



31 May 2023

**New England Center and Home for Veterans Cost Information for the
United States Department of Veterans Affairs Grant and Per Diem Program**

From: The New England Center and Home for Veterans, 17 Court Street Boston, MA
To: U.S. House of Representatives, Committee on Veterans' Affairs, Economic Opportunity Subcommittee
Via: The Honorable Stephen F. Lynch, Eighth District, Massachusetts

**Subject: Actual Cost Information for the NECHV's VA GPD Veteran Service Programs
for Fiscal Year(s) 2022 and 2023**

Background

With the expiration of the Federal COVID-19 Public Health Emergency on 12 May 2023, the augmented reimbursement rate that the United States Department of Veterans Affairs is able to provide to Grant and Per Diem Program participants reverted to a statutory maximum rate of \$64.52 per day. This rate, linked to the State Veteran Homes' Domiciliary Rate, was never scaled to cover the full costs that Program providers actually incur to offer GPD Program services to Veterans in-need. Community-based, non-profit GPD providers, such as the New England Center and Home for Veterans (NECHV), found it necessary to seek additional funding sources, both public and private, to cover actual Program and service costs. As a result, many organizations provided GPD service to Veterans at a loss. During the COVID-19 Pandemic, to help ensure the health and safety of vulnerable Veterans in congregate transitional living situations and help defray additional COVID-related expenses, the VA was given the authority to increase reimbursement rates to cover actual, audited operating costs incurred by the providers, up to an overall limit of \$156.59. While the return to the statutory rate of \$64.52 per day may be sustainable for providers with strong alternate funding augments or those located in relatively low-cost areas of the country, it creates a daunting challenge and potential significant barrier for others to continue as GPD providers, especially those in higher cost urban areas.

Discussion

The NECHV is a long-time VA GPD Provider, having operated under the contract for more than two decades. The Center is located in Downtown Boston Massachusetts and provides services to Veterans from across the country. The Center is currently contracted with the VA to provide 60 GPD beds to Veterans. This includes 40 beds under the Clinical Treatment service model and an additional 20 beds under the Low Demand service model. The Center's is programmed to add an additional five Clinical Treatment beds in federal fiscal year 2024. This will result in a total of 65 beds to better meet the demand in the Center's Veteran service catchment area. The NECHV's occupancy rate for the existing GPD Program beds throughout Fiscal Years 2021 and 2022 has been 81%, with Clinical Treatment Bed occupancy averaging 88%.

VA contracted GPD beds make up a significant percentage of NECHV's transitional Veteran housing revenue and the GPD Program complements the broad array of service programs offered by the Center. For context and scale, the following snapshot of the array of transitional housing

services (in addition to GPD) for Veterans offered by the Center at its 17 Court Street facility encompasses:

- VA Save Haven Program – 14 Beds – Expanding to 25 commencing in FY 2024
- VA Female Dormitory Program – 24 Beds
- VA Working on Recovery from Triage to Housing (WORTH) Program – 8 Beds
- Commonwealth of Massachusetts funded Transitional housing – 78 Beds

Overall, the NECHV's 17 Court St. facility possesses the physical capacity of 200 Transitional Veteran Beds, in an array of configurations and service program designs, to ensure it is able to provide the optimal support to every Veteran it serves. Additionally, the facility encompasses 97 units of Permanent Supportive Veteran Housing, under various complementary programs, including HUD VASH, HUD Mod-Rehab, and Mobile Section 8 Vouchers. subsidies. Permanent Veteran residents have the benefit of both VA case management services (HUD VASH), NECHV support services, a community of support and access to the full array of human service and support programs offered by the Center. In the most recent 12-month period, the NECHV has served 898 unique Veterans consumers across 22 programs, with an increasing number of those Veterans reflecting an aging and first-time homeless population. Sixty percent of all recent Veterans consumers were age 55 or older and almost forty percent were age 62 or older. During those same months, the Center's transitional housing programs provided Transitional/Low Threshold housing to 403 unique Veterans (of whom 89 percent reported a disabling condition), with a median nightly census of 138.

A major, if not the primary driver of increasing costs in transitional housing, and all Veteran human services, throughout COVID, and continuing, has been the escalating staffing expenses. The Pandemic increased the need and demand for all human services, and specifically, the demand for qualified mental health professionals in organizations that support higher risk populations such as vulnerable and at-risk Veterans experiencing homelessness. These societal and market trends have caused significant and permanent increases in labor and staffing costs at the NECHV over pre-pandemic levels.

What is becoming increasingly apparent is that the traditional configuration of standard, bunk-bed dormitory transitional housing setups, common for VA GPD and other programs, are not suitable or optimum for the current and future needs of Veterans experiencing homelessness. A variety and more tailored mix of housing configurations are needed, including more private and high support configurations, with private baths for older and more medically frail Veterans, while they are living in transitional housing settings. Toward that end, the NECHV has initiated, and is currently under construction on an approximately \$4.5M public/private Transitional Housing Reconfiguration Project (THRP), to more safely and appropriately support an aging Veteran population. The reality of those more tailored, private and diverse living configurations is that the costs for cleaning, care, staffing associated operations increase and can vary significantly from model to model and even within programs. The return to a significantly lower and inadequate VA GPD reimbursement rates, as requirements and costs continue to increase makes all transitional housing and overall Veteran service provision more challenging and at greater risk.

In addition to VA and other federal, state and municipal funding, the NECHV has the benefit of a well-established and respected private fundraising component, that helps generate more than 20 percent of the Center’s total annual revenue, (more than \$3M in philanthropic support each year). Without this augment to public funding, providing VA GPD services to Veterans at the current rate of reimbursement would not be feasible, and is becoming less tenable. In response to a request from the U.S. House of Representatives, Committee on Veterans’ Affairs, Economic Opportunity Subcommittee to provide specific and representative cost and service data on the NECHV’s VA GPD Program, the following is provided.

Impact

In response to a request from the U.S. House of Representatives, Committee on Veterans’ Affairs, Economic Opportunity Subcommittee to provide specific and representative cost and service data on the NECHV’s VA GPD Program, the following is provided.

NECHV reviewed the daily costs of operating its Clinical Treatment and Low Demand transitional housing programs and compared them to the statutory rate of \$64.52. At the current rates, NECHV can only operate its 20-bed Low Demand and 40-bed Clinical Treatment Programs at full capacity by incurring an annual operating loss of up to \$1.3 Million.

The tables below show the disparity between allowable rates and actual costs for NECHV. Note that the daily operating cost of the Clinical Treatment Beds, while greater than the allowable rate, is still well below the maximum rate permitted during the Public Health Emergency.

Additionally, the difference in operating costs between the Clinical Treatment and Low Demand programs is clear when compared side by side. Yet, as noted, both have the same daily rate. As a result, the Low Demand Program, despite being smaller, has a slightly larger funding shortfall.

	20 Bed Low Demand Program	40 Bed Clinical Treatment Program
Staffing Costs	\$747,277	\$714,260
Food Services / Meals	\$88,421	\$172,189
Facilities & Utilities	\$155,000	\$415,000
Supplies & Other	\$5,000	\$14,000
Total Direct Costs	\$1,002,698	\$1,315,448
Admin	\$200,540	\$263,090
Total Costs	\$1,203,238	\$1,578,538
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Daily Cost per Bed	\$164.83	\$108.12
Allowable Per Diem Rate	\$64.52	\$64.52
Daily Shortfall (Per bed)	\$100.31	\$43.60

Actual Costs versus Per Diem Rate for NECHV Low Demand and Clinical Treatment Programs

	20 Bed Low Demand Program	40 Bed Clinical Treatment Program
Daily Funding Shortfall	\$2,006	\$1,744
Annual Shortfall	\$732,242	\$636,546

Annual Impact of Current Per Diem Rates

While the Center enjoys strong (but always uncertain) charitable community support that has helped offset some of the public funding shortfalls, such support is not guaranteed in the future, and is being allocated to the overall increasing costs of operations and service. The recent decrement in VA GPD reimbursement rates puts at risk the NECHV's ability to continue providing the same depth and scope of services to Veterans in need. Other organizations that do not have the ability to make up for the funding shortfall may find themselves unable to continue as a GPD service provider.

Recommendation

An effective and realistic funding model, which takes into account the differences in costs between GPD bed programs, and adequately covers the costs to operate them, is clearly needed. We respectfully urge that these measures be considered and adopted at the earliest possible date to ensure there is no loss of vital service to Veterans.