

MINUTES
SENATE FINANCE COMMITTEE
May 10, 2002
10:19 AM

TAPES

SFC-02 # 93, Side A
SFC 02 # 93, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 10:19 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Donny Olson
Senator Lyman Hoffman
Senator Loren Leman

Also Attending: MAJOR GENERAL PHIL OATES, Adjutant General/Commissioner, Department of Military and Veterans Affairs; JIM DUNCAN, Commissioner, Department of Administration; JAMES L. KOHN, Director, Division of Alaska Longevity Programs, Department of Administration; MIKE RACE, Member, Pioneers of Alaska

Attending via Teleconference:

There were no teleconference participants

SUMMARY INFORMATION

SB 55-PIONEERS' AND VETERANS' HOME/ADVISORY BD

The Committee heard from the Department of Military and Veterans Affairs, the Department of Administration, and took public testimony. The bill was held in Committee.

#sb55

CS FOR SENATE BILL NO. 55(STA)

"An Act relating to the Alaska Pioneers' Home and the Alaska Pioneers' Homes Advisory Board; relating to admissions to, payment assistance for, and transfers from the home; relating to housing and services for veterans; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

MAJOR GENERAL PHIL OATES, Adjutant General/Commissioner, Department of Military and Veterans Affairs stated that the State's current budget situation requires more efficiency in State government, particularly in addressing the needs of veterans. He stated that Alaska, while having the second highest per capital number of veterans in the Union; is the only state that does not have, or is not in the process of building, a Veterans' Home. He stressed that the relationship between the State and the military deserves attention because the military is a "huge economic engine."

Major General Oates informed the Committee that this bill provides a method of efficiency in addressing the needs of the State's veterans by proposing to provide Veterans Home services within the Pioneers' Homes' structure. He stated this would be "cheaper" than building and operating a separate facility, and that having six homes located throughout the State provides an opportunity for veterans to be cared for closer to home.

COMMISSIONER JIM DUNCAN, Commissioner, Department of Administration, informed the Committee that the intent of this legislation is to recognize the service that veterans have provided to both the State and the country by including veterans within the Pioneers' Home system. He continued that in addition to changing the name of the Pioneers' Homes to the Pioneers' and Veterans' Homes, the Department recommends providing a veteran's preference for a certain number of the system's 600 beds. He reiterated that using existing infrastructure in this manner would be an efficient way to provide care to Alaska's veterans.

Commissioner Duncan stated that as part of this arrangement, veterans within the system would be entitled to access federal veterans benefits. He specified that no more than 30 percent of the beds in any one facility and no more than 21 percent, which equates to 126 beds, of the total number of the system's beds would be designated as veterans' preference. He elaborated that there are currently 95 veterans in the Pioneers' Home System; however,

system-wide, the Pioneers' Home currently has 100 vacant beds.

Commissioner Duncan informed the Committee that this bill does not address the need to change the name of the Pioneers' Home system; however, the name change is "critical if we are going to move forward" as the federal Veterans of Administration (VA) system requires the facility's name to reflect that the State home provides benefits to veterans. He stated that the name change is crucial in allowing veterans in the Pioneers' Home system to receive the federal benefits they are entitled to, and he urged the Committee to include the word "veterans" in the facility's title.

Commissioner Duncan stated that negotiations are underway with the VA to develop a memorandum of understanding that would maintain the integrity of the Pioneers' Home system while allowing the veterans to receive their federal benefits. He noted that with the exception of the name of the facility, the bill is acceptable to the Department.

Commissioner Duncan explained that the Department's fiscal note, dated May 1, 2002 includes a study, projected to cost \$250,000, to determine how to meet the needs of those veterans who do not meet the requirements for admittance to the Pioneers' Home system. He stated that the fiscal note additionally projects that if the 100 beds currently vacant in the Pioneers' Homes are occupied in FY 03, the facility would require \$2.9 million in general funds as well as \$2.6 million generated from Pioneers' Home resident receipts, in order to operate. He stressed that when the veterans in the Homes begin to receive their federal VA benefits, the amount of general funds required would decrease as the federal VA money is used to supplement the cost of the veterans' care. He stated that by FY08, resident receipts would increase sufficiently to allow general fund requests to decrease to \$1.1 million.

Senator Hoffman asked what the \$4 million listed in the personal services category of the fiscal note, includes.

Commissioner Duncan responded that the majority of that expense is to provide the necessary staffing to properly care for the residents of the Homes, most of whom, due to age, require a high level of care.

Senator Hoffman asked for further information regarding the \$250,000 contractual services expense reflected in the fiscal note.

JAMES L.KOHN, Director, Division of Alaska Longevity Programs, Department of Administration, specified that personal services include the cost of providing direct patient care; whereas,

contractual services include such things as increased food service costs, physical therapy, cleaning supplies, and personal items like adult diapers that the Homes provide.

Senator Hoffman asked the Department to provide a list of the communities in which eligible veterans reside.

Commissioner Duncan stated that approximately 30 percent of the 180 people on the waiting list for the Pioneers' Home are veterans. He stated that the Department would provide the names of the communities where these people reside.

Senator Lemman voiced support for this legislation; however, questioned whether 128 new positions would be required to service a fully occupied system. He asked whether alternative methods might be available to lessen the expense of providing personal care service without lowering the quality of care the residents deserve.

Commissioner Duncan elaborated that the average age of individuals on the Homes' waiting list is approximately 83 years, and that people this age require a high level of direct care on a twenty-four hour basis. He stated that medical standards such as licensing must be maintained and that the figures in the fiscal note are not inflated. He stressed that the Department supports the level of funding detailed in the fiscal note in order to provide the care required to operate a fully occupied system; however, he stated the Department would entertain lowering their occupancy expectations in order "to get this program moving forward."

Commissioner Duncan shared with the Committee that a "separate problem" exists in the Pioneers' Home operating budget funding which is currently being addressed in a House of Representatives and Senate Budget Conference Committee. He disclosed that the conference committee is considering a "direct reduction" of approximately \$204,000 in the Pioneers' Homes' operating budget from FY02 to FY03 and an additional shortage of \$126,000 as a result of an anticipated \$300,000 reduction of unallocated Department of Administration general funds. He stated that the total anticipated FY03 Pioneers' Home operating budget shortfall of \$330,000 "translates to about ten less beds than we have this year."

Commissioner Duncan stated that with an operating budget shortfall of \$330,000, it would be "a struggle" to maintain the current number of beds in the Pioneers' Homes. He stated that if no fiscal note is attached to this bill, "you would have the commitment to the veterans, we'd have the preference, we wouldn't have more beds, we wouldn't be serving more veterans, we'd be serving less because

we have an operating budget that is down." He exemplified how many beds would be available at different levels of funding, and stated that "there are variations" of the number of beds that the Department and the Legislature could discuss.

General Oates informed the Committee that the State would be required to provide land and to spend four to six million dollars "up-front" before any federal funds could be leveraged to construct a stand-alone 100-bed Veterans' Home. He stated that instead of having a Veterans' Home in conjunction with existing Pioneers' Homes operating in various locations around the State, the operating costs of a single stand-alone facility would exceed the fiscal note amounts detailed in this bill. He urged the Committee to leverage existing the Pioneers' Home infrastructure to more efficiently and better serve the needs of the State's veterans.

Senator Leman asked for confirmation that "the unit cost" to support a stand-alone Veterans' Home is higher than combining a Veterans' Home with the existing Pioneers' Homes system.

General Oates affirmed that operating costs and federal requirements would "drive the costs higher."

Senator Leman commented that operating the Pioneers' Home system is "very expensive."

Commissioner Duncan clarified that using existing infrastructure and staff lessens the expense because the State would not be required to "build more beds," or "add more central structure" as facilities are in place. He explained that this legislation proposes to use existing structure and to provide more staff to adequately serve the increased number of residents who would "fill the beds that are sitting vacant." He stated this is why it is less expensive than building a stand-alone facility.

Senator Wilken commented that, "we always hear that we are the only state without a Veterans' Home, but we are the only one with a Pioneers' Home." He stated that on "face-value it makes sense" to combine the two facilities; however, "while the cost of maintaining the Pioneers' Homes is expensive," it serves a very important service to Alaskans and he expressed he does not "want to hurt" the Pioneers' Home by doing "too much too soon."

Senator Wilken stated, "there is no question that the Pioneers' Homes over the last two decades" have undergone pressures by the fact that people are "physically living longer, but mentally we're not" causing the Homes to adapt to changing needs. He voiced that this transition would change the Homes' mode of operation

"dramatically in the next ten years."

Senator Wilken reiterated, that, "we are not ready to make this decision." He referenced a Deputy Chief of Staff, Department of Veterans Affairs Fact Sheet, faxed date of April 2, 2002 [copy on file] that specifies that in order to receive federal "grant funds for either construction or per diem payment for nursing home, domiciliary, or adult day health care, the State must apply for the grant and meet VA standards." He asked the testifiers if the State meets those standards.

Commissioner Duncan responded that the State's discussions with the VA are "outside the box" in that the discussion involves a new approach to establishing a Veterans' facility. He referred the Committee to a Memorandum For the Record, fax dated April 11, 2002 [copy on file] that addresses these concerns by stating that "it is agreed that the VA and the State will work cooperatively to seek solutions to the issues that exist including, if needed, federal legislation which would allow for VA support of veterans in the Alaska Pioneers' & Veterans' Home while preserving the ownership and authority of the State to operate and manage this unique long term care program." He stated that difficulties might arise regarding VA regulations because of such things as the State's Pioneers' Home residency requirement; however, he noted that the VA is committed to working with the State and adjustments to some of the requirements is a possibility.

Senator Wilken acknowledged that the project is in the negotiation process; however, asked how the VA requirement of not allowing "veterans to mingle with other residents of the home" would be addressed.

Mr. Kohn responded that this segregation is being discussed with the VA and a waiver might be required to "work around" this issue. He stated that the VA understands the State's position and has determined that segregation might not be in the best interest of the veterans in the Homes. He informed the Committee that the State and the VA meet to discuss this project on a regular two-week basis.

Senator Wilken commented, "we are under negotiations on that issue." He referenced language on the Fact Sheet that states, "In other words, when Senior Veterans Home (SVH) nursing home care is provided in only a portion of an existing facility, other types of care or programs cannot be conducted in areas specifically designated for the SVH." He asked if this "very restrictive" language is also under negotiation.

The Department concurred it is under negotiation.

Senator Wilken referenced other Fact Sheet language that reads, "The State is encouraged to continue to meet with VA to seek alternatives, even though the option of dedicating a portion of the Pioneer Homes for veterans may not yet be available." Senator Wilken stated that this language implies that the State and VA are continuing to talk about segregation.

Senator Wilken offered another example that the project is still in "a state of flux" by referencing the six goals listed on the State's "Facts & Estimates Regarding VA Participation in Pioneers' & Veterans' Homes" [copy on file]. He asserted that all six of the goals "are under negotiation."

Senator Wilken asserted that VA payments may improve revenue, and the State needs "to grab some federal money" to make this work for both the veterans and the pioneers.

Commissioner Duncan stated that the revised fiscal note includes revenues that would be generated once an agreement is reached with the VA to allow veterans to receive VA benefits toward the expense of their care. He affirmed that negotiations are underway and once agreements are reached, the VA benefits should be available.

Major General Oates asserted "that the dilemma" is that the VA requires the State "to make the first step forward." He encouraged the Committee to make that first step in order to start the process so that the various concerns could be addressed.

Senator Wilken asked if the VA has age criteria as part of its eligibility requirements.

Mr. Kohn verified that there is no age criterion in the VA eligibility requirements; however, because the State owns and operates the facility, the State has the right to establish the admission policy. He continued that regardless of the admission policy, the VA has the right to approve or deny VA benefits for individuals.

Senator Wilken asked if this issue is still in a "state of flux."

Mr. Kohn responded it is not.

Senator Wilken clarified that if the State's admission policy requires an individual to be 65 years of age, the VA would not object.

Mr. Kohn responded that is correct as that issue has been resolved.

Senator Wilken asked the Committee to familiarize themselves with a letter from Robert L. Huffman, addressed to Senator Wilken, dated April 30, 2002, [copy on file] which urges the Committee to "do the right thing" for both the pioneers and the veterans in the State, and to base their decision on practicality not politics.

Senator Wilken voiced support for moving ahead with a Pioneers/Veterans effort, although he questioned whether the stand-alone facility might be a better alternative. He voiced support for funding a study to determine the "best way" to proceed; support for continuing negotiations with the federal government; and support for furthering discussions regarding the development of a pilot program.

MIKE RACE identified himself as: Member, Pioneers of Alaska; Second Vice President, Grand Igloo; Member, Juneau Legislative Committee and informed the Committee that he is familiar with the Pioneers' Home system and that his mother is a resident of the Juneau facility. He voiced support for Senator Wilken's approach to this legislation.

Mr. Race stated that this is a "divisive situation with two groups that are of the same thought" as many pioneers are also veterans. He referenced the section of Mr. Huffman's letter that suggests a pilot program be considered, and voiced his own preference for a voucher program that would enable a person to reside in a facility in or near their hometown instead of being cared for in one of the six existing Pioneers' Homes. He stressed that this legislation has the potential to allow the VA system to "rollover" the current Pioneers' Home system.

Senator Olson asked Mr. Race if he is in favor of bill as it is presented.

Mr. Race responded he is not as it would be a "disservice" to both veterans and pioneers. Mr. Race commented that his mother, who is "head of the Juneau Pioneers' Home Resident Council," is not in favor of this legislation, either.

Senator Austerman voiced agreement with Senator Wilken that "we are moving too fast" and should first conduct a study on the options available to the State in accommodating the needs of veterans and pioneers. He asserted that this issue denotes the need for a policy discussion regarding whether the State supports a Pioneers' Home system, and if so, then the system should be funded at the

appropriate level. He stated that if the State decides to pursue a veterans' home, discussions should ensue to determine if the two systems should be separate or combined as determined by efficiencies and economics.

Senator Austerman opined that if the Legislature's "only goal is to cut the budget" then these issues should receive no further consideration; however, he reminded the Committee that the care of Alaska's aging population should be addressed, and the first step should be to conduct a study on how to proceed.

Senator Wilken commented that if a study is conducted and the findings reveal that combining the veterans and pioneers facilities is the "best way to treat our veterans and the best way to treat our pioneers, you'll have a bill that will have 61 people on it as sponsors."

Co-Chair Kelly informed the Committee that a Veterans Home study was fully funded in the FY 03 Capital Budget.

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Senator Wilken proposed that the State should: conduct a study regarding the options for the pioneers and veterans homes; continue negotiations with the VA; and consider establishing a pilot program. He stated that these three things should be in place before this legislation is passed.

Senator Wilken stated that if those three things were in place, he could support this bill.

Commissioner Duncan reminded the Committee that 1992 legislation allowed for the establishment of a stand-alone veterans home in the State; however, since that time, only one study has been completed regarding the cost of establishing and operating a stand-alone veterans' home. He opined it is incorrectly assumed that the federal government would pay for the construction of a veterans home; however, federal statute requires that land for the facility and 35 percent of the construction cost be provided by the State with the federal government paying the remaining 65 percent of construction expenses. He continued that the operating costs for the facility would be the responsibility of the State. He stated, "the operating costs would be offset somewhat by the payments that the veterans receive for their per diem/veterans benefits." He qualified that an eighty-bed home would generate operating costs of approximately \$8 million a year.

Commissioner Duncan clarified that the study referenced in this legislation is to determine the needs of veterans in the State who would not be served by a veterans home facility; therefore, he stated the nature of the study defined in this legislation differs from the study proposed by Senator Wilken.

Commissioner Duncan voiced support for continuing negotiations with the federal government regarding this "demonstration project" that differs from the standard VA approach to veterans' homes in the nation.

Commissioner Duncan concurred that this is an "expensive proposition;" however, reiterated that the Department is willing to discuss a lower level of funding in order to demonstrate the viability of this proposal.

Commissioner Duncan qualified that the Department of Administration would prefer that the study funded in the capital budget, "be a responsibility of the Executive branch," with assistance from the Department of Administration and the Department of Military and Veterans Affairs and other veterans and pioneers groups to ensure that the study would be conducted correctly. He noted that the Department of Administration "is charged by law to operate a veterans' home." He asked that the money for the study be properly appropriated to the Department of Administration instead of to the Legislative Budget and Audit Committee.

Senator Ward agreed that this is an important issue for every legislator. He asked whether the 90 veterans currently residing in the Pioneers' Homes could be part of a pilot project.

Commissioner Duncan responded this is possible; however, in order to proceed, the State must demonstrate a commitment to the VA by such measures as changing the name of the facility and the establishment of a veterans' preference for a percentage of the beds. He contended that if these things were in place, the VA benefits would be forthcoming.

Senator Ward asserted that a pilot program would be a first of its kind in the nation.

Commissioner Duncan clarified that to begin the process, a commitment must be made which would entail a name change and a veterans' preference "for a certain number of beds.

Senator Ward concurred, stating the process could be established in increments.

Co-Chair Kelly ordered the bill HELD in Committee.

RECESS to Call of Chair 11:12 AM / 5:38 PM

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 5:38 PM.