

TESTIMONY ON SB 2007
SENATE APPROPRIATIONS COMMITTEE
THURSDAY, JANUARY 7, 2021

Chairman Holmberg and members of the Senate Appropriations Committee, I am Kristin Lunneborg, CFO at the North Dakota Veterans Home.

By an act of Congress in 1887, certain lands were set aside in various states for the establishment and maintenance of homes to support veteran soldiers and sailors. The Constitution of North Dakota, enacted in 1889, established a soldier's home to be located at the city of Lisbon. The original barracks opened in 1893 and by 1907 a hospital and Commandant's residence were added to the campus. The name was changed in 1983, by the Administrative Committee on Veterans Affairs, to the North Dakota Veterans Home as they felt it better reflected the clientele being served. In May 2011, we moved into our current facility which has 52 skilled nursing home beds and 98 basic care beds.

The statutory authority for the Veterans Home is found in North Dakota Century Code Chapters 37-15 and 37-18.1. The object of the veterans' home is to provide basic care and long-term care to veterans and their spouses. The century code also sets out the criteria for admission to the veteran's home, what information will be used to calculate fees for resident care, what monies must be deposited into the veterans' home operating fund, as well as sections allowing the Veterans Home to accept and expend donations. Chapter 37-18.1 sets out the power and duty of the Administrative Committee on Veterans Affairs to appoint a seven-member governing board for the administration of the veterans' home; one of the powers of the governing board is to select the administrator.

Basics

Revenue sources for the operation of the Veterans Home include federal per diem funds from the Department of Veterans Affairs (VA) and special fund income. The VA pays us a daily per diem for each veteran for each day they are in the facility and for some leave of absence days. Currently the per diem rates are \$49.91 per day for basic care and \$115.62 per day for skilled

care. The VA also pays us a set per diem rate for each 70% or more service-connected veteran; this money is first applied to their rent and any remaining amount is considered per diem income. Although these are federal funds, per N.D.C.C., this money is deposited into our special fund account. Special funds are all the monies we collect from various sources. Listed below are the historical and projected special fund income amounts and a description of each.

North Dakota Veterans Home Special Fund Revenue

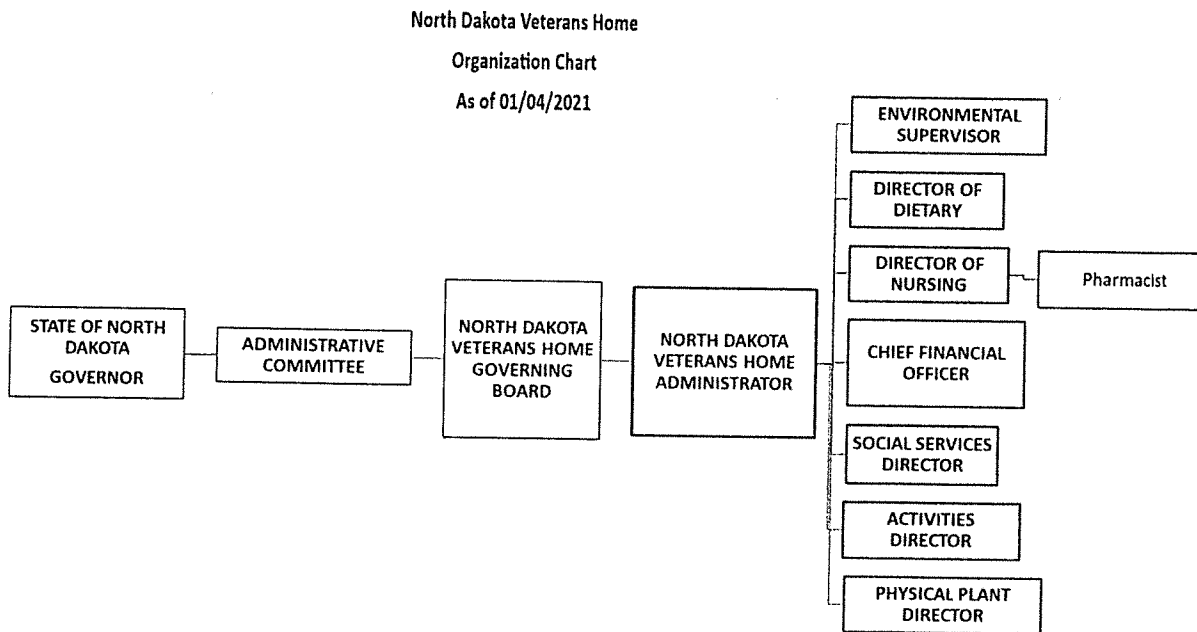
	<u>Actual</u> <u>2015-2017</u>	<u>Actual</u> <u>2017-2019</u>	<u>Projected</u> <u>2019-2021</u>	<u>Projected</u> <u>2021-2023</u>
1 Intergovernmental Grants/Contributions	5,660,005	5,341,234	5,200,000	5,350,000
2 Cash/Investment Earnings	626	750	2,200	1,500
3 Contributions & Private Grants	6,793	4,453	1,500	2,000
4 Charges for Services/Sales	249,826	176,277	128,000	60,000
5 General Government	67,828	59,529	22,000	35,000
6 Health	11,949,489	11,736,939	10,500,000	11,300,000
7 Leases, Rents, and Royalties**	64,437	185,425	360,000	127,000
8 Miscellaneous General Revenue	42,800	10,999	5,500	500
9 Transfers In	434,000	711,984	490,000	510,000
Total Special Fund Revenue	18,475,804	18,227,591	16,709,200	17,386,000

- 1 Intergovernment grants - per diem money from the Dept of Veterans Affairs. We are paid \$49.91 for each basic care veteran and \$115.62 for each skilled care veteran
- 2 Cash/Investment Earnings - interest earned on accounts
- 3 Contributions & Private grants - money taken in at weekly church services.
- 4 Charges for Services/Sales - food sales, veteran medication co-pays and VA pharmacy reimbursements
- 5 General Government - veteran travel pay from VA, resident's monthly cable tv payments, copier revenue
- 6 Health - rent payments from residents, VA, Medicare and Medicaid
- 7 Leases, Rents and Royalties - Lease of room for medical doctor and mineral royalty income
**Mineral royalty income is included above but deposited into the Melvin Norgard Fund
- 8 Miscellaneous General Revenue - rebates and miscellaneous items that do not fall into another category.
- 9 Transfers In - money we receive from the State Land Department. This Veterans Home has 2,753.89 acres of land that is managed by the State Land Department. Remainder of land set aside by Congress in 1887.

The Melvin Norgard memorial fund, established by the 62nd Legislative Assembly, consists of all income related to a bequest made to the veterans' home by Melvin Norgard and consists of mineral royalties and interest. Money in this fund must be appropriated by the legislature and

can only be spent on projects or programs to benefit and service the residents of the veterans' home, not for the operation of the home.

The Veterans Home has nine individual departments including administration, maintenance, dietary, nursing, activities, social services, housekeeping, laundry and pharmacy. Each of these department work together to carry out our mission "Caring for America's Heroes". The organizational chart below illustrates what I mentioned already regarding the statutory authority and selection of leadership.



2019-2021 Biennium

Our current biennium base budget of \$24,406,096 includes \$18,916,632 for salaries and wages, \$5,083,731 for operating and \$405,733 for capital assets. Funding sources for our base budget include \$18,751,772 in special funds and \$5,654,324 in general funds. In addition to our base-level appropriation, our current appropriation includes one-time funding of \$25,000 for a strategic plan, \$138,700 for flooring for the skilled nursing pod and townhall, \$52,500 for security system upgrades, \$99,400 for equipment and \$233,450 for demolition of the

Administrator's residence, removal of underground tunnels and demolition of an old maintenance shop, pump house and well shed. We also had carryover funding of \$150,500 for a nurse call system and \$15,000 for electronic health information exchange software.

In January 2020, we started working with Eide Bailly on the strategic plan but unfortunately COVID significantly impacted our ability to complete it by our original goal of December 2020. The installation of flooring for the skilled nursing home and townhall has also been put on hold due to COVID and it is unknown at this time if we will complete it this biennium or request to carryover the funds into next biennium.

We were pleased to discover that a local contractor was able to do our demolition project for much less than the bid we had received in January 2019. In addition to the demolition company, we had to hire two more companies, one to examine the property for asbestos and another to remove the asbestos. The savings from the demolition project ended up being utilized toward a couple of emergency capital asset items, including the replacement of a humidifier, security cameras that had to be installed in medication areas, and an upgrade to our building automation system that became necessary as the software system it was running on became obsolete.

The nurse call system was completed shortly after the biennium started but also ran into some additional unexpected expenditures. The pagers for the system selected run off the wi-fi so before we could proceed with the project, we were required to hire a company to test the signal strength throughout the building. The cost of the study and the additional access points we needed were operating expenses we did not anticipate.

The remaining one-time items include the health information exchange software and a few equipment items we will be purchasing within the next few months.

We have a lot to be thankful for this biennium considering the impacts of COVID. Some of our major accomplishments this biennium include:

- Staff working together as a team to develop protocols to keep our residents safe against COVID-19.
- Set up COVID unit to isolate positive residents which has allowed us to stop the spread of COVID throughout our building.
- Bi-weekly testing of staff and residents to stop the spread of COVID-19.
- Deficiency free surveys from the State Health Department and the Department of Veterans Affairs.
- No findings in the audit performed by the State Auditor's Office.
- Launched an advertising campaign totally funded by donations. Upon recommendations from Austin Schauer we were able to get our commercials aired for free through MIDCO.
- Expanded the VA outreach telehealth clinic at the Veterans Home to provide teleretinal, audiology, dermatology, mental health and other specialty telehealth services to veterans from the veterans home as well as the surrounding community.
- Installed a new security system in the medication areas that has already paid for itself.
- Raised funds for the repair and relocation of the Centennial monument.
- Completed several projects including the installation of a new nurse call system, demolition of the Administrator's residence and completed our facility assessment with UNESCO.
- Received a grant to set up a wellness area for staff.

Although we have a multitude of things we are super proud of and thankful for, following are some of the challenges we have faced:

- Impact of COVID - Long hours, burnout, lack of staff due to vacant positions and staff having to quarantine at home, staff motivation, restrictions on staff when not at work, mental and physical strain, constant PPE use, children at home.
- Low census. Currently unable to admit due to lack of staff.
- Ability to attract and retain staff due to wages/bonuses.
- After 10 years of having no contract staff, we were forced to sign contracts with staffing agencies in order to meet staffing levels.

- High cost of contract agency staff.
- High cost of contracting with outside company for IT support.

2021-2023 Biennium

The budget request limit letter we received from OMB in May 2020 identified that our general fund limit was \$5,088,892, a 10% decrease from our 2019-2021 base amount. In addition, our special fund request limit is \$18,753,310 and of that we needed to reprioritize 5% or \$917,302.

The reprioritization piece was not difficult as we made the decision to go back to the old nursing home model and do away with the use of universal workers. In 2011, we moved into the new veterans' home which was built in the household/neighborhood concept. This concept historically uses a universal worker staffing model. The universal worker performs the C.N.A., housekeeping, activity and dietary roles. This model was very successful for us but as times have changed it has become harder to find the number of C.N.A. certified staff that we need. We have had a significant number of open positions that we have been unable to fill so we decided to go back to the old model and separate the duties with the thought the positions would be easier to fill. Since the salaries and wages for the universal role were all included in the nursing department budget, we were able to reallocate the funding by moving these positions to their new prospective department. In trying to find other areas where we could save money, it was determined that we could potentially find a savings by contracting our outside maintenance work and eliminating an FTE position. These savings could then be put into our repairs line item which is currently over budget as we have seen an increase in costs due of to the age of our building.

The change back to the traditional model of staffing helped us eliminate one supervisory position in nursing that could be used towards the general fund decrease required. We also eliminated one position in our therapy department, another nurse position on basic care and we consolidated our basic and skilled medical records into one position eliminating another FTE

position; the remaining job duties of the skilled ward clerk were moved to a temp position. Even with these changes we were still unable to come within the budget guidelines.

As I have stated many times before, cuts to our budget are difficult since we are a service industry and the majority of our expenses relate to labor and resident care. We have very stringent state and federal regulations and we are one of the most highly regulated industries. It is difficult to cut operating expenses since they are for resident care and the operation of the facility and it is difficult to cut staff due to regulations that govern staffing levels. Our capital line item includes only the bond and interest on the new building and \$16,700 in equipment over \$5,000; leaving nothing to cut there. After reviewing all costs, we determined there were no changes we could make that would not have a significant impact on resident care. Finding no other obvious alternatives, we decided to take the remaining cut from food.

The other major issue we ran into this biennium were all the increases we were seeing in certain expense categories. In addition to the increase needed for repairs, we are also seeing significant increases to our medication costs. The average cost of medications increased from \$19.95 in FY 2019 to \$34.35 in FY 2020. COVID-19 has also impacted our budget due to the new technology needed to carry out our day to day activities; all of which have on-going licensing and maintenance fees. We had to significantly increase the number of Office 365 licenses in order to communicate with staff, we automated our mandatory annual in-service training, and we are in the process of automating our staff scheduling and our maintenance reporting.

Another major area of concern is the amount of general funds we receive. Each biennium there have been cuts, in the 2011-2013 biennium we were one of only a few agencies that received an additional 3% cuts to our general funds, then in the 2015-2017 biennium we had the 4.05% general fund allotment that all agencies had to make, but what hurt us the most was the change in funding made in the 2017-2019 biennium. Our general fund appropriation authority was cut by 2 million and our special fund authority was increased by 2 million due to the need to balance the budget and the fact that we had reserves in our special funds. We were

reassured then that when the time came and we were running low on special funds it would be made right, yet we continue to have to make cuts to our general funding.

Governor's Recommended Budget vs. our Submitted Budget

The Governor's recommended budget includes changes to the salaries and wages, operating and capital line items. The increase to the salaries and wages line is for the Governor's recommended compensation changes. The remaining changes were requests from our optional package which include:

- \$221,546 in special fund authority for food – this was the amount we were forced to cut to meet budget guidelines
- \$238,500 in general fund authority for medications – increase cost for medications. Requested general funds due to the issue I just discussed with all the cuts to general funds and depletion of our special fund balance.
- \$518 in general fund authority and \$3,448 in special fund authority for Office 365
- \$29,095 in special fund authority for IT data processing fees – budget calculated by multiplying ITD services by new rates for 2021-23 biennium. Increase also due to broker fees charged by ITD for all of our web based software programs.
- \$131,500 in special fund authority for carpeting in B Pod – we discovered the funding for this is included in OMB's budget request for all the maintenance and repair priorities identified from the Sitelogiq study of state buildings. We are requesting to keep this appropriation authority in our budget to be used for replacing the thermostats in the basic care unit of the building. The current thermostats are no longer manufactured and there is no replacement for them. The funding would allow us to put in a new wireless thermostat system. The old thermostats that we would take out of the basic care unit could then be used as replacements on skilled unit we eventually end of replacing all of them.
- \$200,000 in Melvin Norgard authority for a memorial garden which would be located on the west side of our 90 acre campus, marking the area of the old Veterans Home. The center of the memorial garden will be a monumental concrete star, which

symbolizes courage, strength and freedom. At the center of the star will be an American flag with each of the military branch flags being represented on the points of the star. Between the sidewalks and the star will be beautifully landscaped gardens with seating areas that will allow individuals a peaceful area to reflect on and pay tribute to veterans. We have raised over \$120,000 towards the project and are requesting to use Melvin Norgard funds to complete it. A copy of our proposed plan is attached to the back of my testimony.

Capital items that were included in our budget request and also in the Governor's executive budget include the following one-time items:

- Large shampooer \$10,700 in special fund authority to purchase a Tennant ready space shampooer or equivalent. Existing 2009 machine is wearing out and is expensive to repair, plus it does not suck up water well, taking additional staff time and also creating a safety risk as resident's go between the carpeted and non-carpeted areas.
- Humidifier \$6,000 in special fund authority to replace one of the 12 humidifiers throughout the building. We had to replace one this biennium and anticipate we will be needed to replace more due to their age.

Items included in our optional request that were not included by the Governor:

- Nursing equity - \$550,000 in general fund authority. Our current wages for our RNs, LPNs, Medication Technicians and C.N.A. staff are around \$4.00 per hour less than the ND Long Term Care average. We are unable to fill a number of vacant positions which also means we are unable to admit more residents as we do not have the staff to care for them.
- Humidifier - \$6,000 in special fund authority. One of the two humidifiers requested is included in the Governor's executive budget. We were requesting funding for 2 units due to their age and the fact that we will have a total of 11 to replace within the next few years.

- Turbine blower - \$8,500 in special fund authority. This blower attachment would be used in place of our existing sweeper to clear snow from sidewalks and clean gutters along our roads that cannot be reached with a sweeper.
- Bladder scanner - \$9,800 in special fund authority. This is used to monitor urinary retention. They are used to help reduce the risk of infections, manage incontinence, assess toileting patterns to create schedules and reduce staff time with incontinence.

Attached to my testimony is a one page sheet showing how we got from the legislative base budget to the Governor's executive recommendation. I have included the adjustments we made to get to our required budget limits as well as the items the Governor included in his executive recommendation.

Looking forward to the next biennium and beyond some of our goals include:

- Completing the strategic plan and working with Eide Bailly on ways to increase our revenues
- Creating a plan to increase the census for basic care and skilled nursing
- Work with others to continue advertising campaign so we are NOT "the best kept secret in North Dakota"
- Build the memorial garden and move the Centennial monument
- Complete all the maintenance and repair projects identified in the study completed by UNESCO
- Work with Eide Bailly on MDS audit and education to ensure we are being reimbursed correctly
- Work with the Air National Guard to set up the B52 propeller display
- Find ways to help minimize the staffing crisis
- Work with the City of Lisbon to develop a plan for a walkway bridge over the Sheyenne River

The last sheet attached to my testimony is a one-page sheet outlining the funding we have received as well as our expenditures in relation to COVID-19. Some of the steps we have

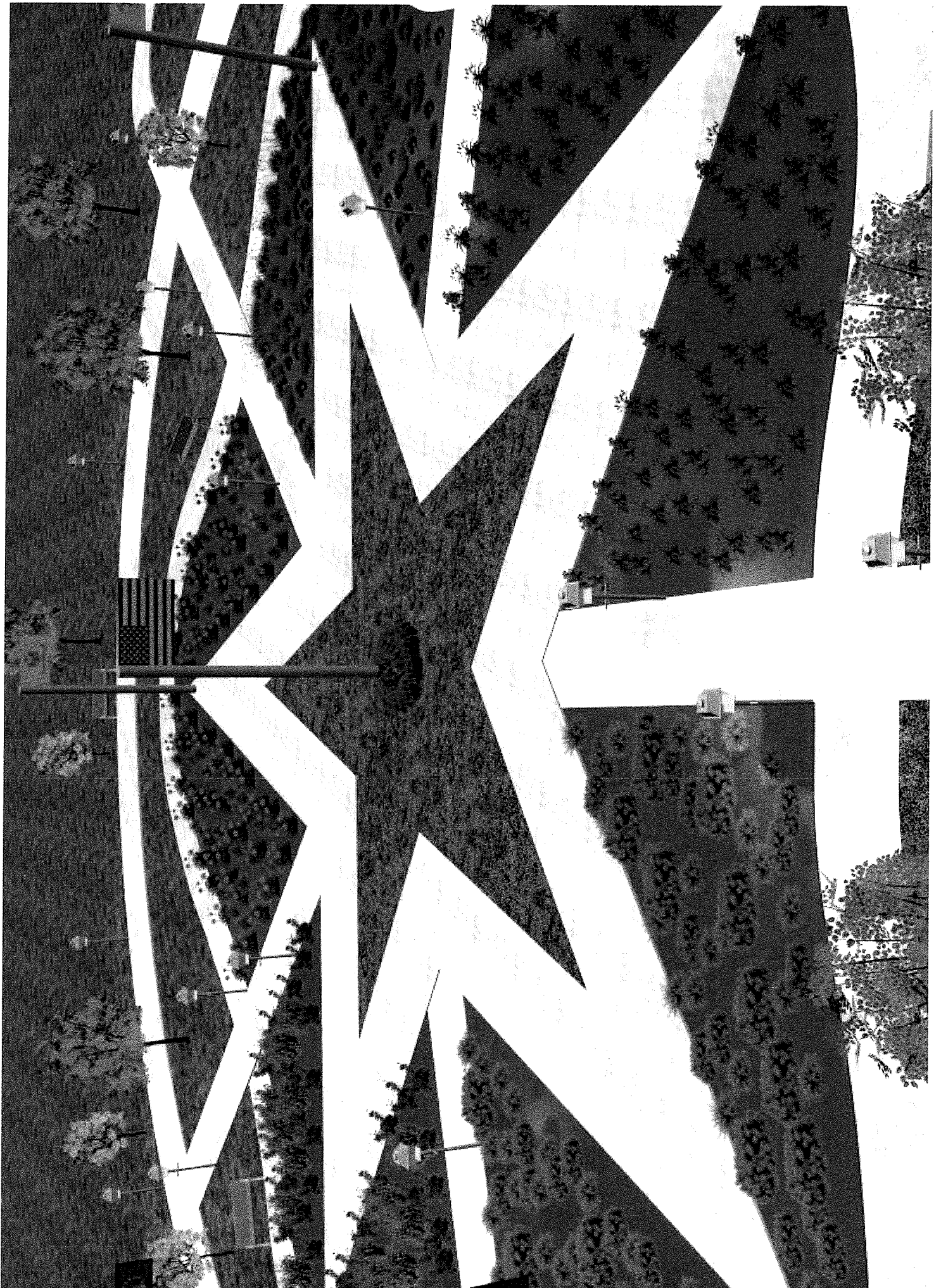
taken to minimize COVID-19 in our facility include enhanced infection control precautions, screening all staff upon entrance and exit into the facility, testing all staff and residents twice a week, decreasing resident interaction, no communal dining or group activities, essential visitors only and they must be tested on site prior to entrance and we continue to follow the guidance of the CDC and CMS to reduce the spread and impacts of COVID-19.

I think the one item we plead with you to consider is some amount of equity funding for our nursing department. One of the things we prided ourselves on was the fact that we were not having to utilize contract agency staff like almost everyone else. These staff are paid at least double what our own employees are paid, and they do not know the residents. The key to good, quality care is to know your residents. Contract agency staff act as a band-aid to fill a position and not a solution to the staffing crisis we are faced with.

In closing, we strongly urge your support for state pay increases this biennium. We used to be the employer of choice in the area but have had a hard time competing with area healthcare facilities as they received wage increases a few years ago when we did not. We need to be able to hire our own staff, not contract for staffing at significantly higher rates. By funding pay increases you will help us be competitive with the large number of healthcare facilities in the area. Lisbon alone has 2 nursing homes, a hospital, 2 assisted living facilities, and 4 medical clinics. There are also 4 skilled nursing facilities, a hospital and 6 more clinics within a 40 mile radius.

We hope that you will support our 2021-2023 budget request and help us to provide the care that our veterans deserve.

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Summary Comparison of 2021-2023 Base Budget to Governor's Recommended Budget

Description	2021-2023 Legislative Base Budget	Base Payroll Changes	Base Budget Changes	Adjusted Base Budget	Optionals Included in Governors Budget	Governors Compensation Increase	Governors Recommended Budget 2021-2023
Salaries and Wages	\$18,916,632	\$187,174	(\$720,281)	\$18,383,525	\$0	\$477,274	\$18,860,799
Operating Expenses	\$5,083,731	\$0	(\$49,025)	\$5,034,706	\$493,107	\$0	\$5,527,813
Capital Assets	\$405,733	\$0	\$18,238	\$423,971	\$331,500	\$0	\$755,471
By Funding Source	\$24,406,096	\$187,174	(\$751,068)	\$23,842,202	\$824,607	\$477,274	\$25,144,083
General Funds	\$5,654,324	(\$36,873)	(\$528,561)	\$5,088,890	\$268,113	\$109,698	\$5,466,701
Special Funds	\$18,751,772	\$224,047	(\$222,507)	\$18,753,312	\$556,494	\$367,576	\$19,677,382
FTE	120.72	-5.93	114.79	114.79			114.79

2021-2023 Budget Adjustments

Salaries and Operating

- *Reduction of 2.93 FTE to meet Governor's request \$528,702 general funds.
- *Budget reprioritizations from nursing to dietary & housekeeping -\$1,288,263 special funds nursing, +\$1,288,605 special funds dietary
- *Reprioritized 1.0 FTE from salaries to operating \$191,921 special funds
- *Reduced 2.0 FTE from basic care - no funding attached - had a total of 6 unfunded positions from last session

Operating

- *Professional services decrease \$55,500 - special funds. Services to be covered by telehealth.
- *Professional services decrease \$1,900 - special funds. No longer need to train everyone for serve safe due to switch back to traditional staffing model.
- *Contractual service fees increase \$37,859 special funds, \$141 general funds. Annual maintenance fees for software and nurse call system.
- *Food decrease \$221,546 special funds - needed additional cut to make budget balance
- *Repairs increase from maintenance FTE reprioritization \$191,921 special funds

Capital

- *Bond & Interest payment increase \$1,538 - special funds
- *Funding for a shampooer for housekeeping and a humidifier \$16,700 special funds

Optional Budget Requests - included in Governor's Budget

1. Food increase - amount that had to be cut to meet budget limit
2. Medications - increase in costs
3. Data Processing - ITD brokerage fees for our web based software, Office 365 licenses
4. Carpeting - B Pod
5. Memorial garden - remaining money needed to finish project. Funding would be from Melvin Norgard Fund

Optional Budget Requests - Not included in Governor's Budget

1. Nursing Equity
2. Humidifier - currently have 12 in building, looking to replace a few each biennium due to age
3. Turbine blower - attachment to blow snow in winter, would help reduce damage to grass
4. Bladder scanner - monitors urinary retention to reduce infections & manage incontinence

<u>Special funds</u>	<u>General funds</u>
\$221,546	\$238,500
\$3,448	\$29,613
\$131,500	
\$200,000	
	\$550,000

COVID FUNDING

	<u>Amount</u>	<u>From Whom</u>	<u>Date Received</u>
1	\$131,097	State of ND - Cares Act Fund	May-20
2	\$10,331	Provider Relief Funds - Healthcare Enhancement Act	Jun-20
3	\$180,000	Provider Relief Funds - Healthcare Enhancement Act	Jun-20
4	\$85,400	Infection Control Funds - Healthcare Enhancement Act	Sep-20
5	\$330,943	State of ND - Cares Act Fund	Oct-20
6	\$49,082	HHS - September Quality incentive payment	Nov-20
7	\$166,520	HHS - October Quality incentive payment	Dec-20
8	????	Future Quality incentive payments	
9	????	FEMA Reimbursement	

Emergency Commission Requests - Approved

1	\$131,097	COVID expenses Feb - May, 2020; \$35,395 salaries and \$95,702 operating
2	\$190,331	Provider Relief Funds - set up separate class code
3	\$385,400	\$85,400 Provider Relief Funds, \$300,000 potential initial FEMA reimbursement
4	\$330,943	Ion generators, hands free door openers, hands free faucets, hands free toilet flushers, sprayer, software, It's Never 2 Late Boards, PPE, Chemicals, salaries and wages, agency staffing

Need Spending Authority For

\$49,082.17 Federal money for Nursing homes based upon COVID info for facility

\$166,519.72 Federal money for Nursing homes based upon COVID info for facility

Expenditures paid to date

Salaries and Wages	Overtime, directly related COVID hours, hazard pay	\$455,881.96
Operating	PPE, chemicals, sanitizer, medical supplies, mileage computers and supplies, access points for COVID unit oxygen concentrators, carts and serving supplies hands free fixtures	\$283,088.99
Capital	Software programs, hands free doors, It's Never to Late Boards Ion generators	\$147,892.17
		<hr/> \$886,863.12