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## FISCAL IMPACT REPORT

SPONSOR Payne ORIGINAL DATE 2/8/17  
 LAST UPDATED 2/14/17 HB \_\_\_\_\_

SHORT TITLE Transfer Veterans' Home Oversight SB 204/aSPAC

ANALYST Chenier

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Appropriation Affected
<b>Total</b>		(\$14,695.8)	(\$14,695.8)	(\$29,391.6)	Recurring	DOH
<b>Total</b>		\$14,695.8	\$14,695.8	\$29,391.6	Recurring	DVS
<b>Total</b>		Unknown	Unknown	Unknown	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Veterans' Services Department (DVS)  
 Office of the Attorney General (OAG)  
 Department of Health (DOH)

### SUMMARY

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee Amendment to Senate Bill 204 on page 8 line 9 changes veteran's to veteran.

#### Synopsis of Bill

Senate Bill 204 would transfer oversight of the New Mexico State Veterans' Home from the Department of Health (DOH) to DVS, create a new healthcare coordination division within DVS, make the current state approving division a bureau, define gold star parent, qualify gold star parents to receive services from DVS, make changes to the list of members serving on the Veterans' Home Advisory Board, and clarify that the Veterans' Home is for qualifying spouses, surviving spouses, and gold star parents. The bill would also repeal the Veterans' Services Advisory Board and make minor technical changes.

## FISCAL IMPLICATIONS

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 likely apply here allowing the appropriation contained in DOH's budget for operation of the Veterans' Home to be transferred to DVS if Senate Bill 204 is enacted.

The appropriation in the initial version of the 2017 GAA to DOH for the Veterans' Home includes about \$19 thousand in general fund revenue, \$3.3 million in federal revenue, and \$11.3 million in other revenue.

DOH stated that the transition is estimated to take approximately eighteen (18) months to two-years. Transition teams from both agencies will take on administrative duties during this period. Memoranda of Understanding may be needed to ensure the facility remains fully supported as equipment, software agreements, and technological changes occur over time.

DVS stated that the transfer of the home's operations will not cause an increase of FTE to New Mexico State Government; it will be a budget neutral action. DVS and DOH would have to enter into some MOUs regarding the transfer of all IT assets in place at the State Veterans' Home. The MOU would allow for a transition time in regards to all IT licenses, assets, as well as the IT infrastructure and supporting personnel. DVS would also enter into an agreement with DOH regarding medical personnel licensure and certification.

LFC staff has several concerns as to whether the transfer can or will be budget neutral as the department stated. Currently, DOH operates six hospital facilities and one community program, each with access to centralized resources such as IT and administrative personnel. When LFC staff met with the two departments, they had not done an analysis on which shared resources, currently used by the veterans' home under DOH, would no longer be available to the home. It was unclear whether DVS would have to purchase its own billing system, whether DVS meets all federal regulatory requirements, and whether DVS has the expertise to make the transition successful on a long-term basis. Above, both departments stated they would have to enter into MOUs for certain services and it is unclear whether DOH will continue providing these services free of charge in the long-term. DOH facilities share a medical director and it is assumed that DVS will likely have to hire a new medical director. Currently, DOH facilities share information on current health issues and are able to work on solutions together. It is unclear whether these relationships will continue.

Additionally, from time to time and for various reasons some of DOH's facilities tend to experience shortfalls while others experience surpluses. With transfers, surpluses have been used to offset these shortfalls. Transferring the veterans' home to DVS will reduce this budget flexibility within DOH.

## SIGNIFICANT ISSUES

DVS stated that they will be able to take advantage of their partnerships with the Veterans Administration Health Care System and the Veterans Benefits System which would benefit the home and help provide easier access to care for veterans and their families. DVS will more effectively facilitate the engagement of various Veteran Service Organizations in support of the

Veterans' Home. Increased focus on the Veterans Home will allow DVS to respond quicker to the needs of the veterans and families residing in the Veterans Home. DVS will continue to partner with DOH, not only during the transition, but going forward, to provide the best care for the Veterans' Home residents. Employees will not see any immediate changes, as day to day operations will continue to be managed locally.

DVS also stated that the transfer would streamline veteran services and create one state entity with authority and responsibility for all direct veteran services in the state. Such centralization would better serve the veterans of New Mexico by enhancing opportunities for partnerships with the relevant federal entities, increasing recruitment opportunities for referral sources, as well as potential employees.

However, this may not be entirely accurate since DOH will continue operating Fort Bayard Medical Center which has a veterans' wing and provides similar services.

DOH provided the following:

DOH has a wide scope of health priorities, while the NM Department of Veterans Services has veterans as its primary and only focus. The bill would not materially affect DOH's stakeholders or customers. The Veterans' Home would continue as it currently exists, and would continue to serve veterans, their spouses, and newly, gold star parents, and they would do so at the direction of a veteran focused oversight entity.

Currently, 33 states operate 96 state veterans' homes under the governance of their state's Veterans' Services Departments (*National Association of State Veterans Homes Membership Directory, 2016*). Michigan's Governor Pete Ricketts has stated one of his top priorities for this year is to transfer oversight of the State's two veterans' homes from the Department of Health to Michigan's Department of Veterans' Services (*The Grand Island Independent, January 19, 2017*).

Transfer of the home from DOH to DVS would benefit NM veterans in that it would allow the most immediate point of contact for NM veterans, the Department of Veterans' Services, to have direct oversight over the facility. This connection allows one state entity to provide for veterans through the whole continuum of care available to them. DVS has direct access and relationships with federal level partners for veterans, which may streamline veterans accessing services, and the facility accessing payment mechanisms more efficiently. DVS also engages in outreach efforts to a targeted veteran population, which can increase public exposure for the facility. Increased exposure can link veterans with current service options and may improve revenue by increasing census and donations.

The OAG stated that it may be helpful to amend Section 9-22-2 NMSA 1978, the purpose section of the Veterans' Services Department Act. The section currently states that the purpose of the Veterans' Services Department Act is to exercise the functions of the former New Mexico Veterans' Service Commission; however, it is not readily apparent what those functions were.