



27 June 2024

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

The New England Center and Home for Veterans (NECHV) is one of the leading community-based service providers to Veterans who are experiencing, or at risk of, homelessness in the Nation. Located in Boston Massachusetts, the Center has provided services to Veterans from throughout New England and beyond for over two decades. The NECHV offers a wide range of Federal, State and locally funded grants and programs, including a Department of Veterans Affairs (VA) Grant and Per Diem (GPD) Program that encompasses a total of 65 transitional housing beds.

Last year, at the expiration of the Federal COVID-19 Public Health Emergency, the NECHV wrote to Congress to express concern over the return of VA GPD reimbursements from up to 300% of the State Veterans Home Domiciliary Rate, back to the statutory rate of 115%. As we noted, the reinstatement of pre-COVID rates reduced GPD payments to well below actual costs incurred to serve Veterans and created considerable financial stress for the Center and many similar community-based providers.

Now, at the one-year anniversary of the return to reduced rates, those concerns remain, and the circumstances have been exacerbated. The increase in the maximum Per Diem Only (PDO) rate to \$68.64 in November 2023 (from \$64.52) did provide some relief but failed to keep pace with increases in per-day cost to provide GPD Program beds and services to Veterans for organizations in high-cost areas, such as the NECHV.

In 2023, responding to Veteran need, the NECHV expanded its GPD Clinical Treatment Program from 40 to 45 beds. At the same time, the Center converted ten beds from traditional congregate dormitory configuration into individual private rooms with corresponding baths. While this improves the NECHV's ability to support an increasingly aging and medically frail Veteran population, the new facilities increase per-bed and per-day operating costs. The Center also operates 20 separate Low Demand model GPD beds for its most vulnerable Veteran residents. This program provides an enhanced level of services, including 24 hour per day clinical staffing, to support Veterans facing the most pressing personal challenges. However, the 24/7 staffing and support levels increase operating costs and widen the gap between VA reimbursement rates and actual expenses even further. Since the staffing requirements are constant, regardless of program occupancy rate, they are a fixed cost. This makes the program more costly at lower occupancies and reimbursement levels, creating additional disincentives for providers to offer more effective, but support-intensive, programs like Low Demand, as they can create increased financial strain.

The past year's increases in service and operating costs for providers, and specifically for the NECHV, reflect overall economic trends and are driven by higher prices for energy (utilities),

supplies, staffing, and personnel. Over the past 12 months, while GPD reimbursement rates did increase slightly, average consumer prices rose by approximately 3.5%, negating much of the effect of that increase.¹ In addition, staffing and personnel costs, in particular for experienced and credentialed human services providers, have also risen due to the increased demand for human services and mental health professionals triggered by the Pandemic. These skill sets are vital for community providers like the NECHV that support the high-risk population of vulnerable Veterans experiencing or at-risk of homelessness. Driven in part by the Public Health Emergency, during the period from October 2020 to September 2022, the average weekly wage for Social Assistance Workers (NAICS Code 624) in the Commonwealth of Massachusetts increased by 18%. Since the height of the Pandemic, the rate of increase has slowed slightly, but from 2022 to 2023, the average weekly wage for the same workers still rose by 13.2%.²

The effects of the financial pressures become starkly apparent when reviewing actual provider costs versus allowable GPD reimbursement rates. In 2023, the NECHV estimated that operating the Center’s full array of GPD Program models at their then 60 bed capacity would result in a net operating shortfall of as much as \$1.3 Million per year. As the tables below show, those shortfalls have only grown larger.

Projecting forward into the next 12 months, if the Center’s GPD programs operate at full capacity, the potential gap between actual costs and allowable reimbursements is expected to increase from \$1.3 Million to almost \$1.9 Million. Notably, due to the costs of increased staffing and support requirements, the 20-bed Low Demand program, which is limited to the same GPD reimbursement rate, will incur a shortfall equal to the Clinical Treatment Program, despite being half the size.

	20 Bed Low Demand Program	45 Bed Clinical Treatment Program	Combined
Total Costs	\$1,306,080	\$1,932,253	3,238,333
Daily Cost per Bed	\$178.92	\$117.64	\$147.87
Allowable Per Diem Rate	\$68.64	\$68.64	\$68.64
Daily Shortfall (Per bed)	\$110.28	\$49.00	\$79.23

2024 Projected Actual Costs versus Per Diem Rate for NECHV Low Demand and Clinical Treatment Programs

	20 Bed Low Demand Program	45 Bed Clinical Treatment Program	Combined
Daily Funding Shortfall	\$2,205	\$2,205	\$5149
Annual Shortfall	\$805,044	804,825	\$1,879,731

2024 Projected Annual Impact of Current Per Diem Rates versus Actual Costs for NECHV Low Demand and Clinical Treatment Programs

¹ Bureau of Labor Statistics, <https://bls.gov/charts/consumer-price-index>

² Bureau of Labor Statistics, [Private, NAICS 624 Social assistance, Massachusetts Quarterly data 2022 - 2023 , All establishment sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics \(bls.gov\)](#)

The effects of this shortfall extend beyond the NECHV's GPD programs. While transitional housing is a core and essential mission for the Center, in recent years our operations have expanded to encompass greater focus on serving and supporting Veterans in their communities. By reaching out to serve Veterans where they are, the Center is able to take a more upstream approach and provide early intervention with at-risk Veterans before homelessness occurs. This has proven to be very effective, but it requires skilled and dedicated staff, as well as the logistic infrastructure necessary to support such outreach. Over the last 12 months, the Center's Clinical Treatment and Low Demand programs both operated at loss, which required reallocation of other funds to make up for the shortfall. Any funding diverted in that way cannot be used to support community-based operations. Since NECHV staff routinely provide outreach and case management support well beyond the greater Boston area, this impacts our ability to serve Veterans throughout Eastern Massachusetts.

The Senator Elizabeth Dole 21st Century Veterans Healthcare and Benefits Improvement Act (HR 8371), which was recently introduced in the House of Representatives, contains provisions that will provide much needed financial stress relief to community-based GPD providers. Section 401 of the bill mirrors the HOME Act, which was passed by the House in December 2023. This will authorize the VA to increase the maximum reimbursement rate to up 200% of state domiciliary rates for qualifying grantees.

The remedies proposed in the Senator Elizabeth Dole Act are critical to enabling providers like the NECHV to continue offering their essential services to Veterans in need. Throughout the past year, the reduced VA GPD reimbursement rates have had a substantial impact on the Center's finances and continue to put pressure on the ability to continue providing the same depth and scope of services to Veterans in need. We strongly urge support for this important legislation.