COMMONWEALTH of VIRGINIA

Department of Veterans Services

Charles A. Zingler
Commissioner

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February 18, 2025

The Honorable Glenn Youngkin
Governor, Commonwealth of Virginia
Richmond, Virginia 23219

The Honorable Craig Crenshaw
Secretary of Veterans and Defense Affairs
Richmond, Virginia 23219

The Honorable Luke Torian
Chair, House Appropriations Committee
Richmond, Virginia 23219

The Honorable L. Louise Lucas
Chair, Senate Finance and Appropriations Committee
Richmond, Virginia 23219

Delivered via electronic mail

Re: New veterans care centers business plan FY25-28

Dear Governor Youngkin, Secretary Crenshaw, Delegate Torian, and Senator Lucas:

The attached business plan, submitted in accordance the Appropriation Act - Item 455 C. (Special Session I, 2024), demonstrates how the new veterans care centers in Virginia Beach and Fauquier County will operate using solely nongeneral funds after start-up general fund moneys are exhausted.

Please let me know if we may provide additional information.

Sincerely

Charles A. Zingler

New Veterans Care Centers – Business Plans FY25-FY28

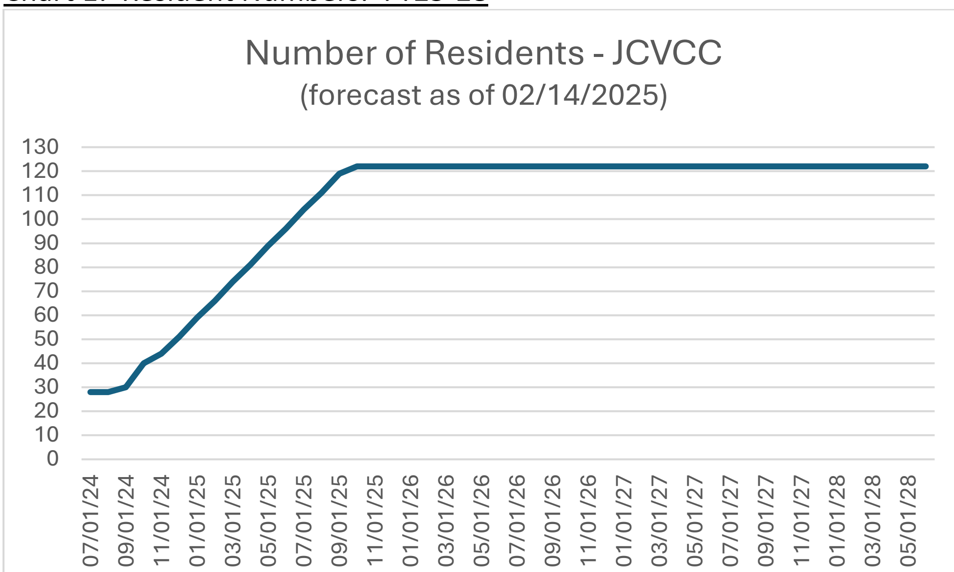
Jones & Cabacoy Veterans Care Center (JCVCC) – Virginia Beach

Capacity (number of residents), growth rate, and occupancy target

JCVCC has a maximum capacity of 128 residents (100% occupancy). Target occupancy is 95%.

JCVCC has 64 residents as of February 14, 2025. JCVCC is forecast to have 96 residents on July 1, 2025 and is forecast to reach an average occupancy of 122 residents (95% occupancy) by November 1, 2025. JCVCC is forecast to maintain an average occupancy level of 95% occupancy from this point forward. Chart 1 shows resident growth from FY25 to FY28.

Chart 1: Resident Numbers: FY25-28



Revenue sources

JCVCC non-general fund revenues will come a mix of sources. JCVCC NGF revenues are received on a reimbursement basis. It can take up to two months after care is delivered for reimbursement to be received. After JCVCC reaches 95% occupancy (November 2025), it is estimated that all revenue streams will be fully established in January 2026. The FY25 (actual) and FY26-28 (forecast) rates upon which the revenue forecasts are built are show in Table 1.

Table 1. JCVCC rates by payor type: FY25-28

	Daily Reimbursement Rates			
Payor Type	FY2025:	FY2026:	FY2027:	FY2028:
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$537	$559	$581	$604
Medicaid	$385	$393	$401	$409
Hospice Medicaid	$385	$393	$401	$409

Private Pay	$181	$185	$190	$196
Hospice Private	$181	$185	$190	$196
Medicare	$381	$389	$396	$404
Managed Care with Levels (Medicare replacement)	$381	$389	$396	$404
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$144	$150	$156	$162

In addition, JCVCC will receive revenue through the state nursing home facility supplemental payment (SNHFSP) program administered by the Department of Medical Assistance Services (DMAS). This is a relatively new program, and there is limited history to forecast how much JCVCC will receive each quarter. For planning purposes, the revenue models outlined below assume SNHFSP will average 30% of Medicaid rates.

The VA per diem is paid for veterans not rated 70-100% service connected disabled.

Payor Mix

The exact amount of revenue received will vary depending on the "payor" mix – i.e. how many veterans there are in each payor category. Three payor mixes are presented in Table 2.

Table 2. JCVCC payor mix scenarios: FY25-28

	Model A	**Model B**	**Model C**
Payor Type	More Medicaid, Fewer USDVA SCD	Resident Mix at Roanoke and Richmond Centers	More USDVA SCD, Fewer Medicaid, Less Private Pay
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	20.00%	42.84%	60.00%
Medicaid	52.65%	31.16%	30.00%
Hospice Medicaid	1.35%	1.35%	0.00%
Private Pay	20.00%	19.57%	5.00%
Hospice Private	1.00%	0.34%	0.00%
Medicare	5.00%	4.49%	5.00%
Managed Care with Levels (Medicare replacement)	0.00%	0.24%	0.00%
Total	100.00%	100.00%	100.00%

To each of the above categories must be added the VA per diem rate and the SNHFSP.

JCVCC Expenditure Estimates: FY25-28

Nursing homes are very "staff intensive," meaning that he majority of JCVCC expenditure are staff-related. During the "ramp up" period (from pre-opening to 95% occupancy) staff hiring will "lead" resident admissions, because the staff must be in place to care for the residents before/as they are admitted. Staffing costs, compared to revenues, are therefore disproportionately higher in FY25 than in subsequent years. Table 3 presents an estimate of expenditures.

Table 3. JCVCC expenditure estimates FY25-28

	FY2025:	FY2026:	FY2027:	FY2028:
Salaries and Benefits	$12,090,049	$17,649,896	$18,179,393	$18,906,568
Non Personnel Related Expenses	$2,552,675	$5,286,561	$5,445,158	$5,608,512
Total Expenses	$14,642,724	$22,936,457	$23,624,550	$24,515,081

JCVCC Revenue Estimates: FY25-28

The revenue estimates below are based on the three revenue mix scenarios. JCVCC will operate at a loss in FY25, with General Fund support needed to sustain the "ramp up" operations. In each of the three scenarios presented, JCVVC will be in the black in FY26 and beyond. Table 4 provides a summary of the different revenue estimates, with the "loss" reflecting the estimated amount of General Fund support that will be needed in FY25.

Tables 5-7 provide detail of each Revenue Model.

Table 4 – summary of revenues FY25-28

	FY2025:	FY2026:	FY2027:	FY2028:
Revenue Model A	$8,899,078	$23,777,110	$25,822,860	$25,822,860
Profit (Loss)	($5,743,646)	$840,654	$2,198,310	$1,307,780
Revenue Model B	$8,899,078	$23,174,300	$25,255,095	$26,076,225
Profit (Loss)	($5,743,646)	$237,844	$1,630,545	$1,561,144
Revenue Model C	$8,899,078	$24,634,925	$26,878,452	$27,784,913
Profit (Loss)	($5,743,646)	$1,698,468	$3,253,902	$3,269,832

Table 5 - Detail - Revenue Model A (more Medicaid, fewer VA Primary)

Payor Type	FY2025:	FY2026:	FY2027:	FY2028:
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$1,738,878	$4,699,655	$5,159,176	$5,365,543
Medicaid	$3,279,751	$8,693,699	$9,360,216	$9,547,421

Hospice Medicaid	$84,096	$222,915	$240,006	$244,806
Private Pay	$585,397	$1,551,723	$1,687,067	$1,737,679
Hospice Private	$29,270	$77,586	$84,353	$86,884
Medicare	$308,231	$817,035	$879,674	$897,267
Managed Care with Levels (Medicare replacement)	$0	$0	$0	$0
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$1,008,210	$5,041,185	$5,534,101	$5,755,465
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$1,865,245	$2,673,313	$2,878,267	$2,935,832
Total	$8,899,078	$23,777,110	$25,822,860	$26,570,897

<u>Table 6 - Detail - Revenue Model B (Roanoke/Richmond current payor mix)</u>

Payor Type	**FY2025:**	**FY2026:**	**FY2027:**	**FY2028:**
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$1,738,878	$10,066,588	$15,477,529	$16,096,630
Medicaid	$3,279,751	$5,156,969	$5,345,232	$5,452,136
Hospice Medicaid	$84,096	$224,015	$0	$0
Private Pay	$585,397	$1,440,039	$400,011	$412,011
Hospice Private	$29,270	$25,005	$0	$0
Medicare	$308,231	$1,038,307	$1,244,971	$1,269,871
Managed Care with Levels (Medicare replacement)	$0	$35,769	$0	$0
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$1,008,210	$3,601,839	$2,767,051	$2,877,733
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$1,865,245	$1,585,768	$1,643,659	$1,676,532
Total	$8,899,078	$23,174,300	$26,878,452	$27,784,913

Table 7 - Detail - Revenue Model A (more VA Primary, fewer Medicaid)

Payor Type	FY2025:	FY2026:	FY2027:	FY2028:
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$1,738,878	$14,098,863	$15,477,529	$16,096,630
Medicaid	$3,279,751	$4,964,612	$5,345,232	$5,452,136
Hospice Medicaid	$84,096	$0	$0	$0
Private Pay	$585,397	$367,920	$400,011	$412,011
Hospice Private	$29,270	$0	$0	$0
Medicare	$308,231	$1,156,320	$1,244,971	$1,269,871
Managed Care with Levels (Medicare replacement)	$0	$0	$0	$0
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$1,008,210	$2,520,593	$2,767,051	$2,877,733
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$1,865,245	$1,526,618	$1,643,659	$1,676,532
Total	$8,899,078	$24,634,925	$26,878,452	$27,784,913

Summary – JCVCC

A mix of payor mixes were examined. DVS believes that Model B, based on the payor mix at the Roanoke and Richmond care centers, is the most likely. In each model, the Jones & Cabacoy Veterans Care Center will break even and be “in the black” in FY26 and beyond based on a 95% or better occupancy rate. State General Fund support will be needed in FY25 to support startup operations.

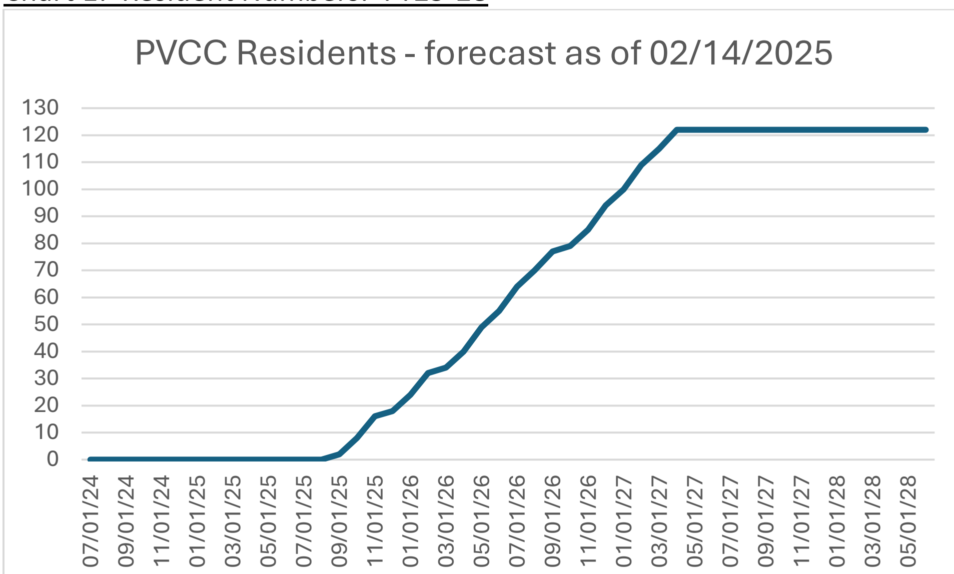
Puller Veterans Care Center (PVCC) – Fauquier County

Capacity (number of residents), growth rate, and occupancy target

PVCC is still under construction. When completed, it will have a maximum capacity of 128 residents (100% occupancy). Target occupancy is 95%.128 beds.

The forecast below is based on the first PVCC resident being admitted in September 2025. PVCC is forecast to have 55 residents on July 1, 2026 and reach a target occupancy of 122 residents (95% occupancy) by April 1, 2027. PVCC is forecast to maintain an average occupancy level of 95% occupancy from this point forward. Chart 1 shows resident growth from FY25 to FY28.

Chart 1: Resident Numbers: FY25-28



Revenue sources

PVCC non-general fund revenues will come a mix of sources. PVCC NGF revenues will be received on a reimbursement basis. It can take up to two months after care is delivered for reimbursement to be received. After PVCC reaches 95% occupancy (April 2027), it is estimated that all revenue streams will be fully established in June 2027. The FY26-28 forecasted rates upon which the revenue forecasts are built are show in Table 1.

Table 1. PVCC rates by payor type: FY25-28

	Reimbursement Rates			
Payor Type	**FY2025:**	**FY2026:**	**FY2027:**	**FY2028:**
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	N/A	$619	$644	$670
Medicaid	N/A	$415	$423	$432
Hospice Medicaid	N/A	$415	$423	$432
Private Pay	N/A	$350	$361	$371
Hospice Private	N/A	$350	$361	$371

Medicare	N/A	$400	$408	$416
Managed Care with Levels (Medicare replacement)	N/A	$400	$408	$416
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	N/A	$150	$156	$162

In addition, PVCC will receive revenue through the state nursing home facility supplemental payment (SNHFSP) program administered by the Department of Medical Assistance Services (DMAS). This is a relatively new program, and there is limited history to forecast how much PVCC will receive each quarter. For planning purposes, the revenue models outlined below assume SNHFSP will average 30% of Medicaid rates.

The VA per diem is paid for veterans not rated 70-100% service connected disabled.

Payor Mix

The exact amount of revenue received will vary depending on the "payor" mix – i.e. how many veterans there are in each payor category. Three payor mixes are presented in Table 2.

Table 2. PVCC payor mix scenarios: FY26-28

	Model A	**Model B**	**Model C**
Payor Type	More Medicaid, Fewer USDVA SCD	Resident Mix at Roanoke and Richmond Centers	More USDVA SCD, Fewer Medicaid, Less Private Pay
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	20.00%	42.84%	60.00%
Medicaid	52.65%	31.16%	30.00%
Hospice Medicaid	1.35%	1.35%	0.00%
Private Pay	20.00%	19.57%	5.00%
Hospice Private	1.00%	0.34%	0.00%
Medicare	5.00%	4.49%	5.00%
Managed Care with Levels (Medicare replacement)	0.00%	0.24%	0.00%
Total	100.00%	100.00%	100.00%

To each of the above categories must be added the VA per diem rate and the SNHFSP.

PVCC Expenditure Estimates: FY25-28

Nursing homes are very "staff intensive," meaning that he majority of PVCC expenditure are staff-related. During the "ramp up" period (from pre-opening to 95% occupancy) staff hiring will "lead" resident admissions, because the staff must be in place to care for the residents before/as they are admitted. Staffing costs, compared to revenues, are therefore disproportionately higher in FY26 and FY27 during the ramp up than in subsequent years. Table 3 presents an estimate of expenditures.

Table 3. PVCC expenditure estimates FY25-28

	FY2025:	FY2026:	FY2027:	FY2028:
Salaries and Benefits	$2,609,874	$9,522,153	$21,750,360	$22,620,374
Non Personnel Related Expenses	$1,201,409	$3,171,936	$5,608,512	$5,776,768
Total Expenses	$3,811,284	$12,694,089	$27,358,872	$28,397,142

PVCC Revenue Estimates: FY25-28

The revenue estimates below are based on the three revenue mix scenarios. PVCC will operate at a loss FY25-FY27, with General Fund support needed to sustain the "ramp up" operations. In each of the three scenarios presented, PVVC will be in the black in FY28 and beyond. Table 4 provides a summary of the different revenue estimates, with the "loss" reflecting the estimated amount of General Fund support that will be needed in FY25-FY27.

Tables 5-7 provide detail of each Revenue Model.

Table 4 – summary of revenues FY25-28

	FY2025:	FY2026:	FY2027:	FY2028:
Revenue Model A	$0	$5,285,259	$22,658,882	$29,533,849
Profit (Loss)	($3,811,284)	($7,408,831)	($4,699,990)	$1,136,707
Revenue Model B	$0	$5,164,872	$22,220,992	$29,065,269
Profit (Loss)	($3,811,284)	($7,529,217)	($5,137,880)	$668,127
Revenue Model C	$0	$5,311,750	$22,883,357	$29,971,511
Profit (Loss)	($3,811,284)	($7,382,339)	($4,475,515)	$1,574,369

Table 5 - Detail - Revenue Model A (more Medicaid, fewer VA Primary)

Payor Type	FY2025:	FY2026:	FY2027:	FY2028:
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$0	$1,041,108	$4,511,470	$5,943,110
Medicaid	$0	$1,837,477	$7,809,275	$10,089,584
Hospice Medicaid	$0	$47,115	$200,238	$258,707
Private Pay	$0	$588,672	$2,526,384	$3,296,089
Hospice Private	$0	$29,434	$126,319	$164,804
Medicare	$0	$168,192	$714,816	$923,542

Managed Care with Levels (Medicare replacement)	$0	$0	$0	$0
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$0	$1,008,237	$4,369,027	$5,755,465
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$0	$565,024	$2,401,352	$3,102,547
Total	$0	$5,285,259	$22,658,882	$29,533,849

Table 6 - Detail - Revenue Model B (Roanoke/Richmond current payor mix)

Revenue Projection Model B (Roanoke/Richmond model)	**FY2025:**	**FY2026:**	**FY2027:**	**FY2028:**
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$0	$2,230,054	$9,663,569	$12,730,141
Medicaid	$0	$1,087,562	$4,622,138	$5,971,802
Hospice Medicaid	$0	$47,243	$200,781	$259,409
Private Pay	$0	$576,016	$2,472,067	$3,225,223
Hospice Private	$0	$10,002	$42,926	$56,004
Medicare	$0	$151,026	$641,862	$829,286
Managed Care with Levels (Medicare replacement)	$0	$8,176	$34,747	$44,894
VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$0	$720,368	$3,121,594	$4,112,180
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$0	$334,425	$1,421,307	$1,836,329
Total	$0	$5,164,872	$22,220,992	$29,065,269

Table 7 - Detail - Revenue Model A (more VA Primary, fewer Medicaid)

Payor Type	**FY2025:**	**FY2026:**	**FY2027:**	**FY2028:**
USDVA Primary (veterans with a service-connected disability rating of 70-100%)	$0	$3,123,325	$13,534,410	$17,829,330
Medicaid	$0	$1,046,995	$4,449,730	$5,749,051
Hospice Medicaid	$0	$0	$0	$0
Private Pay	$0	$147,168	$631,596	$824,022
Hospice Private	$0	$0	$0	$0
Medicare	$0	$168,192	$714,816	$923,542
Managed Care with Levels (Medicare replacement)	$0	$0	$0	$0

VA per diem for veterans with no SCD or disability rating of 0-60% SCD	$0	$504,119	$2,184,514	$2,877,733
SGONFSP: 30.75% of Medicaid based on average of DMVCC and SBVCC rates	$0	$321,951	$1,368,292	$1,767,833
Total	$0	$5,311,750	$22,883,357	$29,971,511

Summary – PVCC

A mix of payor mixes were examined. DVS believes that Model B, based on the payor mix at the Roanoke and Richmond care centers, is the most likely. In each model, the Puller Veterans Care Center will break even and be “in the black” in FY28 and beyond based on a 95% or better occupancy rate. State General Fund support will be needed in FY25-FY27 to support startup operations.