

TESTIMONY ON HB 1007
SENATE HUMAN RESOURCES COMMITTEE
FRIDAY, MARCH 10, 2023

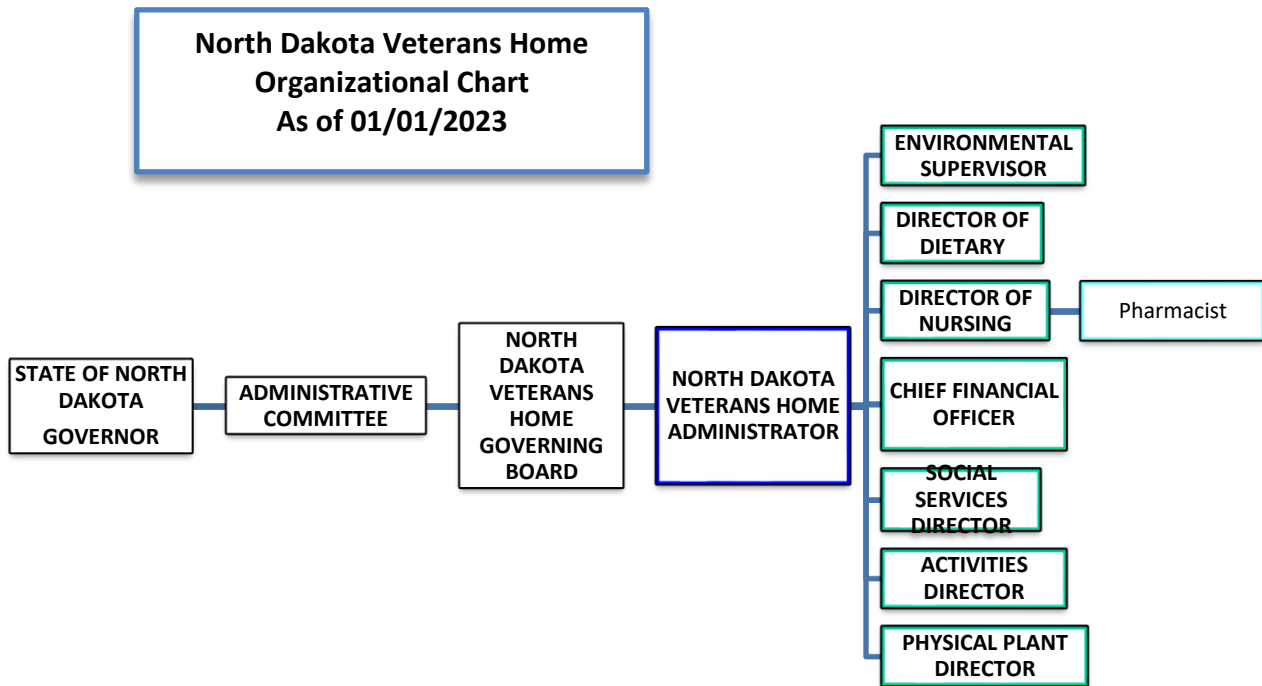
Chairman Dever and members of the Human Resources Committee, I am Kristin Lunneborg, CFO at the North Dakota Veterans Home. I am here today to give insight into our current budget and discuss our budget needs for the 2023-2025 biennium.

Before I cover the North Dakota Century Code Chapters associated with our agency I would like to update you on how the North Dakota Veterans Home came about. An act of Congress in 1887, set aside certain lands 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.

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.



Audit

There were no audit findings in our 2019-2021 biennium audit conducted by the State Auditor’s Office.

Current biennium accomplishments and challenges

Some of the accomplishments we are proud of this biennium include:

- Provided treatment in place for our residents by utilizing an unused area of our facility for a separate COVID unit, allowing us to quarantine residents in-house rather than sending them to the hospital.

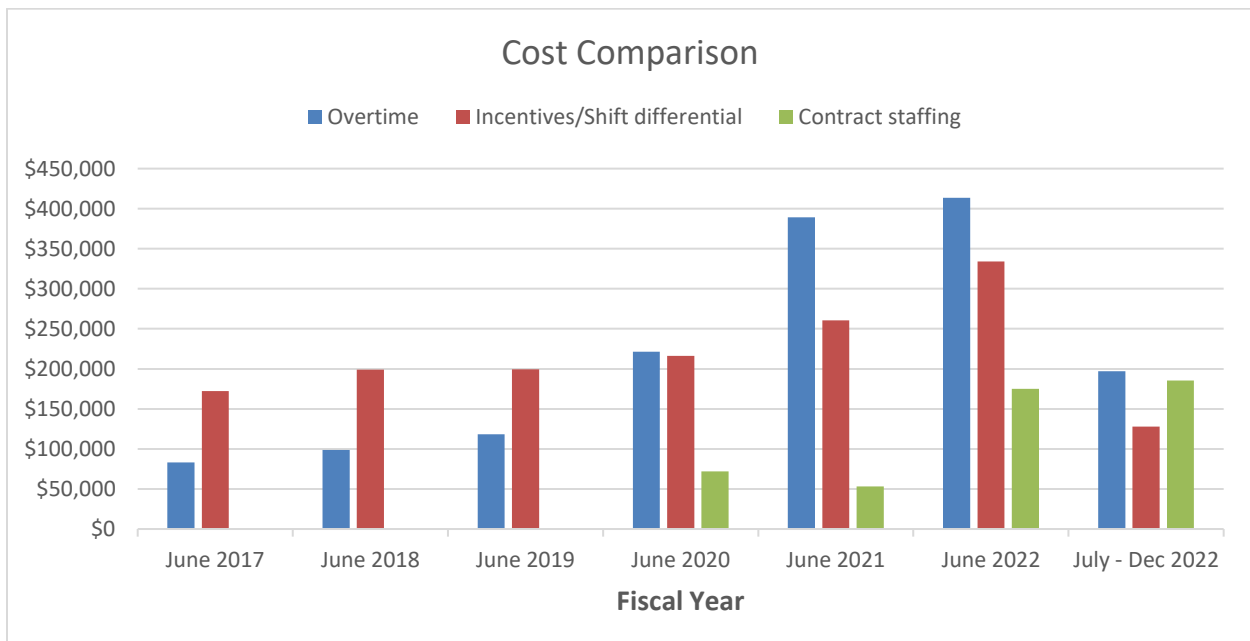
- Federal funding allowed us to re-design and add space to our skilled nurses station and skilled household office areas, creating space for staff to social distance and giving the residents a great area for activities.
- Finished installation of new carpet in our skilled nursing facility.
- Created several commercials focusing on recruiting residents and staff; totally funded by donations and aired by ND Cares and the ND Broadcasters Association.
- Upgraded entrances and public restroom doorways with hands free fixtures.
- Completed several of the facility improvement measures identified by Sitelogiq, including, upgrading all light fixtures to LED, sealing the building envelope to minimize air leakage and installing water aerators in the faucets and flush valves on the toilets to improve efficiency.
- We were awarded a Spring America the Beautiful grant from the ND Forest Service.
- We received a B25 propeller from the ND Air National Guard, which we proudly display on the grounds along with our Vietnam War era Huey helicopter, our WWII Sherman M47 Army tank and our Navy anchor from the USS Glover.
- Teamed up with the Lisbon High School to train students to be Certified Nursing Aides, many of them choosing to come work for us.

The most difficult challenges we faced this biennium are a direct result of COVID-19; the majority due to the regulations set forth by the Centers for Medicare and Medicaid Services (CMS) and the Centers for Disease Control and Prevention (CDC). Some of them include:

- The physical and emotional well-being of our residents.
- For staff, the physical and mental strain, constant use of face masks and face shields, mandatory vaccines, long hours and burnout from having to fill open shifts due to lack of staff or staff having to be off work due to COVID.
- Mandatory COVID testing for staff (and sometimes residents), up to twice a week. Started testing in May 2020 and besides a few short breaks we are still testing. As of January 9, 2023, we have completed over 30,000 PCR tests; not to mention all the rapid binex tests that have also been completed.

- Ability to attract and retain staff, inability to keep up with wage increases and bonuses offered by other facilities, and high cost of turnover. Long term care staffing has always been a challenge, but the pandemic has left facilities feeling hopeless due to the insurmountable number of positions open with no applicants.
- Low census = decreased revenues. By November of 2021, we had already experienced a loss of roughly \$470,000 since the beginning of the pandemic.
- Often unable to admit residents due to staffing shortages.
- High cost of contract agency staff. After ten years with no contract staff, we were forced to sign contracts with several staffing agencies in 2020. Almost three years later, we now have contracts with seven agencies.

Below is a comparison of overtime, shift differential/incentive pay and staffing agency costs. I used data from each fiscal year, July 1 – June 30, dating back to 2017. The data in the column on the far right is only from July 1, 2022 to December 31, 2022. Staffing agency costs in those six months have already surpassed the previous year! Overtime is at an all-time high and we are having to offer additional monetary incentives to get staff to pick up extra shifts.



Next biennium goals and plans

Looking ahead, we want to remain hopeful that someday life at the veterans' home will return to normal and we will be able to discontinue wearing face masks. Imagine being a resident and not knowing what your caregiver looks like beyond hair and eye color.

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

- Complete the entrance for the VA telehealth clinic.
- Erect new outdoor shelters/smoke areas for our basic care residents.
- Complete work for the Spring America the Beautiful grant.
- Enhance our main outdoor courtyard area using donated funds.
- Build garages/storage units on campus for resident use.
- Update Administrative Rules.
- Decrease need for contract agency staff by attracting and retaining personnel.
- Increase wages so we are competitive with the market.
- Complete mill and overlay project on the streets and parking lots; eliminate areas that are safety hazards.
- Work with the City of Lisbon to develop a plan for a walkway bridge over the Sheyenne River.

2021-2023 Biennium Budget

Our current biennium base budget of \$25,156,483 includes \$19,209,879 for salaries and wages, \$5,539,333 for operating, and \$407,271 for capital assets. Funding sources for our base budget include \$19,375,840 in special funds and \$5,780,643 in general funds. In addition to our base-level appropriation, our current appropriation includes one-time funding of \$25,000 for resident leaves of absence, \$16,700 for equipment over \$5,000, \$131,500 for thermostat replacements, \$200,000 for a memorial garden and \$1,300,000 appropriated in HB 1395 for COVID-19 costs.

We also had carryover funding of \$138,700 for carpeting, \$20,700 for a commercial dryer, \$33,900 for security system upgrades and \$54,295 for security cameras, a humidifier and a building automation system. We also ended up going to the Emergency commission in June 2022 for an additional \$1,805,000 in appropriation authority so we could accept and expend federal funds received from FEMA and the United States Department of Health and Human Services under the Provider Relief Fund and American Rescue Plan.

We are currently working with Johnson Controls on the thermostat replacement project, which will be completed by June 30, 2023. We have completed the carpet replacement project in our skilled nursing facility and are working on bids for the rest of our equipment purchases. We do not anticipate having to use the carryover funding for the laundry dryer as we discovered an air-flow issue that seems to have fixed the problem.

We hired Stantec as the engineering firm for the memorial garden project. They prepared the plans and specifications for the project and initially bid the project in April 2022. We received no bids at that time, so we decided to put it out for bids again in May 2022. Between the funding from the Melvin Norgard fund and donations we had received, we had approximately \$375,000 for the first phase of the project. The two bids we received were both close to \$1,000,000 so we decided to not proceed with the project on any level.

Last session, we expressed our concern over the high cost of our ITD services. Part of this conversation was centered around the new nursing facility payment system and how we would never be able to operate our facility efficiently enough to be able to receive any additional incentives in our nursing home rates. As a result of our concern over ITD's rates, a section was added to our bill allowing us the opportunity to contract with an outside entity for these services. After further review, we decided to continue with ITD. House Bill 1327, which has already passed both the House and Senate, removes the ability for us to contract with anyone other than ITD.

As most of the world has returned to a pre-pandemic state, the nursing home industry is still operating under strict CMS and CDC guidelines. All of this comes with a very large price tag, not only monetarily, but also with staffing as we currently have 12 open C.N.A. positions. To date, we have received \$3,960,183 in federal funding for COVID expenses, with the last payment in August 2022. We recently submitted another request to FEMA for reimbursement of expenses but beyond the normal PPE and cleaning supplies, we are unsure how much of our request will get approved. Funding has been used for such things as PPE supplies, cleaning chemicals, salaries and wages, contract agency staffing, staff retention bonuses, humidifiers and ionization units, software programs, medical equipment, supplies for delivering food and clothing to resident rooms, hands free fixtures and doorways, remodel of the nurses' station and C.N.A. areas, and new tables and chairs.

Veterans Home Revenues

We are not anticipating any big changes to our revenues for the next biennium besides being hopeful that we will not have any holds on admission due to staffing and we will be able to increase our admissions, thereby increasing our rent revenues.

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 \$54.89 per day for basic care and \$127.17 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 the resident's 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 |
|--|

| | Actual <u>2017-2019</u> | Actual <u>2019-2021</u> | Projected <u>2021-2023</u> | Projected <u>2023-2025</u> |
|----------------------------------|----------------------------|----------------------------|-------------------------------|-------------------------------|
| Intergovernmental | | | | |
| 1 Grants/Contributions | 5,341,234 | 5,851,135 | 5,100,000 | 5,100,000 |
| 2 Cash/Investment Earnings | 750 | 2,611 | 2,500 | 2,250 |
| 3 Contributions & Private Grants | 4,453 | 1,343 | 1,100 | 1,500 |
| 4 Charges for Services/Sales | 176,277 | 169,083 | 150,000 | 145,000 |
| 5 General Government | 59,529 | 26,028 | 16,000 | 20,000 |
| 6 Health | 11,736,939 | 11,261,322 | 11,400,000 | 12,750,000 |
| 7 Leases, Rents, and Royalties** | 185,425 | 534,235 | 379,000 | 379,000 |
| 8 Miscellaneous General Revenue | 10,999 | 8,565 | 14,000 | 13,000 |
| 9 Transfers In | 711,984 | 732,000 | 510,000 | 550,000 |
| Total Special Fund Revenue | 18,227,591 | 18,586,323 | 17,572,600 | 18,960,750 |

- 1 **Intergovernmental grants** - per diem money from the Dept of Veterans Affairs. We are paid \$54.89 for each basic care veteran and \$127.17 for each skilled care veteran, rates change every Oct 1.
- 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.

2023 – 2025 Biennium Budget

The following table illustrates the difference between our current biennium budget, our 2023 - 2025 biennium base budget and our 2023 – 2025 budget as approved by the House.

Summary Comparison of Budgets

| Description | 2021-2023 Biennium Budget | 2023-2025 Base Budget | House Version 2023-2025 Budget | Difference between Base & House |
|--------------------------|--|--------------------------------------|---|--|
| Salaries and Wages | \$19,209,879 | \$19,209,879 | \$20,708,745 | \$1,498,866 |
| Operating Expenses | \$5,564,333 | \$5,539,333 | \$5,628,175 | \$88,842 |
| Capital Assets | \$969,796 | \$407,271 | \$2,195,082 | \$1,787,811 |
| Construction Carryover | \$33,900 | \$0 | \$0 | \$0 |
| American Rescue Plan | \$105,000 | \$0 | \$0 | \$0 |
| Cares Act Funding | \$3,435,374 | \$0 | \$0 | \$0 |
| Total Budget | \$29,318,282 | \$25,156,483 | \$28,532,002 | \$3,375,519 |
| By Funding Source | | | | |
| General Funds | \$5,805,643 | \$5,780,643 | \$6,174,276 | \$393,633 |
| Special Funds | \$3,540,374 | \$19,375,840 | \$22,357,726 | \$2,981,886 |
| Federal Funds | \$19,972,265 | \$0 | \$0 | \$0 |
| | \$29,318,282 | \$25,156,483 | \$28,532,002 | \$3,375,519 |
| Total FTE | 114.79 | 114.79 | 114.79 | 0.00 |

Our 2023-2025 biennium base budget is \$25,156,483, with \$5,780,643 being funded with general funds and \$19,375,840 being special funds.

Additions to our base level budget include:

- \$1,448,866 in salaries and wages; \$96,159 for cost to continue salary increases from current biennium to next, \$1,352,707 for recommended salary and benefit increases
- \$35,000 in salaries and wages for shift differential pay for our dietary department. Our dietary department grew from 6 to 15 FTE employees when we decided to eliminate the universal worker role. These staff work 10-12 hour shifts seven days a week. Additional funding is needed to cover the increase in shift differential/incentive pay.

- \$15,000 in salaries and wages. to change LPN to RN positions, if needed. More and more individuals are going to school to obtain their RN licenses and it is becoming much harder to find LPNS. This funding is in our current budget, and we want to ensure we have it in the next budget. We did have to switch two positions from LPN to RN during the current biennium.
- \$8,500 for increases in laundry chemical costs due to inflation.
- \$30,000 for maintenance repairs. We are seeing an increase in repairs needed and an increase in prices for parts and labor. This line item also covers the cost of having to hire outside individuals to service equipment we cannot fix ourselves and rates for these services are climbing.
- \$26,000 for increased food costs due to inflation.
- \$11,950 in one-time funding for the purchase of 80 bed extenders and 25 mattresses. We are increasingly needed larger beds due to the predominately male population that we serve.
- \$4,900 in one-time funding to replace refrigerators that are in constant need of repair.
- \$108,900 in one-time funding for commercial roll-in coolers, blanket warmers, a UTV and a compact tractor.
- \$600,000 in one-time funding from the Strategic Investment and Improvement Fund to do a mill, overlay and chip seal on our roads and parking lots.
- \$750,000 in one-time funding from the Melvin Norgard fund to build garages and storage units for the residents. These units would be rented out on a first come, first serve basis with revenues going back into the Melvin Norgard fund.
- \$328,930 in one-time funding from the federal State Fiscal Recovery Fund to finish the wireless thermostat replacement project.

I have attached a one-page itemized listing of the changes we are requesting this committee to make to our budget. We are requesting an increase in appropriation authority for food, contract agency staffing and additional funding to complete the two capital asset projects already partially funded.

Other Bills

We were asked to report on any other bills being considered by the Legislative Assembly that might have an impact on us. House Bill 1389 amends and reenacts Section 37-15-02 of the North Dakota Century Code relating to the provision of basic and long-term care to service members and veterans. This bill changes the definition of a veteran to include all service members of the United States armed forces, national guard or reserve who may be discharged under other than dishonorable conditions and who do not meet the definition of a veteran but who become permanently disabled from any cause while in the line and discharge of duty and who are enrolled in VA healthcare to be eligible for admission. We anticipate this change in language will allow a few more individuals to qualify for admission but should not have a significant impact on the budget.

In closing, we strongly urge your support for the proposed equity and pay increases for the next biennium. We need to be able to be competitive so we can attract and retain staff and reduce our expenses for overtime, incentives and contract agency staffing. Up until just recently, we were using contract agency staff to cover anywhere from 800 – 860 hours a month for us. The rates we pay contract agencies are anywhere from two to four times more than our own staff. Besides the hourly cost, these individuals don't provide the same quality of care as our own staff as they don't know the residents; they are frequently late (didn't know where we were located), don't show up at all, or have performance issues. In addition, we have mounds of work on our end before they can even set foot inside the facility as we need to obtain copies of their licenses, vaccination status, background checks and CPR certificates, get them set up in our computer systems and train them. Often, we do all the steps on our end and then they decide to go to another facility. 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 the past, we were the employer of choice in the area but now we have a hard time competing with area healthcare facilities as they have been able to give significant wage increases and we are limited by the state system. Within the last few months, two of the area

nursing homes have raised their starting C.N.A. wages to over \$20.00 per hour, our starting wage is \$16.38 per hour. Many are also offering a \$10,000 sign on bonus. Our benefits package is usually better, but the new employee seems to be more interested in their take home pay, rather than their insurance or retirement. 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 our area. Lisbon, which has a population of approximately 2,200 people, 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 2023-2025 budget request and help us to provide the care that our veterans deserve.

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Requested Changes to HB 1007

- Increase professional service line item by \$300,000 in special fund authority to cover the on-going costs of agency staffing. Currently these fees are being paid for by COVID-19 funding but we are uncertain that funding will be available next biennium.
- Increase the food line item by \$150,000 in special fund authority. At the time we put our budget together we did not anticipate our food costs would increase as significantly as they have. Our current biennium budget for food will be overspent even with the lower-than-average census due to COVID.
- Increase capital asset line by \$150,000 in special fund authority for new air handling unit controls. In the current biennium, we are replacing the thermostats in the skilled nursing home with wireless ones. The House added \$328,930 in funding from the federal State Fiscal Recovery fund for thermostats and air handling units; however, this amount only covers the cost of replacing the remaining thermostats in the building.
- Increase the funding for the mill, overlay and chip seal project by \$500,000 in Strategic Investment and Improvement funds so the entire project can be completed at the same time. The project will cost more if completed in two separate phases.