



Oregon

Kate Brown, Governor

Department of Veterans' Affairs

Office of the Director

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www.oregon.gov/odva

DATE: September 1, 2018

TO: Oregon Legislative Assembly and the Legislative Administrator

FROM: Mitch Sparks, Acting Director
sparksm@odva.state.or.us

HB 4038 (2018) Report on the Progress of Establishing the Roseburg Oregon Veterans' Home

Overview

The Oregon Department of Veterans' Affairs (ODVA) is pleased to submit this report on the progress of establishing the Roseburg Oregon Veterans Home. House Bill 4038 (2018) directed the Director of the Oregon Department of Veterans' Affairs to "study the progress of the establishment of the Roseburg Oregon Veterans' Home authorized under ORS 408.385 and shall report the findings of the study to the Legislative Assembly no later than September 1, 2018."

In addition, ODVA recommends to the Legislative Assembly that the Roseburg Oregon Veterans' Home be built on the grounds of the Roseburg campus of the Roseburg Veterans Affairs Health Care System. The United States Department of Veterans Affairs (USDVA) has agreed to transfer more than 13 acres on the campus to the State of Oregon for the purpose of siting the new Veterans' Home, a skilled nursing facility, which would be adjacent to the new main hospital on the campus.

History of Oregon Veterans' Homes

ODVA established two veterans' homes in Oregon that are owned by the state and were financed in large part by grants from the United States Department of Veterans Affairs (USDVA). The Oregon Veterans' Home in The Dalles, opened in 1997, can accommodate up to 151 residents who need long-term care in a facility that provides long-term skilled nursing, memory care, and inpatient and outpatient rehabilitative care. The \$40 million Edward C. Allworth Veterans' Home, located in Lebanon, is the second Veterans' Home in Oregon and opened in September 2014. Organized around the idea of an intentional community or neighborhood, the Lebanon home is recognized as a national model of "small home care." The campus consists of four neighborhoods, with up to three houses per neighborhood. Each house accommodates up to 14 eligible residents. The home has a total capacity of 154 residents. ODVA contracts with an operator to manage the day-to-day operations of both homes.

The Legislature directed ODVA to establish a third Veterans' Home in Roseburg under ORS 408.385.

United States Department of Veterans Affairs Construction Financing for State Veterans Homes

The United States Department of Veterans Affairs (USDVA) State Home Grant Program is a partnership between the USDVA and the States to construct skilled nursing facilities and for renovations to existing homes. USDVA may participate in up to 65 percent of the cost of construction; the remaining 35 percent of constructions costs are provided by state and local funds and must be in place before consideration of a

grant application. Grant funds may be used only for construction costs; they may not be used for land acquisition. A State Home is owned and operated by the State. Currently, there are 133 State Veterans Homes in 50 states and Puerto Rico with over 30,000 total beds.

Basic Grant Application

The state must meet three fundamental requirements to receive grant funds. First, it must have prepared a detailed and complex grant application. Second, it must be ranked high enough on the priority list to be eligible for funding. Third, it must provide proof that the remaining 35 percent of total construction costs are available from state or local resources.

Current Status of U.S. Department of Veterans Affairs Grant Program

The State Home Grant Program is a competitive grant program, with States competing for grant funding. In April 2018, the USDVA announced that it will use \$685 million in funding from Congress to fund several State Veterans Home construction projects through the VA State Veterans Home Construction Grant Program. The funding is part of an Omnibus Bill that represents the largest allocation to the more than 50-year-old State Veterans Home Construction Grant Program; funding for the program has averaged \$94 million over the last five years. The program had been operating with a backlog of applications for construction projects. The new allocation will fund 52 projects on the priority list, many of which have been waiting for years.

Grant Funding Priorities

In order to compete for the grant funds, Oregon must provide a detailed and complex grant application that is placed on a priority list for funding. The priority list is based on the number of “unmet beds,” which is the number of maximum beds allowed for a state under 38 CFR 59.40 less the number of beds already awarded. For Oregon, the maximum number of beds is 907. The number of “unmet beds” for Oregon is the maximum number, less the number of beds already awarded for The Dalles and Lebanon, or has 614 unmet beds. There are three priority groups based on unmet beds need that are classified as “Great,” “Significant” and “Limited.” Oregon is in the “Limited,” or lowest priority group. However, many states are in this category and Oregon is in a moderately good position to receive funds in future grant cycles.

First priority for grants is accorded to feasible applications which States have provided “sufficient State funds” so that the project may proceed upon award of the grant without further State action being required to make such funds available. The first priority is further prioritized as 1) remedies for life/safety deficiencies; 2) states that have not previously applied for a construction grant for a nursing home; 3) “great” need for beds in a state; 4) renovation other than remedies for life/safety deficiencies; 5) “significant” need for beds in a state; and (6) “limited” classification for unmet need for beds in a state.

“Sufficient State Funds:” The 35 Percent Match

“Sufficient State Funds” funds means the State’s 35 percent matching share. These funds must be available and an authorized State official must certify that these funds are available as well as how long the funds will remain available. These matching funds are not necessarily “state government funds.”

Note that all funds for Oregon’s 35 percent matching share for the Lebanon Home, in the amount of \$14 million, was provided by Linn County and no State of Oregon funds were used for this project. In addition, the City of Lebanon purchased the land and then donated the land for the project to the State.

The grant application process requires the state to submit a detailed and complex grant application. The USDVA Office of Construction & Facilities Management (CFM) provides technical assistance to VA’s State Home Grant Program. CFM helps review state grant applications for feasibility and funding participation. CFM also assures quality control for the program by monitoring the design process and providing construction inspection services of the completed facilities, if needed.

Construction

The State is primarily responsible for the construction project. The State employs an architect and submits plans for review and approval by USDVA prior to awarding the contract. After a construction grant is awarded and during construction, which is supervised by the State, reimbursement claims may be submitted to VA for payment based on allowable incurred costs.

USDVA Oversight and Additional Funding for Veterans' Care

Under a separate, non-construction program, USDVA also provides per diem payments to States for the care of eligible veterans in State Homes and must assure Congress that State Homes provide quality care through inspections, audits, and reconciliation of records.

Roseburg Oregon Veterans Home: Conceptual Overview.

Use the Lebanon Home as a Model

The Roseburg Oregon Veterans Home would be based on the Lebanon Home, which is a state-of-the-art skilled nursing facility that is organized around the idea of an intentional community or neighborhood. The new home is based on the model of "small home care" with houses that make up a neighborhood. The neighborhoods also provide flexibility in delivery of care to meet the needs of the veterans. The new home would include memory care and would be built to provide 120 to 150 beds.

Partnership with the USDVA on the Roseburg Oregon Veterans Home

Letter of Intent

On July 3, 2018, following a significant number of discussions and negotiations with the USDVA, particularly with the Roseburg VA Health Care System, the Oregon Department of Veterans' Affairs wrote a Letter of Intent to Recommend that Oregon Department of Veterans' Affairs Establish an Oregon Veterans' Home on Roseburg VA Health Care Campus. (Attachment A).

The letter was addressed to David Whitmer, the Interim Director of the Roseburg VA Healthcare System, that Oregon Department of Veterans' Affairs, with the commitment of Governor Brown, will "recommend to the Legislative Assembly, no later than September 1, 2018, that an Oregon Veterans' Home be built on the grounds of the Roseburg campus of the Roseburg VA Health Care System."

Transfer of Land to the State of Oregon and Other Costs

As stated in the letter of intent, the USDVA had generously agreed to transfer approximately 13.2 acres to the State of Oregon, via a federal land grant, for the purpose of establishing the veterans' home.

Veterans' Home Concept

The current concept, agreed to by USDVA and ODVA, is to have the new main hospital for Roseburg sited and constructed adjacent to the Veterans' Home, which will be greatly beneficial to the residents of the home and to their families. The plan is to involve the Roseburg VA in planning, construction and in the day to day operations of the home to ensure that our veterans receive the maximum benefits.

The Roseburg VA will build a new main hospital adjacent to the Roseburg Veteran home and will build the parking lots that provide access to these buildings. In addition, the Roseburg VA will pay for the majority of the planned utility lines that provide service to both buildings. The Veterans' Home will border the eastern edge of the VA property and will be just north of the existing National VA Cemetery. The site is partially wooded and has an existing berm on the eastern edge of the property is a sound barrier to I-5. The building will face northwest.

Benefits to Veterans

The partnership between ODVA and USDVA will provide virtually seamless care for our veterans because it will provide easy access to both the Roseburg VA Hospital and all non-hospital medical services located on the Roseburg VA Campus. It will provide the highest level of care for our veterans and unique opportunity for an extraordinary partnership.

Potential Costs

Oregon Department of Veterans' Affairs has done a very rough estimate of the costs of a Roseburg Veterans Home based on the costs of the Lebanon Home. It is important to note that the \$40 million for the Lebanon Home was based on costs of construction in 2012 for a 154 bed skilled nursing facility.

Assuming \$40 million in total costs for a skilled nursing facility in Roseburg based on the Lebanon Home model:

- To build a \$40 million skilled nursing facility with construction beginning in 2018, the project would need to be scaled back to 126 beds. (A 150 bed facility would be roughly \$45 million)
- Based on current trends in costs of construction, for each year of delay in construction after 2016, the construction escalation costs will be 6 percent per year.

The Federal VA will donate the land, parking lots, and some of the infrastructure costs (utilities). Therefore, the ODVA will need to pay additional costs that are unknown at this time.

As stated, the U.S. Department of Veterans Affairs will only provide 65 percent of the costs of construction and the state will need to match with 35 percent of the costs through state, local and county funding. Assuming \$40 million for the total costs:

- USDVA would provide approximately \$26 million (65%)
- The state and local partners need to provide \$14 million: \$10.5 million in approved capital construction bonds, leaving an additional \$3.5 million needed in additional funds (35%)

A key component of a successful project will be a new construction project manager position within Oregon Department of Veterans' Affairs who will have the responsibility for the project. Challenges and additional costs for this position will be that the project is 130 miles from Oregon Department of Veterans' Affairs headquarters.

Attachment A: Letter of Intent on Roseburg Veterans Home dated July 3, 2018

Full report: <https://www.oregon.gov/odva/Connect/Pages/Reports.aspx>

Contact: Laurie Skillman, ODVA Senior Policy Advisory on this report and related reporting at laurie.skillman@state.or.us



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July 3, 2018

To: David Whitmer, Interim Director, Roseburg VA Healthcare System
From: Mitchel Sparks, Acting Director of Oregon Department of Veterans' Affairs
RE: Letter of Intent to Recommend that Oregon Department of Veterans' Affairs
Establish an Oregon Veterans' Home on Roseburg VA Health Care Campus

The purpose of this letter is to advise you that the Oregon Department of Veterans' Affairs (ODVA) will recommend to the Legislative Assembly, no later than September 1, 2018, that an Oregon Veterans' Home be built on the grounds of the Roseburg campus of the Roseburg VA Health Care System.

The recommendation states that the Federal VA has agreed to transfer approximately 13.2 acres to the State of Oregon, via a federal land grant, for the purpose of establishing a 120-bed veterans' home with care up to and including a dementia unit. This facility will mimic, in layout and function, the ODVA Edward C. Allworth Veterans' Home in Lebanon.

It is the intent of ODVA to execute the federal land grant during FY2019 with ground breaking for the new facility as early as FY2020. The State Legislation has approved capital construction expenditures of \$10.5m via a bond sale that would be conducted in FY2019. Based on construction expenditures for the Lebanon Veteran's Home (\$40.3 million), the State of Oregon is expected to obligate, at a minimum, an additional \$4.0 million to meet the Federal VA requirement that State and local appropriations meet or exceed 35% of the projected expenditures.

Based on conversations with the Federal VA, it is my understanding that when the Federal VA receives confirmation that the next ODVA veterans' home will be placed on the Roseburg VA campus and confirmation that the State and local commitments for funding meets or exceeds 35% of the projected expenditures, this federal land grant is eligible to be placed on the VA's Priority 1 list. It is also understood that the federal government cannot transfer the land until the Federal VA grant funding for the remaining 65% of the projected expenditures has been guaranteed.

By aligning and partnering around a shared vision and coordination of existing resources, the ODVA and the Veterans Health Administration will demonstrate how governmental partnerships can deliver the highest quality service and reach the largest number of Oregon's Veterans. The co-location of an Oregon Veterans' Home on the Roseburg campus that includes

the Medical Center, the Veterans Benefits Administration, and the National Cemetery Administration, and provide significant and unique advantages and services to veterans and their families to support 21st century Veteran services.

Thank you for your consideration and investment in establishing an Oregon Veterans' Home within the Roseburg Medical Center campus. This Letter of Intent establishes the commitment of Governor Brown and the Oregon Department of Veterans' Affairs to the proposed location, layout and function of a third Oregon Veterans' Home.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Sparks", with a stylized flourish extending to the right.

Mitchel Sparks
Acting Director