure report that lacks a statutory purpose in statute shall not be implemented or enforced until a statutory purpose is provided.

Sec. 5. TAX EXPENDITURE PURPOSES

The Joint Fiscal Committee shall draft a statutory purpose for each tax expenditure in the report required by 32 V.S.A. § 312 that explains the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. For the purpose of this report, the Committee shall have the assistance of the Department of Taxes, the Joint Fiscal Office, and the Office of Legislative Council. The Committee shall report its findings and recommendations to the Senate Committee on Finance and the House Committee on Ways and Means by January 15, 2014. The report of the Committee shall consist of a written catalogue for Vermont's tax expenditures and draft legislation, in bill form, providing a statutory purpose for each tax expenditure. Upon receipt of the report under this section, the Senate Committee on Finance shall introduce a bill to adopt statutory purposes during the 2014 legislative session.

DRAFT

1.000 Adjustments to Federal Taxable Income

1.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)
Enacted: 1986
Estimate: \$3,700,700
Taxpayers: 5,800

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

PURPOSE To encourage investment in Vermont state and local bonds and maintain the state's favorable bond rating.

1.002 Capital Gains Exclusion

Statute: 32 V.S.A. §5811(21)(B)(ii)
Enacted: 2002; amended 2009, 2010
Estimate: \$8,544,200
Taxpayers: 22,730

Effective for tax years 2011 and after, taxpayers may reduce taxable income by up to \$5,000 in adjusted net capital gain income or 40% adjusted net capital gain income from the sale of certain business assets held for more than three years. As under prior law, the exclusion amount cannot exceed 40% of federal taxable income.

PURPOSE The flat capital gains exclusion is to encourage savings and investment while exempting a portion of the gain that may represent inflation. The 40% business capital gains exclusion mitigates the impact of one-time realizations in a progressive tax structure.

1.100 Subtractions from Vermont Income Tax

1.101 Credit for Child and Dependent Care

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$1,656,100
Taxpayers: 14,510

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal child and dependent care credit applied against federal tax liability. A taxpayer

may claim this credit or the low income child and dependent care credit, but not both.

PURPOSE To provide tax relief to working taxpayers who must incur dependent care expenses to stay in the workforce.

1.102 Credit for Elderly or Disabled

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$2,700
Taxpayers: 90

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal credit available to the elderly (age 65 or older) and permanently disabled, which was applied against federal tax liability.

PURPOSE To provide tax relief for seniors and disabled persons with little tax exempt retirement of disability income.

1.103 Investment Tax Credit

Statute: 32 V.S.A. §5822(d)
Enacted: 1967
Estimate: \$886,000
Taxpayers: 90

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal investment tax credit applied against federal tax liability for Vermont-property investment in the following activities: rehabilitation (IRC §47), energy (IRC §48(a)), advanced coal products (IRC §48(a)), and gasification products (IRC 48B(e)).

PURPOSE To encourage Vermont business investments.

1.104 Vermont Farm Income Averaging Credit

Statute: 32 V.S.A. §5822(c)(2)
Enacted: 2002
Estimate: \$48,500
Taxpayers: 150

A nonrefundable tax credit is available in the amount of 24% of the reduction in the taxpayer's federal tax liability due to farm income averaging.

PURPOSE To mitigate the adverse tax consequences of fluctuating farm incomes under a progressive tax structure.

1.105 Vermont Business Solar Energy Credit

Statute: 32 V.S.A. §§5822(d); 5930z

Enacted: 2002
Estimate: \$2,387,600
Taxpayers: 30

A taxpayer is entitled to a nonrefundable tax credit of 76% of the Vermont-property portion of the business solar energy tax credit component of the federal investment tax credit applied against the taxpayer's federal tax liability. Unused credits may be carried forward for five years. This credit in combination with the 24% Investment Tax Credit provides a total credit of 100% of the amount of the federal business solar energy credit.

PURPOSE To provide a temporary, enhanced incentive for business solar investments located in Vermont.

1.200 Adjustments to Vermont Income Tax

1.201 Military Pay

Statute: 32 V.S.A. §5823(a)(2) & (b)(3)
Enacted: 1966
Estimate: \$2,229,700
Taxpayers: 1,700

Exempts all military pay for full-time active duty earned outside Vermont. This also exempts the first \$2,000 of military pay earned for commander certified unit training in Vermont for National Guard or United States Reserve personnel who have a federal AGI under \$50,000. Exemption also applies to funds received through the federal armed forces educational loan repayment program, but only to funds included in the taxpayer's AGI for the taxable year.

PURPOSE To provide additional compensation for military personnel for service to the country.

1.202 Federal Employment Opportunity Income

Statute: 32 V.S.A. §5823(a)(5)
Enacted: 1979
Estimate: \$33,100
Taxpayers: 60

Exempts income related to wages and salaries not taken as a federal employment credit and included in federal AGI pursuant to IRC 280C. Also exempts income included in federal AGI related to expenses incurred but not covered by the Americans with Disabilities Credit (IRC 44).

PURPOSE To reduce the taxation of people receive federal employment opportunity income and reduce the cost to government of providing this assistance.

1.203 Americans with Disabilities Credit

Statute: 32 V.S.A. §5823(a)(5)

Enacted: 1998
Estimate: \$0
Taxpayers: 0

Exemption applies to eligible expenses incurred by small businesses for the purpose of providing access to persons with disabilities, as provided in Section 44 of the IRC.

PURPOSE To provide tax relief for small businesses making ADA improvements required by federal law.

1.204 Interest Income from VSAC bonds, Vermont Telecommunications Authority bonds and notes, and federal Build America bonds

Statute: 16 V.S.A. §2825; 30 V.S.A. §8074
Enacted: 1965; 2007
Estimate: \$1,366,800
Taxpayers: 340

Exemption applies to interest and income from these sources when included in a taxpayer's federal AGI.

PURPOSE To encourage investment in bonds supporting Vermont projects.

1.300 Vermont Tax Credits Applied after Income Adjustment

1.301 Charitable Housing Credit

Statute: 32 V.S.A. §5830c
Enacted: 1990
Estimate: \$18,360
Taxpayers: 50

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

PURPOSE To encourage investment in housing in Vermont.

1.302 Affordable Housing Credit

Statute: 32 V.S.A. §5930u
Enacted: 2000
Estimate: \$0
Taxpayers: 0

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

PURPOSE To encourage the investment and development of affordable housing in Vermont.

1.303 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828

Enacted: 1998

Estimate: \$0

Taxpayers: 0

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayer's gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

PURPOSE To encourage sales of mobile home parks as an alternative to closure.

1.304 Vermont Higher Education Investment Credit

Statute: 32 V.S.A. §5825a

Enacted: 2003 (revised in 2007)

Estimate: \$1,396,300

Taxpayers: 2,690

A taxpayer, including each spouse filing a joint return, is entitled to a nonrefundable credit of 10% for the first \$2,500 contributed for each beneficiary to a Vermont higher education investment plan account. A recipient of this credit is subject to a 10% repayment for any distribution not excluded from federal AGI, up to a maximum of the total credits received.

PURPOSE To encourage savings Vermont 529 plans and lower the cost of higher education for taxpayers.

1.305 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. §5830b

Enacted: 2004

Estimate: \$0

Taxpayers: 0

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not exceed 20% of the taxpayer's

contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

PURPOSE To provide an incentive for investment in small businesses in Vermont.

1.306 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §5930aa – 3930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

A taxpayer who is deemed qualified by the Vermont Downtown Development Board and completes a qualified historic rehabilitation project may claim a nonrefundable credit of 10% of those qualified rehabilitation expenditures. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

1.307 Façade Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(b); see §5930aa – 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

Taxpayers are eligible for a nonrefundable credit equal to 25% of expenditures up to \$25,000 on a qualified façade improvement project, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve facades and rehabilitate historic properties in designed downtowns and village center.

1.308 Code Improvement Tax Credit

Statute: 32 V.S.A. §5930cc(c); see §5930aa – 5930ff
Enacted: 2006
Estimate: \$24,100
Taxpayers: Under 10

Taxpayers are eligible for a nonrefundable credit equal to 50% of costs for qualified code improvement or installation projects, up to the following limits: \$12,000 for a platform lift, \$50,000 for an elevator or sprinkler system, and \$25,000 for combined costs of all other code improvement and installation projects, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers by making code improvements.

1.309 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii
Enacted: 2009
Estimate: N.A.
Taxpayers: N.A.

A taxpayer is eligible for a nonrefundable credit equal to 30% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. The credit takes effect for eligible expenditures made on or after January 1, 2011.

PURPOSE To encourage business investment in research and development within Vermont.

1.310 Wood Products Manufacture Tax Credit

Statute: 32 V.S.A. §5930y
Enacted: 2005
Estimate: \$26,200
Taxpayers: Under 10

A credit of 2% of the wages paid in the taxable year by an employer for services performed in the designated counties having at least 5% of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.

PURPOSE To lower income taxes for businesses in the northeast kingdom counties of Essex and Caledonia in order retain employees in wood products manufacturing.

1.311 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930a2
Enacted: 1997; repealed 2006
Estimate: \$232,000
Taxpayers: 20

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; the last year carry-forward credits can be claimed is 2015.

PURPOSE To provide incentives to businesses creating new jobs in Vermont.

1.312 Downtown Tax Credits (carry-forward only)

Statute: 32 V.S.A. §§5930n-5930r
Enacted: 1998, 2002, repealed 2006
Estimate: \$188,900
Taxpayers: Under 10

Four tax credits designed to assist with rehabilitation and code improvements for older and historic buildings located within designated downtowns and village centers were replaced with three credits (§5930cc) to make the program easier to use and administer.

Credits allocated prior to July 1, 2006 remain subject to the associated statutory provisions but must be claimed by May 24, 2011.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

1.400 Refundable Credits

1.401 Low Income Child and Dependent Care Credit

Statute: 32 V.S.A. §5828c
Enacted: 2002
Estimate: \$57,500
Taxpayers: 430

A refundable credit is available for taxpayers with federal AGI under \$30,000, if filing individually, or \$40,000, if married filing jointly. The credit is equal to 50% of the federal child and dependent care credit for child and dependent care services procured in Vermont, so long as the facility providing these services has been certified by the Agency of Human Services.

PURPOSE To provide additional cash relief to lower-income working taxpayers who incur dependent care expenses in certified centers to stay in the workforce.

1.402 Earned Income Tax Credit

Statute: 32 V.S.A. §5828b
Enacted: 1988
Estimate: \$25,565,700
Taxpayers: 44,500

Any taxpayer entitled to a federal earned income tax credit may claim a Vermont EITC in the amount of 32% of the federal credit, proportional to the percentage of total income that was earned or received in Vermont.

PURPOSE To increase the after-tax income of low-income working families and individuals and to provide an incentive to work for those with little earned income.

LIST OF FISCAL YEAR 2011 CORPORATE INCOME TAX EXPENDITURES

2.000 Adjustments to Federal Taxable Income

2.001 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. §5811(21)(A)(i)

Enacted: 1986

Estimate: Data unavailable

Taxpayers: Data unavailable

Interest income from Vermont state and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

PURPOSE To encourage investment in Vermont state and local bonds and maintain the state's favorable bond rating.

2.100 Vermont Tax Credits

2.101 Charitable Housing Credit

Statute: 32 V.S.A. §5830c

Enacted: 1990

Estimate: \$0

Taxpayers: 0

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

PURPOSE To encourage investment in housing in Vermont.

2.102 Affordable Housing Credit

Statute: 32 V.S.A. §5930u

Enacted: 2000

Estimate: \$144,800

Taxpayers: Under 10

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year

allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

PURPOSE To encourage the investment and development of affordable housing in Vermont.

2.103 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. §5828
Enacted: 1998
Estimate: \$0
Taxpayers: 0

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayers gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

PURPOSE To encourage sales of mobile home parks as an alternative to closure.

2.104 Wood Products Manufacture Tax Credit

Statute: 32 V.S.A. §5930y
Enacted: 2005
Estimate: \$0
Taxpayers: Under 10

A credit of 2% of the wages paid in the taxable year by an employer for services performed in the designated counties having at least 5% of their combined jobs provided by employers that manufacture finished wood products and having the highest combined unemployment rate in the state for at least one month in the previous calendar year.

PURPOSE To lower income taxes for businesses in the northeast kingdom counties of Essex and Caledonia in order retain employees in wood products manufacturing.

2.105 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. §5930cc(a); see §§5930aa - 5930ff
Enacted: 2006
Estimate: \$0
Taxpayers: 0

Credit equals 10% of qualified rehabilitation expenditures as defined in the IRC 26 U.S.C. § 47(c).

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

2.106 Façade Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(b); see §§5930aa - 5930ff

Enacted: 2006

Estimate: \$0

Taxpayers: 0

Credit equals 25% of qualified expenditures for façade improvements, up to a maximum amount of \$25,000.

PURPOSE To provide incentives to improve facades and rehabilitate historic properties in designed downtowns and village center.

2.107 Code Improvement Tax Credit

Statute: 32 V.S.A. 5930cc(c); see §§5930aa - 5930ff

Enacted: 2006

Estimate: \$0

Taxpayers: 0

A qualified applicant is eligible for a tax credit of 50% for qualified expenditures up to a maximum of \$12,000 for installation or improvement of a platform lift, a maximum tax credit of \$50,000 for installation or improvement of a sprinkler system, and a maximum tax credit of \$25,000 for the combined costs of all other qualified code improvements.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers by making code improvements.

2.108 Business Solar Energy Tax Credit

Statute: 32 V.S.A. §5930z

Enacted: 2008

Estimate: \$168,000

Taxpayers: Under 10

A taxpayer is entitled to a 100% credit for the Vermont-property portion of the business solar energy tax credit component of the federal investment tax credit applied against the taxpayer's federal tax liability. Unused credits may be carried forward for five years.

PURPOSE To provide a temporary, enhanced incentive for business solar investments located in Vermont.

2.109 Machinery and Equipment Tax Credit

Statute: 32 V.S.A. §5930II

Enacted: 2010

Estimate: N.A.

Taxpayers: N.A.

A qualified taxpayer approved by VEPC for a machinery and equipment investment tax credit certification is entitled to a nonrefundable credit in an amount equal to 10% of the total qualified capital expenditures. The total amount of credit authorized by statute is \$8 million, and may not exceed \$1 million in any one tax year. Applies to tax years beginning on January 1, 2012; repealed effective June 1, 2026.

PURPOSE To provide an incentive to make a major, long-term capital investment in Vermont-based plant and property to ensure the continuation of in-state employment.

2.110 Research and Development Tax Credit

Statute: 32 V.S.A. §5930ii

Enacted: 2009

Estimate: N.A.

Taxpayers: N.A.

A taxpayer is eligible for a nonrefundable credit equal to 30% of the amount of the federal tax credit for eligible R&D expenditures made within Vermont. Unused credits may be carried forward for ten years. The credit takes effect for eligible expenditures made on or after January 1, 2011.

PURPOSE To encourage business investment in research and development within Vermont.

2.111 EATI Tax Credits (carry-forward only)

Statute: 32 V.S.A. §5930a

Enacted: 1997; repealed 2006

Estimate: \$1,628,200

Taxpayers: Under 10

A suite of tax credits based on payroll increases, research and development investment, workforce development expenditures, or capital investments in facilities and machinery or equipment, and sales of product shipped out of state. The final taxable year in which credits can be earned is 2010; the last year carry forward credits can be claimed is 2015.

PURPOSE To provide incentives to businesses creating new jobs in Vermont.

2.112 Downtown Tax Credits (carry-forward only)

Statute: 32 V.S.A. §§5930n-5930r

Enacted: 1998, 2002, repealed 2006

Estimate: \$30,400
Taxpayers: Under 10

Four tax credits designed to assist with rehabilitation and code improvements for older and historic buildings located within designated downtowns and village centers were replaced with three credits (§5930cc) to make the program easier to use and administer. Credits allocated prior to July 1, 2006 remain subject to the associated statutory provisions but must be claimed by May 24, 2011.

PURPOSE To provide incentives to improve and rehabilitate historic properties in designed downtowns and village centers.

OTHER EXPENDITURES FOR FISCAL YEAR 2011

2.200 Vermont Employment Growth Incentive (VEGI)

Statute: 32 V.S.A. §5930b
Enacted: 2006
Estimate: \$602,190
Taxpayers: 13

Unlike other credits, deductions, or exemptions to personal income tax, the VEGI program provides a cash incentive, paid in installments, based on new, qualified job and payroll creation in Vermont, to companies authorized by the Vermont Economic Progress Council (VEPC). VEGI was a newly designed non-credit incentive program that began in January 2007, replacing the Economic Advancement Tax Incentive program (EATI). The VEGI incentive amount is earned over a period of up to five years and paid out over a period of up to nine years, provided the company maintains or increases base payroll and meets the necessary targets. The claims process is unrelated to filing personal or business income taxes.

PURPOSE To provide a cash incentive to businesses that expand and create jobs in Vermont.



State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

August 8, 2013

Rep. Martha Heath
Joint Fiscal Committee
1 Baldwin St.
Montpelier, VT 05602

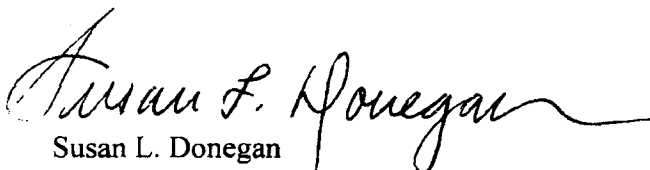
Dear Representative Heath:

This letter is to inform you of an update to the unencumbered balance numbers previously reported on July 19.

Pursuant to Section 55(a)(2) of Act No. 1 of 2013, the Department of Financial Regulation is required to report the balances of three funds; Insurance Regulatory Supervision Fund, Securities Regulatory and Supervision Fund and Captives Regulatory and Supervision Fund. At the time of the last meeting, we reported that there was no balance available in the Captives fund. However, an error has been discovered and the Captives fund should have had a balance of \$238,392.

This was not discovered in time to transfer the funds to the General Fund for SFY13 closeout, but will be reflected in the SFY14 balance.

Sincerely,


Susan L. Donegan
Commissioner

Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
802-828-3304

Securities
802-828-3420



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM



To: Joint Fiscal Committee
From: Nathan Lavery, Fiscal Analyst
Date: July 12, 2013
Subject: Draft Policy on JFC Review of Web Portal Charges

The following draft policy on Joint Fiscal Committee review of Web Portal Charges was composed at the request of the Committee. This policy automatically results in review of these charges at a formal committee meeting.

Draft Policy:

All proposals to establish web portal charges submitted to the Joint Fiscal Committee pursuant to 22 V.S.A. § 953(c)(2) are to be held for review at a meeting of the Joint Fiscal Committee or, when the General Assembly is in session, held for legislative review.

This policy would appear as item 3. in Joint Fiscal Committee and Office Policies. Section D of the Policies would be renamed to include reference to web portal charges:

D. Procedures on Grants, Gifts, Positions and Web Portal Charges

- 1. Grant and position approval statute*
- 2. Expedited Grant Review Policy*
- 3. Web Portal Charges*

Staff Comment:

The law allows a web portal charge to go into effect only after Joint Fiscal Committee review. This review does not need to occur at a formal committee meeting, but any member of the Joint Fiscal Committee can request that such a proposal be held for review at a meeting.

There is a standing request by current members of the Joint Fiscal Committee for such review. Until this standing request is withdrawn, the Joint Fiscal Office considers all proposed web portal charges to be held for review at a Joint Fiscal Committee meeting.

Staff suggests that the Joint Fiscal Committee not adopt the draft policy and instead continue the current practice (including honoring standing requests). Statutory change should be considered if the statute is not meeting the needs of the General Assembly for oversight and approval of web portal charges, rather than adopting a blanket policy that nullifies the flexibility provided by 22 V.S.A. § 953(c)(2).

Theresa Utton-Jerman - Position Request JFO #2634

From: Nathan Lavery
To: Joint Fiscal Committee
Date: 8/6/2013 1:14 PM
Subject: Position Request JFO #2634
Attachments: JFO 2634 packet.pdf

Hello Joint Fiscal Committee members,

The attached item, JFO #2634, is a limited service position request that will be **on the agenda for Thursday's meeting**. A short summary follows. Thank you.

JFO #2634 – Request to establish **one (1) limited service position** in the Department of Public Service. This position will be responsible for work on the State Energy Plan and for producing a Total Energy Study for the General Assembly (due December 15, 2013). Funding for this position was included in the department's FY14 budget. This work was previously performed under a limited service position that expired June 30, 2013. Approval of this position will allow the work to resume. *[JFO received 08/06/13]*

Nathan Lavery
Fiscal Analyst & Business Manager
Legislative Joint Fiscal Office
One Baldwin Street
Montpelier VT 05633-5301
(802) 828-1488
nlavery@leg.state.vt.us

MEMORANDUM

To: Representative Shaw
From: Rebecca Wasserman
Date: April 23, 2013
Subject: Vermont Veterans' Home

Representative Shaw,

Please find below a copy of the memo provided to the Senate Appropriations Committee relating to the governance of the Vermont Veterans' Home. This memo specifically addresses the question of what authority the State has to close down or alter the operations of the Veterans' Home, but also includes information on the legal framework for the Veterans Home.

Let me know if you have any additional questions.

1. Introduction

The Fiscal Year 2013-2014 Budget Adjustment Act directs the Secretary of Administration to “contract for an independent review of the management and operations”¹ of the Vermont Veterans' Home (the “**Veterans' Home**” or the “**Home**”) by October 30, 2013. Among other things, this review shall include recommendations regarding projected medium-term and long-term demand for the Home's services, fiscal management practices, appropriate levels of staffing, and alternative governance structures.² Related to this review, you have asked for a summary of the laws providing authority to the State of Vermont to cease or change the operations of the Home. This memorandum provides (i) the legal framework for the organization, management and regulation of the Veterans' Home, and (ii) an analysis of the authority to close down or alter the operations of the Veterans' Home.

2. Legal Framework for Veterans' Home

The legal framework for the organization, management and regulation of the Veterans' Home is complex and derived from a number of different sources. These sources include: (i) the incorporation of the Trustees of the Soldiers' Home in Vermont (the “**Trustees**”) in the 1884 Vermont Acts and Resolves No. 180, (ii) a quit-claim deed (the “**Deed**”) dated January 15, 1887 conveying the lands and buildings of the Veterans' Home to the Trustees, (iii) a 1964 Bennington County Chancery Court decree (the “**Decree**”) amending the terms of

¹ 2013 Budget Adjustment Act, H.47, as amended by the Senate Committee on Appropriations, Sec.53.1 (2013).

² *Id.*

the quit-claim deed, and (iv) legislation codifying the various powers and duties of the State and the Trustees with respect to the Home. Set forth below is a summary of the framework as established in these sources.

2.1. Law to Incorporate the Trustees

The Trustees were incorporated pursuant to the 1884 Vermont Acts and Resolves No. 180 and were delegated certain powers with respect to the Home. Among other things, the Trustees may hold, manage and convey the real property for the purpose of maintaining a home in Vermont “for deserving soldiers and sailors, and such members of their families.”³ The Trustees’ authority is limited to the “powers and privileges set forth in all general laws”⁴ that are not inconsistent with the enabling legislation. Therefore, the Trustees are a creature of statute and their authority is derived from the General Assembly.

2.2. Quit-Claim Deed

On January 15, 1887, the land upon which the Veterans’ Home currently sits was conveyed to the Trustees by the Trenor W. Park Home for Destitute Children and Women (the “**Grantor**”) by the Deed. The Deed conveyed the land and buildings to the Trustees in trust, subject to a right of reversion to the Grantor in the event the property ceased to be used to house soldiers. Under the terms of the Deed, if the property reverted to the Grantor, the Grantor would be required to reimburse the State of Vermont for the appraised value of any “betterments and improvements” expended on the property. A failure to make that payment would result in the real estate and buildings becoming the property of the State of Vermont “for such benevolent and charitable uses as the Legislature may direct.” Finally, the Deed provides for the dissolution of the Home by a vote of the Trustees or by “actual abandonment” as determined by the Governor “upon request of any person or party in interest.”

2.3. Court Decree

In 1964, the Trustees filed a suit in the nature of a *cy-pres* action in the Bennington County Chancery Court seeking to have the terms of the Deed modified. In the Decree, the court granted the Trustees’ request. The Decree contained five provisions. First, it foreclosed any reversionary right to the Grantor or their heirs. Second, it authorized the sale of a portion of the Home’s real estate to Mt. Anthony Union High School, with the concurrence of the Vermont Attorney General. Third, it authorized the conveyance of a water system to the Village of Bennington, with the concurrence of the Attorney General. Fourth, it authorized future conveyances of land without improvements by the Trustees, with the concurrence of the Attorney General. And finally, the Decree required the Trustees to hold the proceeds of the sale of any Home’s land in trust for the uses and purposes set forth in its charter and in the Deed.

2.4. Applicable Vermont Laws

³ 1884 Acts and Resolves No. 180.

⁴ *Id.*

2.4.1. Statutory Authority

In 2004, the Veterans' Home was codified as a "body corporate and a politic and a public instrumentality of the state."⁵ The Home's governance was delegated to the Trustees, who have the power to "adopt policies, procedures, and bylaws regarding the operation of the board and the operation and management of the home."⁶ Among other things, the Trustees also have the power to receive, convey or manage real property for the purpose of managing the Home, set procedures for collecting charges for residential room and board, recommend for appointment a licensed nursing home administrator, and contract for professional and managerial services.⁷

Although the Trustees have significant oversight over the Home, the State of Vermont was also delegated certain authority over the management of the Home. The staff of the Home are employees of the State that are subject to the provisions of the Vermont Statutes.⁸ The State also provides significant funding to the Home. Approximately \$20 million from the Big Bill⁹ as well as varying amounts from the Capital Bill¹⁰ are appropriated to the Veterans' Home every year. The funds of the Home are managed by the State Treasurer.¹¹ The statute also requires the Home to submit audited financial statements to the Commissioner of Finance and Management.¹² In addition, the Department of Buildings and General Services is responsible for overseeing any engineering, construction, repair or replacement of the Home's buildings and facilities.¹³ Finally, the Veterans' Home is licensed by the Agency of Human Services (the "AHS") as a nursing home.¹⁴

3. Authority to Cease or Change the Operations of the Home

Under this current legal framework, the Trustees may adopt policies, procedures and bylaws regarding the management of the Home. In addition, the Trustees have statutory authority to manage the operations of the Veterans' Home. As a result, only the Trustees, and not the State, may cease or change the operations of the Home. However, as a licensed nursing home, the Home is subject to regulation by AHS, and the State has authority to oversee and manage these services. In this context, the State has authority to direct part of the Home's operations. Although the authority to manage the operations of the Home currently rests with the Trustees, the State of Vermont has several options for obtaining greater authority to effect operational

⁵ 20 V.S.A. § 1712.

⁶ 20 V.S.A. § 1714.

⁷ 20 V.S.A. § 1714.

⁸ 20 V.S.A. § 1716(5).

⁹ This includes amounts from general, special, federal and global commitment funds. This estimated amount is based on a review of appropriations from FY 2010 – FY 2014.

¹⁰ From FY 2010 – FY 2014, capital appropriations have ranged from no appropriation to \$1,000,000.

¹¹ 20 V.S.A. § 1717.

¹² 20 V.S.A. § 1715.

¹³ 20 V.S.A. § 1720.

¹⁴ A "nursing home" means an institution or distinct part of an institution which is primarily engaged in providing to its residents any of the following: (A) Skilled nursing care and related services for residents who require medical or nursing care, (B) Rehabilitation services for the rehabilitation of injured, disabled, or sick persons, or (C) On a 24-hour basis, health related care and services to individuals who because of their mental or physical condition require care and services which can be made available to them only through institutional care. 33 V.S.A. § 7701.

changes at the Home. As a practical matter, any changes to the operations of the Home will result in a number of significant consequences for its current residents. Therefore, if the State were to exercise one of the options stated below, it is recommended that these are done in coordination with the appropriate state agencies overseeing the Home.

3.1. Revision of Statutory Authority

The General Assembly may approve statutory changes to delegate greater authority over the Home to the State. Since the Trustees are incorporated pursuant to statute, the General Assembly may change their corporate powers. If the Trustees no longer have the authority to receive, hold, manage or convey real property,¹⁵ then they would not be empowered to manage these decisions for the Home. In addition, the General Assembly may amend the statutory authority of the Trustees set out in 20 V.S.A. § 1714 to oversee the operations and management of the Home and shift these responsibilities to the State. If the State is given the authority to adopt the Home's policies, procedures or bylaws, then it could directly make changes to the operations of the Home.

3.2. Nursing Home License

The State could decide not to renew the Home's nursing home license. This licensing change would effectively alter the operations of the Home by limiting what services it may provide to veterans. Similarly, AHS may revoke or refuse to renew the Veterans' Home license if it is determined that the Veterans' Home has failed to comply with certain requirements set out in the statute. State law provides that a nursing home must meet certain standards to maintain its license. A nursing home is also subject to inspection by AHS.¹⁶ AHS may, after notice and opportunity for a hearing, revoke or refuse to renew a license to a nursing home under a number of circumstances prescribed by statute.¹⁷ One of the circumstances under which a license may be revoked is a determination that a nursing home is financially incapacitated "to provide adequate care and services."¹⁸ The Home's ability to meet this requirement will likely be analyzed in the independent review directed by the General Assembly in the Budget Adjustment Act. If the Home's license is revoked or not renewed, then specific procedures must be followed to ensure, among other things, that the rights and best interest of the residents have been considered and suitable alternative placements have been found before the Home will be closed. If AHS does revoke the nursing home license, the Veterans' Home could still operate in another capacity that did not require a State license as long as it continues to fulfill its stated charitable purpose.

3.3. Abandonment Determination

¹⁵ 1884 Acts and Resolves No. 180, Sec. 2.

¹⁶ See 33 V.S.A. § 7105, 7108.

¹⁷ 33 V.S.A. § 7111(d). These circumstances include (i) a violation by the licensee of any applicable rules, (ii) a conviction of a crime for conduct which demonstrates the unfitness of the licensee or the principal owner to operate a facility, (iii) conduct inimical to the public health, morals, welfare, and safety of the people of the State of Vermont in the maintenance and operation of the premises for which a license is issued, (iv) financial incapacity of the licensee to provide adequate care and services, and (v) failure to comply with a final decision or action of the licensing agency.

¹⁸

Pursuant to the Deed, if a person or party in interest claims that the Home has been “abandoned,” the Governor has authority to cease operations of the Home if it is determined that actual abandonment has occurred. Whether the Governor would be able to ascertain actual abandonment in the case of the Home is a factual determination requiring additional research that is outside the scope of this memorandum. It is important to note that if the Home ceases to operate, then the title to the property will pass in accordance with the quitclaim deed, the Decree, and the law.¹⁹ It is possible that the land and buildings would pass to the State of Vermont if the Trustees are unable to reimburse the state for payments made to improve the property. Pursuant to the Deed, if the property does pass to the State, then it must be used “for such benevolent and charitable uses as the Legislature may direct.”

4. Conclusion

Under the current legal framework for the Veterans’ Home, the State has limited authority to make operational changes to the Home as this power generally rests with the Trustees. Nevertheless, the State has several options available to it going forward. In particular, the General Assembly may amend the statutes governing the Trustees and the Home, or the State can review the issuance of a nursing home license to the Home. However, prior to any of these changes being made, the State should review the results and recommendations of the study required by the Budget Adjustment Act to determine how best to confront the challenges facing the management and oversight of the Home.

¹⁹ *Id.*

Pulling 8/8/13

Independent Review

Management and Operations

of the

Vermont Veterans' Home

August 8, 2013

Prepared by: Health Care Management Associates, Inc.

Prepared for: Vermont Agency of Administration

Independent Review of the Management and Operations of the Vermont Veterans' Home

August 8, 2013

1. Brief Introduction

Please note that a Summary and Recommendations section starts on page 32. Health Care Management Associates, Inc. (HCMA) entered into an agreement on April 15, 2013 with the State of Vermont, Agency of Administration, to conduct an Independent Review of the Management and Operations of the Vermont Veterans' Home (VVH), and to provide a "concise written summary report". Please see "Attachment A: Specifications of Work to be Performed" at the end of this report. This effort was led by Michael Pulling, MBA, LNHA who previously served VVH as Interim Administrator and Interim Planning Coordinator. Other HCMA staff and associates included Bruce Bodemer, MBA, LNHA who was our Interim Administrator at the Centers for Living and Rehabilitation in Bennington; Nancy Herrmann, MPA, LNHA who operated a male only nursing home for us for 12 years having a five star rating (much above average) for that entire period of time; and Donald Hayward, MBA who previously served as Finance Director at VVH, and who has an extensive career track record in health care financial management.

In addition, at our suggestion in 2012, VVH retained Clay and Associates (a clinical nursing firm specializing in nursing operations and survey preparation and compliance). This firm served as advisors to us in this project. Finally, we were also advised by HMR Veterans Services, Inc. (HMRVSI), a firm that manages six state Veterans' homes. A team of four staff (finance, human resources, clinical, and management) were on-site at VVH, and reviewed extensive documentation from the position of an organization that is intimately familiar with the unique operating parameters of state veterans' homes.

Utilization of HMRVSI arose out of an effort to identify model state veterans' homes that had high operating metrics in terms of census, survey results, financial position, and related. VVH is a member of the National Association of State Veterans' Homes, and we chose 3 state homes from within our Northeast region that offer different models of governance and management. Charlotte Hall in Maryland has been managed by HMRVSI for twelve years, and the firm comes highly recommended by state staff.

The Maine Veterans' Homes were considered by the VVH trustees as an organizational model in 2009. At our suggestion, representatives of the State and VVH recently joined us in a visit with the

staff and general counsel who had drafted the legislation that organized MVH as an "Instrumentality of the state", but operating as a distinct 501(c)(3) non-profit entity.

We also considered the Long Island State Veterans' Home that has a stellar census improvement and educational and marketing component, and is operated by the Health Sciences Center of Stony Brook University.

Further, we considered state veterans' homes that operate as an integrated part of state government. In general, this has not been a trend due to the complexities of state government, financial pressures, and the need to run these facilities according to a reasonable business model. Nonetheless, we will review the other New York State Veterans Homes, and the Massachusetts Soldiers' Homes, that operate under agencies of state government.

In addition, closure caused by a loss of federal funding may be an option. We will discuss briefly how this process works in Vermont, and the prospects for accomplishing this in a reasonable manner for all parties.

2. Interviews with Staff, Board Members, and Other Interested Parties

We conducted extensive interviews with various constituencies. In addition, there were opportunities to have a telephone interview or to provide comments by email. We considered the current working environment, areas of potential operational improvement, and other relevant issues that arose during the course of the study. In addition, we considered the response and approach to overall management leadership.

The Board of Trustees sent out a letter to family members explaining the study, and offering various avenues to contact us including a confidential interview, a telephone number to call, and our email address. In addition, we spent many days at VVH, and the staff were encouraged to connect us with family members who wanted to discuss the study or to express any opinions or observations about conditions at the Vermont Veterans' Home.

Through this process, we had input or contact with seven family members. Frankly, this was a surprisingly low number given the amount of adverse publicity and other activities that have occurred over the past year. Typical of the more favorable comments are the following:

"There is a wonderful great caring staff. I've never seen any lazy staff in six years."

"During my time at VVH, management has been accessible and helpful."

"Some nurses are above and beyond. Some work, and some don't."

"The staff members at VVH are extremely devoted to the residents' care."

"This is the best facility he has ever been in: follow-up quickly, explain everything, staff is lovely, and nursing is good."

"I am very pleased with the care and communication from staff. I think they are doing an excellent job."

There were also some less positive comments such as:

"There is a lack of management, and overall lack of communication."

"There is very poor communications with upper management."

"There is a river of anger, negativity, mistrust, resentment, finger-pointing, blame, and outright disrespect running through VVH."

"I can't stand the administrator. I could write a book on her."

Members of the Board were encouraged to provide input. We had interviews or discussions with four members, and were unable to accommodate a fifth member due to his travel schedule.

Typical comments included:

"Al Faxon is a breath of fresh air. He gets on the floors."

"Communication stinks, and management doesn't speak clearly to the staff."

"VVH is still a good home. People want to come in."

"The organization may be top heavy in middle management."

"Allan has great personnel skills...charisma."

"Melissa is a 'hero' given the challenges."

"We have turned the rough corner, and are going in the right direction."

There were 18 management, supervisory, and professional level staff interviews. Typical comments included:

"The administrator's personnel skills are getting better, but she often acts like a spoiled brat."

"Allan was a great addition: a strong leader, on the floors, a real people person, and follows-up on things."

"Meetings are too long here."

"The administrator is nice, but doesn't always lead, have staff respect, and help you."

"Al Faxon has a great demeanor. He listens, and it helps that he is military."

"Nursing is the biggest complaining area. They could use their supervisors better."

"People are being held accountable now, and scheduling has improved."

"The administrator gets over-burdened. I report to Al now, and he gets back to me."

"The finance director gives you 3 different answers. It's loopy, can't understand him, can't get a solid answer, and he needs to know the financial answers."

"The ship is turning slowly. Morale has vastly improved."

"The administrator is very proficient, and starting to surface."

"The finance director is pretty good: black and white with the numbers, and presents well."

"Licensed nursing assistants having two weekends on and one off is difficult, but VSEA voted for it."

"Stopped using part time nursing staff – lose a full time position with part time."

"The administrator has no team. There is a lack of inspiration – scolding, punitive."

"Admissions are down because the administrator is overly financially risk averse."

"Al is great – he has natural leadership."

"We need more cohesion, a personal connection, follow-up and communication."

"The previous [permanent] administrator had a level of respect that I'm not seeing here."

"The administrator knows her stuff and is a good administrator; but she waffles at times, backs down, relies on the wrong people, and doesn't back me up."

"Allan is dynamic, and has energy."

"Al – amazing, love him, a leader."

"The administrator is insulting, disrespectful, doesn't acknowledge anyone in the hallways."

"The director of nursing is not a good leader or DNS. She doesn't know how to manage or communicate ideas."

"Al – see him every day on the wings, mature, knows more Vets than Melissa."

"We need to get back into partnership with VSEA – it goes both ways."

"The director of nursing has just given up, never see her here, she is defeated now."

"Melissa is trying – knows it takes a team."

"The administrator and nursing management can be very disrespectful. They pass the buck to the supervisors, and don't follow-up on anything."

"We still have staff members who have never met the administrator."

"The director of nursing is very bright, but learning. Her communications could be better."

"Allan has total insight – a great leader."

"Melissa is not too approachable, got shaky with the union, not a leader, but knows the regulations."

"The administrator is all gray zone, waffles, not definite and clear, poor communications, not a leader. I asked for an organization chart for 6 months to know who I report to."

"Allan is great. I now report to him, and everything is clear, but he's not the top manager."

"VSEA was so counter-productive. Why ruin our market and reputation?"

"There is absolutely no chain of command in nursing, and no one takes responsibility.

There are so many levels, and it is seriously top heavy."

"Allan is a great leader. He listens, is respected, he has the gift."

"Melissa's strengths are not in communications and inter-personal relations. There is no positive leadership."

"The Board of Trustees has tremendously improved: Joe's leadership and having more local members and a leading physician on the Board is good."

There were three Vermont State Employees' Association (VSEA) sponsored off-site meetings scheduled at times convenient to all 3 shifts. These meetings were requested by VSEA leadership. The sessions were approximately 2 hours long, and attended by Mike Pulling and Don Hayward. On average, each meeting had five or fewer staff attendees. There were two VSEA representatives, some family members, a former staff member, and so forth. The focus was on "current working conditions" and "areas for potential operational improvement." All but two of the attendees were from the nursing department, and the non-nursing staff people made it clear that they were there to support nursing, and had no significant issues with their own departments.

The staff from VSEA were respectful, and may have been surprised at the relatively low turnout, especially given the effort put in by VSEA staff in doing a pre-meeting VVH membership survey, sending a flyer out to all of the VVH members, arranging the off-site location, and providing refreshments.

The meetings started out with VSEA staff reviewing the survey results. These results are in no way a part of this report since we had no hand in drafting the survey, compiling the results, or being involved in the survey process in any manner. We would be unable to verify the reliability, validity, or veracity of the survey results. Following this brief introduction, we were able to get direct discussion and comments from the VVH staff members themselves. We also got a very long and detailed typed essay from one of the attendees.

The tenor of each meeting was pretty much the same: poor administration, not knowing the staff or being on the floors, poor nursing leadership, lack of communication, lack of respect, breakdown in the admissions process, a lot of stress, no support of management, disorganization, top heavy with nursing management, enormous level of distrust, excessive use of disciplinary actions for minor offenses, hard place to work, medication problems with the new pharmacy, fear of losing their jobs, frustration with the nursing scheduling, mandated overtime (generally no longer used), a perceived lack of staff on the floors, and so forth. Proposed solutions were generally along the line of "Replace them all", "Bring in a contract management team", and "Every department should just do its own job."

By the nature of this meeting format and the focus of the flyer ("Frontline staff making our voices heard: Save the Vets Home") and the survey questions ("VVH Administration uses fear as a management tactic"), it was obviously going to be focused on the more negative than positive elements at VVH. However, there were some positive comments: "There is good social service staff ", "Our VVH staff members are very good", and "We really like Al. He comes out and meets other people. The residents are very pleased with him."

Because of the low turnout at the VSEA-sponsored meetings, and because we wanted all staff to feel free to talk with us in confidence, we set several days aside simply so that staff could drop in and talk, talk during our rounds of the unit neighborhoods, or schedule an appointment with a sign-up sheet by the scheduling office. The schedule was discussed in the morning meeting so that management could inform their staff members, and the following notice was posted in many conspicuous locations:

NOTICE TO ALL VVH STAFF

MIKE PULLING IS CONDUCTING THE STATE SPONSORED STUDY OF THE VERMONT VETERANS' HOME. ANY STAFF WHO **DID NOT** PARTICIPATE IN THE VSEA SPONSORED MEETINGS ARE ENCOURAGED TO MEET **CONFIDENTIALLY** WITH MIKE, OR TO CALL OR CONTACT HIM AT (781) 596-0122 (JUNE 28 AND AFTER) OR EMAIL AT MIKE@HCGMAI.ORG.

IN ADDITION, HE WILL BE AVAILABLE AT VVH JUNE 25-27, AND WILL MAKE ROUNDS ON ALL OF THE NEIGHBORHOODS. FEEL FREE TO SHARE A FEW WORDS WITH HIM THEN.

ALSO, THERE WILL BE A **SIGN-UP SHEET OUTSIDE THE SCHEDULING OFFICE** FOR SMALL GROUPS OR INDIVIDUALS WHO WOULD LIKE TO MEET BRIEFLY AND **CONFIDENTIALLY** ON WEDNESDAY JUNE 27 FROM 6AM TO 6PM. THE LOCATION WILL BE THE CONFERENCE ROOM ON D-DAY. FEEL FREE TO STOP IN IF THERE IS NO ONE ELSE THERE. THE PRIMARY TOPICS ARE: THE CURRENT WORKING ENVIRONMENT, AND AREAS OF POTENTIAL OPERATIONAL IMPROVEMENT.

The turnout was better at these sessions, especially as the word got out. Staff members reported back to other staff on the interview process, and there was comfort with the interviewer. Although the representation was still mostly from the nursing department, we did get people from several other areas also. Typical comments included the following:

"Many are not happy with VSEA."

"Appalled at how the VSEA leadership acted at a labor-management meeting: attacked the administrator, yelled, disgusted and appalled at that behavior."

"The union makes it impossible for management to do the job. Some staff members just shouldn't be here, but it's impossible to get them out."

"The VSEA meeting on privatization: just so biased, manipulated the facts to give it a negative tone."

"Some nurses don't respect or assist the licensed nursing assistants."

"Some LNAs act like children – because we treat them like children."

"We need accountability at all levels – LNAs, licensed nurses, nurse managers, supervisors, and above – at all levels take no responsibility."

"There is a lack of communication – a lot of unhappy people due to this."

"The VSEA 'Save the Vets Home' scares people away."

"Lost many part timers when the policy was changed – and many who would do part time."

"I am so disgusted with the unprofessional behavior of the administrator."

"Some of the disciplinary actions are just so petty and small minded."

"We really like Al. He could do this."

"In my 23 years, it has never been this bad."

"Asked the director of nursing to come in unannounced on a weekend to see how it really is, but it never happened."

"It is exhausting to continually work 2 on and 1 off for the weekends. You can understand why there are call-ins."

"We were short three LNAs, and the four nurses wouldn't help us."

"The cell phone use by some staff is so overdone."

"Hire part timers and reduce the outrageous amount of overtime."

"Al – we really like him."

"We want our bad people out – drug dealing, truly mean and awful – and we want our old home back, and the Stewards will support this."

"Al is a great leader: open, well received on the floors, communicates."

"The VSEA campaign wasn't helpful."

"We are communicating better."

"The staff members are mostly all dedicated to the Vets – hardworking and good care."

"This is a great place to work, but 2 years ago things went south."

"VSEA has not really helped us. There is a big wall between management and line."

"There are a few who are agitators."

"Hard to hold staff accountable when the union hits you hard."

"I started part time, but there is no per diem list or part time now."

"Mandated overtime was a problem."

"The union stewards are empowered, and can be difficult."

"So much FMLA can cause tension. Call in just before your shift to cancel."

"Some families are not paying, but we don't go after them."

"There is a lot of waste here: use of maintenance contractors, redundant staffing."

"Al is just so good, and was great as a teacher. If he could get a bigger role here, that would be great."

"Everyone thinks Al is great."

"The way it is being run – I've never encountered such disorganization and lack of professionalism."

"I've never seen Melissa or Christina stop and have a conversation with the Veterans."

"Al is out on the wings – communicates."

"The main problem is communication, and the admissions process is tedious."

"Many have never seen the administrator – never on nights."

"I've worked in 3 nursing homes and this is the best, but we need part time staff."

"VSEA became too confrontational. They have their own problems."

"VVH is full of angst and anxiety. I'm ready to leave."

"Top heavy with nursing management, and never see the director of nursing."

"There is just a little group of VSEA people who spread the rumors."

"This is still the best care, but the write-ups are just piddling."

"Some family members don't pay, and won't."

"Not using the VA like we should to pay for hospital tests, etc., with prior approvals."

"Bring this up with the finance director, but it just falls on deaf ears."

"Things were more closely monitored under the previous finance director."

"We often don't charge the veterans or their families for medical supplies."

"I wish the union would go away – just riling up the staff and hurting the Vets Home, and 80% of the staff agree with this."

"We have a lot of confidence in AI."

"The director of nursing's father is on the Board. This is a conflict of interest."

"Admissions from the hospital can be a problem. AI went to the hospital and it helped."

We apologize for the fact that results of the interview and meeting process were far from a "concise written summary report." However, when we got into this process, the response to the interviews was so overwhelming and genuine that we felt that the actual voices had to be heard through the written quotes. It would be advisable, just as an outlet valve and to direct action to correct reasonable staff concerns, that some type of a similar process be incorporated periodically into the personnel management and organizational behavior component at VVH.

Reviewing the comments of the confidential staff interviews in particular, and from all levels, the following impressions seemed to resound forcefully:

- The angst with the administrator, and lack of support by many, should be addressed without delay. Especially noteworthy are the comments from the management and professional staff – many of whom are, or were, in a direct reporting relationship with the administrator.

- The Deputy Administrator is profoundly and universally respected. This leads us to believe that he may be the foundation upon which to re-direct the Vermont Veterans' Home into a financially viable, stable, organizationally mature, productive, and highly rated successful organization.
- There are genuine concerns, even from the most devoted and committed staff, that must be addressed. These concerns include improving communication, building team cohesion, providing clarity in policies and processes, creating a more respectful environment, improving nurse scheduling, using part time staff to fill in, increased accountability, a simplified and more effective management and supervisory structure, and so forth. Just having this opportunity to be heard, in a neutral venue, almost certainly was good for morale. There is plenty of goodwill to be built upon with this staff given real communications and real results.
- There is a serious lack of support, perceived weakness or incompetence, in a number of key management areas. This needs to be fully evaluated, performance improvement opportunities provided, outcomes carefully measured, and appropriate actions taken based upon measurable "management by objectives" performance improvement.
- VSEA certainly had many genuine concerns as expressed by the staff members. The methods, however, may well be questionable – and possibly damaging – for the organization. Management may have over-responded as a result, further creating a polarized environment. In any case, a "cooling off" or "grace period" will be needed to allow clear and concrete improvements to go forward, on the part of both VSEA and management.

3. Review of Relevant Policies and Processes

The Vermont Veterans' Home is the most regulated and surveyed licensed nursing home in Vermont. There are also a small number of residential care/domiciliary beds. VVH is subject to the Vermont Licensing and Operating Rules for Nursing Homes, the Federal CMS Requirements for Nursing Homes Participating in Medicaid and Medicare, and the VA Standards for Nursing Homes. In the past year, VVH has been surveyed by all three agencies.

The annual Department of Veterans Affairs recognition survey results were provided in their letter dated October 12, 2012, for a survey over a four day period. This survey is very detailed in terms of a review of policies and procedures, and VVH had only one deficiency related to Standard #147 - Physical Environment. Many of the other standards relate to administrative policies, nursing policies, and related. We reviewed the various policy and procedure manuals located throughout the facility, and the update and signature pages appear to be complete and timely.

VVH is in a new and somewhat complicated CMS designation termed "Special Focus Facility". Per a December 7, 2012 DLP letter, "A nursing home may graduate from the SFF program when it demonstrates at two consecutive surveys that it has deficiencies cited at a scope and severity level of no greater than 'E' and no intervening complaint-related deficiencies cited greater than 'E' ".

The Enforcement Cycle for 2012 (denial of payment and potential termination from Medicare and Medicaid) ended on September 26 following a special survey conducted by the CMS Division of Survey and Certification Operations (Boston Region) indicating that VVH had "achieved substantial compliance". A letter from CMS dated March 20, 2013 initiated a new Enforcement Cycle based upon a Vermont Division of Licensure and Protection survey on February 26, 2013. This established a new denial of payment date and a new termination date. It is our understanding that resolution of the current Enforcement Cycle is still being determined.

A nursing and survey compliance specialty firm (Clay and Associates) was retained for both Enforcement Cycles. A nursing consultant from Clay and Associates has been reviewing every incident report, doing chart audits, and so forth. It is her opinion that "nursing systems are now okay". Therefore, from the "policies" viewpoint, given the on-site consultants and the VA policy standards survey, we believe that VVH has appropriate policies in place relative to the licensure and certification component.

For other aspects of the operation, namely human resources and the VSEA contract, there are state staff members who are on-site at VVH. We have no indication that these policies are not being handled in an appropriate manner. We will review financial management in a separate section.

From our interviews outlined in the previous section, the big issue for VVH is in the "processes" area. There seem to be various levels of knowledge of specific policies, a sense of a lack of communication, a variety of management and supervisory levels (mainly nursing) that have uncertain information and responsibilities. We believe that VVH will greatly benefit from more simplified and functional organizational and governance structures, and we will discuss this later in this report.

We find the Board operation and reporting policies and processes to be much improved. The Board has revised its membership in an appropriate manner, and has added more frequent meetings. These meetings include a variety of reports from the medical director, nursing director, finance director, and administrator; and a variety of financial and other statistical and planning information.

Of particular interest is the Pinnacle Quality Insight "Customer Satisfaction" report. The most recent report (April) indicated that the Customer Satisfaction Scores are higher in virtually every area compared to the "national" and best in class" comparison benchmarks. "Overall Satisfaction" was a 4.78 out of a possible 5.00, and "Nursing" was 4.94. Resident and family comments included:

"I really appreciated the compassion and understanding of the staff. They treat everybody like individuals and like they are human."

"The staff members were so good. They were overworked and understaffed but they did so much for the residents."

"They had a Namaste Room that was wonderful."

"Very few things could be better, but sometimes they were understaffed."

"The care is wonderful. I appreciate that there are no odors."

"It's very good and it was impossible for him to get appreciated care in his home."

"They are so good to call me for anything."

"I really love the girls that work there. They are excellent to him and to me."

"They are happy, clean, and they receive good care."

"They are giving my mother really good care."

"She is now walking with a walker and doing great."

"I appreciated the care. One of the nurses even stayed with him when he was passing and held his hand."

"I will recommend that they make sure the nurses know how appreciated they are for what they do."

"I appreciate the staff. The food could be better. They have hired a new cook and are making new menus."

This direct feedback from the "customers" is highly valuable. It may well be that this information does not get disseminated to the line staff in a process that underscores their real and perceived sense of value to VVH and the Veterans.

The information from the "Pinnacle Quality Insight" April 2013 Vermont Veterans' Home Customer Satisfaction Report is enclosed with this report: Trends and Comparisons, and Feedback Interviews. Because the interviews are HIPPA Protected Data, the names have been redacted. More information on this firm can be found at www.pinnacleqi.com.

4. Projected Demand for Services

While we will consider local and state information on Veterans and their spouses, the definitive sources are the National Center for Veterans Analysis and Statistics (NCVAS), Office of the Actuary for the DVA Office of Policy and Planning, and the Department of Defense Office of the Actuary. Their models use actual Department of Defense data on military separations.

The Profile of Veterans: 2011 was issued in March 2013. It is indicative of ongoing trends with Veterans relative to the general population including:

- A much higher proportion of Veterans age 55+ and age 85+.
- A highly increasing older female Veteran population.
- Veterans having a higher proportion in management, public service, and professional occupations than the general population, and commensurately higher median earnings.
- A median age of 64 for male Veterans, and 49 for female Veterans.
- A projected total Veteran population of over 22 million nationwide, and almost fifty thousand in Vermont.

The value of the above information is that each element is a predictor of much higher utilization of sub-acute care, long term care, memory care, and senior living services. The key for the future needs assessment and projections will be to provide appropriate and realistic experiential nursing home utilization rates. In doing these projections, we will take into account the overall demographic characteristics, longevity and actuarial assumptions, general population characteristics, and special utilization disability factors for the Veteran population.

With that in mind, the following summarizes the March 2011 "Progress Report" that we provided for the VVH Strategic Planning Committee as follows:

- The profile of residents suggests that the Vermont Veterans' Home has a broader market potential than other Veterans' homes including not only Vermont Veterans, but also their spouses up to 25%, and Veterans from the Albany VA Hospital area where there is no Veterans' Home.
- The historical assumption at VVH (as noted in the then administrator's May 2010 report) was a "global downsizing trend" in admissions, residents, and beds.
- However, preliminary data from other Veterans' homes (3-5 years projected growth of 20%) and the National Center for Veterans Analysis and Statistics (no decline in very old Veterans over the next ten years and an increase in older women Veterans) suggests that VVH should maintain and increase census.
- Therefore, strategic directions should include the following:
 - Creating a higher census by marketing, referral source awareness, and education
 - Contracting with the Holyoke Soldiers Home which has a waiting list
 - Achieving financial viability in census improvement and cost control/revenue maximization
 - Initiatives including fund development, corporate restructure, and program and services

This "medium term" projection and strategic focus is still relevant for VVH. This was proven by our initiation of the "+10 campaign" in October 2010 that led to an increase in the daily census from 131 to over 150 in early 2011. This included creating a rapid admissions team, working with hospital discharge planners, and having a public educational announcement on Vermont

Public Radio indicating "The Vermont Veterans' Home in Bennington providing long term care, rehabilitation, and memory care for Veterans', their spouses, and Gold Star parents since 1884."

In our early interviews for the current study, we were informed that the current low census was due to "the World War II Veterans dying off". That was the same assumption made in 2010 without consideration of aging trends, longevity increases, and other statistical analyses indicating higher nursing home utilization rates for elements of the at-risk Veterans' population.

This time, using the relevant information provided less than two years ago, there should be a strong assurance that the lesson of being able to attain higher occupancy for the Vermont Veterans' Home by better management in the medium term is not lost once again. Current evidence of this is that the VVH census at the start of our study was 116 with all appearances of continuing to decline, while the census as of July 2 is 124 with the Deputy Administrator having set a target of 125 by July 1. Leadership matters.

As a prelude to our estimate of the long-term demand projections for VVH, please consider the following information:

- We have been making successful and accurate need and demand projections for many years in Vermont for assisted living, senior living, and nursing home levels of care.
- According to the Veterans Health Administration projections for 2012, New York State would have a 20% higher market share than Vermont. This has occurred in large part due to the very professional market and educational efforts of New York VA institutions such as our model Long Island State Veterans' Home which has a reported census of over 99%.
- New research continues to come out suggesting that Veterans are at higher risk for nursing home services. For example, a research report noted (July 1) indicated that in a study of Vietnam Veterans "The researchers found that those who had PTSD were more than twice as likely to have developed heart disease during the 13-year study."

- In the May 2004 VVH study by the Vermont State Auditor, it was determined through a telephone survey that "the Veterans' Home serves only about 20 percent of those Vermont veterans currently residing in nursing homes." Based upon recent efforts, it would appear that this low penetration rate is probably still near the mark.
- Our own summary outline of "Geriatric Research for Senior Men" indicates that "Several trends are apparent in the latest longevity numbers. One is a rapid narrowing in the gender gap as male mortality rates, especially for those 65 and older, have fallen far faster than female rates."
- The United Healthcare Foundation's "America's Health Ranking: 2013 Senior Report" ranks Vermont number two among the states in "34 different measures of senior wellness ranging from physical inactivity, obesity, health status, poverty, drug coverage, hospital readmission rates, and flu vaccinations". Vermont's senior Veterans will likely be living longer than Veterans in many other states.

According to a recent National Nursing Home Survey, 3.6% of seniors age 65+ are in nursing homes. At one time, this percentage was 6.1%. Despite the growth and aging of the senior population, home and community-based services (HCBS) alternatives have picked up the slack and nursing homes remain targeted for HCBS options, especially in Vermont. Nonetheless, there is a core senior population (and particularly Veterans with many special needs) for whom nursing home care will be required due to advanced age and disability, medically complex care, and related factors. The most current Veterans' Population Projections from the Office of the Actuary, Office of Policy and Planning, Department of Veterans Affairs, December 2012 indicates that there will be 20,193 age 65+ Veterans living in Vermont in ten years (2023). This is the endpoint of any reasonable long-term projections in our experience, given unknown future changes in longevity, morbidity, and related factors.

The projected Vermont Veterans bed need, based upon 3.6% of the projected 20,193 age 65+ cohort, is 727 beds. This would be close to full occupancy for VVH, even if the 20% market penetration determined in the 2004 study did not change. However, the education, marketing, and other strategic actions that we have proposed should result in a much higher penetration rate. Other State Veterans' Homes know that the value of the VA per diem payment, the recognition of

service, and the special care services and programs that the Veterans' homes provide are a significant asset in attracting Veterans to our facilities.

Adding 25% spouses to the projection above and perhaps another 20% for out-of-state Veterans, returning to Vermont, or being related to a Vermont resident, the minimum expected need and demand for Veterans' beds will be 1,054. There is also another significant factor. The Vermont Veterans' Home has two memory care neighborhoods comprising "Freedom Village". In our experience, there is an extraordinary need for these special care units.

Age 72 is the average age of onset for Alzheimer's disease and related dementias. While individuals may not present for care for a decade or more (depending upon the status of spouses, home caregivers, and other health conditions), it is a condition that will continue to push nursing home and residential care resident admissions.

There are no "silver bullets" on the horizon for Alzheimer's and related dementias, despite some pharmaceuticals which may slow progression in early to moderate stages. From a senior care planning viewpoint, dementias will remain a major source of admissions (directly or in concert with other conditions) for the foreseeable future.

Various studies cited by the Alzheimer's Association and the National Institutes of Health provide information on dementia incidence and prevalence rates including:

- ✓ 13% to 14% of seniors have some form of dementia. Approximately 70% of these individuals have Alzheimer's disease, with the remainder having vascular dementia or a similar condition.
- ✓ The number of seniors with Alzheimer's and other dementias is increasing every year because of the growth of the elder population due to aging-up and life expectancy increases.
- ✓ Studies of age-specific incidence rates have found no significant difference by gender. Women reaching the age of 65 have a 20% estimated lifetime risk of developing dementia vs. 17% for men. This is related primarily to higher average longevity for women.

To project the actual "market" or prevalence of Alzheimer's and other dementias, we use the age-specific incidence rates from the "East Boston Study". Newer estimates and other recent studies are similar to these findings.

This typically accounts for 13% of the total age 65+ population. If we take the ten year projected 65+ Veterans population of 20,193, subtract out the 727 in nursing homes, multiply the remainder by a 13% Alzheimer's prevalence rate, and then multiply this remaining number by the overall 3.6% nursing home utilization rate, we get an additional 91 Veterans who would need the specialized memory care services. Given the prior estimated ten year (2023) need and demand for Veterans' nursing home care, and adding the additional need and demand that might arise from the "Freedom Village" memory care services, the total projected need and demand for the year 2023 is 1,145 for the Vermont Veterans' Home.

In twenty years (2033), the Vietnam Veterans will be in their peak nursing home utilization years. As we mentioned previously, emerging research suggests a higher utilization level for this group. The overall total of age 65+ Veterans in Vermont is projected to be somewhat lower than in 2023 at 16,264. Nonetheless, the projected bed need will still be 586 beds using the prior methodology, and increasing to 850 with spouses and out-of-state Veterans. Actuarial projections often under estimate longevity increases and, therefore, we would anticipate a need for more than 850 beds.

Using the prior methodology for memory care bed need, we arrive at an additional bed need of 73. By combining the two figures, the resultant total Vermont Veterans' Home nursing home bed need increases to 923 beds in twenty years.

5. Current Fiscal Management Practices

The finance office staff appears competent in most day to day financial matters. However, as we discuss further on, they express a lack of guidance and response from the finance director who has not had previous experience in a facility of this type. Based on the 2014 budget submission, the finance director needs to improve his understanding of the state processes. This is confirmed by the Commissioner's office.

While several internal and external events have made the VVH financial environment difficult, the opportunity for a significant turnaround in revenue and expense clearly exists. Because such a

large proportion of the budget is devoted to human resources costs, the attainment of a surplus (or a reasonable loss) is not obtainable in the short term. It will take considerable protracted effort, and expert guidance based upon our experience.

In fact, results for FY 2013 and projected FY 2014 will be particularly unsatisfactory. Contributing factors include unacceptable surveys that restricted admissions, a resulting decline in census, several residents/families who refuse to pay, and an increase in the level of difficulty in obtaining Medicaid for New York and Vermont residents.

One particular shining light during the course of this study was that management (once again) found out that a declining census is not inevitable. Admissions and census appear to be making a turnaround.

Financial Results - Through April, VVH had a net loss of approximately \$3.5 million. At the current rate, it could be over \$4 million by year end. On a state budget basis, the loss may be near \$3 million. VVH has a negative cash balance of \$1.4 million as of April, and is losing cash at a rate of \$225,000 a month. Since FY 2012, accounts receivable have grown by \$220,000 even with a declining census and writing off \$600,000 of bad debt.

FY 2014 Budget - The current budget appears to be unobtainable. Census is the driving force in making the revenue budget, although there are other avenues of revenue maximization which we'll discuss. At a census of 120, the budget will be short by \$4.6 million. If VVH achieves an average census of 130, the shortfall would be \$3.4 million. This is in addition to the \$0.4 million in Global Commitment, and \$1.3 million in General Funds. Expense improvements could offset a portion (10 to 20%) of this shortfall.

Staffing Costs - There are many factors that contribute to staffing costs including budgeted positions, position vacancies, staff on administrative leave, workers compensation, annual and sick leave, and so forth. VVH's staffing is also compounded by the special training required for the secured memory care units. Nursing staff is more than adequate at the current census, although a poor scheduling model and lack of part time staff give staff the perception of being over-worked at times. It is only at or near the 150 census level that nursing hours of care falls to the 3.5 hours per

patient day target. At that level, scheduling would be particularly difficult, and staffing may have to be augmented.

Comparative Costs and Performance - The auditing firm provided comparative data from 32 Vermont nursing homes from the most recent cost reports. The data indicate that VVH has the lowest case mix of any home in the state, with a score of 0.8787 versus the state average of 1.0870. The nursing hours per day are the 5th highest in the state, and the total nursing hours of 4.9 hours per patient day is the highest in Bennington County. Please note, that this is different than the direct care hours per patient day. Nursing cost per day and health insurance per day are also the highest. Since the VVH census has declined since 2011, the spread between VVH and the other Vermont homes is probably increasing.

Case Mix - Case mix is an indicator of the amount of care required by VVH residents. It is also used in determining VVH's final reimbursement rate for Medicaid and also is an indicator of the likely Medicare rates. On a comparison day in May 2013, the average case mix was 0.8313. This is low by all reasonable standards. However, the score is driven down because 18 residents are in the PA1 category (0.45) and another 11 residents are in the BA1 category (0.53). In fact, if these low care residents were deleted, the average for this day would be a more competitive 0.96.

Accounts Receivable - As noted above, the accounts receivable has increased and is aging. As of May, accounts over 120 days represent over 50% of the \$3.2 million gross receivable. Net of the allowance for bad debt, the receivable is approximately \$0.5 million lower. The accounts receivable below 120 days appear to be aging at a normal rate, indicating that billing is appropriate. As expected, half of the over 120 day accounts receivable is private pay. Two are waiting for the sale of a home and a business, and therefore may be collectable. More worrisome is over a quarter of the over 120 day accounts are classified as Vermont Medicaid. Tightening of the recertification process is contributing to this. For example, families have been given less than two weeks to respond to inquiries or their case is closed. These issues were noted by VVH's auditors last year. They noted, "Significant effort should be given to working on collecting old balances that are building in accounts receivable and, at the same time, ensuring timely collection of current balances." Managing accounts receivable should be a priority. Staff needs to find ways to improve this process and aggressively seek positive solutions.

Summary - Defining and implementing a revenue and expense improvement plan, led by the finance director, may be a challenge. In our discussions, there seemed to be reluctance to take "ownership" of the financial status of VVH, preferring instead to defer to the state, and to the lack of control over staffing and benefits. The staff are clearly eager (finance staff and others who interact regularly with finance) for leadership and guidance in maximizing revenues and controlling expenses. At some point, the finance director's lack of experience in this venue will be an insufficient excuse for failing to have the knowledge, drive and leadership necessary to direct and assist the staff who wish to make improvements.

For now, it may take the use of outside consultants knowledgeable in nursing home and Veterans' home fiscal management to devise and implement a plan for revenue and expense improvement. Comments by staff members and our consultants show the gaps that exist. For example:

"The 2014 budget has increases for many line items. It does not appear that a rigorous budgeting process is in place that would require cost increase justification, and assist managers in finding savings."

"Staff was not displaying an aggressive approach to collecting the monies owed to the home, mainly stemming from being unaware of the steps and measures that can be taken to collect amounts due and to ensure that applications (Medicaid and VA benefits) are completed."

"It was identified that the Federal VA per diem was not being paid by the VAMC of jurisdiction for veterans who were ineligible for primary care services at the VAMC due to exceeding the income requirements. This was incorrect and we phoned the VA to share this with them. The VVH should be able to strongly market the facility to private paying veterans who are eligible for Nursing Home admission when they become aware that they will receive a \$97.07 per day credit. There is not an income requirement that would make the veteran ineligible to receive the VA nursing home per diem provided that the veteran meets the other criteria for admission."

"Medicare training is needed for the finance director. We should be maximizing our Medicare A and Medicare B reimbursements. He is unable or unwilling to give us any guidance or assistance."

"VVH is paying for so many things out of pocket that perhaps should be billable with VA prior approval. We bring it up to the finance director, but it just falls on deaf ears."

"We pay outside vendors an ungodly amount."

"We are not using the VA like we used to."

"We are not charging for many medical supplies that should be paid by the Veterans or their families."

"We are missing a great medical records person who, despite education, does not know how to code correctly for Medicare A. The top diagnosis for Medicare A cannot be dementia."

6. Current Staffing Levels

There were no indications of inadequate staffing, excessive call outs, and related issues in non-nursing departments. Because the primary area of concern (and cost) is nursing, we focused our attention there. There may well be areas for staffing and productivity improvements in administration, dietary, activities, maintenance, housekeeping, and so forth. But, we see any considerations in these areas (that appear to be operating without discord) to be marginal to the primary cost/benefit relative to nursing. The nursing department has the added responsibility and cost to maintain 24 hour staffing for 365 days a year.

Each of our consultants took an independent review of nursing staffing levels based upon Veterans' Home comparisons, industry comparisons, alternate census levels, case mix and acuity level comparisons, actual worked days, worked days tracking by VVH, call out levels, and so forth. There were no significant differences in our separate analyses and conclusions. The following summarizes these assessments.

- Using a Nursing Staff Analysis model that considers budgeted licensed staff, staff on workers compensation, position vacancies, net days (assumes 100% of annual vacation taken, 11 holidays, and 75% of sick days), the direct care nursing hours per patient day (NHPPD) by census levels come out as follows:

<u>Projected Census</u>	<u>Projected Actual Worked NHPPD</u>
150	3.53
140	3.78
130	4.07
120	4.41

Using this model, it is only at or near the 150 census level that nursing hours of care falls to the 3.5 hours target generally used in the industry. At that level, scheduling would be difficult and staffing should be augmented.

- Salaries and benefits as a combined total are over 70% of all budgeted expenses for VVH. However, since the census levels are lower than the budget census levels, the percentage is now over 80%. Approximately 75% of a nursing facility's costs relate to the cost of labor. The inability to adjust staffing levels to census levels is a major drawback for VVH.
- We compared VVH staffing levels to CMS 5 Star (much above average) staffing level ratings at the 150 budget census target. Reducing staffing levels to "5 Star" levels would result in a savings. A savings of approximately \$250,000 annually was calculated based on staffing for 150 residents.
- Comparing the VVH average salary and benefit costs to another State Veterans' Home in a high cost Northeast Region state, the average annual salary per full time equivalent (FTE) is 16% higher at VVH. The benefit costs are approximately double at VVH.
- A significant savings could be achieved by reducing the number of non-worked days. In comparing non-direct care staffing levels, VVH staffed some skilled positions that, based upon the size of the home, could possibly be filled by outside contractors. Also, VVH includes a high number of administrative positions.
- The most current CMS Nursing Home Profile for nursing staffing at VVH, with the lowest recent census level, indicated "Licensed Nurse Staff and CNA hours per resident per day" at 5.42. This compares with to 4.3 for the Vermont average. The previous CMS comparison at the higher census last year (144) showed VVH at 4.55 vs. 4.2 as the Vermont average.
- The finance office at VVH has tracked the nursing department "worked" staffing for 2012-2013. NHPPD stayed consistently above 3.6 hours except for July 2012. The NHPPD was 3.89 hours for April 2013. Also, there is "non-licensed" direct care nursing hours (Veterans' Care Assistants - VCAs) which brings the current NHPPD to 4.5 hours. In our experience, having VCA type positions is rare. These unlicensed staff may serve as hall monitors, for transport, and a variety of roles that do not require an LNA or licensed nurse. Having VCAs is a significant benefit to the direct care licensed staff, and to the Veterans.

- The highest "Nursing Call Out %" was 12.30% in January 2012. The current percentage is 8.90%. The Vermont Health Care Association did an informal survey of its members. The average reported call out percentages for Vermont nursing homes that responded to this survey was 2-3%. The higher call out percentage does have a significant impact on scheduling, finding last minute replacements, overtime costs, the number of direct care staff on the floor, and the incidence rates of mandatory overtime.

All of the above clearly establishes that the current staffing levels at VVH are sufficient. However, there are still concerns about staffing on certain neighborhoods (units), days, and shifts. In other cases, staff indicated that there may be "overstaffing", particularly on some of the units and during mid-week.

We find the staffing analysis complicated by the possible lower case mix scores that may be due to coding and documentation. We have used a firm quite successfully in Vermont that specializes in evaluating case mix and coding/documentation procedures, usually seeking to increase reimbursement rates that are based on case mix methodologies. A firm of this type could do an evaluation that may have the benefit of correcting the reported problems, and also increasing revenue.

Scheduling is a major challenge at VVH. Management is reluctant to change the current scheduling pattern because it was voted on by the staff representatives, who described it as "the lesser of evils". The scheduling pattern is particularly difficult on some categories of nursing staff that may end up working most weekends. This inflexibility is difficult. If management and VSEA can reach a more mature and reasonable operating accord, the scheduling issue should be revisited. VVH now has a nurse scheduler who has had previous experience in scheduling patterns. She believes that she could come up with a schedule (never perfect, always difficult) that would be more amenable and effective for all parties, and that may reduce the call out levels.

A major difficulty relative to cost and scheduling is the unusual procedure of having all full time staff. We have never seen this before. The standard is to have about an equal number of full time and part time staff. The advantages are obvious: The labor pool is increased since many nursing staff members may be only willing to work part time due to age or family circumstances. Some

staff may have other part time or full time positions, but may be able to cover the typically less attractive weekend, evening, and night shifts.

It is our understanding that VVH did have part time nursing staff at one time. Various explanations for eliminating part time nursing positions included mention of "Losing full time positions if they were only filled part time", "Benefit costs are higher", and so forth. Despite the reasons for going with all full time staff, this issue should be revisited. In our experience, the expanded labor pool with part time staff will make scheduling easier, replacing call outs easier, reduce benefit costs, reduce labor costs, and improve all around nursing staff morale.

To summarize, while the current staffing levels are sufficient by all indicators, a significant increase in census may require an adjustment in the staffing levels. Staffing is less productive and efficient due to the lack of part time staff that can fill "holes" in the schedule. In addition, the nurse consultants and the new professional scheduler should be able to devise a revised schedule that will "even out" staffing (now typically overstaffed mid-week), reduce required weekend coverage, and improve staff morale and productivity.

The terms "case mix" and "acuity" are typically interchangeable. Having a lower case mix suggests a lower acuity level and, thus, a reduced need for staff. However, we are concerned that the case mix scores may be too low due to "coding" and "documentation" issues. This can easily be evaluated and rectified, if needed, by a firm that specializes in this complex process. In addition, case mix is used by both Medicaid and Medicare payers to determine the level of reimbursement in a "blended" process. Improving the case mix scores, if appropriate, should benefit reimbursement and revenue.

Suggestions have been made that all management positions should be made exempt positions. In order to streamline and right size management and supervisory levels, this would be a practical expedient that we would endorse. However, such changes may require a change in the appropriate statute.

7. Alternative Governance and Management Structures

We considered three alternative successful models for State Veterans Homes (SVHs) within our Northeast Region of the National Association of State Veterans Homes (NASVH) that represents

the 140+ SVHs around the country. Because it is closest, and is considered a model around the country, we looked at the Long Island State Veterans Home. Next we considered the Charlotte Hall Veterans Home in Maryland because they are successful, and use an approach that appears to be growing with SVHs around the country. Finally, we looked at the Maine Veterans Homes because it is in Northern New England, is very successful and highly regarded among SVHs, and was considered as a model by the VVH Board back in 2009.

Long Island State Veterans Home (www.listateveteranshome.org)

Relative to operational results, the LISVH has a remarkable census of over 99%, compared to the March 2013 VVH census of 69%. It has a very aggressive marketing and Veterans education program, and focuses on admissions, finances, and new program development. It had the first VA approved Adult Day Health Program. The CEO is Fred Sganga, who is a dynamic past president of NASVH, and who offered to share his entire marketing and education program and materials with VVH with an on-site visit to VVH. LISVH is operated by the Health Sciences Center of Stony Brook University (part of the State University of New York system). This makes it one of the few SVHs that are fully integrated into the health and educational mission of a major teaching and research university. The LISVH has a 4 Star CMS rating (above average).

Their website stresses the advantages to Veterans of two special VA programs: the Federal Per Diem Payment program that "will reduce the daily rate for any veteran who is paying privately. The veteran will save over \$28,000 per year by taking advantage of this per diem program", and the Non-Service Connected Disability Pension Benefit – Aid and Attendance which "is a special exemption for single Veterans on Medicaid in State Veterans Home. This benefit is a needs-based pension benefit for low-income Veterans who are disabled and require daily assistance."

Charlotte Hall Veterans Home (www.charhall.org)

Charlotte Hall Veterans Home in Maryland operates at over 90% census, and has a 4 Star CMS rating. While it is under the Maryland Department of Veterans Affairs, it has been managed since 2001 by a management firm that specializes in only SVH management and consulting. The firm is HMR Veterans Services Inc. which we asked to assist us in this project because of their expertise. The state staff considers this management firm to be "very good". They manage a total of six SVHs in three states.

The outside management of State Veterans Homes appears to be a trend among the states. We are aware of at least four firms that manage SVHs, and we know that at least one state sent out a management contract RFP in the recent past. The advantage of a specialized and highly qualified firm is that they bring a knowledgeable and trained team to bear on running the operation in an acceptable and fiscally prudent manner according to established objectives. The alternative to direct management is a consulting arrangement based upon achieving specified results.

The Vermont Veterans' Home has past experience in using contract management firms. However, in the past, these have been used for a transitional period and have not been specialized in the operation and management of SVHs per se (to the best of our knowledge). For example, the Sub-Acute Management Corporation of America managed, or oversaw management, of VVH from March 1999 to March 2000.

Maine Veterans Homes (www.MaineVets.org)

We spent quite a lot of time researching and interacting with this most impressive organization. The CEO (Kelley Kash, a retired Air Force Colonel who is not a licensed nursing home administrator) is Northeast Regional Director for NASVH, and he and MVH are very highly regarded. Their operational metrics are as follows:

- Six licensed facilities averaging a 4 Star rating, 95% census, and considering expanding.
- More than 3x the number of beds as VVH, but with only about twice the population.
- Based upon their most recent IRS 990 form, they made an operating surplus of 4.9%.
- MVH is a no-cost operation for the state, and the investment fund was over \$28 million.

Mr. Kash and his general counsel hosted a meeting at their Augusta offices to review how they are structured, and how they operate. Attending from Vermont and VVH were the Commissioner of Human Resources, two VVH Board Officers, the Administrator, and the project consultants. The outline of the organizational structure is as follows:

- Created in July 1977 as "public not-for-profit" with a 501(c)(3) IRS tax exempt designation.
- Title 37B Chapter 11 is the governing statute.
- MVH runs entirely as a separate entity, but with Trustees appointed by the Governor.

- They are an "instrumentality" of the state with a "quasi-public" status.
- The employees participate in the Maine Public Employees Retirement System.
- They offer "rich benefits", and have had pay increases and bonuses for the past six years.

The MVH employees are not state employees. Apparently, at least one other state has made a "conversion to this model", and others are considering it. They are quite willing to assist Vermont in such a process. Their thoughts about an implementation process include:

- Establish a transition team and date.
- Draft the statute first.
- Proceed with education, modification, approvals, and implementation.

This presents us with three tested and viable models: operation under a state university medical teaching institution, or other state institution; a specialized management contract or consulting assistance; reorganization as a distinct non-for-profit entity as a "quasi-public state instrumentality." We don't offer an opinion at this time as to the way to proceed should alternate governance and management structures be considered. However, there are certainly advantages for the state and VVH in all three approaches, or some particularly Vermont hybrid.

In addition to the model governance and management alternative structures in the foregoing, we believe that we should mention two other possibilities: Direct state management, and closure.

Officially, there are four New York State Veterans' Homes. These are operated by the New York State Department of Health and (to the best of our knowledge) do not have separate Boards. The fifth "Veterans' Home" is our model Long Island State Veterans Home and is described by the NYDOH as "LISVH is not part of the Department of Health, but part of the State University of New York. LISVH works closely with the Veterans' Homes." LISVH is a model because of its innovative program and education results as distinct from a direct arm of state government.

The Soldiers' Home in Massachusetts "operates under the direction of the Executive Office of Health and Human Services. The Commandant is appointed by the Secretary with the approval of the Governor. A seven-member Advisory Board is appointed by the Governor." In general,

Veterans' Homes appear to be moving away from direct state management due to the added costs and complexities, and the desire to operate in a "business-like" manner.

Closure is a distinct, if unsavory, option. Indeed, last year, the Vermont Veterans' Home was just two days from being decertified under the CMS "Enforcement Cycle" previously mentioned. This would be a loss of all revenue (it is our understanding that any VA payments are contingent upon certification) and there is a strong possibility that the state would be economically forced to voluntarily close VVH.

The process to do this is fairly straightforward. The Licensing and Operating Rules for Nursing Homes, under section 2.8 Change in Status Necessitating Discharge or Transfer of Residents, indicates that "Whenever a licensee plans to discontinue all or part of its operation...the administrator shall notify the licensing agency and the State Long Term Care Ombudsman at least 90 days prior to the proposed date of change." The closure requirements continue "At least 60 days prior to the date of the planned change in status, the administrator shall provide the licensing agency and the State Long Term Care Ombudsman with a written transfer plan, subject to approval by the licensing agency."

We know of two such closures within the past year or so in Vermont. In the first, the facility was decertified. The owner voluntarily closed due to a lack of funds, although it is our understanding that the state licenses (administrator and facility) may otherwise have been rescinded. Currently, another facility chose to close (following a study by our firm) because there was no viable avenue to obtain long range financial viability. This facility is closing currently in a model process worked out with the state agencies, and with a well-planned communications and family/resident assistance process.

Even for a larger facility like VVH, there are plenty of surplus beds in nearby facilities to expedite a reasonable closure process. Other facilities are willing to fully cooperate because the "marginal revenue" from these new admissions will typically greatly improve their financial results.

One compounding factor for the Vermont Veterans' Home is the VA grant recapture requirement. The VA funded 65% of the Geo-Thermal and Facility Renovation project and, per 38 CFR 59, these funds may have to be repaid if VVH should close. It is also possible that some sort of

Agency or Congressional waiver could be sought since closure would likely save the VA considerable operational funding over the long range. The 20 year process for recapture decreases at a rate of 5% of the VA grant amount to be repaid per year.

Given its location in Bennington with close highway access, it is also possible that there would be a suitable buyer for the property and buildings. A likely re-use would be for senior living and assisted living, possibly with partners such as Southwestern Vermont Medical Center.

VVH is now in its second "Enforcement Cycle" within the year leading to possible decertification from Medicaid and Medicare. In the 34 year history of our firm, we have never experienced or heard of such a situation. Most organizations are fortunate to survive a first Enforcement Cycle, and then take drastic actions and investment to make sure that it does not happen again.

8. Summary and Recommendations

There are genuine concerns, even from the most devoted and committed staff, that must be addressed. Just having this opportunity to be heard, in a neutral venue, almost certainly was good for morale. There is plenty of goodwill to be built upon with this staff given real communications and real results.

There is a serious lack of support, perceived weakness or incompetence, in a number of key management areas. This needs to be fully evaluated, performance improvement opportunities provided, outcomes carefully measured, and appropriate actions taken based upon measurable "management by objectives" performance improvement.

The Deputy Administrator is profoundly and universally respected. This leads us to believe that he may be the foundation upon which to re-direct the Vermont Veterans' Home into a financially viable, stable, organizationally mature, productive, and highly rated successful organization.

VSEA certainly had many genuine concerns as expressed by the staff members. The methods, however, may well be questionable – and possibly damaging – for the organization. Management may have over-responded as a result, further creating a polarized environment. In any case, a "cooling off" or "grace period" will be needed to allow clear and concrete improvements to go forward, on the part of both VSEA and management.

The big issue for VVH is in the "processes" area. There seem to be various levels of knowledge of specific policies, a sense of a lack of communication, a variety of management and supervisory levels (mainly nursing) that have uncertain information and responsibilities. We believe that VVH will greatly benefit from more simplified and functional organizational and governance structures.

Of particular interest is the Pinnacle Quality Insight "Customer Satisfaction" report. The most recent report (April) indicated that the Customer Satisfaction Scores are higher in virtually every area compared to the "national" and "best in class" comparison benchmarks. "Overall Satisfaction" was a 4.78 out of a possible 5.00, and "Nursing" was 4.94. Resident and family satisfaction seems to remain very positive overall, and this is measured in part by admissions with a net of at least eight net new admissions during the course of this study.

We were able to review the Profile of Veterans: 2011 issued this March. Highlights included veterans having a higher proportion in management, public service, and professional occupations than the general population, and commensurately higher median earnings. The value of such information is that each element is a predictor of much higher utilization of sub-acute care, long term care, memory care, and senior living services by Veterans.

New research continues to come out suggesting that Veterans are at higher risk for nursing home services. For example, a July 1 research report indicated that in a study of Vietnam Veterans "The researchers found that those who had PTSD were more than twice as likely to have developed heart disease during the 13-year study."

In the May 2004 VVH study by the Vermont State Auditor, it was determined through a telephone survey that "the Veterans' Home serves only about 20 percent of those Vermont veterans currently residing in nursing homes." Based upon recent admissions efforts, it would appear that this low penetration rate is probably still near the mark, and is an area for improvement.

The United Healthcare Foundation's "America's Health Ranking: 2013 Senior Report" ranks Vermont number two among the states in "34 different measures of senior wellness ranging from physical inactivity, obesity, health status, poverty, drug coverage, hospital readmission rates, and flu vaccinations". Vermont's senior Veterans will likely be living longer than Veterans in many other states, and ultimately requiring more services from the Vermont Veterans' Home.

According to recent projections made by the U.S. Department of Veterans Affairs, there will be an estimated 20,193 age 65+ Veterans living in Vermont in ten years (2023). Considering likely nursing home utilization rates, up to 25% Veterans spouses, up to 20% out-of-state Veterans, and a special demand for memory care services provided at VVH, the total projected nursing home need and demand for the year 2023 is 1,145.

In twenty years (2033), the Vietnam Veterans will be in their peak nursing home utilization years. Emerging research suggests a higher utilization level for this group. The overall total of age 65+ Veterans in Vermont is projected to be somewhat lower than in 2023 at 16,264. The resultant total Vermont Veterans' Home nursing home bed need and demand is estimated to be 923 in twenty years.

The finance office staff appears competent in most day to day financial matters. However, they express a lack of guidance and response from the finance director who has not had previous experience in a facility of this type. Based on the 2014 budget submission, the finance director needs to improve his understanding of the state processes.

While several internal and external events have made the VVH financial environment difficult, the opportunity for a significant turnaround in revenue and expense clearly exists. Because such a large proportion of the budget is devoted to human resources costs, the attainment of a surplus (or a reasonable loss) is not obtainable in the short term. It will take considerable protracted effort, and expert guidance, based upon our experience. For now, it may take the use of outside consultants knowledgeable in nursing home and Veterans' home fiscal management to devise and implement a plan for revenue and expense improvement.

All of our analysis clearly establishes that the current staffing levels at VVH are sufficient. However, there are still concerns about staffing on certain neighborhoods (units), days, and shifts. In other cases, staff indicated that there may be "overstaffing", particularly on some of the units and during mid-week.

Scheduling is a major challenge at VVH. Management is reluctant to change the current scheduling pattern because it was voted on by the staff representatives, who described it as "the lesser of evils". The scheduling pattern is particularly difficult on some categories of nursing staff that may end up working most weekends. This inflexibility is difficult. If management and VSEA can reach a more mature and reasonable operating accord, the scheduling issue should be revisited.

A major difficulty relative to cost and scheduling is the unusual procedure of having all full time staff. We have never seen this before. The standard is to have about an equal number of full time and part time staff. The advantages are obvious: The labor pool is increased since many nursing staff members may be only willing to work part time due to age or family circumstances. Some staff may have other part time or full time positions, but may be able to cover the typically less attractive weekend, evening, and night shifts. The issue of part time staff should be revisited.

We considered three alternative successful governance and management models for State Veterans Homes (SVHs) within our Northeast Region of the National Association of State Veterans Homes (NASVH) that represents the 140+ SVHs around the country. Because it is closest, and is considered a model around the country, we looked at the Long Island State Veterans Home. Next we considered the Charlotte Hall Veterans Home in Maryland because they are successful, and use an approach that appears to be growing with SVHs around the country. Finally, we looked at the Maine Veterans Homes because it is in Northern New England, is very successful and highly regarded among SVHs, and was considered as a model by the VVH Board back in 2009.

This presented us with three tested and viable models: operation under a state university medical teaching institution, or other state institution; a specialized management contract or consulting assistance; reorganization as a distinct non-for-profit entity as a "quasi-public state instrumentality." We don't offer an opinion at this time as to the way to proceed should alternate governance and management structures be considered. However, there are certainly advantages for the state and VVH in all three approaches, or some particularly Vermont hybrid.

With the foregoing in mind, the following are our recommendations:

1. Replace the Deputy Administrator position with a Chief Executive Officer position. The CEO should become a member of the Board. This is a corporate model that recognizes that policy and implementation leadership must be integrated in a complex organization. It would allow the Licensed Administrator to focus on code compliance, survey preparation, regulatory and legal requirements, and related matters. The current Deputy Administrator would be highly suitable for this position. He is a highly regarded retired Marine officer, gifted leader, and educator whose addition already has made a notable mark on the Vermont Veterans' Home. In our opinion, this cannot happen quickly enough given the somewhat fragile current state of the Home. A fast track learning process has been offered by VHCA and NASVH. In our experience, mid-career changers into this field learn quickly and provide much added value due to their other career experiences.

It is increasingly common for health care organizations to combine Board and CEO positions. Such a move reflects the complexities of organizations that require Board members having ready guidance to policy formation expertise, and then being able to ensure that these policies are fulfilled by management processes that fully "buy-in" to and integrate with the policies, with the full responsibility and accountability for the change. This often happens best with a full time chief executive who is both a board member and leader, and the staff and management leader.

In Vermont, an example of this approach is Central Vermont Medical Center. The President and CEO is also a member of the Board of Trustees, and serves on the Executive, Governance and Human Resources, Finance and Audit, Medical Staff Executive, Quality Council, and Risk Management Committees. Another example is the Vermont Association of Hospitals and Health Systems. The VAHHS Board includes the following members: "The hospital CEOs of our member institutions as well as four hospital and health system trustees, and the president of VAHHS."

2. Possibly in concert with the position modification above, consideration should be given to using specialized management consultants to help devise and implement the turnaround plan of the new Chief Executive Officer. We foresee a significant financial and

organizational turnaround, but not in the very short term or without some initial investment given the state of the Vermont Veterans' Home currently.

3. In order to provide a more rational and business-like organization, senior management positions at the Vermont Veterans' Home should be made exempt to enhance accountability, flexibility, and management responsiveness.
4. The organizational turnaround plan to be directed and coordinated by the CEO and the specialized management consultants should include at least the following elements:
 - Assurance of continued improvement in the survey and compliance process and results.
 - Continued progress in admissions, marketing, education, and overall census.
 - Specific improvement work plans for senior managers as needed, with measurable results and actions. This would include administration, nursing and finance.
 - Improvements in nursing, in particular, including revisiting the scheduling pattern, use of part time staff, supervisory structure, communications, support to the line staff, and so forth.
 - Improving overall communications and relations between management and staff members.
 - Developing a sustainable long range plan for the organization.
5. Proceed with a transition team and plan to permanently reorganize the governance model of the Vermont Veterans' Home to support a sustainable well-functioning organization. The Maine Veterans Homes model appears to provide the most long range benefit of the models considered. Otherwise, long range contract management should be considered with discussions and a request for proposal from pre-qualified firms with both Veterans home and nursing home expertise and a positive track record and results.

Given the critical financial, census, and federal enforcement circumstances of the Vermont Veterans Home, the immediate short term steps could be as follows: Create a CEO and Board position "leader" with the tools and mandate to retain suitable consultants, and create and implement a turnaround plan; and/or retain a qualified contract management firm to provide a team to manage the organization and the turnaround process. Once this was reasonably accomplished or underway, proceeding with a transition team to implement the management and governance reorganization as proposed in recommendation #4 would be a longer range and more permanent solution to achieve organizational stability and viability.

Although there are plenty of areas for improvement and growth at the Vermont Veterans' Home as identified by the consultants and during the course of the interviews, signs of management progress have emerged in the course of this study. These include the Administrator having hired a Deputy Administrator whose leadership style and ability are a very good fit for VVH at this point in time, census being on the increase during the study, and customer satisfaction has been improving quarter by quarter with a very favorable current result.

ATTACHMENT A: SPECIFICATIONS OF WORK TO BE PERFORMED

The contractor will perform work consistent with 2013, No. 1, § 53; One-time Vermont Veterans' Home Management Review Appropriation.

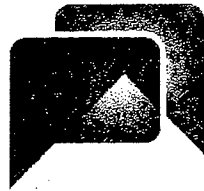
Elements of this review will include:

1. An independent review of the management and operations of the Vermont Veterans' Home.
 - a. To complete this review the contractor will perform the following tasks:
 - i. A planning meeting with the Secretary of Administration
 - ii. Interviews with available Vermont Veterans' Home staff and board members to gain an understanding of the current working environment and areas of potential operational improvement;
 - iii. Review relevant documentation related to state and Vermont Veterans' Home policies and processes;
 - iv. Research projected medium-and-long-term demand for services and implications for the service mission of the Vermont Veterans' Home;
 - v. Review current fiscal management practices, including knowledge of and compliance with State internal financial policies, procedures and practices;
 - vi. Review and assess the current staffing levels;
 - vii. Research and review alternative governance structures.
 - viii. Review other issues relevant to the successful administration of the Vermont Veterans' Home.
2. The contractor will develop a concise written summary report including recommendations addressing the results of the independent review topics outlined above.
3. The contractor will deliver a draft of the report to the Secretary of Administration on or before July 15, 2013, with the final document to be delivered on July 31, 2013.

In addition to the review the contractor will:

1. Undertake related professional activities as needed and appropriate.
2. Present review findings in up to two presentations to be scheduled by the Secretary of Administration on or before October 30, 2013

The period of the contractor's performance shall begin on May 1, 2013, and conclude no later than October 30, 2013.



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HIPAA PROTECTED DATA

This document contains confidential information, protected by law, regarding recipients of health care services. This information is being provided as permitted under HIPAA regulations and provisions governing treatment, payment, and operations. If you are not authorized to view HIPAA-sensitive data pertaining to **VERMONT VETERANS HOME**, do not read, distribute, or reproduce this document or the information it contains. If you have received this document in error, please destroy it.



VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: I chose Vermont Veterans mainly because they have different levels of dementia care, and many other centers don't.

How often do/did you visit/contact? He is an hours drive away so I visit once a week and call once a week.

Areas Appreciated:

I really appreciate the compassion and understanding of the staff. They treat everybody like individuals and like they are human.

Recommended Improvements:

Nothing noted.

Ratings:

Clarifiers:

Overall Satisfaction:	5	
Nursing Care:	5	
Dining Service:	5	
Quality of Food:	5	He has to be fed and the food is pureed but there is a good variety.
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	5	He always has clean clothes on and looks well-cared for.
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	I have recommended them to many other people.
Recreational Activities:	4	He has no mobility so I'm not sure how much he does.
Professional Therapy Services:	4	I believe he has had some therapy periodically.
Admission Process:	5	
Overall Safety:	5	

What is valued most?

Most important is that he is content.



VERMONT VETERANS HOME

DISCHARGE

Name: \

Person Contacted: /

Placement / Discharge Reason: Number one, he is a veteran, number two, after we Googled on line we liked the looks of the place, and number three, they had a bed open. / Expired.

How often do/did you visit/contact? I visited two or three times a week.

Areas Appreciated:

The staff were so good. They were overworked and understaffed but they did so much for the residents.

They had a Namaste Room, that was wonderful.

Recommended Improvements:

Very few things could be better but sometimes they were understaffed.

Ratings:

Clarifiers:

Overall Satisfaction:	4.5	
Nursing Care:	5	
Dining Service:	5	They had feeders to help the residents and they did a good job.
Quality of Food:	4	I was usually there for lunch time and it was always very good, except for once or twice.
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	4.5	He was always in clean clothes.
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	I will recommend them to anyone, always. The grounds are beautiful, it's spacious and he enjoyed the fish pond.
Recreational Activities:	5	
Professional Therapy Services:	NS	He wasn't able to do therapy. They might have been able to do more at just moving him around.
Admission Process:	4	
Overall Safety:	5	
Adjustment to Home:	NA	



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VERMONT VETERANS HOME

DISCHARGE

Name:

Person Contacted:

What is valued most?

It was important that he was kept clean and comfortable.



CUSTOMER SATISFACTION

Feedback Interviews

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VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: She had been in Vermont Veterans Home before and wanted to go back after being in a center near me in Pennsylvania.

How often do/did you visit/contact? We talk every day and I visit when I can. My sister lives near her and visits every other day.

Areas Appreciated:

The care is wonderful.

I appreciate that there are no odors.

Recommended Improvements:

Nothing noted.

Ratings:

Clarifiers:

Overall Satisfaction:	5	
Nursing Care:	5	
Dining Service:	5	
Quality of Food:	4	
Cleanliness:	5	
Individual Needs:	4	
Laundry Service:	5	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	I have already recommended them to others.
Recreational Activities:	4	They don't have as many activities as where she was before.
Professional Therapy Services:	5	
Admission Process:	5	It was easy because they transferred her.
Overall Safety:	NS	I can't rate that; I'm not sure.

What is valued most?

It's important to me that she gets attention when she needs it and is comfortable.



VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: He is a veteran.

How often do/did you visit/contact? I visit him once a month or more.

Areas Appreciated:

It's very good and it was impossible for him to get appreciated care in his home. He went to VVH for rehab and they provide meals and activities. He has gained weight and is doing very well.

They are so good to call me for anything.

Recommended Improvements:

His room and closet are very messy. There are always diapers and supplies on the window sill, and nothing is put away very good.

Ratings:

Clarifiers:

Overall Satisfaction:	4.5	
Nursing Care:	4.5	His primary nurse I would rate a five. Some other nurses are new and not as good as previous nurses.
Dining Service:	5	
Quality of Food:	5	
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	3.5	His clothes could be folded and they should be hung on hangers.
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	If I were a veteran that's where I would want to go, they are top of the list.
Recreational Activities:	4.5	
Professional Therapy Services:	5	He isn't able to do therapy now.
Admission Process:	5	It was quick and easy.
Overall Safety:	5	



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CURRENT RESIDENT

Name: _____

Person Contacted: _____

What is valued most?

It's important that if they are caring for him the way I would want a parent to be cared for, I would look at the cleanliness, food and his ability to eat. I would want him to participate in the quality of life he would be able to handle at this stage in his life.



VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: He is a veteran.

How often do/did you visit/contact? I visit him every day.

Areas Appreciated:

I really love the girls that work there, they are excellent to him and to me.

Recommended Improvements:

Not really.

Ratings:

Clarifiers:

Overall Satisfaction:	5	
Nursing Care:	5	
Dining Service:	5	
Quality of Food:	4	He is very fussy but anything he wants, they give him.
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	5	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	I would definitely recommend them.
Recreational Activities:	5	
Professional Therapy Services:	NS	No, he doesn't have therapy.
Admission Process:	NS	I didn't do the admission.
Overall Safety:	5	

What is valued most?

It's important that when I leave they take good care of him and are keeping him content.



VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: Dad is a veteran and they have very good ratings.

How often do/did you visit/contact? I visit once every two weeks.

Areas Appreciated:

They are happy, clean and they receive good care.

Recommended Improvements:

Nothing noted.

Ratings:

Clarifiers:

Overall Satisfaction:	5	
Nursing Care:	5	
Dining Service:	5	
Quality of Food:	4	
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	5	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	It's a nice place.
Recreational Activities:	5	
Professional Therapy Services:	5	Both are receiving physical therapy.
Admission Process:	5	
Overall Safety:	5	

What is valued most?

Most important to me is that they are safe and well-cared for.



VERMONT VETERANS HOME

CURRENT RESIDENT

Name:

Person Contacted:

Placement / Discharge Reason: Bill is a veteran so we chose Vermont Veterans Home for their care.

How often do/did you visit/contact? I talk to them three times a week and visit them twice a week.

Areas Appreciated:

They are giving my mother really good care. When she went in she wasn't able to walk at all and she had a hole in her foot. She is now walking with a walker and doing great.

Recommended Improvements:

Nothing noted.

Ratings:

Clarifiers:

Overall Satisfaction:	5	
Nursing Care:	5	
Dining Service:	5	
Quality of Food:	4	Sometimes they aren't real happy with the meal but nothing specific.
Cleanliness:	5	
Individual Needs:	5	
Laundry Service:	5	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	They give great care, it's very clean and they are very concerned with the residents' needs.
Recreational Activities:	5	
Professional Therapy Services:	5	They are given therapy whenever they need it. I think Bill may be getting some still but Mom has finished for now.
Admission Process:	5	
Overall Safety:	5	

What is valued most?

It's important to me for the staff to meet their needs, and keep them fed and clean.



VERMONT VETERANS HOME

DISCHARGE

Name:

Person Contacted:

Placement / Discharge Reason: He was a veteran, but more important they were chosen because of other friends and family that have had positive experiences that we have known about. / Expired.

How often do/did you visit/contact? I visited him once a week.

Areas Appreciated:

I appreciated the care.

The nurses would call me regularly and tell me the jokes he would tell them because he was such a character and kept them laughing. One of the nurses even stayed with him while he was passing and held his hand.

Recommended Improvements:

I will recommend that they make sure the nurses know how appreciated they are for what they do.

Ratings:

Clarifiers:

Overall Satisfaction:	5	Excellent!
Nursing Care:	5	
Dining Service:	4	
Quality of Food:	4	He loved the food.
Cleanliness:	5	
Individual Needs:	5	His needs were met 100%.
Laundry Service:	4	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	Very much so, I would say the dignity they treat their residents with is impressive.
Recreational Activities:	5	Everybody was different and they treated them with whatever their individual needs were.
Professional Therapy Services:	5	I didn't see a lot of therapy, but it had to have been doing something to help him for five years, he still remained a happy character.
Admission Process:	5	
Overall Safety:	5	



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Feedback Interviews

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VERMONT VETERANS HOME

DISCHARGE

Name:

Person Contacted:

Adjustment to Home:

NA

What is valued most?

It's important that he was provided so many very positive things, but they provided hope and a very optimistic future day to day, a good life.



VERMONT VETERANS HOME

ANONYMOUS

Name:

Person Contacted:

Placement / Discharge Reason: (The resident) is a veteran and Vermont Veterans had the only bed available.

How often do/did you visit/contact? I visit five days a week.

Areas Appreciated:

I most appreciate the staff.

Recommended Improvements:

The food could be better. They have hired a new cook and are making new menus, different variety and maybe less chicken.

Ratings:

Clarifiers:

Overall Satisfaction:	4	
Nursing Care:	5	
Dining Service:	4	
Quality of Food:	2	See Recommended Improvements.
Cleanliness:	5	
Individual Needs:	4	
Laundry Service:	5	
Communication from Facility:	5	
Response to Problems:	5	
Treatment/Dignity/Respect:	5	
Recommend Facility to Others:	5	I would say that the food isn't the greatest.
Recreational Activities:	5	
Professional Therapy Services:	NS	(The resident) doesn't receive therapy.
Admission Process:	NS	It's hard to remember.
Overall Safety:	5	

What is valued most?

It's important for me to know that (the resident) is responded to promptly.



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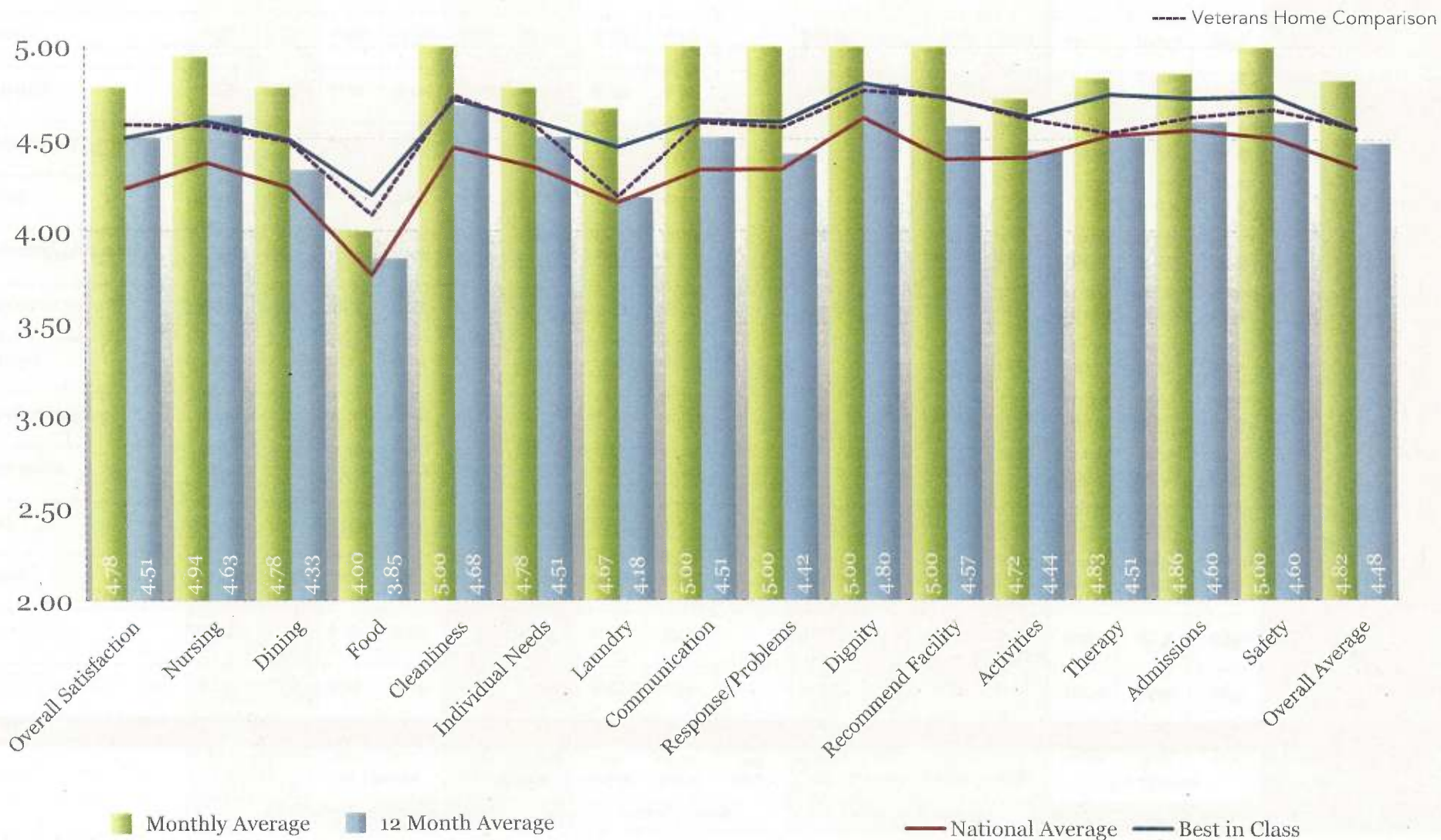
CUSTOMER SATISFACTION

Trends and Comparisons

April 2013

VERMONT VETERANS HOME

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DASHBOARD - VERMONT VETERANS HOME

The following report displays the average score for the last month, last 3 months, and last 12 months. The variance shows the difference from the Pinnacle Average. The National Average, Best in Class Level and Company Average (if applicable) are listed for comparative purposes. The quarterly scores are rolling quarters. The arrows indicate if the recent quarter is above or below the average of the previous three quarters. The report also shows the percentages of positive responses (4s and 5s) and negative responses (1s and 2s).

KEY INDICATOR	Customer Satisfaction Scores						Comparisons			Quarterly Scores				Response Percentages					
	Apr 13		Last 3 Months		Last 12 Months		National AVG	Best in Class	Corp. AVG	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Top 2 Satisfied			Bottom 2 Dissatisfied		
	AVG	Variance	AVG	Variance	AVG	Variance								Month	QTR	Year	Month	QTR	Year
Overall Satisfaction	4.78	0.55	4.61	0.38	4.51	0.28	4.23	4.51	-	↑ 4.61	4.49	4.50	4.46	100%	96%	92%	0%	0%	2%
Nursing	4.94	0.58	4.72	0.35	4.63	0.26	4.37	4.60	-	↑ 4.72	4.66	4.57	4.58	100%	93%	93%	0%	0%	0%
Dining	4.78	0.55	4.40	0.17	4.33	0.10	4.23	4.50	-	↑ 4.40	4.26	4.36	4.32	100%	92%	94%	0%	0%	2%
Food	4.00	0.24	3.89	0.13	3.85	0.09	3.76	4.20	-	↑ 3.89	3.88	3.75	3.89	89%	67%	67%	11%	7%	8%
Cleanliness	5.00	0.55	4.69	0.23	4.68	0.23	4.45	4.72	-	↑ 4.69	4.85	4.63	4.56	100%	89%	97%	0%	0%	0%
Individual Needs	4.78	0.43	4.59	0.25	4.51	0.17	4.34	4.60	-	↑ 4.59	4.61	4.47	4.39	100%	93%	94%	0%	0%	0%
Laundry	4.67	0.51	4.37	0.21	4.18	0.03	4.15	4.46	-	↑ 4.37	4.12	4.18	4.10	89%	88%	87%	0%	4%	6%
Communication	5.00	0.67	4.65	0.32	4.51	0.18	4.33	4.61	-	↑ 4.65	4.55	4.44	4.43	100%	93%	93%	0%	0%	1%
Response/Problems	5.00	0.67	4.39	0.05	4.42	0.09	4.33	4.60	-	↓ 4.39	4.47	4.40	4.41	100%	81%	88%	0%	0%	3%
Dignity	5.00	0.38	4.89	0.27	4.80	0.18	4.62	4.81	-	↑ 4.89	4.82	4.74	4.76	100%	100%	97%	0%	0%	0%
Recommend Facility	5.00	0.61	4.63	0.24	4.57	0.18	4.39	4.73	-	↑ 4.63	4.65	4.49	4.53	100%	93%	93%	0%	4%	3%
Activities	4.72	0.32	4.44	0.04	4.44	0.04	4.40	4.63	-	↑ 4.44	4.36	4.45	4.52	100%	88%	92%	0%	4%	3%
Therapy	4.83	0.31	4.50	-0.02	4.51	-0.01	4.52	4.75	-	↓ 4.50	4.68	4.33	4.60	100%	100%	92%	0%	0%	1%
Admissions	4.86	0.31	4.62	0.07	4.60	0.05	4.55	4.73	-	↑ 4.62	4.62	4.53	4.63	100%	100%	97%	0%	0%	1%
Safety	5.00	0.49	4.67	0.17	4.60	0.09	4.51	4.74	-	↑ 4.67	4.59	4.54	4.59	100%	96%	95%	0%	0%	1%
Overall Average	4.82	0.47	4.54	0.19	4.48	0.13	4.35	4.56	-	↑ 4.54	4.51	4.44	4.45	0%	0%	0%	0%	0%	0%

Congratulations, the Key Indicators bolded blue have qualified as Best in Class.



CUSTOMER SATISFACTION

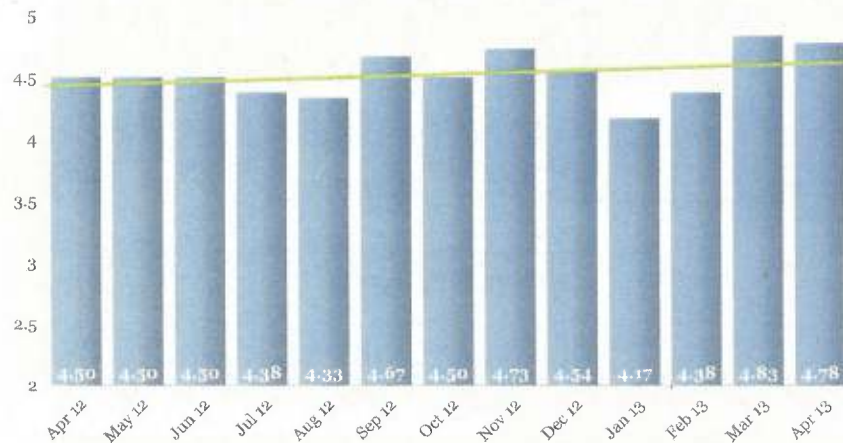
Monthly Trends

April 2013

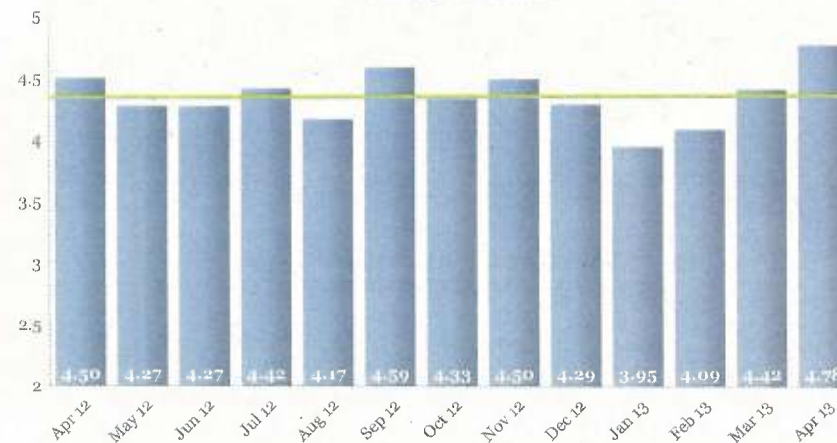
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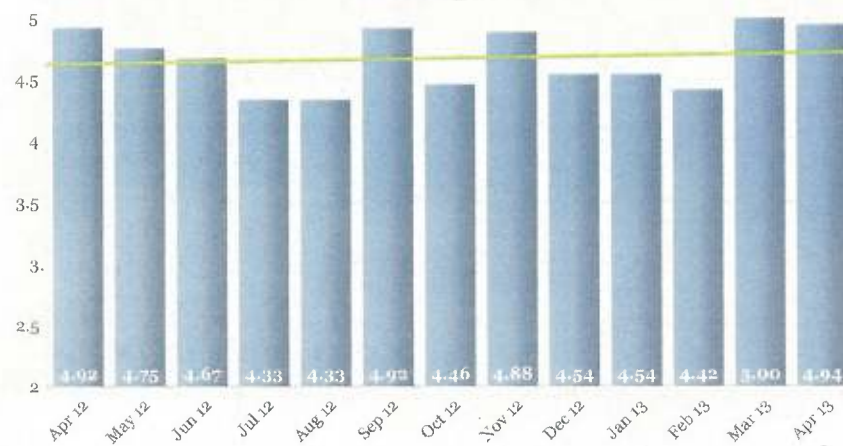
Overall Customer Satisfaction



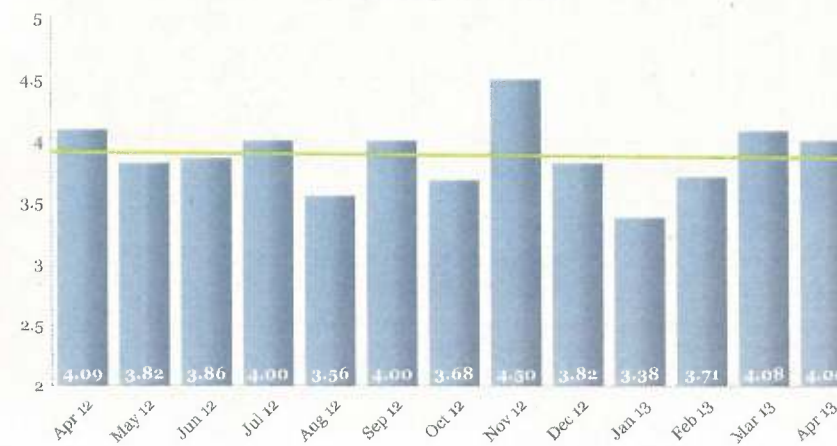
Dining Service



Nursing Care



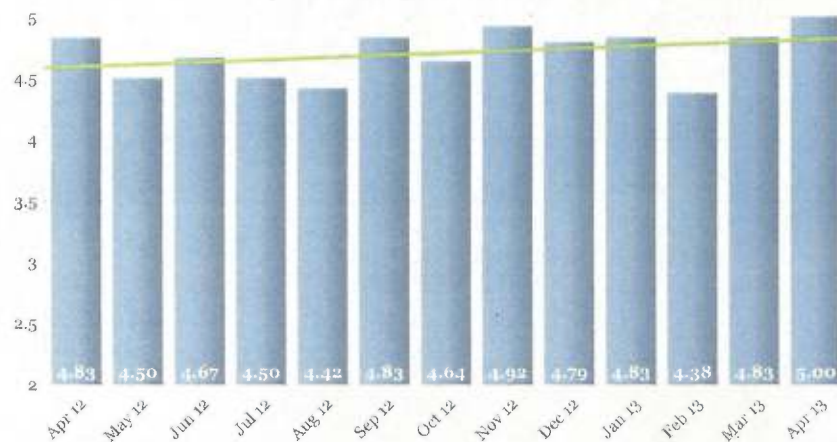
Quality of Food



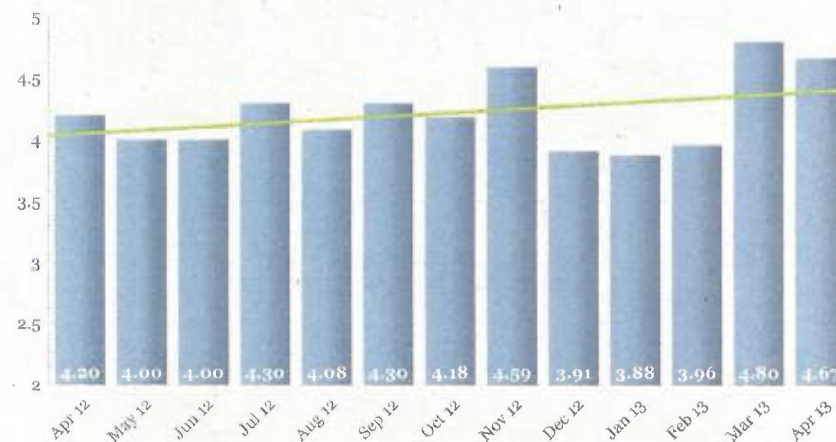
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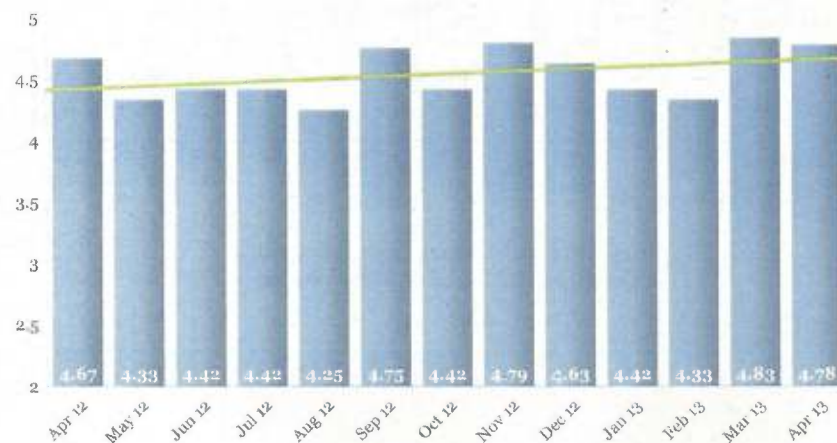
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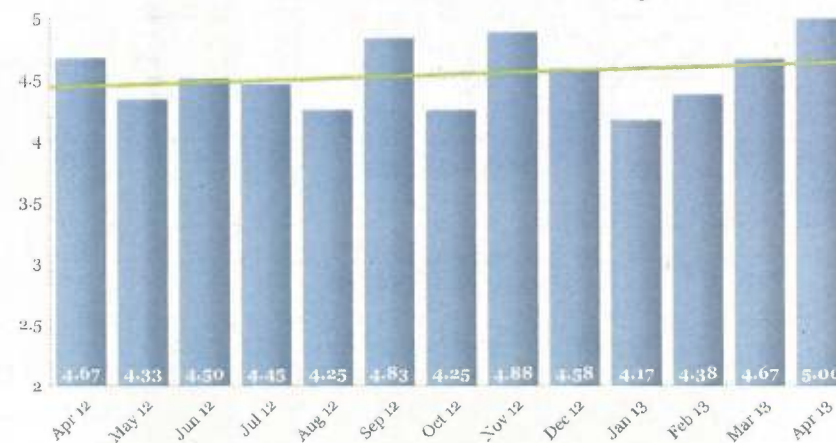
Laundry Service



Individual Needs



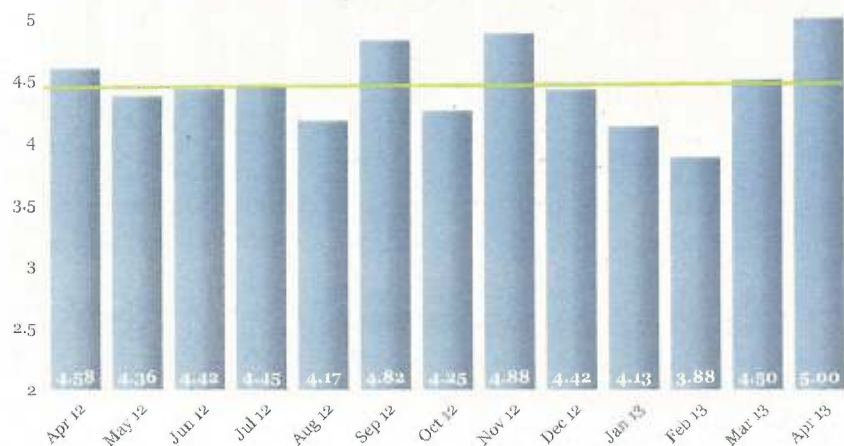
Communication from Facility



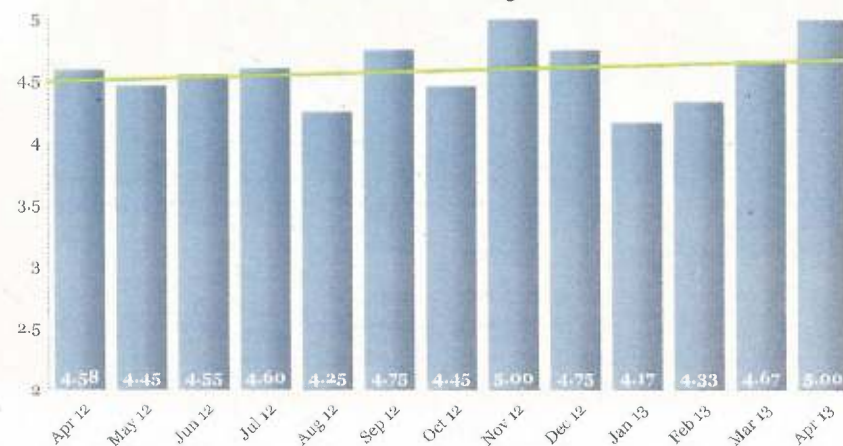
VERMONT VETERANS HOME

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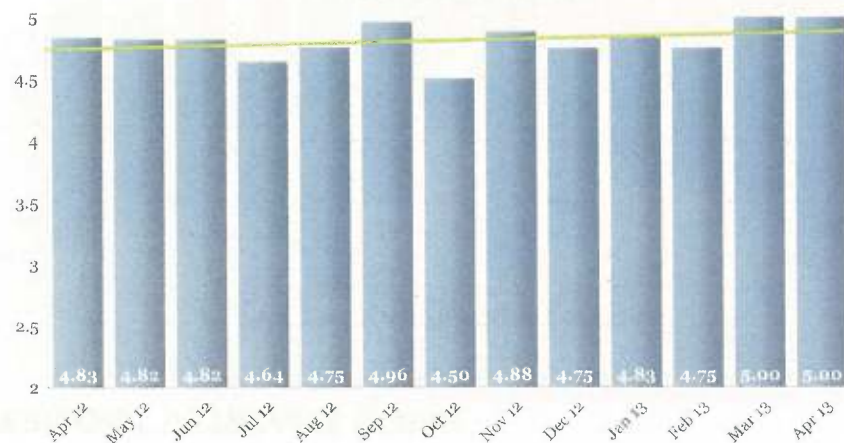
Response to Problems



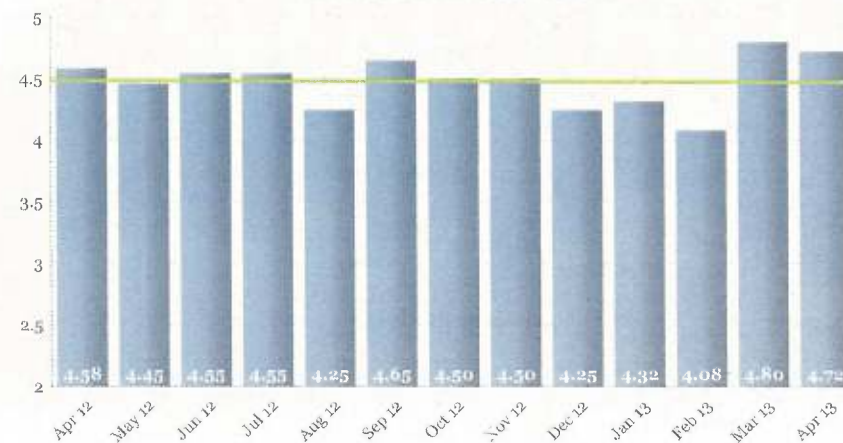
Recommend Facility to Others



Treatment/Dignity



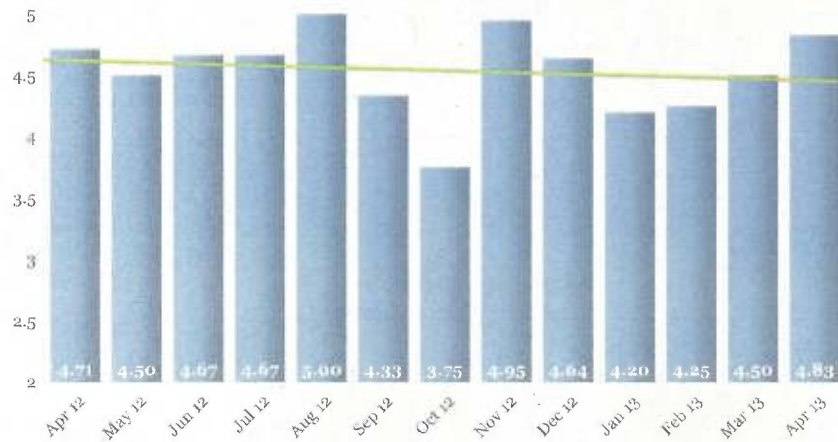
Recreational Activities



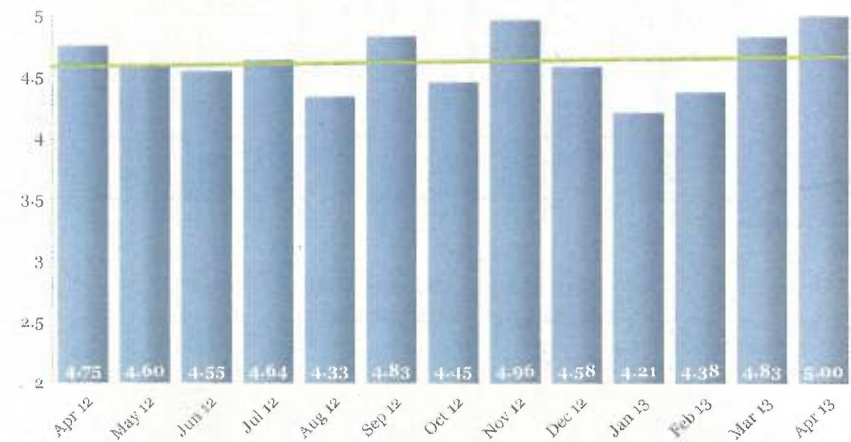
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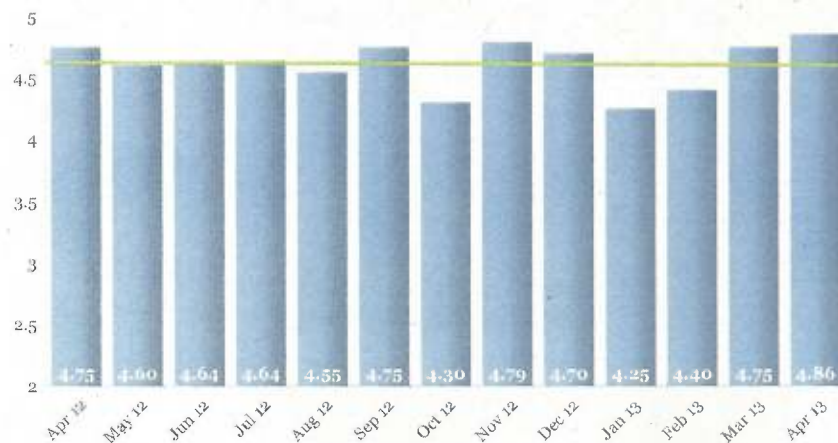
Professional Therapy Services



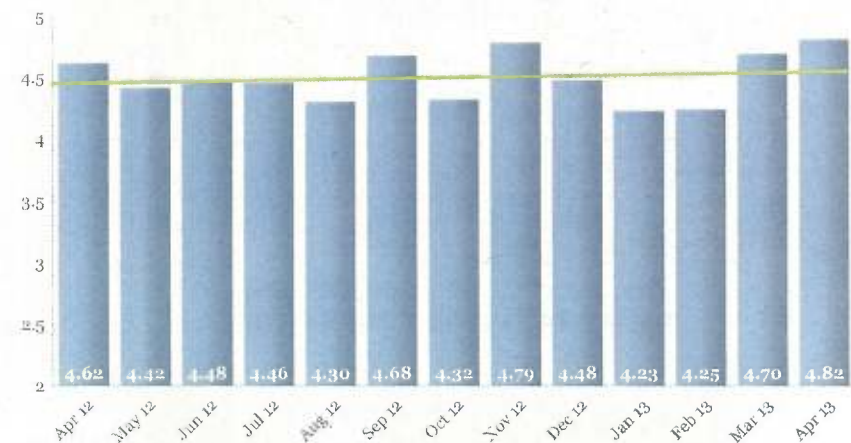
Overall Safety



Admission Process



Overall Average



MEMORANDUM

To: Joint Fiscal Committee
From: DCF Commissioner Dave Yacovone
Date: 6 August 2013
Re: General Assistance Emergency Housing Rule Update and Investments in Prevention

I have been asked to provide an update on the General Assistance Emergency Housing Program. The current situation is best described as one of transition. Last year's expenditure in emergency housing (i.e. motels) was viewed by both the legislature and the administration as unacceptable and unsustainable. DCF has made new GA investments that are believed to reduce the pressures on the emergency housing program.

Limiting Motel Expenditures to \$1.5 million

With a legislatively mandated limit of \$1.5 million for the GA emergency housing program, a temporary rule was filed on August 1st 2013 laying out four population categories who present especially high health and safety risks. The emergency rule grants categorical eligibility for each of these populations. These categories include households with: a) children under age six, b) elderly (over age 65), c) a person on SSI or SSDI, and d) pregnant women in their third trimester.

For households not within these four "vulnerable population" categories, some may qualify for emergency housing if they have enough other risk factors, as identified through a point system, to warrant emergency housing. These risk factors include: children under age 18, recent hospitalization, pending SSI/SSDI application, and/or veteran status. It is fully expected that the combined changes of limiting access to emergency housing to these categories of vulnerable populations, the 28 days of emergency housing limit, and limiting eligibility to those households who did not cause their own homelessness, will help decrease the expenditure for emergency housing in 2014.

There are two other activities that will positively impact motel expenses. Plans are moving forward with the transition of a Shelburne Road motel into a transitional shelter. Chittenden Housing Trust has a purchase and sale agreement on the facility and plans to have the 38 room facility operational by December. The administration is also working with the Red Cross to establish cold weather shelter capacity in Chittenden County on the coldest nights and is optimistic this will be in place before winter takes hold.

Upstream Investments

While limited access to motels is important to reach the budget target, critical investments have been





made in our communities to help keep families from losing their housing in the first place. The table below highlights three years of financial data and shows the increase in upstream interventions in 2014.

2012			2013			2014		
Total GA	Prevention and rapid rehousing	%	Total GA	Prevention and rapid rehousing	%	Total GA	Prevention and rapid rehousing	%
\$6.5	\$2.3	35	\$6.6	\$2.3	35	\$8.2	\$3.8	46

The prevention and rapid rehousing investments in 2014 include: \$1.2 million in additional funding for community housing grants (CHG) and a targeted investment of \$400,000 in family support housing grants in three of Vermont's highest need communities. Communities have been authorized to spend up to 10% of their local CHG allocation on upstream services. If each community avails itself of this option, approximately \$295,000 will be spent statewide in effective strategies with families before their housing is at risk. This flexibility was created to allow communities to offer services before families reach the narrow HUD-defined "risk of homelessness" criteria. An additional 20% of the CHG funding can serve households between 30% and 50% AML. By targeting up to 30% of the total \$2.9 million CHG funding toward more flexible and upstream services DCF is confident a reduction in the demand for emergency housing will be seen once these initiatives are fully operational.

Rule-Making Timeline

The timeline regarding the rule-making process is:

1. The proposed rule is expected to be filed with the Secretary of State's Office and the Legislative Committee on Administrative Rules (LCAR) on August 16, 2013.
2. Public hearings will be held on Friday, September 20, 2013 at 10:00 a.m. (vulnerable population) and 11:00 a.m. (catastrophic), at 109 South Main Street, Waterbury, Vermont 05671.
3. Written comments may be submitted no later than 4:30 p.m. Friday, September 27, 2013.
4. On or before Tuesday, October 1, 2013 copies of the final proposed rule are expected to be filed with the Secretary of State and the Legislative Committee on Administrative Rules (LCAR).
5. The department expects to present the rule to LCAR on Thursday, October 17, 2013.
6. The department expects to file the final rule no later than Friday, November 15, 2013.
7. The rule is expected to be effective on November 30, 2013 (vulnerable populations) and December 1, 2013 (catastrophic).

Please let me know if you have additional questions.

