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## **VETERANS HOMES DIVISION**

Little Hoover Commission Hearing

Written Testimony

Coby Petersen, Deputy Secretary for Veterans Homes

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The California Department of Veterans Affairs Veterans Homes Division appreciates this opportunity to update the Little Hoover Commission on the progress we have made since the Commission's 2013 study on veterans services. As you know, we have undergone leadership changes in our Veterans Homes and at our Sacramento Headquarters since the 2013 hearing. While this reality inevitably has presented some continuity challenges, each change has brought a fresh look at the operations, priorities, and opportunities in the Homes and we have become stronger. Furthermore, our current team of Headquarters leaders and Home administrators is truly extraordinary. Individually and as a group, these dynamic individuals bring to each decision a complement of experience, creativity and dedication any agency would be hard-pressed to find among its leaders.

As we enter 2016, I am confident that many opportunities lie ahead for the state's eight Veterans Homes. As Deputy Secretary, I have informed my leadership team and the staff in the Homes and Headquarters that my emphasis this year will be on continuing to strengthen us in the areas of admissions, quality care and revenue. The system design is complete. All eight Homes are open, operating successfully, and excelling in their passage of necessary surveys by the U.S. Department of Veterans Affairs (USDVA), the federal Centers for Medicare and Medicaid Services (CMS), the California Department of Public Health (CDPH), and the California Department of Social Services (CDSS). Most recently, the West Los Angeles Veterans Home passed a stringent CDPH survey of its new kitchen and 84 new Skilled Nursing Facility (SNF) beds. Also, in 2015, many of our Homes passed their annual USDVA surveys with zero reported deficiencies. In Redding and Fresno, our Administrators opened the Memory Care programs and are providing these services to veterans and their spouses who are experiencing dementia. In West Los Angeles, we have seen much success in the Transitional Housing Program we operate in conjunction with the USDVA.

These are among the highlights of the past several months, and I expect more on the horizon. I remind myself that the achieving some of the goals we all support will take time. In the meantime, I am proud to report this significant progress and have prepared the following responses to your questions.

### **Assessing Needs**

The Homes Division recognizes that it soon will face a shift in the needs and interests of veterans requiring housing and long-term care. The generations of veterans the Homes serve currently are expected to differ greatly from those who will move into the Homes in the future. Current residents served in World War II, in the Korean War and, in increasing numbers, during the Vietnam Era. CalVet's leaders at Headquarters and in the Veterans Homes acknowledge these younger residents may experience very different physical, psychological and emotional care needs, as well as different preferences for how they spend their time and the ways in which they interact with their peers. Already, the Homes are seeing some of these changes. Residents are applying for admission later in their lives and in greater need of medical care than prior applicants. They stay independent longer and arrive at our Homes with higher numbers of medical diagnoses and prescriptions than what long-term care facilities used to see. More residents are arriving with a combination of physical and psychological needs. These changes and others are prompting greater coordination and program development as well as a change in our expectations for future use of our beds and levels of care. Homes Division leaders anticipate additional evolutions in the future, particularly as the Homes begin to house more veterans who have served in recent conflicts.

Additionally, CalVet acknowledges the implications medical trend data are beginning to show. The rates of Alzheimer's disease and other forms of dementia are on the rise. Also, the need for skilled nursing care and memory care are growing, while the demand for some other programs the Homes offer is on the decline. Perhaps most importantly, recent evidence suggests that post-traumatic stress and other mental and behavioral health concerns impact future potential residents (those serving in Vietnam, Iraq, and Afghanistan) at a greater rate than for soldiers serving in World War II and Korea. Homes Division leadership know they must prepare adequately for these changes. Addressing them may involve planning for capital outlay projects, additional staffing to comply with licensing requirements, or program design efforts these generational differences will bring.

Now that the newest Veterans Homes are open and nearly complete in certifications and admissions, the Homes Division is turning its attention to planning for these future needs. The Homes Division has recruited two retired annuitants who are experts in demographics and the development and operation of mental health programs. Together with experienced clinical teams in the Homes, CalVet will identify, compile, and analyze data related to the future needs of the aging population and the veteran population. The Division will use the results of this work in its planning efforts to ensure the state's eight Veterans Homes continue to provide quality and relevant programs for California's veterans.

## **Ensuring Quality Care**

### **Bolstering CalVet's Clinical Team**

The Homes Division has invested significantly in the depth, expertise, and mission of its Headquarters clinical team over the past few years. Following a redesign, CalVet's Director of Long Term Care tripled the number of highly qualified nurse consultants who support, direct and monitor the Homes on a regional basis. This team increased from two nurse consultants to six, and each Home has a designated nurse consultant to whom it may turn for pre-survey preparedness. In addition, these nurse consultants review all incidents in the Homes (such as falls, illness outbreaks, mental health issues, and other events that occur in care facilities), conduct educational seminars, and institute best practices and standardized approaches to dealing with incidents. These experts in nursing practices and regulatory requirements conduct mock surveys in the Homes, assess practices and outcomes, and provide a crucial and effective link between each Home's clinical team and the Division's leadership. Additionally, the Headquarters clinical team includes a chief pharmacist who is helping lead an increase in efficiency and effectiveness of pharmacy practices throughout the system and expansion of Medicare Part D participation. The clinical team also includes staff who compile and utilize clinical data, and staff dedicated to the upkeep, compliance with, and relevance of the system-wide clinical training program.

Perhaps most critically, this newly expanded HQ clinical team already has improved survey preparedness. CalVet is taking a proactive approach to prepare for the various surveys the Homes have on a regular basis. The team conducts a mock survey to inspect each Home and identify best practices and opportunities for improvement. In addition, our consultants also support the Homes after a licensing or certification survey is conducted to ensure any new issues are corrected and to share those results and actions with the rest of the system.

In addition to this strengthened Headquarters oversight, the Homes' leadership teams are extremely experienced and highly qualified. The administrators and SNF administrators in our eight Veterans Homes have a combined 250 years of experience in long-term care – averaging more than 20 years per leader. We are also honored to say that many leaders in our Homes are veterans themselves, which helps them build a strong relationship with the veterans they serve. We have recruited true industry leaders for our Homes and we are proud of their accomplishments. They each lead an excellent team of experienced nurses, therapists, dieticians, and other staff dedicated to providing quality health care for our veterans.

### **Survey Performance**

The decline in the last few years in the Veterans Homes' CMS star ratings is due primarily to poor survey results several years ago. Serious incidents that affect survey outcomes can continue to impact a CMS rating for 36 months, even after the problems have been corrected.

Recent surveys demonstrate objective progress toward improvement of Medicare Star Ratings in the three CalVet Homes that have had Medicare-certified SNFs for more than three years. A review of 2015 regulatory results show that none of our eight Veterans Homes were issued any findings of "substandard care" as defined by the Medicare program, any serious level of F tag deficiencies issued by CMS, or any issuance of A- or AA-level citations by CDPH for our delivery of care. Recent annual inspections conducted by the USDVA indicated deficiency-free operation in the Homes we run in Chula Vista, Fresno and Redding. Following months of planning, construction, hiring and training, we are proud to report that our West Los Angeles Veterans Home recently passed its stringent CDPH licensing survey of its new, full-service kitchen facility as well as a new section of its Home for the care of 84 additional SNF residents. Admission to these new units has begun.

Each CalVet Veterans Home has a designated Quality Assurance and Performance Committee made up of interdisciplinary care team members that focus on Quality Assurance and Performance Improvement. This means that ongoing data regarding clinical and non-clinical issues are being recorded and measured, giving the leadership team at each Home visibility on trends and possible concerns without waiting for results from the next survey. Deeply rooted problem solving is taking place in our operations and getting stronger by the day. This initiative is improving our ability to capture this data and use the industry's best practices to find and correct issues before they become critical.

In spite of new dynamic leadership and vastly improved programs, it has been a significant challenge for our CMS-certified Veterans Homes to improve their star ratings due to the reality that we are impacted by events from several years ago. This is further challenged by a February 2015 change in how star ratings are computed, which has made it more difficult for many facilities to receive and maintain higher star ratings. Even with these headwinds, we are confident that CalVet is on an upward trend in quality. We have strong Headquarters and Home management, clear direction, and focus on consistency and quality of care.

All of these changes in practices, operations, and staffing have proven beneficial and effective for Homes Division. Our Homes are passing surveys with few deficiencies. Since the 2013

hearing, we have obtained licenses to open and expand units in Redding, Fresno, and West Los Angeles. All of our facilities are now certified by the USDVA for every level of care, allowing them to collect per diem and reduce our impact on the General Fund. The Yountville Home has already raised its star rating and we expect those of the other rated Homes to increase in the near future.

### **Standardization**

A common thread through many of the Homes Division's recent and ongoing efforts is the need to shift the management and perception of the Homes from eight individual facilities to a unified system. Division leadership is tasked with charting a single, cohesive path rooted in quality nursing care, financial vitality, and a quality of life our residents deserve.

The challenge underlying this charge is maintaining the day-to-day operations and ongoing ramp-up of the Homes while simultaneously developing standardized practices. Furthermore, these efforts must strike a balance between standardizing services and leveraging efficiencies with maintaining local decision making and programmatic flexibility. Despite this challenge, CalVet has made great progress in standardizing procedures for a number of areas. The Homes Division is capitalizing on the combined experience and skills of our administrators and their staff to develop and identify best practices for statewide use.

For example, we leveraged the resources in the Veterans Homes by establishing or continuing more than 15 task forces led by subject matter experts. Through these task forces we are in various stages of developing desk manuals, standard duty statements, and standardized policies.

Our Education Services Task Force unified critical employee orientation policies as a first step in standardizing training across all Homes. In addition, our Nursing Services Task Force aligned all Veterans Homes' nursing procedures with the system-wide adoption and distribution of Lippincott procedure manuals. Through this process, we are ensuring that best practices throughout the state are brought forward and adopted as a system.

CalVet also has standardized the delivery of clinical and non-clinical training through the use of the Relias software system. In fiscal year 2014-15, 50,347 educational courses were delivered to 2,382 CalVet employees across all homes and Headquarters, averaging 21 training sessions per person and surpassing 90% of the companies in the long-term care industry. CalVet polled Homes Division staff in April 2015 and nearly 85% of respondents agreed that this was an effective tool for training purposes. The system also allows for flexibility and efficiency, enabling staff to complete training as their schedules allow rather than arrange for group classes

or purchase and attend off-site courses. CalVet has used this system to create not only a universal training tool but also standardized training materials, which is critical for operating as a system of Homes.

CalVet remains committed to this ideal. The growth of the Veterans Homes may make standardization more difficult, but it also makes it more necessary. With only three facilities, CalVet could manage the Veterans Homes with limited systemization. With five more Homes, we cannot afford to treat our facilities like unique, independent silos. These efforts are important to ensuring we can continue to efficiently provide consistent quality long-term care. That is why CalVet adopted a uniform fall prevention and response process, a statewide electronic admissions tracker, a coordinated dietary planning system, pharmacy waste reduction procedures, and a myriad of other standards that increase efficiency and unify the Homes. This growth is also the driving force behind our development of a Research and Program Review Unit, which supports, develops, and implements these best practices and procedures in conjunction with key clinical and operational staff. We have much more to do, but CalVet has made significant progress over the last few years and is moving forward with creating a true system of Homes.

## Facilities Maintenance

### Deferred Maintenance

CalVet has a long-term program for deferred maintenance for each of its three older Veterans Homes. The Capital Assets Unit of the Department maintains an ongoing list of identified projects that require attention at each Home. Annually, CalVet prioritizes the projects and identifies those that will be funded and addressed throughout the year.

The criteria used for prioritization of deferred maintenance are defined in the Department of General Services State Administrative Manual and is categorized as follows:

Priority	Project Type
<b>1</b>	<b>Life/ Safety</b>
1.1	Seismic
1.2	Building Construction
1.3	Egress
1.4	Building Compartmentation (e.g. Smoke Barrier, Fire Walls, etc.)
1.5	Fire Alarm/ Detection
1.6	Asbestos/ Hazardous Materials
1.7	Other
<b>2</b>	<b>Adult Day Health Care Renovation/Replacement</b>
<b>3</b>	<b>Nursing Unit Renovation/Replacement (e.g., Patient Privacy)</b>
<b>4</b>	<b>Code (ADA) Compliance</b>
<b>5</b>	<b>Building Systems, Utilities and Features (e.g., Electrical, HVAC, Boiler, Medical Gases, Roof, Elevators)</b>
<b>6</b>	<b>Clinical Support Facilities (e.g., Dietetics, Laundry, Rehabilitation Therapy)</b>
<b>7</b>	<b>General Renovations/Upgrades (e.g., Warehouse, Storage, Administrative Office, Multipurpose)</b>

Adjustments in the deferred maintenance plan may include the need for architectural and engineering services for any given project. In addition, any unanticipated projects that have an immediate impact on the residents, staff, or the operation of the home may take priority. Finally, approval from regulatory agencies such as the State Fire Marshal, State Architect, or Office of Statewide Health Planning and Development has an effect on the ability to spend funds quickly and efficiently.

The overall management of the deferred maintenance program must include the ability of the Department to spend the funds within a certain period of time, the ability to manage projects, and the current needs of the facility. The ultimate goal of the deferred maintenance program is to ensure the facility meets all licensing control agency and regulatory needs for the state. At any given time, the ability to adjust and redirect funds is dependent on the facility and the residents' needs at the Home.

### **Elevators**

The Yountville Veterans Home has a total of twenty-six elevators. Seven of these elevators are located within the Holderman Building of the campus. During 2015, the Yountville Veterans Home engaged in the process of modernizing three elevators within the Holderman Building. The modernization efforts included the creation of formal plans that required approval by regulatory agencies such as the Office of the State Fire Marshal and the Department of Industrial Relations.

Coincidentally during the modernization project, two other elevators within the building malfunctioned and required repair. The repair of the two elevators required parts that had to be manufactured prior to installation. The manufacturing of parts to service these old elevators is a continuous problem, which is why the Home is pursuing the modernization of elevators whenever practical.

At that time CalVet declared an emergency, which allows the Home to engage a contractor to address the repairs without the state's bidding process. The emergency declaration also allowed control agencies to reprioritize the needs of the Yountville Veterans Home. With the declaration of an emergency the Yountville Home was able to quickly address the remaining modernization elements of the three elevators as well as the sudden repairs of the other two.

To date, six of the seven elevators are in service and it is anticipated all seven elevators will be operational by the end of March. Scheduling by the contractor the sole remaining step for the final repair.

Additionally, another long-term agreement for the maintenance of all elevators on campus was executed in December 2015. This three-year maintenance contract for elevators will significantly reduce repairs or delays in the repair of all 26 elevators on the campus.

### **HVAC System**

The HVAC system at the Yountville Home is a combination of a number of different heating and cooling systems throughout the campus. It is the result of buildings being constructed at different times over a period of decades with different contractors, different energy requirements, and different funding sources. Some building systems are up to 60 or 70 years old.

Currently, CalVet has engaged DGS and an energy contractor to address numerous components of the HVAC system. At this time, a cost analysis is being completed to determine the extent of the project's scope of work and next steps toward construction.

In addition, CalVet plans to work with the Department of General Services to perform a complete evaluation of the HVAC system and determine the final overall cost for a full renovation of the campus HVAC system. The anticipated cost of the HVAC system is in the millions of dollars.

## **Funding**

CalVet faces factors that limit the Department's ability to recover revenues. State statute places limitations on our fee structure and other financial components that prevent us from being cost neutral. We are reviewing our regulations to evaluate whether there are opportunities to clarify or address these areas, but we will not be able to eliminate all limitations. However, with these restrictions in mind, we remain committed to reducing our impact on the General Fund.

In our testimony in October we mentioned the Yountville Veterans Home SNF's reduction of hospital readmission rates through a new case management process. Also, by working closely with the USDVA, the Yountville Home now has a pilot program to offer telemedicine services, decreasing the need for veterans to travel several hours by bus for neurological services and thereby improving outcomes and lowering costs. By streamlining the admissions process, CalVet lowered the workload required to evaluate and process applications. By staffing the homes with Veteran Claim Representatives, CalVet has been able to increase the disability ratings of veterans who were eligible, thus increasing revenue and getting veterans the benefits they earned. Finally, we shared data on improvements in pharmacy revenue. To demonstrate further what our efforts have been with regard to revenue, we offer the following updates and additional data.

Our approach to increasing revenue has been to focus on the activation and ramp up of the five new Homes. This was highlighted for the hearing in October 2015. In summary, the focus has been in opening the Homes and admitting veterans in need of our care as cost recoupment is not possible when beds are empty. We determined that filling the beds in the newest three homes would yield an increase in revenue of more than \$45 million annually. This includes efforts to obtain the necessary licenses, pass surveys and fill the beds with residents.

In addition to focusing on the new Veterans Homes, we have emphasized the need to educate and enroll residents in Medicare plans for which they are eligible. This three-year effort has yielded improvements in participation in all the homes, thus resulting in cost recovery or cost avoidance. The open enrollment period continues through March 31, 2016 and we expect more participation and more cost recovery.

With regard to the three older homes, CalVet has taken a critical look at nurse overtime and the impact it has on patient care and the expenditures of the Homes. Using the budget process, CalVet has demonstrated the need to adjust the nursing relief factor (and thus reduce overtime) and requests legislative approval of our budget change proposal for fiscal year 2016-17. Another area of cost reduction will be in the maintenance of the oldest Veterans Homes. Again, through

the budget process, CalVet has requested resources to address deferred maintenance projects which drive increasing repair and maintenance costs.

While opening the new Homes and working on improving the operations of the older Homes, CalVet also has participated in national health care reform with the triple aim of achieving better care and better data sharing while lowering costs. Specifically, CalVet successfully transitioned to International Classification of Diseases, Tenth Edition (ICD-10) on Oct. 1, 2015. As part of this effort, the Veterans Homes that were billing Medicare updated their charge slips and provided extensive training to their impacted staff. The last step in this effort will be an evaluation of the coding change and its impact on revenue, which will be conducted in the next year.

## **Laws and Regulations**

### **Military and Veterans Code Review**

Reviewing the Military and Veterans Code has been a major undertaking for many staff in all Divisions of CalVet. As the Commission is aware, the Military and Veterans Code was written in pieces over decades and in places is outdated. CalVet has begun identifying all of the areas throughout the code that warrant revision. CalVet experienced turnover among its executive leadership recently, resulting in a decision to take a fresh look at the code rewrite project approach. With Secretary Imbasciani and Undersecretary Atterberry at the helm, discussions are beginning again about the most appropriate path to take in implementing a rewrite.

### **Regulations**

As ramp-up in the five newest Homes is drawing to a close, CalVet is turning its attention toward improving standardization and administrative functions, to include updating regulations. CalVet has no central office for creating and maintaining all Divisions' regulations; each Division undertakes this work independently. For its part, the Homes Division has embarked on a comprehensive and realistic approach to a supportive structure for the long term. The Division has sent several staff, including managers and rank-and-file employees, to the Office of Administrative Law's (OAL) intense three-day rulemaking course.

Following her training, the Chief, Research and Program Review, conducted an initial review of CalVet's programs, plans for the future, and standardization efforts, and identified areas in which the Division should focus for future regulations. In addition, the Homes Division has recruited a retired annuitant with extensive experience in the development of state regulations who will carry out the following activities:

- Review the Homes Division's programs, standardization efforts, and future programmatic needs;
- Create a strategy that will enable the Division to plan and allocate resources accordingly;
- Assist with the development of any especially complex regulations or any extraordinary components of the recommended strategy; and
- Support Homes Division staff as they create or update regulations according to the strategy.

This last step represents one of the most crucial components of the plan. It will enable the Division to establish a permanent regulation-writing program that features a high skill level and expert training.