

SUBJECT: Veterans assistance centers

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 7 ayes — Telford, Woolley, Berlanga, Goolsby, Rangel, Sadler
0 nays
2 absent — Serna, Tillery

WITNESSES: For — Glen M. Gardner, Texas Coalition of Veterans; Bill McLemore, Texas Association of County Veterans Service Officers
Against — None
On — Samuel Bier; David Gloier; Herbert Odell, Texas Veterans Commission; Rusty Mardin and Jerry E. Turner, Texas Veterans Land Board; Randy Stevens, Tonn & Associates; John Stockton, Texas Department of Human Services

BACKGROUND : Texas has more than 504,000 veterans over the age of 65. Veterans may receive nursing home care either in nursing home care units at Veterans Administration (VA) Hospitals or through contracted community nursing homes for which Medicaid pays \$20.00 per day per patient. More than 16,500 veterans are on Medicaid, and about 1,600 are in nursing homes across the state.

The Veterans Land Board (VLB) operates financial assistance programs that sell land or make home mortgage loans to veterans. The VLB may issue bonds and undertake bond enhancement agreements, which are financial instruments designed to increase the rate of return on bonds. Assets of the VLB and its Housing Assistance Fund must be deposited in the state treasury.

DIGEST: HB 2358 would authorize the VLB to construct and operate veterans assistance centers for veterans requiring medical and other personal services and expand the board's investment and bond issuance authority.

VLB could establish veterans' assistance centers as an authorized financial assistance program. HB 2358 would define a veterans' assistance center as a life care facility, retirement home or village, home for the aging, or other facility furnishing shelter, food, medical and nursing services, social activities, or other personal services for veterans.

VLB could acquire centers by purchase, gift or lease, or construct, operate, enlarge, improve, furnish and equip the centers alone or in conjunction with other state or federal agencies. The board would adopt rules regulating these areas. The board could contract with any person for the management of the center and delegate to the manager the authority to manage the center and hire and fire employees.

The bill also would extend VLB's investment authority to manage the assets of the Veterans Housing Assistance Fund and the its veterans financial assistance program. The board would select the comptroller or one or more commercial banks, depository trust companies, or other entities to serve as a custodian of the cash or securities of the fund; authorize the custodian to invest that cash in investments determined by the board; and authorize the custodian to lend the securities according to rules adopted by the board.

The custodian selected by the board would have to maintain adequate capital to ensure the safety of the securities; indemnify the board against any loss of the securities through a loan program; and require any party to whom it lent securities to provide collateral equal to at least 100 percent of the securities' market value.

VLB could designate officers or employees to act on its behalf in bond enhancement agreements. The agreements would have to specify the maximum amount and term. Unless the board elected otherwise, the bond enhancement agreement would be considered a credit agreement. Receipts or assets of the veterans' land fund or the veterans' housing assistance fund could be used as security for the payment of bonds issued by the VLB for the purposes of providing funds to purchase and sell land to veterans or make home mortgage funds to veterans.

HB 2358 would take effect September 1, 1997.

SUPPORTERS
SAY:

HB 2358 would be a small repayment for the services Texas veterans have provided their state and country in times of need. Although Texas is home to over half a million veterans, it is one of only nine states in the country that does not have a state facility to care for veterans in the last years of their lives. The veterans assistance centers would be the best environment for veterans, providing a social as well as medical benefit along with a sense of family and community.

The Needs Analysis/Feasibility Study-State Veterans Homes, submitted to the Legislature on April 29, 1996, by the Texas Veterans Commission, found that the state could achieve significant Medicaid savings by establishing one or more veterans assistance centers, that a need for the centers existed, and that the project would be feasible. The comprehensive study provided a sound base of research and direction for the planning and implementation of the veterans assistance centers.

HB 2358 would allow the state to provide veterans with the best nursing home care while maximizing its receipt of federal funds and saving millions of dollars in Medicaid annually. The capacity of nursing home units in federally funded VA hospitals is limited and usually reserved for short-term, rehabilitative type care. Veterans needing long-term nursing care or ongoing personal services are usually placed in community nursing homes, where their VA benefits last only six months before being drastically reduced. After that time, most veterans go on Medicaid.

If a state facility for veterans were available, veterans would not lose the majority of their federal assistance. Rather, this assistance would be paid directly to them from the federal government, and they in turn could pay the nursing facility. The federal government would also pay facilities a per diem for each veteran in their care. This would remove thousands of individuals from state Medicaid rolls and prevent thousands more from enrolling in the program as the state's half a million veterans continue to age, needing more medical and nursing care.

The Texas Department of Human Services has indicated that it is prepared to enter into a memorandum of agreement with the VLB to transfer \$2.5 million in both 1998 and 1999 in medical assistance funds from its nursing

facility and hospice payments program for the development of assistance centers.

The feasibility study projects that a veterans assistance facility with 150 beds could achieve 90 percent capacity by the end of the first year of operation; at that occupancy level, payment from veterans would fund the facility. At this occupancy level, the feasibility study estimated, the facilities could save the state \$30 million over 10 years.

Construction of a state veterans assistance facility would also be substantially subsidized by the federal government. A federal VA construction grant could pay for up to 65 percent of construction costs, leaving only 35 percent of costs to be financed by VLB.

The VLB is highly qualified to manage the funds and bond issuance authority that would be granted by HB 2358. It has long been regarded as a fiscally responsible entity, and admired for its success in managing the self-supporting land and housing assistance programs for veterans. Establishing veterans assistance centers would be a natural extension of these services, one the veterans of this state richly deserve and that VLB is more than qualified to provide.

**OPPONENTS
SAY:**

The veterans assistance centers proposed by HB 2358 are not needed. Only 70 percent of nursing home beds across the state are currently occupied; there is plenty of room for veterans and no problem with the current method of funding their care through Medicaid. Constructing more nursing facilities for veterans would only increase the number of unused nursing beds in both public and private facilities, leading to decreased efficiency and higher costs for all parties involved.

VLB staff says that tax exempt bonds would be issued to fund the state's portion of construction costs, and each would require a one-time appropriation of \$1.25 million for debt service and to establish a reserve fund. They project the construction of four centers by 1999. The \$5 million required to finance the construction of these four centers is too high a price to pay, especially when state funds are severely limited and adequate nursing care already exists for Texas veterans.

HB 2358 would provide no guarantee that the veterans assistance centers would achieve the 90 percent occupancy rate required to remain financially self-sufficient. Nor does HB 2358 mandate that the centers achieve such self-sufficiency. The state could be called on to bail out the program in the future.

OTHER
OPPONENTS
SAY:

HB 2358 would grant too much authority to the VLB without providing adequate explanation of how that authority would be used to create veterans assistance centers. The feasibility study that was conducted during the last interim included sound analysis that would provide for fiscally sound and service-oriented veterans assistance centers. HB 2358, however, would not require the VLB to adhere to the standards proposed in the study, much less any explicit standards of any kind.

While granting VLB increased investment and bond issuance authority, HB 2358 is silent as to how funds would be obtained to repay the bonds. Because veterans would make direct payments to the centers, VLB could impose exorbitant charges for the service the centers provided as a way of repaying the bonds. This would defeat the purpose of establishing the centers; given this scenario, veterans would be better off in community nursing homes paid for by Medicaid.

NOTES:

The companion, SB 1060 by Patterson, passed the Senate on April 14 and was reported favorably, without amendment, by the House Pensions and Investments Committee on April 17, making it eligible to be considered in lieu of HB 2358.