

**TESTIMONY**  
**Dr. Linda S. Schwartz, Commissioner**  
**March 23, 2010**

Good Afternoon:

Senator Harp, Representative Geragosian, and distinguished members of the Appropriation Committee.

I am Dr. Linda Schwartz, Commissioner of the Department of Veterans' Affairs and I am here to discuss the financial situation at the Department.

Based on our estimates, the Department of Veterans' Affairs (DVA) is projecting an Operational Expense (OE) deficiency of \$1,027,038.

Consistent with the Governor's directives, the DVA has implemented many cost saving measures across all service areas. In Personal Services (PS), the agency has successfully reduced overtime, patient worker costs, and regular full time and part time costs. The DVA estimates that savings to be \$500,000 which the agency proposes to transfer in April via FAC from PS to OE to keep the agency's operations running without disruption in services.

The OE deficiency is primarily due to three (3) major factors.

Factor #1: DVA's FY10 OE Appropriation Adjustments/ Reductions

**DVA FY10 OE Appropriation Adjustments Breakdowns:**

Appropriation Title	Appropriation	Adjustments	Amount to be Allotted	Comments
10020-Other Expenses	6,970,217	(7,991)	6,962,226	DoIT Lapse
10020-Other Expenses		(171,442)	6,790,784	General Other Expenses Reduction
10020-Other Expenses		(1,195)	6,789,589	Reduce OE to FY07 Level
10020-Other Expenses		(1,608,756)		Contracts Savings
<b>Total Adjustments:</b>		<b>(1,789,384)</b>	<b>5,180,833</b>	<b>Total Allotment</b>

The agency's FY10 OE original appropriation was adjusted/ reduced by \$1,789,384 -- FY10 reduced total OE allotment of \$5,180,833.

Currently, with all of the agency's fiscal efforts our OE expenditures are projected to be \$6,207,871 - that is \$1,220,538 lower than the FY09 OE expenditures. Furthermore, the majority of the DVA's OE expenditures are fixed or "patient care" related and/or mandated by federal regulation and public health code. Therefore, as indicated in the above chart, the DVA is fiscally challenged to maintain the same level of care/ services in order to achieve the "whole" reductions of \$1,789,384, while maintaining the criteria levels for Medicare, Medicaid and Federal VA Per Diem.

Factor #2: Fixed cost expenditures and patient care related expenses are DVA's "core" OE expenditures

DVA's "fixed cost" OE expenditures by categories are as shown below --

Major Expenditure Categories	Expenditure Estimated Amount	Percentage
energy/ utilities	2,357,632	38%
food & beverage	1,404,735	23%
drug/medical/patient care	1,593,316	25%
infrastructure maintenance	419,253	7%
IT/ telecom	171,940	3%
others	260,994	4%

DVA's patient's census has remained at the same level as FY09 for the Healthcare Facility and has increased by 3% for the domicile. As the above chart illustrates, in order to keep the facility operational, 38% of the estimated expenditures are directly related to electricity, oil, gas, and water usage/ costs. Another 48% of the expenditures are expended for direct patient care and meals. Only 14% of the total expenditures are related to agency administration and other expenses. Therefore, the fiscal requirement for the agency to achieve a 25.67% OE reduction is not achievable.

### Factor #3: Implementation of several cost savings measures

In FY10 during the first 18 pay periods, DVA has improved its overtime cost by \$294,534 and reduced the full time employee payrolls by \$972,085 while serving the same number of patients and maintaining the same level of patient care compared to the same period in FY09.

DVA also reduced the total cost of #6 fuel oil expenditures by locking in (earlier in the season) at the lower unit price and saved the state an estimated \$594,009 for fiscal year 2010.

DVA has followed the Governor's fiscal directive for only "core essential expenditures" and has saved an additional \$200K in OE – further reducing the OE deficiency to \$1,027,038.

The mission of the DVA has always been to "**serve those who served**" – Connecticut has 277,250 Veterans and 17,500 deployed services men and women since 9/11. As more soldiers return from the Iraq and Afghan wars, the demand for services at the Rocky Hill Vets Home will only increase. The agency on average receives 15 to 20 new applications on a weekly basis and has to limit the admission to only "urgent" veterans due to funding and space limitations.

Reluctantly, the only remaining option for saving money would be to completely "freeze" admissions and reduce the census at Rocky Hill, a measure the Governor's office and many Legislators are hesitant to pursue.

It is important to draw your attention to the fact that through the services provided by the DVA to our veterans, DVA estimates generating \$34.3M in revenue to the state's General Fund in FY10 – federal VA per diem (\$8.5M), Medicare (\$125,000), Medicaid claims (\$11.5M), and DSH claims (\$14.2M) to make up third party reimbursements to the State to offset the greater portion of the cost to operate the Veterans' Home at Rocky Hill.

Your support for the services to the veterans in Connecticut and Rocky Hill is greatly appreciated.