

## **DMH PSYCHIATRIC ACUTE CARE TRANSFORMATION IN NORTHWEST MISSOURI (NWPACT)**

Provided herein is information regarding the proposed Northwest Missouri Psychiatric Acute Care Transformation (NWPACT) initiative under consideration by the Missouri Department of Mental Health (DMH). DMH is considering the initiative as a possible vehicle to improve the quality of inpatient services and expand community-based mental health services in Northwest Missouri. The community-based services expansion would come through redirecting funds in the DMH core budget saved by transitioning state-operated inpatient acute care services to local community hospital control. The document also proposes a process for determining how redirected funds would be utilized in the Northwest Region.

### **Why DMH Would Consider NWPACT**

#### **Inability to recruit and retain key clinical staff threatens Federal Certification**

DMH is having difficulty recruiting, filling and retaining key clinical positions in psychiatry, psychology, and nursing under state personnel protocols. Vacancy rates for nursing in NW Missouri are at 24%. Psychiatry vacancies at Western Missouri Mental Health Center (WMMHC) have recently forced temporary closure of beds. It has taken over two years to fill psychiatry vacancies at Northwest Missouri Psychiatric Rehabilitation Center (NMPRC) in St. Joseph. State salaries for entry-level Psychiatry have only recently been increased to \$162,312 after repeated requests for authority and funding to do so under state hiring regulations. In comparison, the Veterans Administration now hires psychiatrists at a \$250,000 annual salary. State salaries for entry-level nursing positions have recently been increased to \$45,060, but private sector rates are averaging \$60,000. This disparity has caused a 25% state facility nursing vacancy rate in DMH statewide.

DMH's inability to recruit and retain quality clinical staff decreases the quality of services and increases the risk of patient abuse and neglect. In addition, state hospitals must be certified by the federal government to collect Medicaid and Medicare or to receive Disproportionate Share Hospital (DSH) reimbursements for indigent care. If one unit in the hospital is understaffed in key clinical positions, DMH risks losing certification for the entire hospital. This has forced DMH to close beds at WMMHC and at Metropolitan St. Louis Psychiatric Center in recent years.

#### **Higher Federal Reimbursement Rates for Inpatient Services**

The Missouri Department of Mental Health (DMH) currently operates 295 acute care psychiatric inpatient beds in four sites:

- Mid Missouri Mental Health Center in Columbia (60 beds-adult and 10 beds-child)
- Southeast Missouri Mental Health Center in Farmington (60 beds-adult)
- Western Missouri Mental Health Center in Kansas City (75 beds-adult, 10 beds-child), and
- Metropolitan Psychiatric Center in St. Louis Missouri (85 beds).

Many states have discontinued directly operating large acute psychiatric inpatient centers because of Federal funding disincentives and have either transitioned their acute psychiatric inpatient beds to local community hospitals, or have created free-standing psychiatric acute crisis units (CRUs), each sixteen beds or less to avoid the federal “Institution for Mental Disease” (IMD) designation.

**IMD Designation:** Federal Medicaid regulations classify a facility as IMD and prohibit payment for inpatient psychiatric services for Medicaid-eligible individuals from the ages of 22-64 if the inpatient facility has more than 16 beds, or if more than 50% of the facility’s total beds are used for psychiatric treatment. The IMD exclusion was passed by Congress in the 1960s as the Medicaid program was established. At that time, states housed thousands of individuals in large state psychiatric hospitals and there was fear that states would shift the massive financial obligation of these facilities onto the federal government. States were still allowed to bill the federal Medicaid program for psychiatric inpatient care for any eligible child age 21 and under, and for eligible elderly individuals age 65 and older.

The federal-state funding relationship for psychiatric inpatient care did not change until the early 1990s, when, in a surprise move led by Senator Ted Kennedy, Congress added language to an Omnibus Budget Reconciliation Bill allowing Disproportionate Share (DSH) payments to state psychiatric facilities. DSH represents special payments paid jointly by federal/state funding to hospitals that serve a high percentage of indigent individuals. Since a majority of individuals in Missouri’s state-operated inpatient psychiatric facilities are low-income, DSH reimbursements have now become a significant funding source for the state, totaling about \$134 million annually. Overall Missouri DSH reimbursements are capped at \$750 million annually. DSH reimbursement to private and public hospitals is based on the amount of indigent charity care provided during an annual period 3 years previously. Public DSH is allocated directly by CMS to the state, only after the state has appropriated and delivered the services.

For the above reasons, many states have already transformed their state psychiatric inpatient services to achieve the following advantages:

- Federal reimbursement for psychiatric acute inpatient services for Medicaid-eligible individuals ages 22-64 and higher DSH reimbursement rates for indigent individuals in Community Hospitals;
- Better resourced acute inpatient psychiatric programs, resulting in better paid clinicians and nursing care staff, lower turnover and higher retention rates;
- More locally operated psychiatric acute inpatient beds statewide, with less travel distances for individuals accessing them;
- Greater community ownership of and responsibility for acute psychiatric inpatient services;
- Redirection of state resources to expanded community mental health treatment, service coordination and crisis services funded through savings generated by inpatient bed transition from state-operation and appropriations to community hospital operation and financing; and
- Halting the erosion of acute psychiatric inpatient beds.

The erosion of state and community acute psychiatric inpatient beds in Missouri is particularly alarming. Missouri had 3,753 private and public acute psychiatric inpatient beds in 1997. That number dropped to 3,122 beds by 2007: a 17% overall reduction. During this 10-year period, 543 private psychiatric beds were closed (24% reduction) and 101 state-operated beds were taken off line (8% reduction). VA beds in Missouri and acute beds at Ft. Leonard Wood remained basically constant during this period.

WMMHC’s current reimbursement rates as compared to the Truman Medical Center’s (TMC) Acute Behavioral Unit at WMMHC are as follows:

**Table 1: Comparative Reimbursement for WMMHC and TMC Unit at WMMHC**

<b>Reimbursement Source</b>	<b>WMMHC Daily Reimbursement Rate</b>	<b>Typical Community Hospital Daily Reimbursement Rate</b>
Medicaid Basic Rate (patients aged 22-64)	No rate reimbursement allowed	\$1,000
Missouri Medicaid Add On Rate	No rate reimbursement allowed	\$1,000
Missouri GR Appropriation per WMMHC bed-day	\$641	NA
<b>Total Daily Rate reimbursement (excluding third party and DSH)</b>	<b>\$641</b>	<b>\$2,000</b>

**Need for Increased Funding for Community-based Services for Persons with Serious and Persistent Mental Illness (SPMI) and Co-occurring Addictions in NW Missouri**

A significant portion of the crises experienced by individuals with SPMI in NW Missouri is the result of a lack of community crisis stabilization services, intensive case management services (such as Assertive Community Treatment teams), stable housing and employment and other meaningful life opportunities. The mental health system is much like the physical health system. When people without insurance must wait for their health conditions to become medical crises, they are then forced to use ERs or hospital stays as the primary care alternative. In the MH system, a lack of preventive maintenance and early intervention services also guarantee overuse of psychiatric ERs and Inpatient beds.

When people do utilize ER and acute psychiatric inpatient services in NW Missouri, they should be immediately connected to timely, appropriate and ongoing community follow-up services that increase the chances the consumer will remain stable in a community living setting.

A related issue affecting inaccessibility of WMMHC beds involves long-term care patients deemed clinically ready to leave NMPRC who need stable community placement and support options that give assurance to courts, public administrators and other guardians that the consumer will be appropriately supervised to avoid the potential for increasing risk of harm to self and others.

Unless patients, who are ready for community living, can be released by NMPRC, the facility will continue to experience overcrowding. When NMPRC continuously operates full or over census, a bottleneck occurs in NW Missouri, which consequently affects acute inpatient services in Kansas City, since a number of WMMHC patients are “backed up” awaiting longer term placements.

## A Potential Solution

If acute care psychiatric inpatient services can be transferred under a community hospital license, two important outcomes can occur:

- Higher inpatient reimbursement rates could allow adequate salaries for key clinical staff and reduce the risk of CMS decertification; and
- A significant portion of the current DMH WMMHC appropriation could be redirected to critically needed front- and back-end community services to better meet MH needs in NW Missouri.

If such a transition is to occur, DMH must assure that current acute beds are preserved or increased and that persons who are committed involuntarily will have unrestricted access to the beds. DMH can achieve this in two ways through: (1) contract requirements, and (2) financial “add-on” incentives paid to designated hospitals demonstrating that they meet specified community needs. DMH will utilize both strategies as part of any state psychiatric acute hospital transition.

***The NW Region proposal to assume responsibility for acute psychiatric inpatient services does not include the authority to address redirected GR funds that will be utilized for NWPACT community services.*** Those decisions will be made through a separate process, orchestrated by DMH, with NW community stakeholder involvement. The process will require legislative action, so it will be transparent and present adequate time for full NW community reaction. Further, should any attempt be made to “sweep” redirected savings for purposes other than NW mental health services, key NW legislators can stop the process upon request of NW Missouri stakeholders.

The NW Region proposal is the first necessary step in transitioning acute psychiatric services in NW Missouri. Without a community hospital partner, DMH cannot proceed to the next step of redirecting the current WMMHC GR funding in the DMH budget to community services. The following section of this document addresses the amount of GR redirect potentially available for NW Missouri community-based funding.

## Potential WMMHC GR Funds Freed for Redirect through a NWPACT Initiative

WMMHC’s current appropriated operating budget for FY 2009 is \$19,930,551, including direct personnel salaries and program expense and equipment costs. This amount does not include the employee fringe costs of WMMHC staff or capital maintenance costs to the facility, which appear in the appropriations of the state’s Office of Administration along with all other state employees. FY 2009 WMMHC employee fringe costs are \$8,769,998, or about 49.76% of salaries, significantly higher than fringe costs in community hospitals, largely due to state retirement benefits.

WMMHC operates 75 adult beds and 10 children’s psychiatric beds. ***Thirty four of the adult beds (45% of total) are filled with patients with lengths of stays over two months*** due to the lack of safe and stable housing and treatment options in the community.

Table 2, below, summarizes federal and third party reimbursements collected through WMMHC in FY 2008 (FY 2009 not available until the end of the fiscal year):

**Table 2: WMMHC Federal and Third Party Reimbursements**

<b>Reimbursement Source</b>	<b>Reimbursement Amounts</b>
Medicaid (patients under age 22 or age 65 and older)	\$1,275,489
Medicare	\$2,213,555
DSH Payment attributed to WMMHC	\$12,937,854
Third party reimbursements (private insurance, etc.-does not include Medicare or Medicaid)	\$569,710
Private Pay	\$387,954
<b>Total reimbursements-FY 2008</b>	<b>\$17,384,562</b>

If current WMMHC beds are operated under the TMC hospital license, it will remove the IMD limitation and generate the enhanced reimbursements currently available for the inpatient beds operated by TMC at WMMHC, as reflected in Table 1. This would allow higher salaries for key clinical positions, reduce the risks of decertification by CMS, and halt the closing of WMMHC beds cause by clinical staffing vacancies under state operation.

TMC has not asked for ongoing financial support from DMH in operating WMMHC beds. Therefore, a sizeable amount of the DMH appropriations used for WMMHC inpatient services could be redirected depending on the Governor's and Legislature's position on two key questions:

1. Will the state require that a portion of the current WMMHC appropriation be returned to the state GR Fund to offset DSH reimbursements currently generated by WMMHC; and
2. Will the state require a portion of the WMMHC appropriation to be returned to the state GR fund to offset the loss of third party, Medicaid, Medicare and private reimbursements currently generated by WMMHC?

DMH currently provides about \$10 million more in services that are DSH-reimbursement eligible than the Missouri DSH cap allows. Therefore, taking \$10 million of WMMHC DSH-eligible services off line will have no affect on overall public hospital DSH reimbursements. However, current WMMHC DSH collections are reflected at approximately \$13 million. DMH will need to substitute other DSH-eligible services not currently billed to CMS and expand its DSH-eligible services by \$3.0 million over the next three years. A logical place to do this is in the MOSOTC program at Southeast Missouri Mental Health Center. The Legislature provided initial authority to do this through the FY 2009 budget process. Therefore, the loss of DSH at WMMHC will have no affect on DSH reimbursements three years hence.

There will be a net loss to the state in third party and private reimbursement of about \$4.4 million if WMMHC is transitioned from state operation, although, if DMH continues to be forced to take units off line at WMMHC and other locations due to staffing shortages, third party reimbursement levels will continue to shrink in any event. However, DMH is proposing that it “repay” the GR Fund for the loss of third party and private reimbursements.

If the new Governor’s Budget Office and the legislature agree with the above, the following table shows the net appropriation left to redirect for community-based mental health services in NW Missouri.

**Table 3: Potential Redirected Ongoing DMH GR Appropriations Available for Community Mental Health Services for the NW Region**

Western Missouri Operating Budget (includes fringe in OA budget)	\$28,700,000	Remaining Community Redirect
Subtract third party, Medicare and Medicaid reimbursement for persons under age 22 and over age 65 and private pay (excludes group home reimbursements, which will remain with the state).	\$4,446,700	\$24,253,300
Subtract incentive payment for assuring unrestricted access to adult civil involuntary commitments per 2007 WMMHC Medicaid bed days.	\$370,500	\$23,882,800
Subtract cost of Perry Apartments and Group Homes, NW regional administration, UMKC psychiatry residency program and forensic services	\$8,803,250	\$15,079,550
<b>Net amount available for NWPACT Redirection</b>		<b>\$15,079,550</b>

If state officials or the Legislature does not accept the DMH proposals, the Northwest Region community can reconsider the merits of PACT based on the new information and act through its local and regional legislators to stop the process. The Department of Mental Health will support this community action.

### **Determining How Redirected Funds will be used in the Northwest Region**

A carefully designed process will need to be developed involving a wide variety of NW Region stakeholders and elected officials to react to DMH’s plan (yet to be developed) for NW community mental health services redirection. The process will be directed by Dr. Joe Parks, CPS Director and Mark Stringer, ADA Director and will occur over at least two fiscal years.

Dr. Parks and Mr. Stringer will establish a **NW Region Steering Group** comprised of influential stakeholders, providers and advocates to advise DMH and help guide the process. Redirected funds will come available on a schedule consistent with the transition of state personnel positions to TMC

employment, over a 24-month period. This timeframe will allow the state to develop individualized transition plans for employees with long tenure with the state. The necessity to present and obtain legislative approval for the specific redirection plan developed through stakeholder input will assure transparency of the changes and allow time for debate and acceptance of the resulting changes.

## **WMMHC Facility Leasing Complications**

***A significant potential complication to the NWPACT initiative involves the new WMMHC physical plant, recently constructed through revenue bonds.*** The state is exploring the possibilities of leasing the building to TMC for a period of time, with the annual lease costs consistent with the state's financial obligations to retire the bonds related to WMMHC. This is a complex process that will have major implications for the ultimate feasibility of the NWPACT initiative.

## **Transition Timetable**

***Fall 2008:*** Ongoing dialogue with NW Missouri Stakeholders.

***Fall 2008:*** DMH appropriations request for flexibility of WMMHC funding; Resolve lease complications related to the WMMHC facility.

***Winter 2008-Spring 2009:*** Convene ongoing NW Region Steering Group to respond to DMH plan for new community MH services expansion in NW Missouri using redirected funds.

***Spring 2009-*** Receive Appropriations authority from the legislature and develop contract language between DMH and TMC.

***July 1, 2009:*** TMC and DMH contract finalized; WMMHC leased to TMC; Operation assumed by TMC.

***FY 2010-11:*** State inpatient employee vacancies resulting from usual turnover refilled as TMC employees, freeing up state funds from salary and fringe for community service redirection; new services implemented, with focus on patients with lengths of stay over 30 days and/or with histories of frequent admissions.

***July 1, 2010:*** Convert remaining DMH staff to TMC employment--all employees in good standing offered continued employment with TMC with at least the same salary or higher for at least one year; State will consider retaining DMH employees within 2 years of retirement and contracted to TMC.

## **Conclusion**

If TMC is an appropriate community hospital partner, if it is feasible to lease the current WMMHC physical plant to a community hospital, and if DMH's proposals related to WMMHC appropriations retained for redirection are acceptable, then over \$15 million GR will be redirected for community mental health services in the NW Region. Much of this funding can be used to match Medicaid for eligible individuals, further increasing the amount of new funding available in NW Missouri. For example, if 60% of the individuals served through the \$15 million GR are eligible for Medicaid, and if

80% of their services are Medicaid reimbursable at a 60% federal and 40% state match, the \$15 million in GR funding could generate another \$4.3 million in federal reimbursement.

DMH believes the NWPACT initiative is an opportunity to dramatically strengthen mental health inpatient and community-based services in the NW Missouri Region. If it is not so perceived by the next Governor and legislators, DMH will not be able to proceed with the NWPACT initiative. If initiatives like PACT are not pursued successfully, DMH believes it will continue to face erosion of its acute and long term hospital services, not only in NW Missouri, but across the state.