

MAINE STATE LEGISLATURE

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February 18, 2021

Joint Standing Committee on Veterans and Legal Affairs
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

RE: Maine Veterans' Homes - Annual Report to the Joint Standing Committee on Veterans and Legal Affairs

Dear Senator Luchini, Representative Caiazzo, and Committee Members:

Pursuant to 37-B MRSA §611, I am providing the following information on the mission, operations and health of the Maine Veterans' Homes (MVH). I have also attached the FY 2020 audited financial statements for your information.

MVH was established by the Maine Legislature in 1977 as a quasi-state "body corporate" to provide long-term care and support to eligible veterans and family members. Unique to State Veterans Homes (SVH) across the nation, MVH operates as an independent nonprofit organization. MVH operates six facilities in locations as originally determined by the Legislature: Augusta, Caribou, Scarborough, Bangor, South Paris, and Machias. The MVH Board of Trustees is appointed by the Governor. MVH mission statement is "Caring for Those Who Served" and we are committed to providing high quality, compassionate care and support to Maine's elderly and disabled veterans.

MVH operates 640 beds, including 462 skilled nursing facility and 178 residential care beds. MVH employs over 1,100 full-time, part-time and per-diem staff. In FY 2020, MVH cared for 1,141 residents, including 959 veterans and 182 spouses.

For the past year, our top priority has been keeping COVID-19 out of the Homes and protecting our residents and staff from this highly virulent and deadly virus. Unfortunately, we suffered an outbreak early on in April at Scarborough, and then last month in South Paris. In both cases staff were able to contain cases to one unit in their facilities, which was an incredible achievement.

The cost of combatting COVID-19 has been huge. Occupancy is currently down by 26 percent from this time last year. Revenues are down by 25 percent due to the decreased census and expenses are up because of increased supplies and staffing. As a result, the operating deficit has averaged about \$1M per month since the start of the pandemic. This includes state and federal COVID relief funding received to date.

AUGUSTA 310 CONY ROAD AUGUSTA, ME 04330 1-888-684-4464	BANGOR 44 HOGAN ROAD BANGOR, ME 04401 1-888-684-4665	CARIBOU 163 VAN BUREN ROAD CARIBOU, ME 04736 1-888-684-4667	MACHIAS 32 VETERAN WAY MACHIAS, ME 04654 1-877-866-4669	SCARBOROUGH 290 US ROUTE 1 SCARBOROUGH, ME 04074 1-888-684-4666	SOUTH PARIS 477 HIGH STREET SOUTH PARIS, ME 04281 1-888-684-4668	CENTRAL OFFICE 460 CIVIC CENTER DRIVE AUGUSTA, ME 04330 1-800-278-9494
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Unlike peer community nursing homes, MVH must also comply with more stringent Department of Veterans Affairs (VA) clinical and administrative requirements. Recognizing these unique and additional costs, the Legislature appropriated a one-time MaineCare payment to MVH in the budget for FYs 2019-20 and 2020-21 to help offset nearly \$5M in annual MaineCare reimbursement shortfalls. Our tremendous thanks to the Commissioner and MaineCare staff in obtaining the federal match as well.

A permanent solution is essential to preserving access to quality care and support for veterans in future years. MaineCare is undergoing a comprehensive evaluation and rate structure review, which we hope will address the unique and additional costs of SVHs that other providers do not have. However, the study's interim report notes that it may be at least a couple of years before nursing home reimbursement is addressed. There is pending legislation to extend the one-time MaineCare supplement in the FY 2021-23 biennial budget.

Legislation has also been submitted to update the statute governing the Maine Veterans' Homes. The two major changes would permit the appointment of nonveterans to the MVH Board, as well as permitting a nonveteran to serve as Chief Executive Officer. While veterans are preferred, this would give the Governor flexibility in appointing members with needed expertise and diversity when veteran candidates are not available. Likewise, the board feels that healthcare leadership experience in the CEO is more essential than being a veteran to ensure the success of the Homes and mission. Indeed, the majority of my SVH counterparts across the nation are not veterans, and the current VA Secretary is not a veteran. The intent of these changes is to provide flexibility when needed. The majority of board members would be required to be veterans.

Finally, in early 2019 MVH began construction on a 138-bed replacement facility for the original Augusta home, which opened in 1983. The new small-house model facility is located on Old Belgrade Road across from the MaineGeneral Medical Center. The project cost will be \$91 million. Funding sources include \$49 million in VA construction grants, \$20 million borrowing (revenue bond), and \$22 million from capital reserves. We will open the new facility in September and hope you can attend the grand opening ceremony.

Thank you for your attention and consideration. Please let me know if you have any questions.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Kelley J. Kash', with a stylized flourish at the end.

Kelley J. Kash, Colonel, USAF, MSC (Retired)
Chief Executive Officer

Enclosure

cc: Governor Janet Mills
Jim Settele, Chair, MVH Board of Trustees

MAINE VETERANS' HOMES

Statement of Net Position

June 30, 2020
(With Comparative Totals for June 30, 2019)

ASSETS AND DEFERRED OUTFLOWS

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2020 Total</u>	<u>2019 Total</u>
Current assets					
Cash	\$ 12,360,714	\$ -	\$ -	\$ 12,360,714	\$ 11,006,848
Accounts receivable, net of allowance for doubtful accounts of \$570,000 and \$412,500 in 2020 and 2019, respectively.	4,076,851	-	-	4,076,851	5,101,122
Pharmacy inventory	1,134,720	-	-	1,134,720	1,130,371
Employee receivables	122,316	-	-	122,316	158,679
V.A. stipend receivable	-	906,820	-	906,820	1,095,073
V.A. construction grant receivables	-	3,599,465	-	3,599,465	2,585,142
Prepaid expenses, supplies and other current assets	613,779	-	-	613,779	282,194
Assets whose use is limited	275,140	-	-	275,140	275,904
Due from other fund	4,326,310	-	(4,326,310)	-	-
Estimated third-party payor settlements	<u>895,817</u>	<u>-</u>	<u>-</u>	<u>895,817</u>	<u>-</u>
Total current assets	<u>23,805,647</u>	<u>4,506,285</u>	<u>(4,326,310)</u>	<u>23,985,622</u>	<u>21,635,333</u>
Assets whose use is limited, net of amount required for current liabilities	<u>35,404,744</u>	<u>-</u>	<u>-</u>	<u>35,404,744</u>	<u>36,316,721</u>
Property, plant and equipment	180,120,862	530,000	-	180,650,862	141,343,061
Less accumulated depreciation	<u>(63,024,742)</u>	<u>-</u>	<u>-</u>	<u>(63,024,742)</u>	<u>(60,044,851)</u>
Net property, plant and equipment	<u>117,096,120</u>	<u>530,000</u>	<u>-</u>	<u>117,626,120</u>	<u>81,298,210</u>
Other assets					
Computer software, net of amortization	40,420	-	-	40,420	84,253
License rights	<u>2,937,615</u>	<u>-</u>	<u>-</u>	<u>2,937,615</u>	<u>2,937,615</u>
Total other assets	<u>2,978,035</u>	<u>-</u>	<u>-</u>	<u>2,978,035</u>	<u>3,021,868</u>
Total assets	179,284,546	5,036,285	(4,326,310)	179,994,521	142,272,132
Deferred outflows of resources	<u>7,318,617</u>	<u>-</u>	<u>-</u>	<u>7,318,617</u>	<u>6,906,697</u>
Total assets and deferred outflows	<u>\$186,603,163</u>	<u>\$ 5,036,285</u>	<u>\$ (4,326,310)</u>	<u>\$187,313,138</u>	<u>\$149,178,829</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2020 Total</u>	<u>2019 Total</u>
Current liabilities					
Current portion of capital lease obligation	\$ 336,105	\$ -	\$ -	\$ 336,105	\$ 148,067
Accounts payable	6,525,092	-	-	6,525,092	3,366,238
Accrued expenses and other current liabilities	51,664	-	-	51,664	59,917
Accrued payroll and related expenses	6,117,563	-	-	6,117,563	5,107,302
Estimated third-party payor settlements	-	-	-	-	721,351
Resident funds held in trust	275,140	-	-	275,140	275,904
Refunds due to third-party payors	74,091	-	-	74,091	148,655
Due to other fund	<u>-</u>	<u>4,326,310</u>	<u>(4,326,310)</u>	<u>-</u>	<u>-</u>
Total current liabilities	13,379,655	4,326,310	(4,326,310)	13,379,655	9,827,434
Long-term debt and capital lease obligations, excluding current portion	6,750,411	-	-	6,750,411	334,103
Net other postemployment benefit obligation liabilities	1,031,662	-	-	1,031,662	1,001,566
Net pension liability	<u>18,380,629</u>	<u>-</u>	<u>-</u>	<u>18,380,629</u>	<u>16,794,428</u>
Total liabilities	<u>39,542,357</u>	<u>4,326,310</u>	<u>(4,326,310)</u>	<u>39,542,357</u>	<u>27,957,531</u>
Deferred inflows of resources	<u>5,509,417</u>	<u>-</u>	<u>-</u>	<u>5,509,417</u>	<u>5,155,553</u>
Net position					
Net investment in capital assets	110,009,604	530,000	-	110,539,604	80,816,040
Unrestricted	31,541,785	-	-	31,541,785	35,057,858
Restricted - expendable	<u>-</u>	<u>179,975</u>	<u>-</u>	<u>179,975</u>	<u>191,847</u>
Total net position	<u>141,551,389</u>	<u>709,975</u>	<u>-</u>	<u>142,261,364</u>	<u>116,065,745</u>
 Total liabilities, deferred inflows and net position	 <u>\$186,603,163</u>	 <u>\$ 5,036,285</u>	 <u>\$ (4,326,310)</u>	 <u>\$187,313,138</u>	 <u>\$149,178,829</u>

MAINE VETERANS' HOMES

Statement of Revenues, Expenses, and Changes in Net Position

**Year Ended June 30, 2020
(With Comparative Totals for Year Ended June 30, 2019)**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Operating revenues				
Net resident service revenue	\$ 66,563,989	\$ -	\$ 66,563,989	\$ 62,952,172
Net V.A. stipend revenue	-	10,490,452	10,490,452	8,966,806
Net pharmacy revenue	8,070,978	-	8,070,978	7,797,623
Meal, laundry and other revenue, net	<u>335,398</u>	<u>-</u>	<u>335,398</u>	<u>482,714</u>
Total operating revenues	<u>74,970,365</u>	<u>10,490,452</u>	<u>85,460,817</u>	<u>80,199,315</u>
Operating expenses				
Salaries	42,411,602	-	42,411,602	38,795,861
Benefits	12,848,902	-	12,848,902	3,811,166
Pharmacy - cost of sales	4,340,095	-	4,340,095	3,817,502
Purchased services	9,137,902	-	9,137,902	8,550,114
Supplies	4,886,582	-	4,886,582	4,127,851
Other	4,422,666	-	4,422,666	4,493,706
Bad debts	559,596	-	559,596	351,561
Depreciation and amortization	5,093,158	-	5,093,158	5,092,808
Health care provider tax	<u>3,929,229</u>	<u>-</u>	<u>3,929,229</u>	<u>3,745,710</u>
Total operating expenses	<u>87,629,732</u>	<u>-</u>	<u>87,629,732</u>	<u>72,786,279</u>
Operating (deficiency) excess of revenues over expenses	<u>(12,659,367)</u>	<u>10,490,452</u>	<u>(2,168,915)</u>	<u>7,413,036</u>
Nonoperating revenues and expenses				
Contribution revenue	158,737	274,281	433,018	420,746
COVID-19 federal relief grant revenue	1,778,406	-	1,778,406	-
Investment gain	1,200,335	-	1,200,335	1,473,690
Interest and dividend income, net of fees	888,037	-	888,037	995,885
Interest expense	(55,510)	-	(55,510)	(24,549)
Development expenses	(179,776)	-	(179,776)	(166,885)
Restricted expenses	-	(286,153)	(286,153)	(266,224)
V.A. construction grant revenue	<u>-</u>	<u>24,586,177</u>	<u>24,586,177</u>	<u>10,120,173</u>
Total nonoperating revenues and expenses	<u>1,853,086</u>	<u>24,300,024</u>	<u>26,153,110</u>	<u>12,132,090</u>
Total (deficiency) excess of revenues over expenses	<u>(8,869,138)</u>	<u>35,064,757</u>	<u>26,195,619</u>	<u>19,965,872</u>
Funding of depreciation and capital expenditures	<u>35,076,629</u>	<u>(35,076,629)</u>	<u>-</u>	<u>-</u>
Total increase (decrease) in net position	<u>26,207,491</u>	<u>(11,872)</u>	<u>26,195,619</u>	<u>19,965,872</u>
Net position, beginning of year	<u>115,343,898</u>	<u>721,847</u>	<u>116,065,745</u>	<u>96,099,873</u>
Net position, end of year	<u>\$ 141,551,389</u>	<u>\$ 709,975</u>	<u>\$ 142,261,364</u>	<u>\$ 116,065,745</u>

The accompanying notes are an integral part of these financial statements.

MAINE VETERANS' HOMES

Statement of Cash Flows

**Year Ended June 30, 2020
(With Comparative Totals for Year Ended June 30, 2019)**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Cash flows from operating activities				
Cash received from V.A. stipend	\$ -	\$ 10,678,706	\$ 10,678,706	\$ 8,953,297
Cash received from other sources	8,683,866	-	8,683,866	8,249,182
Cash received from residents and third-party payors	65,240,838	-	65,240,838	62,989,680
Cash paid to employees	(41,364,980)	-	(41,364,980)	(38,256,007)
Cash paid to vendors	<u>(35,943,108)</u>	-	<u>(35,943,108)</u>	<u>(35,827,328)</u>
Net cash (used) provided by operating activities	<u>(3,383,384)</u>	<u>10,678,706</u>	<u>7,295,322</u>	<u>6,108,824</u>
Cash flows from capital and related financing activities				
Proceeds from long-term debt	5,759,615	-	5,759,615	-
Interest paid on long-term debt and capital lease obligation	(13,328)	-	(13,328)	(24,549)
Principal payments on capital lease obligations	(157,630)	-	(157,630)	(182,235)
Proceeds from V.A. construction grants	24,586,177	-	24,586,177	10,120,173
Additions to property, plant and equipment	(39,934,675)	-	(39,934,675)	(10,711,953)
Proceeds from sale of property, plant and equipment	86,862	-	86,862	124,270
Interfund transfers	9,652,511	(10,666,834)	(1,014,323)	(2,264,026)
Cash paid for development activities	(179,778)	-	(179,778)	(166,885)
Proceeds from draw from funded depreciation	3,000,000	-	3,000,000	4,000,000
Increase in funded depreciation and bond debt service	<u>(887,687)</u>	-	<u>(887,687)</u>	<u>(995,188)</u>
Net cash provided (used) by capital and related financing activities	<u>1,912,067</u>	<u>(10,666,834)</u>	<u>(8,754,767)</u>	<u>(100,393)</u>
Cash flows from noncapital financing activities				
Cash received from contributions	158,738	274,281	433,019	420,745
Cash received from COVID-19 federal relief grants	1,778,408	-	1,778,408	-
Cash paid for restricted expenses	-	<u>(286,153)</u>	<u>(286,153)</u>	<u>(266,224)</u>
Net cash provided (used) by noncapital financing activities	<u>1,937,146</u>	<u>(11,872)</u>	<u>1,925,274</u>	<u>154,521</u>
Cash flows from investing activities				
Interest income from investing activities	<u>888,037</u>	-	<u>888,037</u>	995,885
Net cash provided by investing activities	<u>888,037</u>	-	<u>888,037</u>	995,885
Net increase in cash	1,353,866	-	1,353,866	7,158,837
Cash, beginning of year	<u>11,006,848</u>	-	<u>11,006,848</u>	<u>3,848,011</u>
Cash, end of year	<u>\$ 12,360,714</u>	<u>\$ -</u>	<u>\$ 12,360,714</u>	<u>\$ 11,006,848</u>

The accompanying notes are an integral part of these financial statements.

MAINE VETERANS' HOMES

Statements of Cash Flows (Concluded)

Year Ended June 30, 2020
(With Comparative Totals for Year Ended June 30, 2019)

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Reconciliation of operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Operating (deficiency) excess of revenues over expenses	\$(12,659,367)	\$ 10,490,452	\$ (2,168,915)	\$ 7,413,036
Adjustments to reconcile operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Depreciation and amortization	5,093,158	-	5,093,158	5,092,808
Loss on disposal of property, plant and equipment	170,359	-	170,359	24,382
(Increase) decrease in				
Accounts and employee receivables, net	1,060,634	-	1,060,634	(338,613)
Pharmacy inventory	(4,349)	-	(4,349)	(213,246)
V.A. stipend receivable	-	188,254	188,254	(13,509)
Prepaid expenses, supplies, and other current assets	(331,591)	-	(331,591)	(28,072)
Deferred outflows of resources	(411,920)	-	(411,920)	8,210,669
Increase (decrease) in				
Accounts payable	2,461,438	-	2,461,438	(108,974)
Accrued expenses, and other current liabilities	885,261	-	885,261	466,229
Estimated third-party payor liabilities	(1,617,168)	-	(1,617,168)	670,253
Net other postemployment benefit obligations	30,096	-	30,096	(484,941)
Net pension liability	1,586,201	-	1,586,201	(8,822,764)
Deferred inflows of resources	<u>353,864</u>	<u>-</u>	<u>353,864</u>	<u>(5,758,434)</u>
Net cash (used) provided by operating activities	<u>\$ (3,383,384)</u>	<u>\$ 10,678,706</u>	<u>\$ 7,295,322</u>	<u>\$ 6,108,824</u>

Supplemental cash flow disclosures:

At June 30, 2020, additions to construction in progress totaling \$5,179,605 were included in accounts payable. Additions to construction in progress of \$2,304,120 included in accounts payable at June 30, 2019 were paid in 2020.

Equipment financed through capital lease obligations totaled \$1,002,361 during the year ended June 30, 2020.

The accompanying notes are an integral part of these financial statements.