

# Michigan Veterans' Facilities

*Prepared by  
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## OVERVIEW

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Following the Civil War, many states constructed state administered veterans' homes to care for their veterans in need. This document provides an overview of Michigan's existing veterans' homes, Michigan's veteran population, and the changes brought to the Michigan Veteran Health System under 2016 PA 560.

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## EXISTING VETERANS' FACILITIES

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The Michigan Veterans' Facility Act, 1885 PA 152, authorizes the establishment of veterans' homes within the state. Currently, the State of Michigan has two veterans' homes – the Grand Rapids Home for Veterans, established in 1886, and the D.J. Jacobetti Home for Veterans in Marquette, established at the former St. Mary's Hospital in 1979. The homes were originally under the administration of the former Department of Public Health, but were transferred to what is now the Department of Military and Veterans Affairs (DMVA) by Executive Reorganization Act 1991-7 and are currently administered by the Michigan Veterans Affairs Agency and overseen by the Chief Executive Officer of the Michigan Veteran Health System.

Veterans, and in some instances spouses or other family members,<sup>1</sup> are eligible to stay and receive care at the veterans' homes, which operate much like a nursing home. As defined by 1885 PA 152, veterans are individuals who have served as members of the Armed Forces of the United States<sup>2</sup> and have received an honorable discharge.

The act establishes the Board of Managers, which acts as the primary governing body for the state veterans' homes. The Board of Managers consists of seven members, representing different

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<sup>1</sup> The U.S. Department of Veterans Affairs Veterans Health Administration does not pay long-term care per diem for non-veteran members of state veterans' facilities.

<sup>2</sup> As defined in 1965 PA 190, MCL 35.61.

congressionally chartered veterans' organizations,<sup>3</sup> appointed by the Governor and confirmed by the Senate for three-year terms. Among other responsibilities, the Board of Managers establishes the assessed rates that veterans are charged to stay at the homes.

The Michigan Veteran Health System (MVHS) was established in October 2015, with the appointment of a Chief Executive Officer.<sup>4</sup> The Chief Executive Officer of the MVHS oversees and manages the care of the veterans residing in the state veterans' homes. An unclassified position for the Chief Executive Officer of the Michigan Veteran Health System was later included in the FY 2016-17 appropriations act, 2016 PA 268.

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## COSTS OF CARE AND FUND SOURCES

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The DMVA reports that in 2016, the monthly costs for skilled nursing care was approximately \$4,200 per veteran. The veterans' homes receive funding from three primary sources to cover these and other general operational costs:

- Federal (U.S. Department of Veterans Affairs Veterans Health Administration and the Centers for Medicaid and Medicare Services).
- Income-based assessments paid by resident veterans or their families.
- GF/GP annually appropriated by the Legislature.

The U.S. Department of Veterans Affairs (USDVA) Veterans Health Administration pays a per veteran per diem based upon a veterans' care needs and any service-connected disability rating. According to the DMVA, for each veteran with a USDVA service-connected disability rating of 70% or above residing in a state veterans' home, the home received approximately \$350 per day to cover long-term care<sup>5</sup> in 2016. State veterans' homes received approximately \$103 per day for all other veterans receiving skilled-nursing care and approximately \$43 per day for domiciliary care in 2016. In addition to USDVA per diem, state veterans' homes can collect Medicaid and Medicare funds for long-term nursing care for eligible veterans if the facilities meet the Centers for Medicaid and Medicare Services (CMS) facility and staffing standards.

Currently, the D.J. Jacobetti and Grand Rapids Homes for Veterans receive a modest amount of Medicaid and Medicare funding in the form of Medicare prescription coverage and Medicaid reimbursements for services provided outside of the homes, but paid for upfront by the homes, which are not linked to CMS certification. The DMVA reports that CMS certification would allow the homes to collect funds from Medicare Part A for temporary skilled nursing care for rehabilitation services, as well as Medicaid reimbursements for long-term skilled nursing care for eligible veterans. The DMVA estimates that Medicare Part A would provide approximately \$300 to \$500 per day for each veteran that qualifies and Medicaid reimbursements would provide approximately

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<sup>3</sup> Specifically, the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, and one "other" congressionally chartered veterans' organization.

<sup>4</sup> Michigan Department of Military and Veterans Affairs; <http://www.michigan.gov/dmva/0,4569,7-126--366732--00.html>; accessed December 20, 2016.

<sup>5</sup> This rate varies by location.

\$200 to \$400 per day for each veteran that qualifies. The D.J. Jacobetti Home for Veterans is in the process of being renovated to meet these standards, while the Grand Rapids Home for Veterans still requires substantive renovation to meet CMS standards.

While veterans are expected to pay an out-of-pocket, income-based assessment, many veterans qualify for the minimum assessment or are unable to pay. Additionally, the population in the Grand Rapids Home has decreased dramatically. In recent years, this has caused gaps in funding, which have been filled by the Legislature as they arise through supplemental appropriations of GF/GP funds. Generally, the Legislature also appropriates GF/GP funds to cover basic and special maintenance costs in the annual appropriations act or through supplemental appropriations acts.

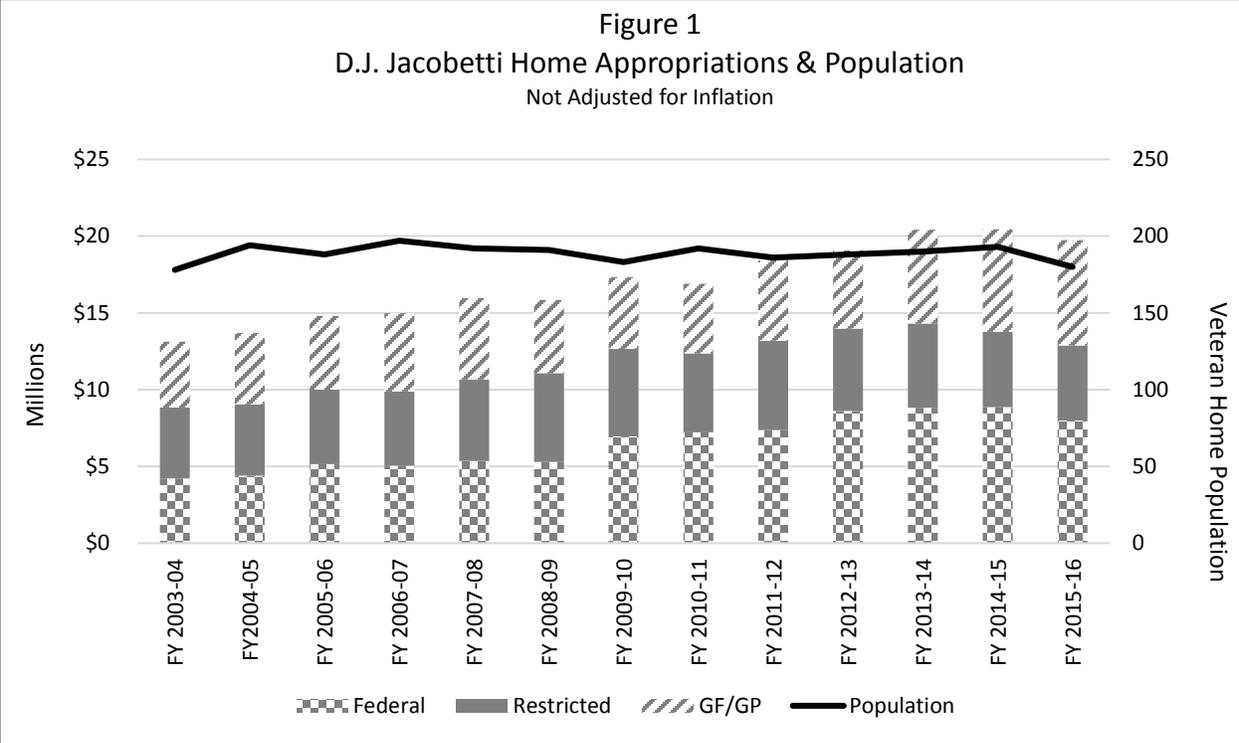
The FY 2016-17 budget includes \$1.1 million to adjust staffing and renovate the D.J. Jacobetti Home for Veterans to meet CMS standards. The DMVA estimates that an additional \$600,000 would be required to complete the adjustments and become CMS compliant. This would allow the D.J. Jacobetti Home for Veterans to draw per veteran per diem for CMS long-term care. Under federal law,<sup>6</sup> state veterans' homes can draw both CMS long-term care and USDVA Veterans Health Administration long-term care per diems.<sup>7</sup> The FY 2016-17 budget also includes \$1.0 million for the renovation of the fourth floor of the Grand Rapids Home for Veterans to meet CMS standards. However, it would require additional funding to complete the fourth floor renovation. The FY 2016-17 executive budget recommendation originally included \$5.0 million for the renovation.

Figures 1 and 2 show the changes in population and appropriations, by fund source, between FY 2003-04 and FY 2015-16 for the D.J. Jacobetti and Grand Rapids Homes for Veterans.

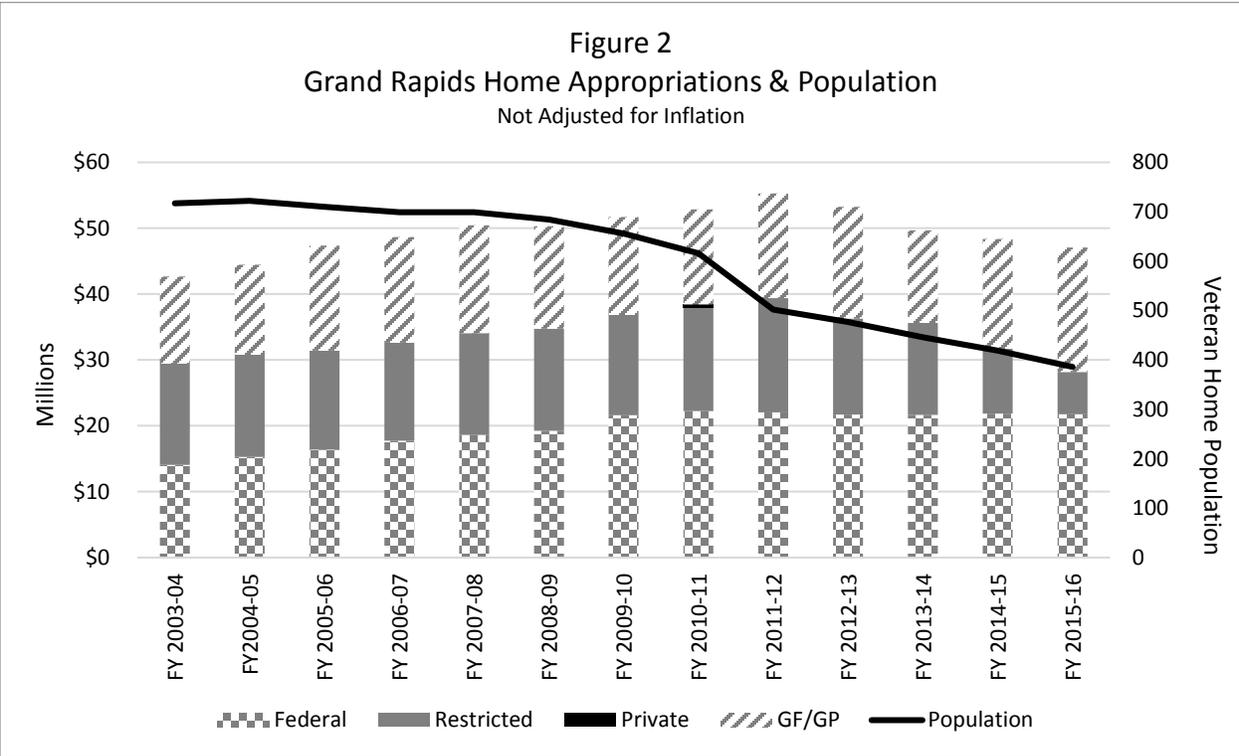
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<sup>6</sup> Individual veterans can apply for USDVA long-term care benefits, which can be used at private nursing homes if the veteran meets the eligibility requirements; [http://www.va.gov/GERIATRICAL/Guide/LongTermCare/Community\\_Nursing\\_Homes.asp](http://www.va.gov/GERIATRICAL/Guide/LongTermCare/Community_Nursing_Homes.asp); accessed November 28, 2016.

<sup>7</sup> The USDVA offers aid and attendance benefits to eligible veterans, which can be used at private nursing facilities to cover the costs of care; [http://www.benefits.va.gov/Pension/aid\\_attendance\\_housebound.asp](http://www.benefits.va.gov/Pension/aid_attendance_housebound.asp); accessed November 28, 2016.



Sources: The Michigan Administrative Information Network, the Department of Military and Veterans Affairs, and House Fiscal Agency records.



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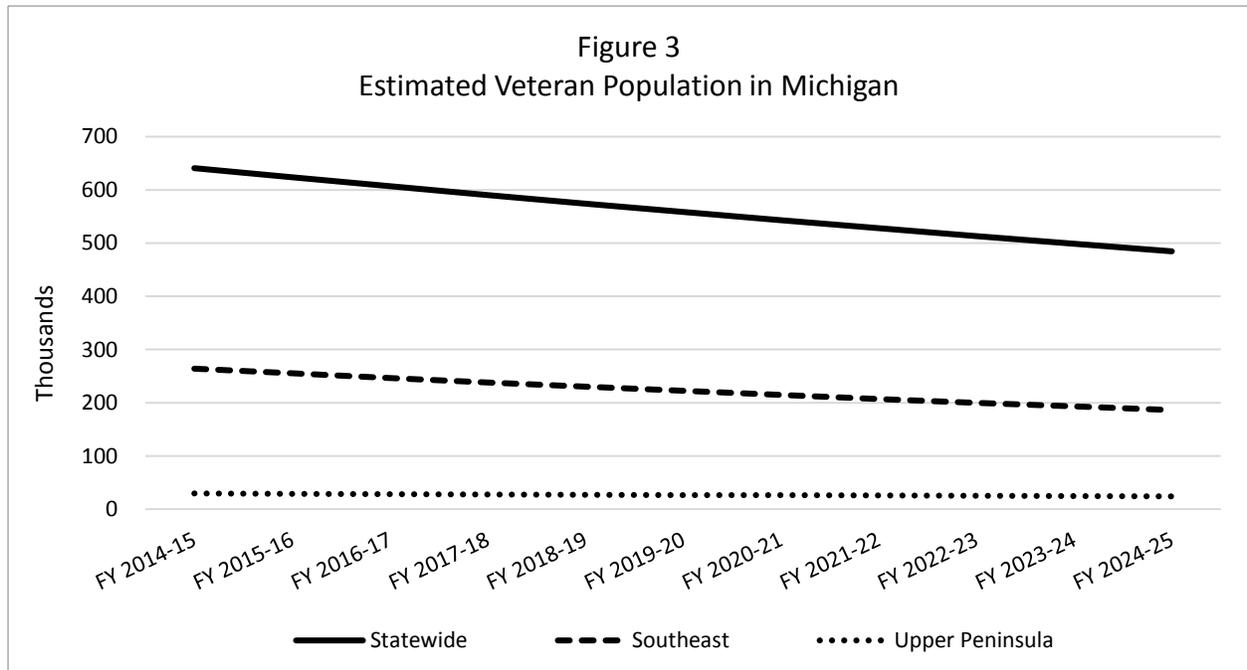
## MICHIGAN'S VETERAN POPULATION

Michigan's veteran population is expected to decrease substantially over the next decade. The USDVA estimates<sup>8</sup> that Michigan's veteran population in FY 2014-15 was approximately 641,000 and is expected to decrease by 25% to approximately 485,000 by FY 2024-25.<sup>9</sup>

A large share of Michigan's veterans live in southeast Michigan.<sup>10</sup> According to USDVA estimates approximately 264,000 (41% of all veterans living in the state) lived in southeast Michigan in FY 2014-15. This region's veteran population is expected to decline by 29% over the next decade, reaching approximately 186,000 by FY 2024-25.

The USDVA estimates that in FY 2014-15 approximately 29,000 veterans lived in the Upper Peninsula, which is expected to see a decline in its veteran population of 19% to approximately 24,000 by FY 2024-25.

Figure 3 summarizes the estimated change in Michigan's veteran population between FY 2014-15 and FY 2024-25.



Source: Michigan Department of Military and Veterans Affairs;  
[http://www.michigan.gov/documents/dmva/Vet\\_Population\\_498986\\_7.pdf](http://www.michigan.gov/documents/dmva/Vet_Population_498986_7.pdf); accessed September 27, 2016.

<sup>8</sup> Michigan Department of Military and Veterans Affairs;  
[http://www.michigan.gov/documents/dmva/Vet\\_Population\\_498986\\_7.pdf](http://www.michigan.gov/documents/dmva/Vet_Population_498986_7.pdf); accessed September 27, 2016.

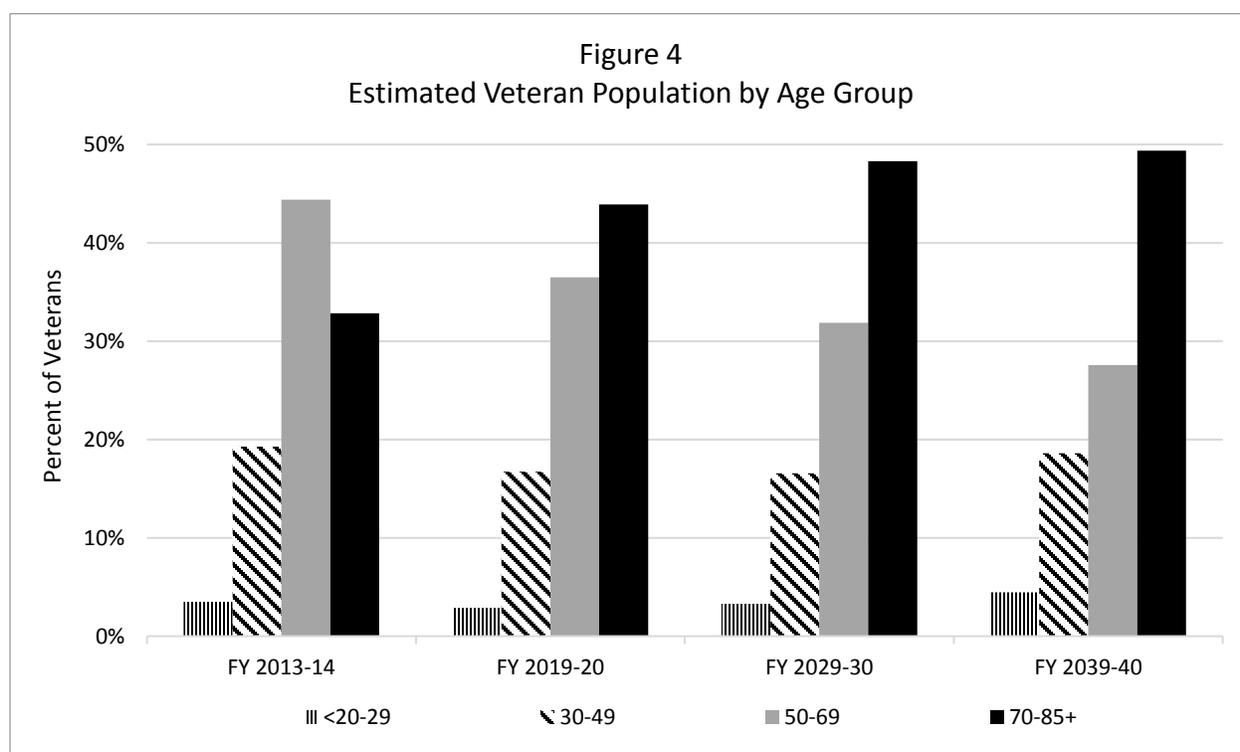
<sup>9</sup> The U.S. Census Bureau estimated Michigan's 2015 population to be 9.9 million. Veterans comprised approximately 6% of Michigan's overall population in 2015. Source: <http://www.census.gov/search-results.html?q=population+of+michigan&page=1&stateGeo=none&searchtype=web&search.x=0&search.y=0>; accessed September 27, 2016.

<sup>10</sup> Includes Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne Counties;  
<http://semcog.org/About-SEMCOG>.

Despite declining population estimates, large portions of Michigan’s veteran population are reaching the age at which they are most likely to need nursing home services. Vietnam Era veterans make up the largest cohort in Michigan’s veteran population. In 2014, the size of this group was estimated at approximately 225,700, with approximately 60% within the 65 to 74-year-old age range and approximately 6% below the federal poverty level.<sup>11</sup>

Additionally, the USDVA estimates that between FY 2013-14 and FY 2039-40 the percentage of veterans in Michigan 70 years of age and older will increase from approximately a third to nearly half of all veterans living in the state.

Figure 4 summarizes Michigan’s estimated veteran population by age group, as a percentage of the total population, between FY 2013-14 and FY 2039-40.



Source: U.S. Department of Veterans Affairs; [http://www.va.gov/vetdata/Veteran\\_Population.asp](http://www.va.gov/vetdata/Veteran_Population.asp); accessed October 11, 2016.

<sup>11</sup> U.S. Department of Veterans Affairs; [http://www.va.gov/vetdata/Veteran\\_Population.asp](http://www.va.gov/vetdata/Veteran_Population.asp); accessed October 11, 2016.

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## MICHIGAN VETERANS' FACILITY AUTHORITY

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In February, 2016, the Michigan Auditor General issued a performance audit report<sup>12</sup> reviewing the operations of the Grand Rapids Home for Veterans, which documented substantial deficiencies and resulted in the creation of the multi-organizational Michigan Veterans Workgroup. The Michigan Veterans Workgroup was tasked with developing a plan for future veterans' facilities services, and met over the course of the summer of 2016. Subsequently, the Michigan Veterans Workgroup's assessment culminated in the recommendation for the Michigan Veterans' Facility Authority and the construction of additional modern veterans' homes throughout the state.<sup>13</sup>

2016 PA 560 established the Michigan Veterans' Facility Authority (Authority) as a semi-autonomous organization housed within the DMVA. The Authority will be governed by a nine-member board of directors and has the statutory authority to issue up to \$150.0 million in bonds and receive donations for the purposes of purchasing or leasing land or facilities, renovating existing veterans' homes in its charge, or constructing new veterans' homes.

The nine-member board of directors will consist of the Director of the DMVA and eight members appointed by the Governor for four-year terms,<sup>14</sup> including:

- Three members, with the consent of the Senate, who have professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, with one member being a resident of the Upper Peninsula.
- Three members, with the consent of the Senate, who have professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, and represent one or more congressionally chartered veterans' organizations.
- One member who has professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, from a list of candidates proposed by the Senate Majority Leader.
- One member who has professional knowledge, skill, or experience in long-term care, health care licensure or finance, or medicine, from a list of candidates proposed by the Speaker of the House.

One year after the second facility operated by the Authority commenced housing veterans, the Director of the DMVA will become a non-voting member of the board of directors and the Governor will appoint another member, with the consent of the Senate, who is a veteran and meets the skill, knowledge, and experience requirements of the other members listed above.

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<sup>12</sup> Office of the Auditor General; <http://audgen.michigan.gov/wp-content/uploads/2016/07/r511017015.pdf>; accessed December 21, 2016.

<sup>13</sup> Michigan Veterans Affairs Agency; <https://www.michiganveterans.com/servlet/servlet.FileDownload?file=00PG000000bgq6ZMAQ>; accessed December 20, 2016.

<sup>14</sup> The act staggers the terms of the first appointees, so as to not have the entire board's terms expire simultaneously.

The Authority will oversee and manage all new veterans' homes built in the state, and may assume authority of the Grand Rapids and D.J. Jacobetti Homes for Veterans' if authority is transferred by the Board of Directors, as defined in 1885 PA 152. The Authority will also be responsible for staffing the veterans' homes it administers. When hiring employees to staff veterans' homes, 2016 PA 560 requires the Authority to give hiring preferences to employees of the Grand Rapids and D.J. Jacobetti Homes for Veterans, consider nationally recognized models for health care delivery at veterans' facilities, and follow the rules and regulations of the Michigan Civil Service Commission.

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## AUTHORITY OPERATIONS

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The DMVA estimates that the first year costs for start-up, operations, and staffing of the Authority will be approximately \$1.5 million. This includes partial year (March through September) costs for rent and utilities, information technology, contracts and consulting services, staffing,<sup>15</sup> and other various costs.

Total costs for a full fiscal year of operations are estimated at approximately \$3.0 million. This includes approximately \$1.2 million for rent, information technology, and other operational costs, as well as approximately \$1.8 million for personnel costs. The DMVA reports that the Authority will likely require the following personnel (including associated annual salary and benefits cost estimates):<sup>16</sup>

- Chief Executive Officer (\$380,000)
- Operations Director (\$180,000)
- Business Services Director (\$180,000)
- Compliance Officer (\$180,000)
- Clinical Director (\$180,000)
- Social Services Director (\$170,000)
- Human Resources Director (\$180,000)
- Office Manager (\$150,000)
- 1.5 FTEs for support staff (\$180,000)

Supplemental appropriations 2016 PA 340 appropriated \$1.0 million GF/GP for the first year of the Authority's operations.

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<sup>15</sup> Includes the positions of Chief Executive Officer, Operations Director, Business Services Director, Compliance Officer, Human Resources Director, and administrative support.

<sup>16</sup> The Bureau of Labor Statistics reports that in September, 2016 the average breakdown between private sector employer wage and benefits costs was 68.6% for wages and 31.4% for total benefits; <https://www.bls.gov/news.release/ecec.nr0.htm>; accessed December 14, 2016.

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## NEW VETERANS' FACILITIES

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The USDVA assists in the construction of new veterans' homes,<sup>17</sup> by covering 65% of the construction costs. All new construction would be built to meet USDVA Veterans Health Administration and CMS standards. Recent amendments to 1885 PA 152 allows the Board of Managers to transfer property – such as that of the Grand Rapids Home for Veterans estate – to the Authority, which would decrease the costs of building a new veterans' home in west Michigan since the Authority would likely not have to purchase land and would likely be able to use some of the existing infrastructure.

Supplemental appropriations 2016 PA 340 authorizes the State Building Authority to issue bonds for the construction of two new veterans' homes. One will be located on the Grand Rapids Home for Veterans' estate, and a second will be built in or near the City of Detroit. Total costs are estimated to be \$108.0 million, with the state paying \$42.0 million and the federal government providing the remaining \$66.0 million. Both new facilities will house approximately 120 veterans requiring skilled-nursing care and will be built to comply with both USDVA and CMS standards, allowing them to draw from both fund sources. The two veterans' homes are expected to be completed by May 2019.

Concurrently, the D.J. Jacobetti Home for Veterans will continue to pursue CMS certification and will remain in operation. The Grand Rapids Home for Veterans will also remain in operation. Upon completion of the new facilities, the DMVA reports that it would likely close portions of the Grand Rapids Home for Veterans that are no longer in use in order to lower operational costs.

The Michigan Veterans Workgroup suggested the eventual construction of up to five additional veterans' homes of similar size and capacity as the two currently planned to be located throughout the state. The proposed locations included:

- Flint/Saginaw/Bay City area, serving the Thumb region.
- Jackson/Battle Creek area, along the I-94 corridor.
- An eventual replacement home for the D.J. Jacobetti Home in Marquette.
- The northern Lower Peninsula.
- An additional home in southeast Michigan.

The initial two homes authorized by supplemental appropriations 2016 PA 340 will be financed through the State Building Authority. Increased federal revenues, as well as other potential revenue sources, generated by the two new veterans' homes authorized under 2016 PA 340 – as well as subsequent homes constructed through the Michigan Veterans' Facility Authority – are expected to cover the Michigan Veterans' Facility Authority's debt service obligation and allow it to issue bonds for the construction of any additional homes.

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<sup>17</sup> The current USDVA model for state veterans' homes is the community living center, which is smaller than facilities such as the Grand Rapids Home for Veterans, and focuses more on being a "home" than a traditional medical facility while still providing the same medical and assisted living services; [http://www.va.gov/GERIATRICS/Guide/LongTermCare/VA\\_Community\\_Living\\_Centers.asp#](http://www.va.gov/GERIATRICS/Guide/LongTermCare/VA_Community_Living_Centers.asp#); accessed December 20, 2016.

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*NOTE: This report was written by Kent Dell, Fiscal Analyst. Kathryn Bateson, Administrative Assistant, prepared the report for publication. The House Fiscal Agency is solely responsible for the content of the report.*





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