TESTIMONY ON HB 1007
HOUSE HUMAN RESOURCES COMMITTEE
THURSDAY, JANUARY 12, 2023

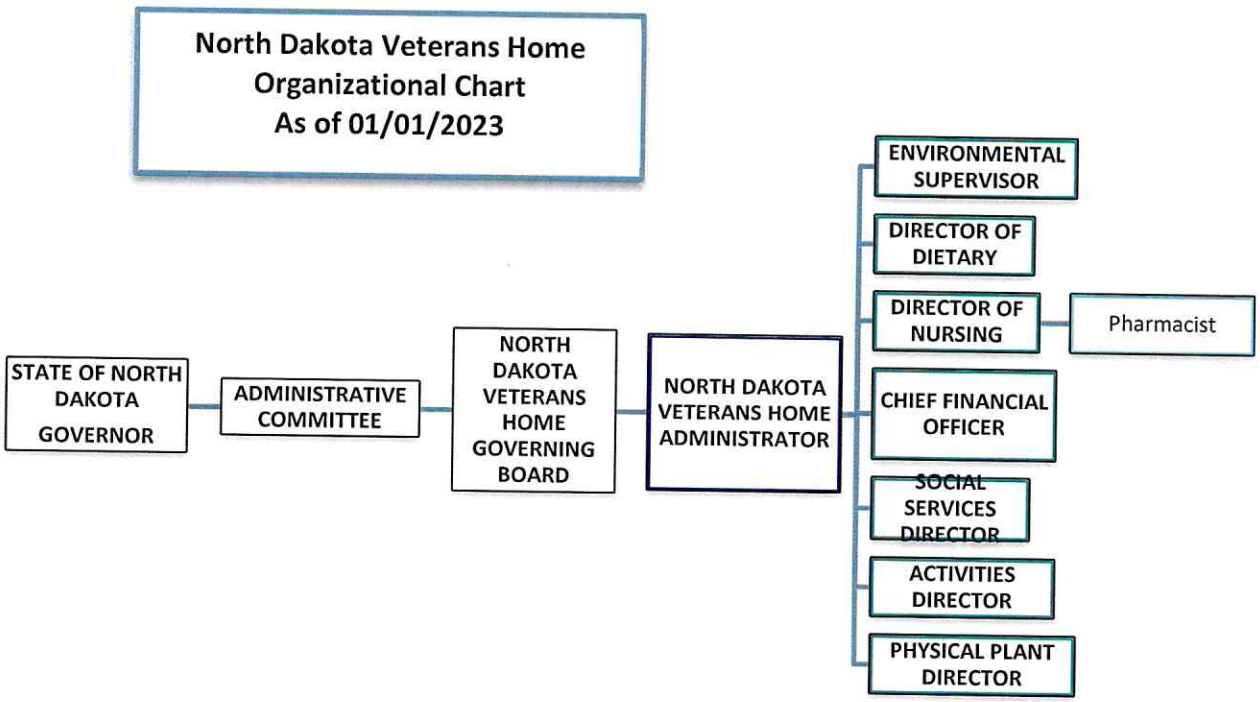
Chairman Nelson and members of the Human Resources Committee, I am Kristin Lunneborg, CFO at the North Dakota Veterans Home. I am here today to give you insight into our current budget and discuss with you our budget needs for the 2023-2025 biennium.

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.

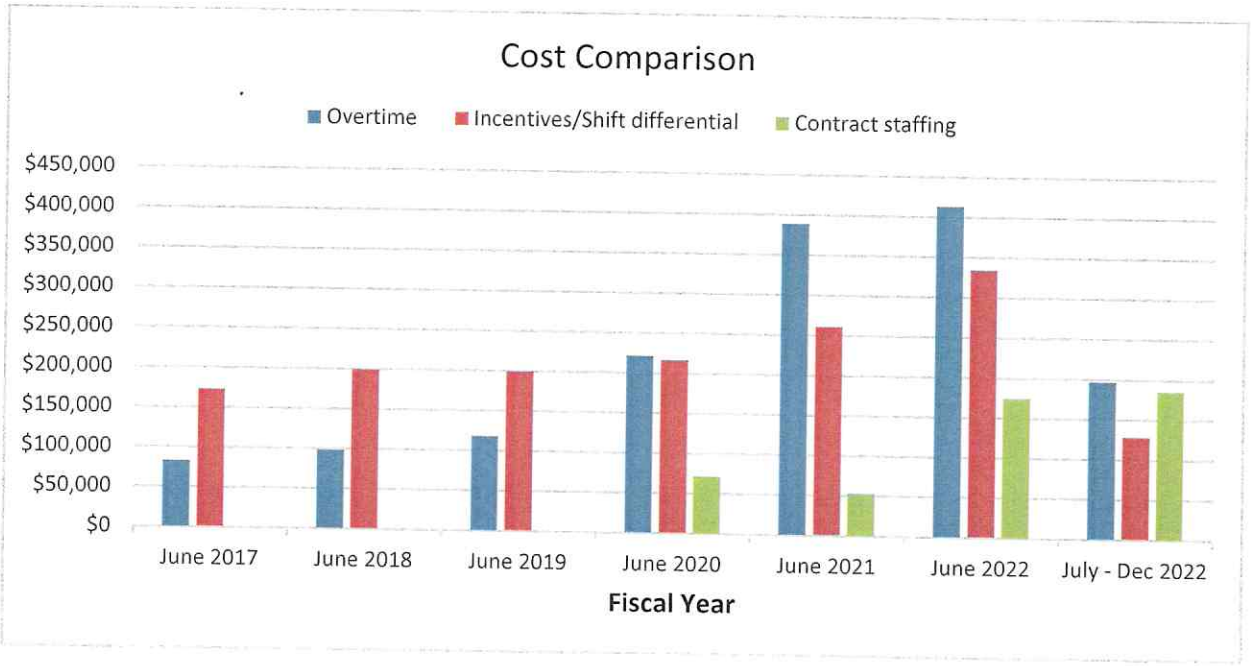
Current biennium accomplishments and challenges

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.

- 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 because of staffing shortages. Currently only able to admit due to all the contract agency staff we have in place.
- 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 in the 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 $25,260,115 includes $19,313,530 for salaries and wages, $5,539,333 for operating, $407,252 for capital assets. Funding sources for our base budget include $19,479,472 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 HB1395 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 and anticipate that 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 but did have interest from a company that was unable to submit their bid by the deadline, so we decided to put it out for bids again in May 2022. We were shocked when the bids came back well over double what we had anticipated. 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 but 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 have decided we are going to continue with ITD at this time.

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. And all of this comes with a very large price tag, not only monetarily but also with staffing. 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 don't know 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.

2023-2025 Biennium Request

We were very pleased when we received the budget request limits for the 2023-2025 biennium and there were no cuts that needed to be made. Being a highly regulated service industry and keeping up with inflation would have made it impossible to make any further cuts and continue our current services.

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 2017-2019	Actual 2019-2021	Projected 2021-2023	Projected 2023-2025
1	Intergovernmental 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.

Our 2023-2025 biennium request limit is $25,260,115, with $5,780,643 being funded with general funds and $19,479,472 being special funds. We also submitted an additional $1,740,250 in optional items bringing our submitted budget total to $27,000,365.

Optional items included in our budget include:

- $35,000 in shift differential for our dietary department. Our dietary department originally had 6 FTE employees and when we decided to eliminate the universal worker role, we gained an additional 9 more FTEs. These staff work 10 hour shifts seven days a week. Since some of these hours qualify for shift differential and extra incentives, we need more funding.
- $15,000 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 Toro Groundsmaster and a Bobcat side by side.
- $750,000 in one-time funding 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.

Besides the Governor's recommended increases to the salaries and wages line, the Governor's recommended budget includes all our optional items. The only change made by the Governor was to fund the road and parking lot improvement project with funds from the Strategic Investment and Improvements fund rather than our special funds.

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 and repairs and the addition of a capital asset project related to the building automation system.

Other Bills

We were asked to report on any other bills being considered by the Legislative Assembly that might have an impact on us. There is a bill to amend and reenact 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 Governor's proposed equity increases 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. We are currently using staffing agencies to cover approximately 830 hours a month for us. These

individuals get paid 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 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 2023-2025 budget request and help us to provide the care that our veterans deserve.

Kristin Lunneborg
North Dakota Veterans Home CFO
701-683-6503
klunneborg@nd.gov

Requested Changes to HB 1007

- Increase professional service line item by $400,000 in special funds 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. Even with a lower than anticipated census this biennium our budget is getting stretched thin.

- Increase capital asset line by $150,000 in special fund authority for new AHU controls. In the current biennium we are replacing the thermostats in the skilled nursing home with wireless ones. This money will add new wireless coordinators for the building automation system, Metasys. The new coordinators will serve as the building blocks for transitioning the existing wireless system to a new JCI wireless product. Once in place, we can begin migrating rooms over to the new system.

North Dakota Veterans Home
Budget Request Summary

Object/Revenue		2021-23 Biennium Appropriations	2023-25 Base Budget Recommended	2023-25 Optional Budget Changes Recommended	2023-25 Total Budget Recommended
Description	**Dept**				
Administration	1000	2,650,044	2,700,940	-	2,824,668
Maintenance	2000	2,753,846	2,503,761	1,605,000	4,182,593
Dietary	3000	2,901,811	3,168,562	89,300	3,443,567
Nursing Basic Care	4000	4,011,762	3,634,766	15,000	3,917,798
Nursing Skilled Care	4500	9,299,465	9,593,238	22,450	10,330,000
Activities	5000	433,435	440,952	-	481,827
Social Services	6000	978,415	533,198	-	581,105
Housekeeping	7000	708,814	818,474	-	888,615
Laundry	8000	369,488	437,366	8,500	477,656
Pharmacy	9000	1,422,603	1,428,858	-	1,468,427
COVID-19	9500	1,300,000	-	-	-
TOTAL BY APPROPRIATIONS ORGS		**26,829,683**	**25,260,115**	**1,740,250**	**28,596,256**
Salaries and Wages	31310	19,209,879	19,313,530	50,000	20,959,421
Operating Expenses	31330	5,564,333	5,539,333	81,350	5,620,683
Capital Assets	31350	755,471	407,252	1,608,900	2,016,152
Administrator's Residence	31372	-	-	-	-
CARES Act Funding - 2020	31379	1,300,000	-	-	-
TOTAL BY OBJECT SERIES		**26,829,683**	**25,260,115**	**1,740,250**	**28,596,256**
General	GEN	5,805,643	5,780,643	106,000	6,239,014
Federal	FED	1,300,000	-	-	-
Special	SPEC	19,724,040	19,479,472	1,634,250	22,357,242
TOTAL BY FUNDS		**26,829,683**	**25,260,115**	**1,740,250**	**28,596,256**
TOTAL AUTHORIZED EMPLOYEES		**114.79**	**114.79**	**-**	**114.79**

NORTH DAKOTA VETERANS HOME

The North Dakota Veterans Home has been Caring for America's Heroes since 1893. We are committed to creating a safe, enriching environment for residents, designed to feel like home.

WHAT HAPPENS IF WE CAN'T DO OUR JOB...

Inability to Admit New Residents
Veterans needing nursing home services are delayed in or unable to get the care.

Staff Burnout
To maintain required staff-to-patient ratios some staff are working exorbitant amounts of overtime, causing burnout and turnover.

Costly Contract Agency Staff
To continue providing care for our residents, we must resort to hiring contract staff for as much as 3.5x the amount we pay our staff.

CURRENT AGENCY TEAM MEMBER STATS

- **107** full-time team members
- **13** number of vacancies
- **$43K** average annual salary
- **45** average age
- **9.3** average years of service
- **24** retirement-eligible

NURSING HOME NEED CONTINUES TO GROW

ND

- Population Over Age 65 ↑ **16.1%** from 2010-2020
- Veterans Over Age 65 ↑ **3.4%** from 2010-2020
- Current Number of ND Veterans **575,069**

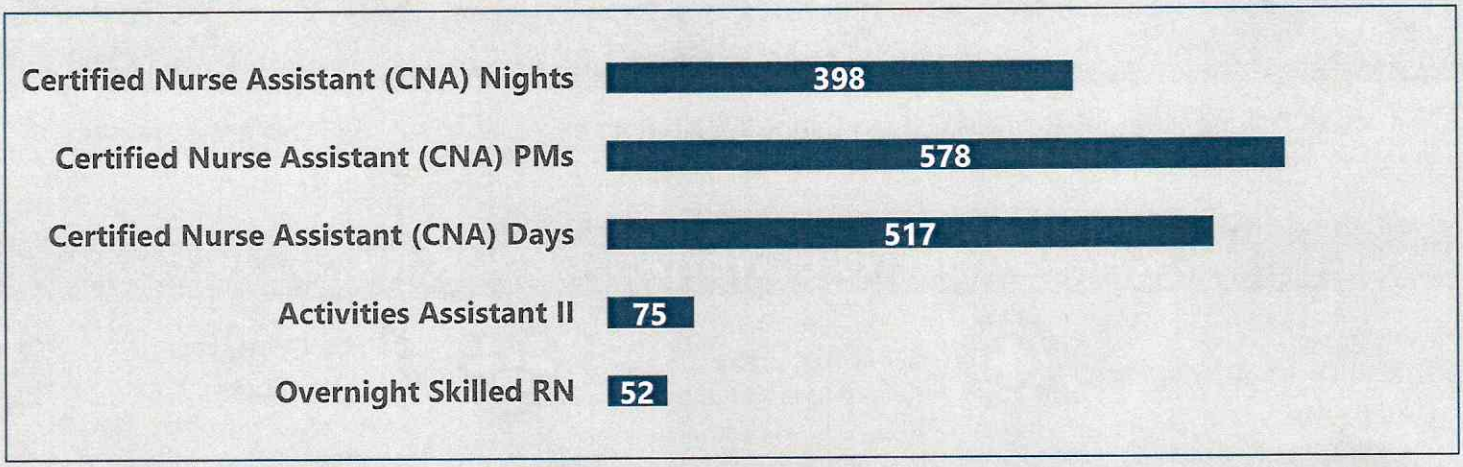
HOW WE COMPARE

SALARY

- Healthcare wages ↑ **31%** in ND in the last 5 years
- Healthcare wages ↑ **20%** nationally in the last 3 yrs.
- Veterans Home wages ↑ **8%** in the last 5 years

VETERANS HOME WORKFORCE

VACANT POSITIONS – NUMBER OF DAYS OPEN



11 of our 13 vacant positions are CNA positions., which have not been fully staffed in 2+ years. In 2022. we hired 15 new staff members for both permanent and temp positions ; 6 of them quit within 6 months of being hired.

COST OF TURNOVER

$35K
per team member
Figured with 80% of annual salary.

Certified Nursing Assistants (CNAs) are the hardest staff to recruit and retain. Those vital vacant positions are what is driving our overtime and agency staffing costs to increase almost $500,000 in the last 2 years.

To become certified, applicants need to complete 75+ hours of classroom training and then pass written and hands-on skills test. All of which is paid for by the Veterans Home. Once they are certified they complete a month-long orientation. Then averaging another 6-12 months to be skilled in their position.

WORKFORCE COMPETITION

Hospital and Nursing Homes
Local hospital and nursing homes who can hire at a higher starting salary. **One area nursing home currently offering $10,000 sign on bonus for CNA and nurses.**

Clinics
Clinic office generally can attract and retain staff easier than a 24-hour facility that must require staff work some weekend and or holiday hours.

Local Major Manufacturer
Doosan Bobcat is continuously seeking production employees with no experience needed and starting their pay between $20-25 per hour. **Employees there will see a pay increase of 18% over the next 4 years.**

Staffing Agencies
These agencies can offer large incentives and higher wages to attract staff. When those staff what to come work for us we may have to pay thousands to the agency to direct hire that staff member.

INDUSTRY OUTLOOK The need for basic and skilled care nursing homes remains strong as the population in North Dakota continues to age. Yet employment levels in long-term care, nationwide continue to shrink due to inadequate pay and supports for their work. The struggle with pandemic-driven shortages and skyrocketing expenses will continue to compound pressures on healthcare's bottom line in 2023.