

MVH FREQUENTLY ASKED QUESTIONS – 3/15/22 UPDATE

WHO WE ARE

MVH IS RECOGNIZED AS THE “GOLD STANDARD” LONG TERM CARE IN MAINE

Since 1983, Maine Veterans’ Homes has provided high quality long term care to Maine’s Veterans and eligible family members, considering it a privilege and responsibility that we hold dearly. Our first Home opened in Augusta in 1983 and since then, we have established locations in [Caribou](#), [Scarborough](#), [South Paris](#), [Bangor](#) and [Machias](#). We are known throughout the state and the nation as an award-winning example of how the long term care is best delivered.

OUR CORPORATE STRUCTURE

Maine Veterans’ Homes was created by the Maine Legislature in 1977 to operate as a body corporate – meaning we are authorized and expected to operate as a self-sustaining organization and have a fiduciary responsibility to run our organization lawfully and well on behalf of the Veterans we serve as residents in our Homes. MVH is a registered 501(c)(3) nonprofit organization.

We are not a funded state agency or part of the U.S. Department of Veterans Affairs (VA). Our structure and the way we operate within the state of Maine is frequently misunderstood.

OUR BOARD

Maine Veterans’ Homes Board of Trustees is appointed by the Governor of Maine. Every member of the MVH Board of Trustees is a Veteran, and many have served and sacrificed with special distinction, in some cases serving for multiple deployments. They offer a broad spectrum of expertise in business, education, workforce development, nursing, social work, and finance, including four representatives from Veteran Service Organizations.

THE DECISION

TIMING OF THE DECISION

This was a multi-year, deliberative decision by the MVH Board of Trustees. This decision was difficult but necessary to sustain the mission's future of serving Maine's Veterans.

The reasons to close Machias and Caribou were:

1. Prolonged and escalating operating deficits at these facilities
2. Significant declines in the statewide veteran population but especially in Aroostook and Washington counties
3. Urgent staffing crisis with no end in sight

The losses incurred over the past several years as well as the projected challenges of declining Veteran population and staffing threaten the financial viability of the entire MVH system.

THE "SPEED" OF THE DECISION

The reasons described have been concerns for years. MVH worked diligently to overcome the challenges year after year, but the challenges caused by the pandemic were the tipping point where immediate response was required to protect the stability of the entire MVH system. The pandemic caused operational costs and staffing challenges that compounded already existing financial burdens driven by reimbursement and eligibility determinations unique to Veterans.

THE DECISION EXPLAINED IN GREATER DETAIL

OPERATING DEFECITS EXPLAINED

MVH Machias and MVH Caribou have always relied heavily on the financial support of the other Homes. In the past several years, the combined operating deficits of MVH Machias and MVH Caribou have grown to about \$2 million annually, and this year they are on track to lose \$3 million.

THE URGENT STAFFING CRISES EXPLAINED

This is a real problem that has existed for years, was exacerbated by the pandemic and will continue to be a challenge as fewer people choose to be employed in the healthcare sector. The Maine Delegation has also echoed our concern for the ongoing shortage of health care

workers within the health care industry. This is a long-term problem that has been developing for many years, and the long-term health care sector is the most seriously affected.

MVH cannot hire enough qualified health care workers and support personnel who wish to live and work in the Northern areas of Maine to support our Machias and Caribou homes and staff either facility as needed. Our efforts to offer increased wages and provide additional hiring incentives have not improved the situation. These prolonged challenges are making it nearly impossible to staff operations and a real risk of closing a Home unexpectedly because it cannot be staffed is a reality.

DECLINING VETERAN POPULATION EXPLAINED

The veteran population will decline by as much as two-thirds in Aroostook and Washington counties, according to VA projections. The statewide decline will be about 40 percent over the same period. These losses are due to an overall demographic decline in the number of people who choose to serve in the armed forces, which began to decrease in the early 1990's. There will be less Veterans because there were fewer people chose to serve than did in the 1940's and 1950's. And even fewer of them live in upstate Maine.

NOT A NEW PROBLEM – LEGISLATIVE ACTIONS TO DATE

MVH has made several efforts over the years to work collaboratively with the State to explore options and find more adequate funding solutions with no real or lasting success. Legislative Bills voted and approved, but partially or completely unfunded once in Appropriations include LD 606 and LD 614. Both Bills represent our efforts to appeal for the crucial support needed to remain viable for Maine's veterans.

MVH is willing to continue efforts toward a permanent solution to provide for all Maine Veterans moving forward. These efforts will be critical to the future of the other MVH Homes. However, MVH Board of Trustees concluded that closure of the Machias and Caribou facilities is inevitable, and further delay would not improve the circumstances and be too costly.

THE PROPOSED LEGISLATIVE BILL: LD 2001, INTRODUCED BY TROY JACKSON

LD 2001 would mandate that there be State Veterans' Homes in all existing locations and that the Legislature approve the establishment or closure of Homes retroactive to 1/1/21. However, this bill does not address the realities, significantly declining veteran population, and the urgent workforce crisis at Caribou and Machias. In effect, it would mandate that MVH keep these facilities open at extreme financial loss and thereby negatively impact our ability to provide quality care across the system now and in the future.

MYTHS CORRECTED

Myth #1: MVH Has \$25 Million Dollars in Gross Profit

A letter dated 2/23/22 to Governor Mills from the Maine Delegation, including Senators Collins and King, and Representatives Golden and Pingree, was incomplete and misleading. The letter cited a \$25M surplus, but that includes \$24.6M in restricted VA construction grant revenue to reimburse \$39.9M in restricted capital costs for construction of the new Augusta facility, which is not included in the 990-reported expenses. Actual operating deficit was \$8.9M for the year, as noted in the independent annual audit.

Myth #2: MVH has an \$80 Million Dollar Trust Fund

There is no \$80M trust fund. We do have an investment account for the purpose of funding life-safety upgrades and construction projects. The value was approximately \$33M in January. Keep in mind that MVH has always provided the State match (35%) for VA construction grants. Virtually every other State provides the State match when a facilities are constructed. The exception is Tennessee, where their state veterans' homes are structured similarly to MVH (as an independent entity) and have a restricted capital reserve fund for major projects. We typically spend \$3-5M a year on routine capital, which would include replacing fire panels, call bell systems, resident room renovation, HVAC upgrade, boiler replacement, etc. MVH has paid all capital costs without State assistance, again unlike almost all other states. The result is that we have saved the State approximately \$70M by providing the State match since 2000. The reserves also generate about \$1M in earnings annually to help replenish itself. Finally, the major advantage of having these funds is that we can secure the State match up front, which is required to compete for VA grant funding.

Myth #3: MVH is Closing Machias and Caribou Because of the New MVH Augusta Home

There is no truth to the rumor that we are closing these facilities because of delays and cost over-runs of the new Augusta home. First, the funding is separate – the capital funding for the Augusta home was a secured well in advance through a combination of VA grant, planned capital reserves, and borrowing. Second, we negotiated a Guaranteed Maximum Price or GMP contract. The decision to close Machias and Caribou was based on escalating operational losses, the relatively small and declining veteran populations in their catchment areas, and the growing scarcity of workforce.

Myth #4: COVID-19 Relief Funding Covered Pandemic Costs

Since the start of the pandemic, we have received approximately \$25M in relief funding from all sources to help offset \$26M in lost revenues and \$8M in additional costs for COVID-related testing, PPE, supplies, agency staffing, and hazard pay, for total financial impact of -\$9M.