



MAINE VETERANS' HOMES

caring for those who served

An independent nonprofit organization serving Maine's Veterans and families

March 6, 2020

The Honorable Janet T. Mills
State of Maine
Office of the Governor
1 State House Station
Augusta, Maine 04333-0001

Joint Standing Committee on Veterans and Legal Affairs
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

RE: Maine Veterans' Homes - Annual Report to the Joint Standing Committee on Veterans and Legal Affairs

Dear Governor Mills, Senator Luchini and Representative Shneck:

Pursuant to 37-B MRSA §611, I am providing the following information on the mission, operations and health of the Maine Veterans' Homes (MVH). I have also attached the FY 2019 audited financial statements for your information.

MVH was established by the Maine Legislature in 1977 as a quasi-state "body corporate" to provide long-term care and support to eligible Veterans and family members. Unique to State Veterans Homes across the nation, MVH operates as an independent nonprofit organization and receives no routine direct state appropriations. MVH operates six facilities in locations that were set by statute: Augusta, Caribou, Scarborough, Bangor, South Paris, and Machias. The MVH Board of Trustees is appointed by the Governor. MVH mission statement is "Caring for Those Who Served" and we are committed to providing high quality, compassionate care and support to Maine's elderly and disabled Veterans.

In FY 2019, MVH cared for 1,442 residents, including 1,222 Veterans and 220 spouses. Average daily census was 598.6, or 94.7% bed occupancy. MVH operates 640 beds, including 462 skilled nursing facility and 178 residential care (PNMI Appendix C) beds. MVH employs over 1,100 full-time, part-time and per-diem staff.

MVH is nationally recognized for quality of care and customer service. All MVH nursing homes have the highest 5-star overall rating by Center for Medicare and Medicaid Services (CMS) Nursing Home Compare. MVH Scarborough and MVH Machias have achieved National Gold Quality Awards by the American Health Care Association – the first and only facilities in Maine! MVH overall is consistently rated "Best in Class" (top 15 percent) nationally by Pinnacle Quality Insight for customer satisfaction.

AUGUSTA 310 CONY ROAD AUGUSTA, ME 04330 1-888-684-4464	BANGOR 44 HOGAN ROAD BANGOR, ME 04401 1-888-684-4665	CARIBOU 163 VAN BUREN ROAD CARIBOU, ME 04736 1-888-684-4667	MACHIAS 32 VETERAN WAY MACHIAS, ME 04654 1-877-866-4669	SCARBOROUGH 290 US ROUTE 1 SCARBOROUGH, ME 04074 1-888-684-4666	SOUTH PARIS 477 HIGH STREET SOUTH PARIS, ME 04281 1-888-684-4668	CENTRAL OFFICE 460 CIVIC CENTER DRIVE AUGUSTA, ME 04330 1-800-278-9494
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The 2014 MVH strategic master plan identified over \$200M in capital projects over the next 15 years to replace aging buildings with new facilities and programs to provide person-directed care and improve quality of life for our elderly and disabled Veterans. In February 2019, MVH began construction on a 138-bed replacement facility for the original Augusta home, which opened in 1983. The new facility is located on Old Belgrade Road across from the Maine General Medical Center. The total cost of the project will be \$91 million. Funding sources for the project include \$49 million VA construction grant, \$20 million borrowing (revenue bond), and \$22 million from capital reserves. In order to qualify for VA grant funding, the new facility will be small-house model, featuring all private rooms in 12 stand-alone households. Construction is on target for completion in early 2021.

MVH is facing two major funding challenges. Last year, the Legislature appropriated a one-time supplemental payment to MVH in the budget for FYs 2019-20 and 2020-21 to help combat continuing MaineCare reimbursement shortfalls. In FY 2018, MaineCare reimbursed MVH less than 85% of allowed costs, creating over a \$5M MaineCare gap for MVH nursing home and residential care operations combined. We are working with MaineCare to receive the appropriated funds; however, a permanent solution is essential to preserving access to quality care and support for Veterans in future years.

In addition, the VA published new regulations in late 2018 that have resulted in loss of federal grants for Veterans with early dementia, which affects nearly our entire 178-bed residential care mission. This is despite the fact that these facilities were built with VA construction grants and operated for 15 years with VA oversight. The VA Secretary has granted equitable relief to current Veterans admitted prior to January 17, 2020. However, as new Veterans replace these residents, the lost VA grant assistance will grow to approximately \$2.7M annually system wide. We are working with our Congressional delegation and National Association of State Veterans Homes to change eligibility criteria, but any fix is likely years away.

State Veterans Homes are managed and operated by their respective states but must meet Department of Veterans Affairs (VA) requirements to qualify for federal grants and VA programs. These include matching VA construction grants, per diem grants, and VA provider agreements for severely disabled Veterans. MVH saves the State nearly \$3M annually in Medicaid expenditures by utilizing federal programs to keep Veterans off MaineCare. In addition, MVH has saved the State approximately \$70M since 2000 by providing 100% of the required state match for VA construction grants and life-safety projects, unlike all other states.

We recommend that the Administration and Legislature work collaboratively with MVH to fully explore mechanisms to more adequately and equitably provide for its unique Veteran population and operational requirements, and to be more consistent with other states' support and investment in their State homes.

Thank you for your attention and consideration. Please let me know if you have any questions.

Respectfully Submitted,


Kelley J. Kash, Colonel, USAF, MSC (Retired)
Chief Executive Officer

Enclosure

MAINE VETERANS' HOMES

Statement of Net Position

June 30, 2019
(With Comparative Totals for June 30, 2018)

ASSETS AND DEFERRED OUTFLOWS

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2019 Total</u>	<u>2018 Total</u>
Current assets					
Cash	\$ 11,006,848	\$ -	\$ -	\$ 11,006,848	\$ 3,848,011
Accounts receivable, net of allowance for doubtful accounts of \$412,500 and \$417,000 in 2019 and 2018, respectively.	5,101,122	-	-	5,101,122	4,746,781
Inventory	1,130,371	-	-	1,130,371	917,125
Employee receivables	158,679	-	-	158,679	174,407
V.A. stipend receivable	-	1,095,073	-	1,095,073	1,081,564
V.A. construction grant receivable	-	2,585,142	-	2,585,142	321,116
Prepaid expenses, supplies and other current assets	282,194	-	-	282,194	254,122
Assets whose use is limited	275,904	-	-	275,904	287,490
Due from other fund	<u>3,488,368</u>	<u>-</u>	<u>(3,488,368)</u>	<u>-</u>	<u>-</u>
Total current assets	<u>21,443,486</u>	<u>3,680,215</u>	<u>(3,488,368)</u>	<u>21,635,333</u>	<u>11,630,616</u>
Assets whose use is limited, net of amount required for current liabilities					
	<u>36,316,721</u>	<u>-</u>	<u>-</u>	<u>36,316,721</u>	<u>37,847,843</u>
Property, plant and equipment					
Less accumulated depreciation	140,813,061	530,000	-	141,343,061	130,856,577
	<u>(60,044,851)</u>	<u>-</u>	<u>-</u>	<u>(60,044,851)</u>	<u>(56,202,945)</u>
Net property, plant and equipment	<u>80,768,210</u>	<u>530,000</u>	<u>-</u>	<u>81,298,210</u>	<u>74,653,632</u>
Other assets					
Computer software, net of amortization	84,253	-	-	84,253	47,294
License rights	<u>2,937,615</u>	<u>-</u>	<u>-</u>	<u>2,937,615</u>	<u>2,937,615</u>
Total other assets	<u>3,021,868</u>	<u>-</u>	<u>-</u>	<u>3,021,868</u>	<u>2,984,909</u>
Total assets	<u>141,550,285</u>	<u>4,210,215</u>	<u>(3,488,368)</u>	<u>142,272,132</u>	<u>127,117,000</u>
Deferred outflows of resources					
	<u>6,906,697</u>	<u>-</u>	<u>-</u>	<u>6,906,697</u>	<u>15,117,366</u>
Total assets and deferred outflows	<u>\$148,456,982</u>	<u>\$ 4,210,215</u>	<u>\$ (3,488,368)</u>	<u>\$149,178,829</u>	<u>\$142,234,366</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2019 Total</u>	<u>2018 Total</u>
Current liabilities					
Current portion of capital lease obligation	\$ 148,067	\$ -	\$ -	\$ 148,067	\$ 201,118
Accounts payable	3,366,238	-	-	3,366,238	2,264,170
Accrued expenses and other current liabilities	59,917	-	-	59,917	121,179
Accrued payroll and related expenses	5,107,302	-	-	5,107,302	4,583,176
Estimated third-party payor settlements	721,351	-	-	721,351	51,098
Resident funds held in trust	275,904	-	-	275,904	287,490
Refunds due to third-party payors	148,655	-	-	148,655	145,289
Due to other fund	<u>-</u>	<u>3,488,368</u>	<u>(3,488,368)</u>	<u>-</u>	<u>-</u>
Total current liabilities	9,827,434	3,488,368	(3,488,368)	9,827,434	7,653,520
Long-term debt and capital leases obligation, excluding current portion	334,103	-	-	334,103	463,287
Net other postemployment benefit obligation liabilities	1,001,566	-	-	1,001,566	1,486,507
Net pension liability	<u>16,794,428</u>	<u>-</u>	<u>-</u>	<u>16,794,428</u>	<u>25,617,192</u>
Total liabilities	<u>27,957,531</u>	<u>3,488,368</u>	<u>(3,488,368)</u>	<u>27,957,531</u>	<u>35,220,506</u>
Deferred inflows of resources	<u>5,155,553</u>	<u>-</u>	<u>-</u>	<u>5,155,553</u>	<u>10,913,987</u>
Net position					
Net investment in capital assets	80,286,040	530,000	-	80,816,040	73,989,227
Unrestricted	35,057,858	-	-	35,057,858	21,877,365
Restricted - expendable	<u>-</u>	<u>191,847</u>	<u>-</u>	<u>191,847</u>	<u>233,281</u>
Total net position	<u>115,343,898</u>	<u>721,847</u>	<u>-</u>	<u>116,065,745</u>	<u>96,099,873</u>
Total liabilities, deferred inflows and net position	<u>\$ 148,456,982</u>	<u>\$ 4,210,215</u>	<u>\$ (3,488,368)</u>	<u>\$ 149,178,829</u>	<u>\$ 142,234,366</u>

MAINE VETERANS' HOMES

Statement of Revenues, Expenses and Changes in Net Position

**Year Ended June 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Operating revenues				
Net resident service revenue	\$ 62,952,172	\$ -	\$ 62,952,172	\$ 59,470,729
Net V.A. stipend revenue	-	8,966,806	8,966,806	9,116,059
Net pharmacy revenue	7,797,623	-	7,797,623	6,111,197
Meal, laundry and other revenue, net	482,714	-	482,714	343,481
Total operating revenues	<u>71,232,509</u>	<u>8,966,806</u>	<u>80,199,315</u>	<u>75,041,466</u>
Operating expenses				
Salaries	38,795,861	-	38,795,861	37,457,500
Benefits	3,811,166	-	3,811,166	11,602,815
Pharmacy - cost of sales	3,817,502	-	3,817,502	2,194,209
Purchased services	8,550,114	-	8,550,114	7,086,157
Supplies	4,127,851	-	4,127,851	4,064,250
Other	4,493,706	-	4,493,706	4,836,563
Bad debts	351,561	-	351,561	96,936
Depreciation and amortization	5,092,808	-	5,092,808	5,194,115
Health care provider tax	3,745,710	-	3,745,710	3,521,670
Abandoned project	-	-	-	1,136,536
Total operating expenses	<u>72,786,279</u>	<u>-</u>	<u>72,786,279</u>	<u>77,190,751</u>
Operating (deficiency) excess of revenues over expenses	(1,553,770)	8,966,806	7,413,036	(2,149,285)
Contribution revenue	195,956	224,790	420,746	176,302
Investment gain	1,473,690	-	1,473,690	1,437,059
Interest and dividend income, net of fees	995,885	-	995,885	872,176
Interest expense	(24,549)	-	(24,549)	(3,210)
Development expenses	(166,885)	-	(166,885)	(145,861)
Restricted expenses	-	(266,224)	(266,224)	(105,589)
V.A. construction grant revenue	-	10,120,173	10,120,173	2,641,068
Total excess of revenues over expenses	920,327	19,045,545	19,965,872	2,722,660
Funding of depreciation and capital expenditures	<u>19,086,979</u>	<u>(19,086,979)</u>	<u>-</u>	<u>-</u>
Total increase (decrease) in net position	<u>20,007,306</u>	<u>(41,434)</u>	<u>19,965,872</u>	<u>2,722,660</u>
Net position, beginning of year, as previously stated	95,336,592	763,281	96,099,873	93,692,573
Effect of new accounting pronouncement (Note 1)	-	-	-	(315,360)
Net position, beginning of year	<u>95,336,592</u>	<u>763,281</u>	<u>96,099,873</u>	<u>93,377,213</u>
Net position, end of year	<u>\$ 115,343,898</u>	<u>\$ 721,847</u>	<u>\$ 116,065,745</u>	<u>\$ 96,099,873</u>

The accompanying notes are an integral part of these financial statements.