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FISCAL IMPACT REPORT

Martinez, R/Garcia, H/
Pratt/Sariñana/
SPONSOR Armstrong, D **ORIGINAL DATE** 2/25/2019
LAST UPDATED 3/10/2019 **HB** 643/aHHHC

SHORT TITLE Transfer Oversight Of Veterans' Home **SB** _____

ANALYST Chenier

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		(\$16,174.3)	(\$16,174.3)	(\$32,348.6)	Recurring	All Funds DVS
		\$16,174.3	\$16,174.3	\$32,348.6	Recurring	All Funds DOH
Total					Recurring	All Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
Veterans' Services Department (VSD)
Human Services Department (HSD)

SUMMARY

Synopsis of HHHC Amendment

The House Health and Human Services Committee Amendment to House Bill 643 would change one of the members of the New Mexico veterans' home advisory board from the director of VSD's Health Care Coordination Program to the Secretary of VSD or their designee.

Synopsis of Original Bill

House Bill 643 would transfer oversight of the New Mexico State Veterans' Home (SVH) from DVS to DOH, partially reversing provisions included in Senate Bill 204 from the 2017 session.

FISCAL IMPLICATIONS

In both FY18 and FY19, the home had a substantial shortfall due to revenues to the home not matching expenses. The home's FY18 and FY19 original appropriations included \$19 thousand in general fund revenue. However, the current version of the GAA, making its way through the legislature, includes a \$2.7 million supplemental appropriation from the general fund to shore up

the home's finances for FY18 and FY19. The FY20 general fund appropriation in the GAA is \$1.6 million, adequate to operate the home, including other federal and transfer revenues.

Prior to the original transfer of the home to DVS, DOH would use surpluses from several of its other facilities to offset shortfalls in the Veterans' Home. In FY18, the first year the home was being overseen by DVS, the Department of Health Facilities Management Division reverted about \$2.1 million in unspent general fund revenue. A significant portion of the reversion was likely due to other DOH facilities no longer supplementing the budget of the home.

Because of this, if this legislation passes, it is unclear whether the Veterans' Home would still require the \$1.6 million general fund appropriation included in DVS's FY20 budget appropriation.

The General Appropriation Act (GAA) in Section 3 (G) includes a provision allowing for flexibility in case legislation is enacted, subsequent to enactment of the GAA, that transfers operating responsibilities from one agency to another. This provision would apply here, allowing the appropriation contained in DVS's budget for operation of the Veterans' Home to be transferred to DOH if the bill is enacted. The same provision was invoked when the home was originally transferred from DOH to DVS in FY18.

The total amount of \$16,174.3 noted in the table on the first page includes \$1.6 million general fund and \$14.6 million in other funds.

SIGNIFICANT ISSUES

Senate Bill 204 from the 2017 session created a new section of law that created the Healthcare Coordination Division within DVS. House Bill 643 simply removes the responsibility of overseeing the SVH from this section. It is unclear whether an entire division (Health Care Coordination Division) would still be needed within the Department of Veterans' Services to execute the remaining responsibilities including coordinating veterans' programs, advising, and coordinating with the secretary.

The following was included in LFC's Volume 2 budget recommendation:

Results are mixed one year after a significant Veterans' Services Department mission expansion. In FY18, the department successfully assumed oversight of the Angel Fire Vietnam Veterans' Memorial, opened the Fort Stanton Veterans' Cemetery, constructed the new Gallup Veterans' Cemetery, and made plans to break ground on a third Angel Fire cemetery. However, the department's oversight of the Veterans' Home remains a primary concern because of delays in reaching full occupancy in the new Alzheimer's skilled nursing facility, poor survey and accreditation results, slow progress improving facility conditions in the old Carrie Tingley building, and revenues well below expenditures.

Many of the delays, budgetary challenges, and facilities issues at the home originated long before the department assumed operations. However, with the transfer, fiscal and operating problems of state hospitals are more evident. VSD inherited the aged Carrie Tingley hospital building with many deficiencies. VSD also inherited the new state-of-the-art Alzheimer's unit, which lacks a realistic staffing plan.

In FY18, the Home also paid \$85.4 thousand in penalties according to the Centers for Medicare and Medicaid Services website. The home received three level H deficiencies defined as occurring in a pattern resulting in actual harm but not immediate jeopardy, for patient neglect, lack of care planning, and two nurses not washing their hands before or after inserting catheters. Immediately after the findings, administrators at the home blamed the problems on poor recruitment and retention.

DVS provided the following:

A systematic IT plan and coordination between DVS and DOH will be required to transfer the domain from DVS control back to DOH control. The Veteran's home is a 24-hour medical facility and the transfer of all IT equipment and support functions must be handled in such a way that there are no disruptions to medical services for the residents. Pre-coordination between DVS and DOH is currently underway.

DOH provided the following:

The original transfer of the home from DOH to DVS was effective July 1, 2017. However, it was December of 2018 before the transfer was fully complete. There is experience within DOH, DVS, Department of Information Technology (DoIT), and the Department of Finance and Administration (DFA) as to what will be needed to transfer oversight of the facility. While the bill provides for the transfer of operating budget, personnel and assets of the home, it does not provide an appropriation for transition costs. Given the recent experience of the previous transition, there will be a fiscal impact for the transition itself. DOH expects that the transition could be fully completed in about the same amount of time as it previously required (one year to eighteen months). This is due to vendor agreements that will have to be transferred and data systems that will need to be migrated. Memoranda of Understanding will need to be in place during the transition.

DOH has a wide scope of health priorities, while DVS has veterans as its primary and only focus. This was part of the basis for the transfer to DVS initiated in 2017. State Veterans Homes are in all 50 states and Puerto Rico. As of 2016, 33 states operated 96 state veterans' homes under the governance of their state's Veterans' Services Departments (National Association of State Veterans Homes Membership Directory, 2016). Other management arrangements include state health departments, state boards, healthcare systems, and contract management services.

ADMINISTRATIVE IMPLICATIONS

DOH said the proposed transition will require resources from the Office of General Counsel, the Administrative Services Division, the Office of Facilities Management and the Information Technology Services Division. Administratively, hospital staffing would not change by transferring oversight of NMVH. If there are issues with managing the physical facility or technology at the facility, the General Services Department (GSD) Facilities Management Division and the DoIT could provide support.