

PERFORMANCE AUDIT

Montana State Veterans' Homes

Department of Public Health and Human Services

JUNE 2012

12P-03

REPORT SUMMARY

Montana operates quality veterans' nursing homes but could address funding differences between the homes by specifying cigarette tax allocation in statute and the state could save over \$1 million annually through cost containment measures.

**Context**

In Montana, there are two state veterans' homes. One is located in Columbia Falls and the other in Glendive. A third facility is proposed to be constructed in Butte. The homes provide skilled nursing care to honorably discharged veterans and eligible family members. Care includes basic assistance with daily living tasks and specialized medical treatments, when necessary. Quality of care at both homes is rated by national experts to be above average.

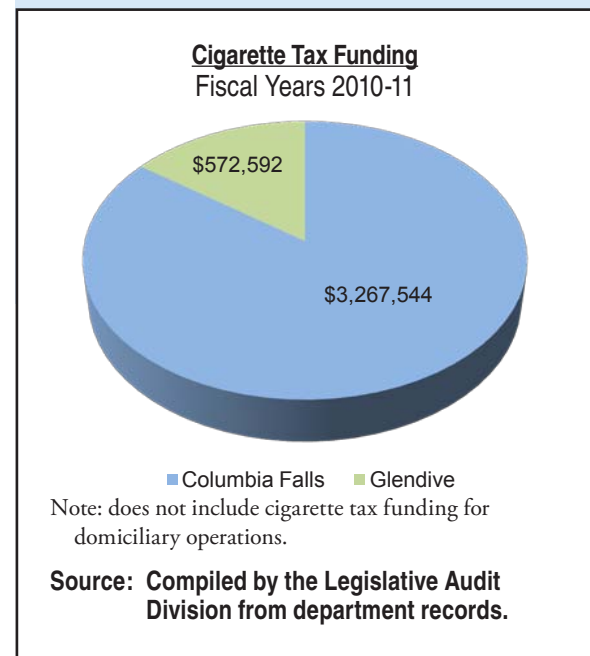
The cost of care is paid for from a variety of sources, including a veteran's personal savings or income, private insurance, Medicaid and Medicare, and two additional sources of funding unique to state veterans' homes: Veterans Administration per diem payments and a state tax levied on cigarettes.

Montana's homes operate under differing management structures. The home in Columbia Falls is managed and operated by the state while the home in Glendive is overseen by the state but day-to-day operations are carried out by a private contractor. This report details our findings related to the funding for each home, costs associated with operating these and comparable homes, and options for decreasing costs while maintaining high quality service.

**Results**

Several differences exist in funding the state veterans' homes. At the end of fiscal year 2011, the full daily rate at Columbia Falls was \$221.90 while at Glendive it was \$189.50 so Columbia Falls received more revenue from residents themselves. More significantly, however, Columbia Falls also received \$51.20 per patient day from the state's cigarette tax while Glendive received \$12.25 per patient day.

By allocating cigarette tax revenues at a ratio of approximately 4:1 in favor of Columbia Falls, the state provides a subsidy to the cost of care at this facility that is not available to the same degree for residents in Glendive.



We recommend the Montana Legislature review the allocation of cigarette tax funding to the state veterans' homes to determine if the allocation between homes should be addressed in statute. We also recommend the Department of Public Health and Human Services comply with statutorily-prescribed rate calculation methods or seek legislation to revise calculation procedures to establish the daily rate charged to veterans.

Using data that homes report to the federal government, we compared the costs of Montana's state veterans' homes to one another and other nursing homes. We estimate the average cost of providing skilled nursing care during fiscal years 2010 and 2011 at Columbia Falls was \$284.44 and in Glendive it was \$196.31.

We examined trends in expenses in selected cost centers (social services, laundry, dietary, and employee benefits) and found that expenses per bed day have been increasing more rapidly at Columbia Falls than in other homes. Over a six-year timeframe costs per bed day for these centers increased 76.3 percent at Columbia Falls while at other homes the costs for these centers increased by 21.3 percent. Costs at the Columbia Falls home are higher than comparison homes because of higher staffing levels and increasing costs in specific cost centers.

This audit began with a request from the House State Administration Standing Committee, which specifically asked that our audit address options and recommendations for more efficient operation of the Montana Veterans' Home without compromising quality of service. So, we examined costs at a sample of homes in order to develop options by which the home in Columbia Falls could reduce costs but maintain its high quality.

One of the options for controlling costs is by contracting for the services with a private provider. This service delivery model is currently in use at Glendive. We estimate the state of Montana would benefit from about \$1.7 million in unused cigarette tax revenues being reverted to the General Fund by doing so but a private provider would need to reduce nursing hours by about 17 percent to operate the home on a financially sustainable basis.

We also considered whether costs could be reduced without using a contracted provider. By analyzing costs within existing facility cost centers we identified several expense areas where Montana Veterans' Home costs exceeded the average costs at a set of comparable nursing homes. These expense areas were not related to direct nursing care and if they were reduced to the average level of comparable homes, could save the state up to \$1.3 million annually. We recommend the implementation of a cost containment plan for the Montana Veterans' Home that reduces expenses to a level that reflects normal costs for comparable homes.

| Recommendation Concurrence                                     |   |
|--|---|
| Concur   | 2 |
| Partially Concur   | 0 |
| Do Not Concur  | 0 |
| <b>Source: Agency audit response included in final report.</b> |   |

For a complete copy of the report (12P-03) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
 Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE  
 Call toll-free 1-800-222-4446, or e-mail [lad@mt.gov](mailto:lad@mt.gov).